

CHENANGO FORKS CENTRAL SCHOOL DISTRICT

Binghamton, New York

FINANCIAL REPORT

June 30, 2018



CHENANGO FORKS CENTRAL SCHOOL DISTRICT

TABLE OF CONTENTS FOR THE YEAR ENDED JUNE 30, 2018

Independent Auditor's Report	1-3
Required Supplementary Information	
Management's Discussion and Analysis	4-4j
Basic Financial Statements	
District-wide Financial Statements	
Statement of Net Position	5-5a
Statement of Activities	6
Governmental Fund Financial Statements	
Balance Sheet - Governmental Funds	7-7a
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position	8
Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds	9-9a
Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities	10
Statement of Fiduciary Net Position - Fiduciary Funds	11
Statement of Changes in Fiduciary Net Position - Fiduciary Fund	12
Notes to Financial Statements	13-48
Required Supplementary Information	
Schedule of Revenues Compared to Budget (Non-GAAP) - General Fund	49
Schedule of Expenditures Compared to Budget (Non-GAAP) - General Fund	50
Schedules of School District Contributions - NYSLRS and NYSTRS Pension Plans	51-51a
Schedules of Proportionate Share of Net Pension (Asset) Liability	52
Schedule of Changes in the School District's Total OPEB Liability and Related Ratios	53-53a
Notes to Required Supplementary Information	54-57
Supplementary Financial Information	
Schedules of Change from Adopted Budget to Final Budget and the Real Property Tax Limit	58
Schedule of Project Expenditures - Capital Projects Fund	59-59a
Net Investment in Capital Assets	60
Report Required Under Government Auditing Standards	
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 <i>Government Auditing Standards</i>	61-62

CHENANGO FORKS CENTRAL SCHOOL DISTRICT

TABLE OF CONTENTS FOR THE YEAR ENDED JUNE 30, 2018

Reports Required Under the Single Audit Act (Uniform Guidance)	
Independent Auditor's Report on Compliance for Each Major Program and on	
Internal Control over Compliance Required by Uniform Guidance	63-64
Schedule of Expenditures of Federal Awards	65
Notes to Schedule of Expenditures of Federal Awards	66
Schedule of Findings and Questioned Costs	67

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Chenango Forks Central School District (the School District) as of and for the year ended June 30, 2018, 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, 2018, 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, 2018, the School District adopted Government Accounting Standards Board (GASB) Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions." 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, Schedule of Changes in the District's Total OPEB Liability and Related Ratios, Schedules of School District's Contributions - NYSLRS and NYSTRS Pension Plans, Schedules of the School District's Proportionate Share of the Net Pension (Asset) Liability, and related notes on pages 4-4j and 49-57 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 58-60 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 basic 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 12, 2018 on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the 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 School District's internal control 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, slightly slanted style.

Insero & Co. CPAs, LLP
Certified Public Accountants

Ithaca, New York
September 12, 2018

CHENANGO FORKS CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2018

The following is a discussion and analysis of the Chenango Forks Central School District's (the School District) financial performance for the fiscal year ended June 30, 2018. 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 fund-based financial statements. The results of the current year are discussed in comparison with the prior year, with an emphasis placed on the current year. The Management's Discussion and Analysis (MD&A) section is only an introduction and should be read in conjunction with the School District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- During the year ended June 30, 2018, the School District adopted Government Accounting Standards Board (GASB) Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions." As a result, beginning net position was reduced by \$(53,364,309). GASB Statement No. 75 requires the School District to record its total OPEB liability, as well as deferred outflows and deferred inflows related to the OPEB plan. See Note 11 for more detailed information.
- The School District ended the year with a total net (deficit) of \$(53,064,672), a decrease of \$(2,184,579) from the prior year. The year-end net position was composed of \$6,755,459 in restricted, \$21,480,115 in net investment in capital assets, and \$(81,300,246) in unrestricted net (deficit). The unrestricted net (deficit) at June 30, 2018 is primarily attributable to recognition of the net OPEB liability of \$88,643,074.
- Revenues and other financing sources exceeded expenses by \$2,184,579 in 2018, compared to expenses and other financing uses exceeding revenues by \$(1,272,477) in 2017.
- The School District had \$29,492,027 in outstanding debt at year end, a decrease of \$(2,964,423) from the prior year, primarily due to principal payments on outstanding long term debt.
- Capital asset additions during 2018 amounted to \$7,750,668 for the purchase of buses, vehicles, equipment, and construction in progress expenditures. Depreciation expense was \$1,757,843 for the current year and net book value of disposed assets amounted to \$210,623.
- The General Fund budgeted expenditures, including carry-over encumbrances, and other financing uses, were underspent by \$2,440,660 with a General Fund excess of revenues and other financing sources over expenditures and other financing uses of \$1,324,916. General Fund revenues and other financing sources exceeded the budgeted amounts by \$10,428.

CHENANGO FORKS CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2018

- Total General Fund fund balance, including reserves, was \$7,083,098 at June 30, 2018. Unassigned fund balance amounted to \$1,185,886 which was subject to and below the maximum limit (4% of 2018-2019 appropriations) permitted under New York State Real Property Tax Law.

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 with all other Non-Major Funds listed in total in one column.

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 Changes in the School District's total OPEB Liability and Related Ratios related to the School District's unfunded actuarial liability for postemployment benefits and Schedules of School District Contributions and Proportionate Share of 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, deferred outflows of resources, liabilities, and deferred inflows of resources. 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 position and how it has changed. Net Position - the difference between the School District's assets and deferred outflows of resources, and the School District's 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.

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.

CHENANGO FORKS CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2018

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 Fund 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 (deficit) for the fiscal year ended June 30, 2018 decreased by \$2,184,579. Our analysis focuses on the net position (*Figure 1*) and changes in net position (*Figure 2*) of the School District's Governmental Activities.

CHENANGO FORKS CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2018

Figure 1

<i>Condensed Statement of Net Position</i>	<i>Governmental Activities and Total School District</i>		<i>Total Dollar Change</i>
	<i>Restated - 2017</i>	<i>2018</i>	<i>2017 - 2018</i>
<i>Current assets</i>	\$ 13,782,845	\$ 5,934,426	\$ (7,848,419)
<i>Noncurrent assets</i>	4,771,912	6,909,394	2,137,482
<i>Capital assets, net</i>	44,548,748	50,330,950	5,782,202
<i>Total Assets</i>	\$ 63,103,505	\$ 63,174,770	\$ 71,265
<i>Pensions</i>	6,562,245	6,734,233	171,988
<i>Other postemployment benefits</i>	-	650,169	650,169
<i>Deferred charges on defeased debt</i>	529,332	371,208	(158,124)
<i>Total Deferred Outflows of Resources</i>	\$ 7,091,577	\$ 7,755,610	\$ 664,033
<i>Current liabilities</i>	26,495,204	23,093,658	(3,401,546)
<i>Noncurrent liabilities</i>	98,385,414	98,555,108	169,694
<i>Total Liabilities</i>	\$ 124,880,618	\$ 121,648,766	\$ (3,231,852)
<i>Pensions</i>	563,715	2,346,286	1,782,571
<i>Total Deferred Inflows of Resources</i>	\$ 563,715	\$ 2,346,286	\$ -
<i>Net investment in capital assets</i>	18,742,400	21,480,115	2,737,715
<i>Restricted</i>	5,160,397	6,755,459	1,595,062
<i>Unrestricted</i>	(79,152,048)	(81,300,246)	(2,148,198)
<i>Total Net Position (Deficit)</i>	\$ (55,249,251)	\$ (53,064,672)	\$ 2,184,579

The decrease in current assets was primarily related to decreases in unspent debt proceeds and amounts due from state and federal governments. The increase in noncurrent assets is primarily the result of increased funds reserved for capital projects. The increase in capital assets, net, stems from capital outlay exceeding depreciation expense and net book value of disposed assets. The increase in noncurrent assets and deferred inflows and outflows of resources - pensions, is also related to changes in the actuarially determined proportionate share of the pension systems plans net pension (asset) liability and related deferred outflows and inflows of resources. Deferred outflows - deferred charges on defeased debt decreased based on the regular amortization of deferred charges.

Current liabilities decreased primarily due to decreases in accounts payable for capital projects, and decreases in the current portion of long term obligations. Changes in noncurrent liabilities, and deferred outflows of resources - OPEB, are primarily due to current year implementation and recognition of GASB Statement No. 75 and changes from the prior year as restated, based on an actuarial valuation of the School District's OPEB plan, partially offset by decreases in the School District's proportionate share net pension liabilities and regular principal payments on long-term debt.

CHENANGO FORKS CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2018

Net investment in capital assets increased due to capital outlay and debt principal payments in excess of debt proceeds, net book value of disposed assets, and depreciation expense for the current year. Restricted resources increased primarily due to increases in capital reserves.

Unrestricted net position (deficit) declined primarily due to the change in GASB Statement No. 75 OPEB liability and related items of \$2,096,251 in 2018, and results of operations, partially offset by debt and capital asset activity. Our analysis in *Figure 2* considers the operations of the School District's activities.

Figure 2

<i>Changes in Net Position</i>	<i>Governmental Activities and Total School District</i>		<i>Total Dollar Change</i>
	<i>2017</i>	<i>2018</i>	<i>2017 - 2018</i>
REVENUES			
<i>Program Revenues:</i>			
<i>Charges for services</i>	\$ 362,853	\$ 379,688	\$ 16,835
<i>Operating grants and contributions</i>	1,835,411	1,810,747	(24,664)
<i>Capital grants</i>	-	1,385,306	1,385,306
<i>General Revenues:</i>			
<i>Real property taxes</i>	9,299,640	9,305,050	5,410
<i>Real property tax items</i>	2,252,572	2,246,317	(6,255)
<i>State sources</i>	18,580,318	19,529,450	949,132
<i>Use of money and property</i>	520,141	618,694	98,553
<i>Other general revenues</i>	1,453,568	1,384,395	(69,173)
<i>Total Revenues</i>	\$ 34,304,503	\$ 36,659,647	\$ 2,355,144
PROGRAM EXPENSES			
<i>General support</i>	\$ 4,108,255	\$ 3,895,496	\$ (212,759)
<i>Instruction</i>	27,773,713	26,686,269	(1,087,444)
<i>Pupil transportation</i>	2,161,993	2,276,044	114,051
<i>School lunch program</i>	741,104	795,191	54,087
<i>Interest on debt</i>	791,915	822,068	30,153
<i>Total Expenses</i>	\$ 35,576,980	\$ 34,475,068	\$ (1,101,912)
<i>INCREASE (DECREASE) IN NET DEFICIT</i>	\$ (1,272,477)	\$ 2,184,579	\$ 3,457,056

Total revenues for the School District's Governmental Activities increased by \$2,355,144 or 6.9%, and total expenses decreased by \$(1,101,912) or (3.1)%. Capital grants and contributions increased primarily due to SMART School funds received for capital outlay. State sources increased 5.1% based on increases in general state aid. Property tax increased due to increases in the voter approved tax levy, while the change in real property tax items was based on STAR tax relief reimbursements. Use of money and property increased due to additional interest earned in the current year. Other revenues decreased primarily based on the net book value on disposed assets.

CHENANGO FORKS CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2018

The decrease in total expenses is primarily due to decreased GASB Statements No. 75 and No. 68 expense, which were allocated across the functions, and cost cutting efforts in the General Fund, partially offset by increased payments to BOCES, salary expense increases, and additional employee benefit expenses.

Figures 3 and 4 show the sources of revenue for 2018 and 2017.

Figure 3
Sources of Revenue for 2018

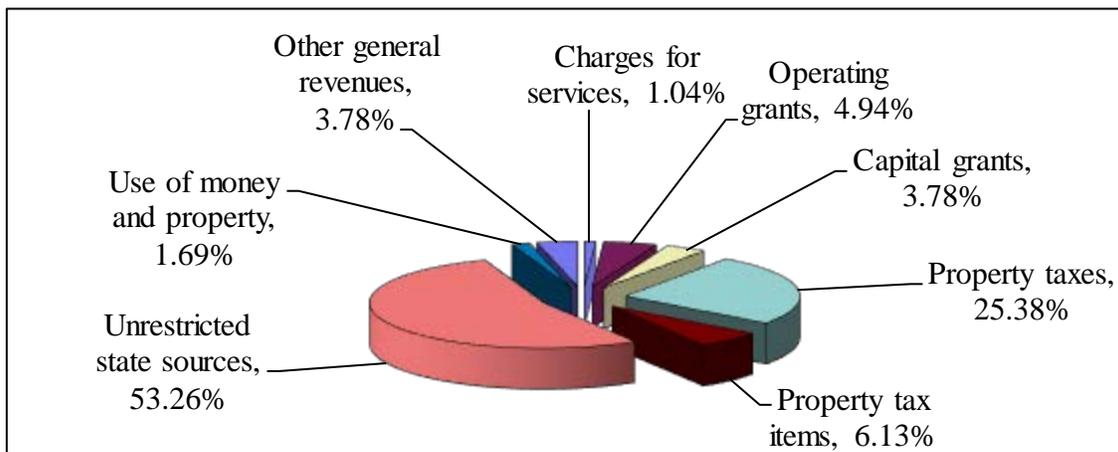
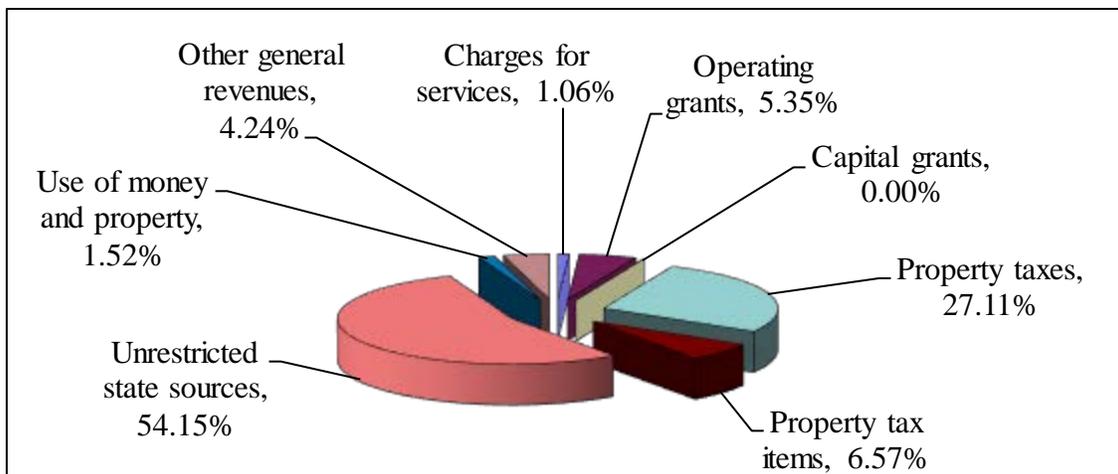


Figure 4
Sources of Revenue for 2017



CHENANGO FORKS CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2018

Figures 5 and 6 present the cost of each of the School District's programs for 2018 and 2017.

Figure 5
Cost of Programs for 2018

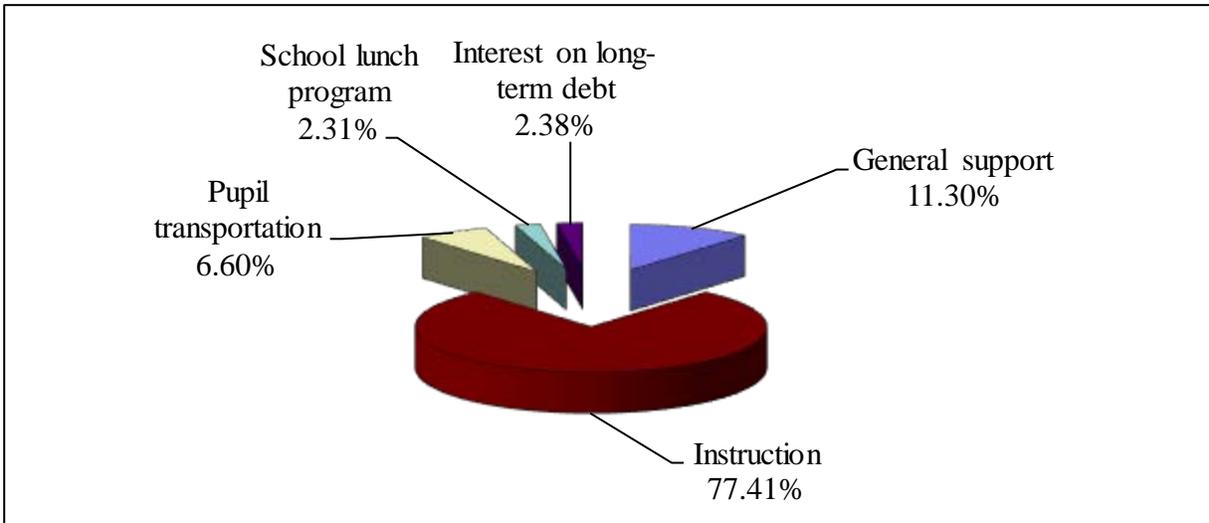
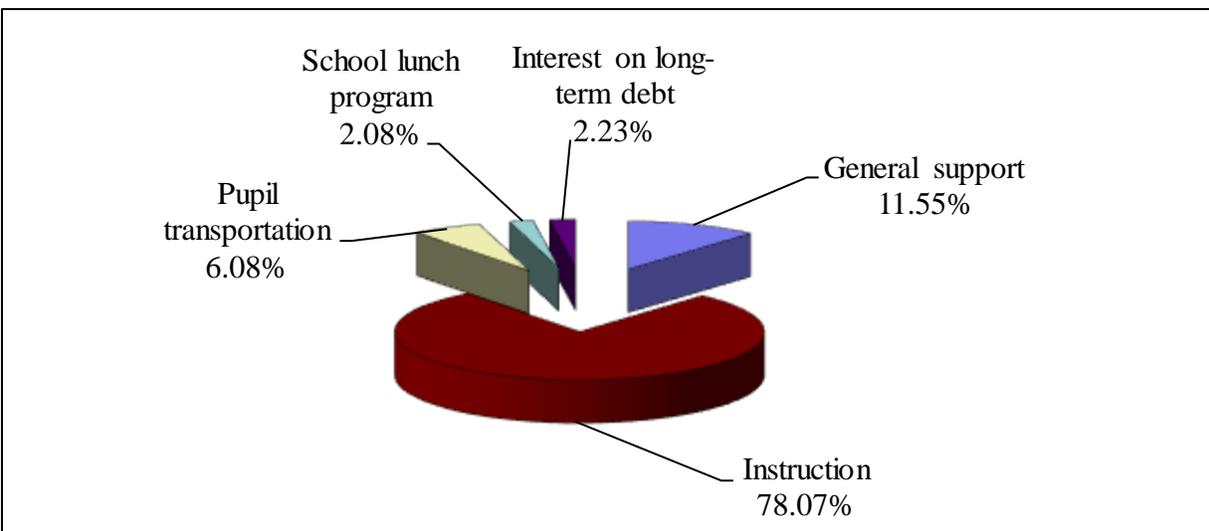


Figure 6
Cost of Programs for 2017



CHENANGO FORKS CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2018

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS

Figure 7 shows the change in fund balances for the year for the School District's funds. The General Fund reported an unassigned fund balance of \$1,185,886 which is below 4% of next year's budget, the maximum allowed by New York State. As the School District completed the year, its Governmental Funds, as presented in the Balance Sheet, reported a combined (deficit) of \$(9,552,710), which is an decrease of \$3,687,109 from last year's total of \$(5,865,601), primarily because BAN proceeds were used to fund projects in the Capital Funds.

Figure 7

<i>Governmental Fund Balances</i>	<i>2017</i>	<i>2018</i>	<i>Total Dollar Change 2017-2018</i>
<i>Major Funds:</i>			
<i>General Fund</i>	\$ 5,758,182	\$ 7,083,098	\$ 1,324,916
<i>School Lunch Fund</i>	365,251	335,043	(30,208)
<i>Debt Service Fund</i>	1,318,006	1,229,250	(88,756)
<i>Capital Funds</i>	(13,307,040)	(18,200,101)	(4,893,061)
<i>Total Governmental Funds</i>	\$ (5,865,601)	\$ (9,552,710)	\$ (3,687,109)

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the Board approved budgetary transfers of \$5,000 or more to amend School District budget line items. These budget amendments consisted of budget transfers between functions, which did not increase the overall budget. The adopted budget was revised for carryover of prior year encumbrances of \$98,421.

In addition, for the year ended June 30, 2018, the Board approved budgetary revisions which did increase the overall budget by \$2,900, due to the receipt of unanticipated gifts and donations.

The School District received \$10,428 more in General Fund revenues and other financing sources than budgeted. Expenditures and other financing uses were lower than the revised budget (with carryover encumbrances) by \$2,440,660. This is primarily due to lower than expected costs related to general support, instructional programs, debt service, and employee benefit expense.

CHENANGO FORKS CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2018

Figure 8 summarizes the original and final budgets, the actual expenditures (including encumbrances), and the variances for the year ending June 30, 2018.

Figure 8

<i>Condensed Budgetary Comparison General Fund - 2018</i>	<i>Original Budget</i>	<i>Revised Budget</i>	<i>Actual w/ Encumbrances</i>	<i>Favorable (Unfavorable) Variance</i>
REVENUES				
<i>Real property taxes</i>	\$ 11,533,996	\$ 9,308,008	\$ 9,305,050	\$ (2,958)
<i>Other tax items</i>	21,000	2,246,988	2,246,317	(671)
<i>State sources</i>	20,717,949	20,717,949	19,895,944	(822,005)
<i>Other, including financing sources</i>	1,538,245	1,541,145	2,377,207	836,062
Total Revenues and Other Financing Sources	\$ 33,811,190	\$ 33,814,090	\$ 33,824,518	\$ 10,428
Prior Year Encumbrances	\$ 98,421	\$ 98,421		
Appropriated Reserves	\$ 296,331	\$ 296,331		
Appropriated Fund Balances	\$ 915,000	\$ 915,000		
EXPENDITURES				
<i>General support</i>	\$ 3,325,588	3,298,712	\$ 3,026,962	271,750
<i>Instruction</i>	16,074,425	16,133,965	15,675,176	458,789
<i>Pupil transportation</i>	2,072,745	2,083,827	1,979,718	104,109
<i>Community service</i>	1,000	1,000	-	1,000
<i>Employee benefits</i>	8,500,268	8,459,422	7,822,821	636,601
<i>Debt service</i>	5,004,416	5,004,416	4,043,996	960,420
<i>Other financing uses</i>	142,500	142,500	134,509	7,991
Total Expenditures and Other Financing (Uses)	\$ 35,120,942	\$ 35,123,842	\$ 32,683,182	\$ 2,440,660

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2018, the School District had invested in a broad range of capital assets. Net capital assets increased \$5,782,202, primarily due to depreciation expense and net book value of disposed assets exceeding capital outlay. Capital assets, net of accumulated depreciation of \$30,508,672, were \$50,330,950 at year end. Depreciation expense amounted to \$1,757,843 for the current year.

CHENANGO FORKS CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2018

Figure 9

<i>Changes in Capital Assets, Net</i>	<i>Governmental Activities and Total School District</i>		<i>Total Dollar Change 2017 - 2018</i>
	<i>2017</i>	<i>2018</i>	
<i>Land</i>	\$ 151,675	\$ 151,675	\$ -
<i>Construction in progress</i>	12,717,986	14,964,749	2,246,763
<i>Buildings, net</i>	28,217,566	31,469,741	3,252,175
<i>Equipment, net</i>	3,461,521	3,744,785	283,264
<i>Total</i>	\$ 44,548,748	\$ 50,330,950	\$ 5,782,202

Capital asset activity for the year ended June 30, 2018 included the following:

Construction in progress	\$ 6,647,828
Buildings and improvements	12,684
Equipment and vehicles	1,067,124
Total additions	7,727,636
Plus change in retainage	23,032
Less net book value of disposed equipment	(210,623)
Less depreciation expense	(1,757,843)
Net Increase in Capital Assets	\$ 5,782,202

Debt Administration

Debt, both short and long-term, considered a liability of Governmental Activities, decreased by \$(2,964,423) in 2018, as shown in *Figure 10*. Total indebtedness represented 59.6% 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 2017 - 2018</i>
	<i>2017</i>	<i>2018</i>	
<i>Bond anticipation notes</i>	\$ 19,858,484	\$ 19,563,484	\$ (295,000)
<i>Serial bonds</i>	9,008,966	6,554,543	(2,454,423)
<i>Installment purchase debt</i>	3,589,000	3,374,000	(215,000)
<i>Total</i>	\$ 32,456,450	\$ 29,492,027	\$ (2,964,423)

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

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

CHENANGO FORKS CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2018

FACTORS BEARING ON THE SCHOOL DISTRICT'S FUTURE

- Voters approved the proposed 2018-2019 School District budget in the amount of \$33,806,855.
- The School District saw a increase in teachers retirement contributions.
- The consumer price index has been below 2% the last four years, but is 2% for the 2018-2019 budget year and we anticipate it to be at or above 2% for the 2019-2020 budget year. This impacts the tax levy limit and makes it harder to maintain programs as costs escalate.
- All bargaining unit contracts have been renegotiated through 2019. Currently, salaries and benefits make up 59% of the 2018-2019 budget.
- The changes made by the federal government in their budget and tax deduction legislation have caused uncertainty surrounding the state budget, and the future of state aid for school districts.
- Special education program enrollments continue to escalate and the School District is bringing additional programs in house to reduce some of the increased spending.

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the School District's citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to demonstrate the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office, Chenango Forks Central School District, at 1 Gordon Drive, Binghamton, New York 13901.

CHENANGO FORKS CENTRAL SCHOOL DISTRICT

STATEMENT OF NET POSITION JUNE 30, 2018

ASSETS

Current Assets

Cash and cash equivalents - Unrestricted	\$ 3,759,061
Cash and cash equivalents - Restricted	658,023
Taxes receivable	536
Due from state and federal governments	692,068
Due from other governments	759,863
Other receivables, net	42,408
Inventories	22,064
Prepaid items	403
Total Current Assets	5,934,426

Noncurrent Assets

Restricted cash	6,442,479
Net pension asset - Proportionate share	466,915
Capital assets, net:	
Nondepreciable	15,116,424
Depreciable capital assets, net	35,214,526
Total Noncurrent Assets	57,240,344

Total Assets	63,174,770
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DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows of resources - Pensions	6,734,233
Deferred outflows of resources - OPEB	650,169
Deferred charges on defeased debt	371,208
Total Deferred Outflows of Financial Resources	7,755,610

LIABILITIES

Current Liabilities

Accounts payable	183,213
Accrued liabilities	182,345
Retainage payable	442,451
Due to other governments	656
Bond interest and matured bonds	50,152
Bond anticipation notes payable	19,563,484
Due to Teachers' Retirement System	1,076,514
Due to Employees' Retirement System	68,196
Unearned revenues - other	18,224
Current portion of long-term obligations:	
Bonds payable	1,287,423
Installment purchase debt	221,000
Total Current Liabilities	23,093,658

CHENANGO FORKS CENTRAL SCHOOL DISTRICT

STATEMENT OF NET POSITION

JUNE 30, 2018

Noncurrent Liabilities

Bonds payable	\$ 5,267,120
Installment purchase debt	<u>3,153,000</u>
Compensated absences payable	<u>637,713</u>
Other postemployment benefits liability	<u>89,293,243</u>
Net pension liability - Proportionate share	<u>204,032</u>
Total Noncurrent Liabilities	<u>98,555,108</u>

Total Liabilities

121,648,766

DEFERRED INFLOWS OF RESOURCES

Pensions	<u>2,346,286</u>
----------	------------------

NET POSITION

Net investment in capital assets	<u>21,480,115</u>
Restricted	<u>6,755,459</u>
Unrestricted net (deficit)	<u>(81,300,246)</u>
Total Net (Deficit)	\$ <u><u>(53,064,672)</u></u>

CHENANGO FORKS CENTRAL SCHOOL DISTRICT

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2018

FUNCTIONS/PROGRAMS	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants	
General support	\$ 3,895,496	\$	\$	\$ (3,895,496)
Instruction	<u>26,686,269</u>	<u>118,708</u>	<u>1,268,131</u>	<u>(23,914,124)</u>
Pupil transportation	<u>2,276,044</u>	<u></u>	<u>46,364</u>	<u>(2,229,680)</u>
School lunch program	<u>795,191</u>	<u>260,980</u>	<u>496,252</u>	<u>(37,959)</u>
Interest on debt	<u>822,068</u>	<u></u>	<u></u>	<u>(822,068)</u>
Total Functions and Programs	<u>\$ 34,475,068</u>	<u>\$ 379,688</u>	<u>\$ 1,810,747</u>	<u>\$ 1,385,306</u>
GENERAL REVENUES				
Real property taxes				<u>9,305,050</u>
Real property tax items				<u>2,246,317</u>
Use of money and property				<u>618,694</u>
Unrestricted state sources				<u>19,529,450</u>
Sale of property				<u>(176,579)</u>
Miscellaneous				<u>1,560,974</u>
Total General Revenues				<u>33,083,906</u>
Change in Net Position				2,184,579
Total Net (Deficit) - Beginning of Year				<u>(55,249,251)</u>
Total Net (Deficit) - End of Year				<u>\$ (53,064,672)</u>

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

CHENANGO FORKS CENTRAL SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS JUNE 30, 2018

	Major Funds		
	General Fund	Special Revenue Funds	
		Special Aid Fund	School Lunch Fund
ASSETS			
Cash and cash equivalents - Unrestricted	\$ 2,696,044	\$ 884	\$ 18,784
Cash and cash equivalents - Restricted	5,213,229		274,179
Taxes receivable, net	536		
Due from other funds	104,103		10,349
Due from state and federal governments	555,255	108,759	28,054
Due from other governments	759,863		
Other receivables, net	36,356	5,654	398
Inventories			22,064
Prepaid expenses	403		
Total Assets	\$ 9,365,789	\$ 115,297	\$ 353,828
LIABILITIES			
Accounts payable	\$ 119,256	\$	\$ 147
Accrued liabilities	171,355	1,035	9,955
Due to other funds	10,349	104,103	
Due to other governments	38		618
Bond anticipation notes payable			
Due to Teachers' Retirement System	1,076,514		
Due to Employees' Retirement System	68,196		
Unearned revenues		10,159	8,065
Total Liabilities	1,445,708	115,297	18,785
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - September aid	836,983	-	-
FUND BALANCES			
Nonspendable	403		22,064
Restricted	5,213,229		312,979
Assigned	683,580		
Unassigned	1,185,886		
Total Fund Balances (Deficit)	7,083,098	-	335,043
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 9,365,789	\$ 115,297	\$ 353,828

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

Major Funds

Debt Service Fund	Capital Projects Fund - Renovations	Capital Projects Fund - Buses	Total Governmental Funds
\$	\$ 545,181	\$ 498,168	\$ 3,759,061
1,229,190	383,904		7,100,502
			536
60			114,512
			692,068
			759,863
			42,408
			22,064
			403
\$ 1,229,250	\$ 929,085	\$ 498,168	\$ 12,491,417
\$	\$ 63,810	\$	\$ 183,213
			182,345
	60		114,512
			656
	17,833,484	1,730,000	19,563,484
			1,076,514
			68,196
			18,224
-	17,897,354	1,730,000	21,207,144
-	-	-	836,983
			22,467
1,229,250			6,755,458
			683,580
	(16,968,269)	(1,231,832)	(17,014,215)
1,229,250	(16,968,269)	(1,231,832)	(9,552,710)
\$ 1,229,250	\$ 929,085	\$ 498,168	\$ 12,491,417

CHENANGO FORKS CENTRAL SCHOOL DISTRICT

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION JUNE 30, 2018

Fund Balances (Deficit) - Total Governmental Funds **\$ (9,552,710)**

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	\$ 80,839,622	
Less accumulated depreciation	<u>(30,508,672)</u>	50,330,950

Certain long-term assets are not available to pay for current period expenditures and, therefore, are deferred inflows of resources in the funds.

September general aid	\$ 96,652	
September BOCES aid	<u>740,331</u>	836,983

Long-term liabilities, including bonds payable, bond premium, and deferred charges on defeased debt, are not due and payable in the current period and, therefore, are not reported in the funds.

Bonds payable	\$ (6,390,000)	
Installment purchase debt	(3,374,000)	
Bond premium	<u>(164,543)</u>	(9,928,543)

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

TRS net pension asset - Proportionate share	\$ 466,915	
ERS net pension liability - Proportionate share	<u>(204,032)</u>	262,883

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

Deferred charges on defeased debt	\$ 371,208	
Deferred outflows - OPEB	650,169	
TRS deferred inflows - Pension	(1,646,430)	
ERS deferred inflows - Pension	(699,856)	
TRS deferred outflows - Pension	6,131,355	
ERS deferred outflows - Pension	<u>602,878</u>	5,409,324

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.

Accrued interest on long-term debt	\$ (50,152)	
Accrued liability - Retainage	(442,451)	
Compensated absences	(637,713)	
Other postemployment benefits liability	<u>(89,293,243)</u>	<u>(90,423,559)</u>

Net (Deficit) of Governmental Activities **\$ (53,064,672)**

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

CHENANGO FORKS CENTRAL SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2018

	Major Funds		
	General Fund	Special Revenue Funds	
		Special Aid Fund	School Lunch Fund
REVENUES			
Real property taxes	\$ 9,305,050	\$	\$
Real property tax items	2,246,317		
Charges for services	75,348		
Use of money and property	608,861		
Sale of property and compensation for loss	34,044		
Other revenue	1,560,974	24,458	
State sources	19,895,944	299,938	76,321
Medicaid reimbursement	43,360		
Federal sources	6,590	786,385	478,479
Sales - School lunch			260,980
Total Revenues	33,776,488	1,110,781	815,780
EXPENDITURES			
General support	2,884,962		
Instruction	15,662,970	879,942	414,912
Pupil transportation	1,950,344	28,381	
Employee benefits	7,822,821	227,214	108,461
Debt service:			
Principal	3,437,000		
Interest	606,996		
Cost of sales			332,368
Capital outlay			
Total Expenditures	32,365,093	1,135,537	855,741
Excess (Deficiency) of Revenues Over Expenditures	1,411,395	(24,756)	(39,961)
OTHER FINANCING SOURCES AND (USES)			
Redeemed from appropriations			
Premium on obligations			
Operating transfers in	48,030	24,756	9,753
Operating transfers (out)	(134,509)		
Total Other Financing Sources and (Uses)	(86,479)	24,756	9,753
Net Change in Fund Balances	1,324,916	-	(30,208)
Fund Balances (Deficit) - Beginning of Year	5,758,182	-	365,251
Fund Balances (Deficit) - End of Year	\$ 7,083,098	\$ -	\$ 335,043

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

Major Funds

Debt Service Fund	Capital Projects Fund - Renovations	Capital Projects Fund - Buses	Total Governmental Funds
\$ _____	\$ _____	\$ _____	\$ 9,305,050
_____	_____	_____	2,246,317
_____	_____	_____	75,348
9,833	_____	_____	618,694
_____	_____	_____	34,044
_____	_____	_____	1,585,432
_____	1,385,306	_____	21,657,509
_____	_____	_____	43,360
_____	_____	_____	1,271,454
_____	_____	_____	260,980
9,833	1,385,306	-	37,098,188
_____	_____	_____	2,884,962
_____	_____	_____	16,957,824
_____	_____	_____	1,978,725
_____	_____	_____	8,158,496
_____	_____	_____	3,437,000
198,984	_____	_____	805,980
_____	_____	_____	332,368
_____	6,647,828	490,974	7,138,802
198,984	6,647,828	490,974	41,694,157
(189,151)	(5,262,522)	(490,974)	(4,595,969)
_____	325,000	470,000	795,000
113,860	_____	_____	113,860
34,565	100,000	_____	217,104
(48,030)	_____	(34,565)	(217,104)
100,395	425,000	435,435	908,860
(88,756)	(4,837,522)	(55,539)	(3,687,109)
1,318,006	(12,130,747)	(1,176,293)	(5,865,601)
\$ 1,229,250	\$ (16,968,269)	\$ (1,231,832)	\$ (9,552,710)

CHENANGO FORKS CENTRAL SCHOOL DISTRICT

RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2018

Net Change in Fund Balances - Total Governmental Funds **\$ (3,687,109)**

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 amount by which capital additions and net book value of disposed assets exceeded depreciation expense.

Capital additions	\$	7,750,668	
Net book value of disposed assets		(210,623)	
Depreciation expense		<u>(1,757,843)</u>	5,782,202

Long-term debt proceeds, and related issue costs and deferred amounts on refunding, provide current financial resources to Governmental Funds, but issuing debt and the related premiums, increase long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Position.

Repayment of bond principal	\$	2,427,000	
Repayment of installment purchase debt		<u>215,000</u>	2,642,000

Long-term liabilities, 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 liabilities are not reflected in the Governmental Fund financial statements. In addition, changes in the School District's deferred outflows and deferred inflows of resources related to other postemployment benefits do not effect current financial resources and are, also, not reported in the Governmental Funds.

Other postemployment benefits liability	\$	(2,096,251)	
Compensated absences		<u>26,505</u>	(2,069,746)

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. This is the change in September aid from the previous year.

(227,918)

Certain 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. These include the change in accrued interest, amortization of bond premiums, and deferred amounts from refunding bonds.

Deferred amounts from refunding bonds	\$	(158,124)	
Amortization of premiums on obligations		27,423	
Change in retainage payable		(23,032)	
Change in accrued interest		<u>753</u>	(152,980)

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 as revenues or expenditures in the governmental funds. In addition, changes in the School District's deferred outflows of resources and deferred inflows of resources related to pensions do not effect current financial resources and are also not reported in the Governmental Funds.

TRS	\$	(138,594)	
ERS		<u>36,724</u>	<u>(101,870)</u>

Net Change in Net Position of Governmental Activities **\$ 2,184,579**

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

CHENANGO FORKS CENTRAL SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION FIDUCIARY FUNDS JUNE 30, 2018

	Private Purpose Trust Fund	Agency Fund
	<u> </u>	<u> </u>
ASSETS		
Cash - Unrestricted	\$ <u> </u>	\$ <u> 403,565</u>
Cash - Restricted	<u> 120,985</u>	<u> </u>
Accounts receivable	<u> </u>	<u> 144,418</u>
Due from Governmental Funds	<u> </u>	<u> 109</u>
Total Assets	<u> 120,985</u>	<u><u> 548,092</u></u>
LIABILITIES		
Extraclassroom Activity Funds balance	<u> </u>	\$ <u> 62,984</u>
Other liabilities	<u> </u>	<u> 485,108</u>
Total Liabilities	<u> -</u>	<u><u> 548,092</u></u>
NET POSITION		
Restricted for scholarships	\$ <u><u> 120,985</u></u>	

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

CHENANGO FORKS CENTRAL SCHOOL DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION FIDUCIARY FUND FOR THE YEAR ENDED JUNE 30, 2018

	Private Purpose Trust Fund
ADDITIONS	
Gifts and contributions	\$ 800
Investment earnings	1,100
Total Additions	<u>1,900</u>
DEDUCTIONS	
Scholarships and awards	<u>4,025</u>
Change in Net Position	(2,125)
Net Position - Beginning of Year	<u>123,110</u>
Net Position - End of Year	<u><u>\$ 120,985</u></u>

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

CHENANGO FORKS CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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

The accompanying financial statements of the Chenango Forks 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 School District is governed by the laws of New York State. The School District is an independent entity governed by an elected Board of Education consisting of 5 members. The President of the Board serves as the chief fiscal officer and the Superintendent is the chief executive officer. The Board is responsible for, and controls all activities related to public school education within the School District. Board members have authority to make decisions, power to appoint management, and primary accountability for all fiscal matters.

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.

CHENANGO FORKS CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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

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. While the Extraclassroom Activity Funds are not considered a component unit of the School District, due to the School District's fiduciary responsibility, they are reported in School District's Agency Fund. Separate audited financial statements (cash basis) of the Extraclassroom Activity Funds can be obtained from the School District's business office, located at 1 Gordon Drive, Binghamton, NY 13901.

Joint Venture

The School District is one of 15 component School Districts in the Broome-Tioga Board of Cooperative Educational Services (BOCES). A BOCES is a voluntary, cooperative association of School Districts in a geographic area that share planning, services, and programs which provide educational and support activities. There is no authority or process by which a school district can terminate its status as a BOCES component.

BOCES are organized under Section §1950 of the New York State Education Law. A BOCES Board is considered a corporate body. Members of a BOCES board are nominated and elected by their component member boards in accordance with provisions of §1950 of the New York State Education Law. All BOCES property is held by the BOCES Board as a corporation (§1950(6)). In addition, BOCES Boards also are considered municipal corporations to permit them to contract with other municipalities on a cooperative basis under Section §119-n(a) of the New York State 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). In addition, component School Districts pay tuition or a service fee for programs in which its students participate.

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

CHENANGO FORKS CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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

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 non-exchange 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 Net Position presents the financial position of the School District at fiscal year-end. 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 specifically associated with and clearly identifiable to a particular function. Indirect expenses, principally employee benefits, are allocated to functional areas in proportion to the payroll expended for those areas. Program revenues include charges paid by the recipients of goods or services offered by the programs, and grants and contributions restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues, including all taxes, are presented as general revenues.

Basis of Presentation - Governmental Fund Financial Statements

The Governmental Fund financial statements provide information about the School District's funds, including Fiduciary Funds. Separate statements for each fund category (Governmental and Fiduciary) are presented. The emphasis of Governmental Fund financial statements is on major Governmental Funds, each displayed in a separate column.

The School District reports the following Major Governmental Funds:

- **General Fund:** This is the School District's primary operating fund. It accounts for all financial transactions not required to be accounted for in another fund.
- **Special Revenue Funds:** These funds account for the proceeds of specific revenue sources (other than 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:** Used to account for child nutrition activities whose funds are restricted as to use.

CHENANGO FORKS CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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

Basis of Presentation - Governmental Fund Financial Statements - Continued

- Debt Service Fund: This fund accounts for the accumulation of resources and the payment of principal and interest of long-term general obligation debt of governmental activities.
- Capital Projects Fund - Renovations: Accounts for the financial resources used for the renovation of the School District's buildings.
- Capital Projects Fund - Buses: Accounts for the purchase of buses for the School District.

Fiduciary Activities are those in which the School District acts as trustee or agent for resources that belong to others. These activities are not included in the District-wide financial statements, because their resources do not belong to the School District, and are not available to be used.

The School District reports the following Fiduciary Funds:

- Private-Purpose Trust Fund: Accounts for scholarship funds awarded to individual students. These activities, and those of the Agency Funds described below, are not included in the District-wide financial statements as 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 state aid is recognized in the fiscal year it is apportioned by the state. 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, except for state and BOCES aid, which are accrued only if receivable within 60 days after the end of the fiscal year.

CHENANGO FORKS CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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

Measurement Focus and Basis of Accounting - Continued

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.

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. 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 School Districts. Investments are stated at fair value.

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.

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 inventory 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.

A portion of fund balance equal to inventories and prepaid amounts is reported as nonspendable as these assets are not in spendable form in the current period.

CHENANGO FORKS CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

Note 1 Summary of Significant Accounting Policies - Continued

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.

Capital Assets

Capital assets are reported at actual cost. Donated assets are reported at estimated fair market value at the time received. Depreciation is calculated on the straight line basis.

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:

	<u>Capitalization Threshold</u>	<u>Estimated Useful Life</u>
Buildings	\$ 5,000	20-40 years
Furniture and equipment	5,000	5-20 years

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 FORKS CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

***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 post-retirement benefits is shared between the School District and the retired employee. The School District recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure or operating transfer to other funds in the General Fund, in the year paid.

The School District follows GASB Statement No. 75, "Accounting and Financial Reporting 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 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 and OPEB plans in the District-wide Statement of Net Position. The types of deferred outflows related to pensions, and OPEB plans are described in Note 10 and 11, respectively.

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 unavailable revenues from general and BOCES aid expected to be received after 60 days after year-end in the governmental fund balance sheet. The School District also reports deferred inflows related to pensions which are further described in Note 10.

CHENANGO FORKS CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

***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 also report unavailable revenues as a deferred inflow of resources 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.

Statute provides the authority for the School District to levy taxes to be used to finance expenditures within the first 120 days of the succeeding fiscal year. Consequently, such amounts are recognized as revenue in the subsequent fiscal year, rather than when measurable and available.

Overpayments and Collections in Advance

Overpayments and collections in advance 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 is removed and revenues are recorded.

Restricted Resources

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

Accrued Liabilities and Long-Term Obligations

Payables, accrued liabilities and long-term obligations are reported in the district-wide financial statements. In the governmental funds, payables and accrued liabilities are paid in a timely manner and in full from current financial resources. Claims and judgements, other postemployment benefit payable, and compensated absences that will be paid from governmental funds, are reported as a liability in the funds financial statements only to the extent that they are due for payment in the current year. Bonds and other long-term obligations that will be paid from governmental funds are recognized as a liability in the fund financial statements when due.

Long-term obligations represent the School District's future obligations or future economic outflows. The liabilities are reported as due in one year or due within more than one year in the Statement of Net Position.

CHENANGO FORKS CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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

Equity Classifications - District-wide Financial Statements

Equity is classified as net position 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 resources 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 resources that do not meet the definition of “restricted” or “net investment in capital assets.”

Equity Classifications - Governmental Fund Financial Statements

The School District follows GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions," which changed the terminology and classification of fund balance to reflect spending constraints on resources, rather than availability for appropriation. This approach is intended to provide users more consistent and understandable information about a fund's net resources.

Fund balances are allocated 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 School District is bound to honor any constraints on specific purposes for which resources in a fund can be spent.

- Nonspendable: Consists of assets inherently nonspendable in the current period either because of their form or because they must be maintained intact; including prepaid items, inventories, long-term portions of loans receivable, financial assets held for resale, and endowments principal.
- Restricted: Consists of amounts subject to legal purpose restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments and enforced externally; or through constitutional provisions or enabling legislation. Most of the School District's legally adopted reserves are reported here.

CHENANGO FORKS CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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

Equity Classifications - Governmental Fund Financial Statements - Continued

- **Committed:** Consists of amounts subject to a purpose constraint imposed by formal action of the government's highest level of decision-making authority 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 may adopt resolutions to commit or assign fund balance. By resolution, fund balance of the School District may be committed for a specific source by formal action of the Board of Education. Furthermore, the Board of Education delegates authority to assign fund balance for a specific purpose to the Business Official of the School District. The Board of Education, by resolution, approves fund balance appropriations for next year's budget. The School District applies expenditures against non-spendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance.

CHENANGO FORKS CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

***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. Reserves currently in use by the School District include the following:

- 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. Expenditure may be made from the reserve 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 reserve and the form of the proposition to be placed on the ballot are set forth in §3651 of the Education Law. This reserve is accounted for in the General 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.
- Mandatory Reserve for Debt Service (GML §6-l): Used to establish a reserve for the purpose of retiring the outstanding obligations upon the sale of School District property or capital improvement that was financed by obligations, which remain outstanding at the time of sale. The funding of the reserve is from proceeds of the sale of School District property or capital improvement. This reserve is accounted for in the Debt Service Fund.
- Employee Benefit Accrued Liability Reserve (GML §6-p): Used to reserve funds for the payment of accrued employee benefits due an employee upon termination of the employee's service. This reserve may be established by a majority vote of the board, and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated. This reserve is accounted for in the General Fund.

CHENANGO FORKS CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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

Legally Adopted Reserves - Continued

- Retirement Contribution Reserve (GML §6-r): Used for the purpose of financing retirement contributions. The reserve must be accounted for separate and apart from all other funds and a detailed report of the operation and condition of the fund must be provided to the board. This reserve is accounted for in the General Fund.

Property Taxes

Real property taxes are levied annually by the Board of Education no later than September 1, and became a lien on August 10, 2017. Taxes were collected during the period September 1 to October 31, 2017.

Uncollected real property taxes are subsequently enforced by the Counties of Broome and Chenango. An amount representing uncollected real property taxes transmitted to the Counties for enforcement is paid by the counties 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.

Use of Estimates

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

CHENANGO FORKS CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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

New Accounting Standards

The School District has adopted and implemented the following Statements of the Governmental Accounting Standards Board (GASB) that are applicable as of June 30, 2018:

- GASB has issued Statement No. 75, “Accounting and Financial Reporting for Postemployment Benefits Other than Pensions,” effective for the year ended 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. 85, “Omnibus 2017,” effective for the year ended June 30, 2018.
- GASB has issued Statement No. 86, “Certain Debt Extinguishment Issues,” effective for the year ended June 30, 2018.

Future Changes in Accounting Standards

- 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, 2019. This statement improves guidance regarding identification of fiduciary activities for accounting and reporting purposes.
- GASB has issued Statement No. 87, “Leases,” effective for the year ending June 30, 2021.
- GASB has issued Statement No. 88, “Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements,” effective for the year ending June 30, 2020. This statement improves the information disclosed in notes to governmental financial statements related to debt, including direct borrowings and direct placements.
- GASB has issued Statement No. 89, “Accounting for Interest Cost Incurred Before the End of a Construction Period,” 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.

CHENANGO FORKS CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

Note 2 Participation in BOCES

During the year ended June 30, 2018, the School District's share of BOCES income amounted to \$1,682,322. The School District was billed \$5,225,794 for BOCES administration and program costs. Financial statements for the Broome-Tioga BOCES are available from the BOCES administrative office at 435 Upper Glenwood Road, Binghamton, New York, 13905.

Note 3 Cash and Cash Equivalents - Custodial and Concentration of Credit 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 \$12,115,045, including certificates of deposit, are either insured or collateralized with securities held by the pledging financial institution in the School District's name.

Restricted cash consists of the following at June 30, 2018:

General Fund Reserves	\$	5,213,229
Unspent debt proceeds		383,844
Restricted for school lunch		274,179
Restricted for debt		1,229,250
Total Governmental Activities		<u>7,100,502</u>
Private Purpose Trust Fund		<u>120,985</u>
Total	\$	<u><u>7,221,487</u></u>

CHENANGO FORKS CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

Note 4 Other Receivables

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

	Description	Amount
General Fund	Other miscellaneous	\$ 36,356
School Lunch Fund	Meal reimbursements	398
Special Aid Fund	Miscellaneous receivables	5,654
Total		\$ 42,408

Note 5 Interfund Balances and Activity

Interfund balances at June 30, 2018, are as follows:

	Interfund Receivable	Interfund Payable	Interfund Revenues	Interfund Expenditures
General Fund	\$ 104,103	\$ 10,349	\$ 48,030	\$ 134,509
Special Aid Fund		104,103	24,756	
School Lunch Fund	10,349		9,753	
Debt Service Fund	60		34,565	48,030
Capital Project Fund - Renovations		60	100,000	
Capital Project Fund - Buses				34,565
Total	\$ 114,512	\$ 114,512	217,104	\$ 217,104

Interfund receivables and payables, other than between Governmental Activities and Fiduciary Funds, are eliminated on the Statement of Net Position.

The School District typically transfers from the General Fund to the Special Aid Fund the School District's share of the cost to accommodate the mandated accounting for the School District's share of expenditures of a Special Aid Fund project and to and from the Debt Service Fund for the payment of long-term debt. The School District also transfers funds from the Capital Reserve in the General Fund to Capital Funds, as needed, to fund capital projects. Periodically, the School District transfers funds as needed to subsidize the School Lunch Fund.

The School District typically loans resources between funds for the purpose of mitigating the effects of transient cash flow issues. All interfund payables are expected to be repaid within one year.

CHENANGO FORKS CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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 and to and from the Debt Service Fund for the payment of long-term debt. The School District also transfers funds from the Capital Reserve in the General Fund to Capital Funds, as needed, to fund capital projects. Periodically, the School District transfers funds as needed to subsidize 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, 2018, were as follows:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reclassifications and Disposals</u>	<u>Ending Balance</u>
Capital assets that are not depreciated:				
Land	\$ 151,675	\$	\$	\$ 151,675
Construction in progress	12,717,986	6,670,860	(4,424,097)	14,964,749
Total Nondepreciable Historical Cost	<u>12,869,661</u>	<u>6,670,860</u>	<u>(4,424,097)</u>	<u>15,116,424</u>
Capital assets that are depreciated:				
Buildings	52,566,193	12,684	4,424,097	57,002,974
Furniture and equipment	8,367,112	1,067,124	(714,012)	8,720,224
Total Depreciable Historical Cost	<u>60,933,305</u>	<u>1,079,808</u>	<u>3,710,085</u>	<u>65,723,198</u>
Total Historical Cost	<u>73,802,966</u>	<u>7,750,668</u>	<u>(714,012)</u>	<u>80,839,622</u>
Less accumulated depreciation:				
Buildings	(24,348,627)	(1,184,606)		(25,533,233)
Furniture and equipment	(4,905,591)	(573,237)	503,389	(4,975,439)
Total Accumulated Depreciation	<u>(29,254,218)</u>	<u>(1,757,843)</u>	<u>503,389</u>	<u>(30,508,672)</u>
Total Historical Cost, Net	\$ <u>44,548,748</u>	\$ <u>5,992,825</u>	\$ <u>(210,623)</u>	\$ <u>50,330,950</u>

Depreciation expense was charged to governmental functions as follows:

General support	\$ 167,150
Instruction	1,237,394
Pupil transportations	336,591
School lunch program	<u>16,708</u>
Total	\$ <u>1,757,843</u>

CHENANGO FORKS CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

Note 7 Short-term Debt

The School District may issue revenue anticipation notes (RANs) and tax anticipation notes (TANs), in anticipation of the receipt of revenues. These notes are recorded as a liability of the fund that will actually receive the proceeds from the issuance of the notes. The RANs and TANs represent a liability that will be extinguished by the use of expendable, available resources of the fund. The School District did not issue or redeem any RANs or TANs 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 deficiency notes up to an amount not to exceed 5% of the amount of that same year's annual budget in any fund or funds arising from revenues being less than the amount estimated in the budget for that fiscal year. The deficiency notes may mature no later than the close of the second fiscal year after the fiscal year in which they were issued, if the notes were authorized and issued after the adoption of the budget for the fiscal year following the year in which they were issued. The School District did not issue or redeem any deficiency 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. Such notes may be classified as long-term when (1) the intention is to refinance the debt on a long-term basis and (2) the intention can be substantiated through a post balance sheet issuance of long-term debt or by an acceptable financing agreement. BAN activity for the year is summarized below:

<u>Description of Issue</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Beginning Balance</u>	<u>Issued</u>	<u>Renewed or Redeemed</u>	<u>Ending Balance</u>
2017 BAN	2.25%	6/20/2018	\$ 18,158,484	\$	\$(18,158,484)	\$ -
2018 BAN	2.25%	6/20/2018	1,700,000		(1,700,000)	-
2018 BAN	2.50%	6/18/2019	-	19,563,484		19,563,484
Total			\$ 19,858,484	\$ 19,563,484	\$(19,858,484)	\$ 19,563,484

CHENANGO FORKS CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

Note 7 Short-term Debt - Continued

Interest expense on short-term debt during the year was comprised of:

Interest paid	\$	446,816
Less interest accrued in the prior year		(12,242)
Plus interest accrued in the current year		13,586
Less premium on obligations		<u>(113,860)</u>
 Total	 \$	 <u>334,300</u>

Note 8 Long-term Debt

At June 30, 2018, the total outstanding indebtedness of the School District represented 59.6% of its statutory debt limit, exclusive of building aids. Long-term debt is classified as follows:

- Serial Bonds, Statutory Installment Bonds, and School District Pool Revenue 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.
- Installment Purchase Debt: The School District leases equipment with intent to purchase. Accumulated depreciation and net book value of equipment under capital lease at June 30, 2018 is \$100,228 and \$3,600,504, respectively.

The following is a summary of the School District's notes payable and long-term debt for the year ended June 30, 2018:

	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Outstanding June 30, 2017</u>
Serial Bonds:				
Refunding bonds 2015	04/29/2015	06/15/2024	2.00% - 4.00%	\$ 5,290,000
Refunding bonds 2011	06/15/2011	06/15/2021	2.00% - 5.00%	1,100,000
Total Bond Principal				<u>6,390,000</u>
Installment purchase debt	10/13/2015	9/15/2030	2.63%	3,374,000
Unamortized premium				<u>164,543</u>
 Total Bonds and Installment Purchase Debt Payable				 \$ <u>9,928,543</u>

CHENANGO FORKS CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

Note 8 Long-term Debt - Continued

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

Interest paid	\$	359,164
Less interest accrued in the prior year		(38,663)
Plus interest accrued in the current year		36,566
Plus amortization of deferred charges on defeased debt		158,124
Less amortization of premium on obligations		<u>(27,423)</u>
Total	\$	<u>487,768</u>

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

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

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Serial bonds	\$ 8,005,000	\$	\$ (1,615,000)	\$ 6,390,000	\$ 1,260,000
Pool revenue bonds	720,000		(720,000)	-	
Installment purchase debt	3,589,000		(215,000)	3,374,000	221,000
Statutory installment bonds	92,000		(92,000)	-	
Subtotal	<u>12,406,000</u>	-	<u>(2,642,000)</u>	<u>9,764,000</u>	<u>1,481,000</u>
Premium on obligations	191,966		(27,423)	164,543	27,423
Total	\$ <u>12,597,966</u>	\$ -	\$ <u>(2,669,423)</u>	\$ <u>9,928,543</u>	\$ <u>1,508,423</u>

Deferred charges on defeased debt related to the 2011, 2012, and 2015 bond refundings are amortized over the life of the bonds. Activity for the year is summarized below:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Deferred charges on defeased debt	\$ (529,332)	\$	158,124	\$ (371,208)	\$ 130,145
Total	\$ <u>(529,332)</u>	\$ -	\$ <u>158,124</u>	\$ <u>(371,208)</u>	\$ <u>130,145</u>

CHENANGO FORKS CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

Note 8 Long-term Debt - Continued

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 1,481,000	\$ 277,643	\$ 1,758,643
2020	1,531,000	224,915	1,755,915
2021	1,583,000	163,029	1,746,029
2022	1,229,000	118,422	1,347,422
2023	1,245,000	92,257	1,337,257
2024-2028	1,811,000	216,131	2,027,131
2029-2030	884,000	35,268	919,268
Total	\$ 9,764,000	\$ 1,127,665	\$ 10,891,665

On June 15, 2011, \$3,355,000 in general obligation bonds, with variable interest rates ranging from 2.0% to 5.0% were issued to advance refund \$3,535,000 of outstanding bonds, with variable interest rates ranging from 4.625% to 4.700%. The net proceeds of \$3,424,982 (after \$69,982 fiscal agent fees, original bond premium, insurance, and other issuance costs) were used to purchase U.S. Government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the bonds. As a result, the bonds are considered to be defeased and the liability for those bonds has been removed from the financial statements. The outstanding principal of the defeased bonds was \$1,100,000 at June 30, 2018.

On April 29, 2015, \$5,850,000 in general obligation bonds, with variable interest rates ranging from 2.0% to 3.0% were issued to advance refund the refunding of \$4,890,000 of outstanding bonds, with an interest rate of 5.0%. The net proceeds of \$5,938,656 (after payment of fiscal agent fees, original bond premium, insurance, and other issuance costs) were used to purchase U.S. Government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the bonds. As a result, the bonds are considered to be defeased and the liability for those bonds has been removed from the financial statements. The outstanding principal of the defeased bonds was \$5,290,000 at June 30, 2018.

CHENANGO FORKS CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

Note 9 Compensated Absences

Represents unpaid accumulated annual sick leave, vacation, and sabbatical time. This liability is liquidated from the General Fund. 2017-2018 activity consists of the following:

	Beginning Balance	Additions	Deletions	Ending Balance
Compensated absences	\$ 664,218	\$	\$ (26,505)	\$ 637,713
Total	\$ 664,218	\$ -	\$ (26,505)	\$ 637,713

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

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

Plan Descriptions and Benefits Provided

Teachers' Retirement System (TRS)

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

CHENANGO FORKS CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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

Teachers' Retirement System (TRS) - Continued

Tier 3 and Tier 4 members are required by law to contribute 3% of salary to the System. Effective October 2000, contributions were eliminated for Tier 3 and 4 members with 10 or more years of service or membership. Effective January 1, 2010, Tier 5 members are required by law to contribute 3.5% of salary throughout their active membership. Effective April 1, 2012, Tier 6 members are required by law to contribute between 3% and 6% of salary throughout their active membership in accordance with a salary based upon salary earned. Pursuant to Article 14 and Article 15 of the RSSL, those member contributions are used to help fund the benefits provided by the System. However, if a member dies or leaves covered employment with less than 5 years of credited service for Tiers 3 and 4, or 10 years of credited service for Tiers 5 and 6, the member contributions with interest calculated at 5% per annum are refunded to the employee or designated beneficiary. Eligible Tier 1 and Tier 2 members may make member contributions under certain conditions pursuant to the provisions of Article 11 of the Education Law and Article 11 of the RSSL. Upon termination of membership, such accumulated member contributions are refunded. At retirement, such accumulated member contributions can be withdrawn or are paid as a life annuity.

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

CHENANGO FORKS CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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

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

The School District is required to contribute at an actuarially determined rate. The School District's contributions made to the Systems were equal to 100% of the contributions required for each year. The required contributions for the current year and two preceding years were:

	<u>ERS</u>	<u>TRS</u>
2018	\$ 264,419	\$ 1,155,495
2017	276,086	1,205,755
2016	230,301	1,475,987

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

At June 30, 2018, 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, 2018 for ERS and June 30, 2017 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.

	<u>ERS</u>	<u>TRS</u>
Actuarial valuation date	4/01/2017	6/30/2016
Net pension (asset) liability	\$ 3,227,444,946	\$ (760,099,284)
School District's proportionate share of the		
Plan's total net pension (asset) liability	204,032	(466,915)
School District's share of the		
net pension (asset) liability	0.006322%	0.061428%

CHENANGO FORKS CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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

For the year ended June 30, 2018, the School District recognized pension expense of \$224,273 for ERS and \$1,113,515 for TRS in the District-wide financial statements. At June 30, 2018 the School District's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	ERS	TRS	ERS	TRS
Differences between expected and actual experience	\$ 72,772	\$ 384,156	\$ 60,136	\$ 182,045
Changes of assumptions	135,290	4,750,951		
Net differences between projected and actual earnings on pension plan investments	296,340		584,946	1,099,720
Changes in proportion and differences between the School District's contributions and proportionate share of contributions	30,280	6,772	54,774	364,665
School District's contributions subsequent to the measurement date	68,196	989,476		
Total	\$ 602,878	\$ 6,131,355	\$ 699,856	\$ 1,646,430

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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended	ERS	TRS
2019	\$ 21,286	\$ 47,685
2020	25,302	1,196,592
2021	(142,675)	839,133
2022	(69,087)	162,935
2023		836,516
Thereafter		412,588

CHENANGO FORKS CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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

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.

Significant actuarial assumptions used in the valuations were as follows:

	<u>ERS</u>	<u>TRS</u>
Measurement date	March 31, 2018	June 30, 2017
Actuarial valuation date	April 1, 2017	June 30, 2016
Investment rate of return	7.0%	7.25%
Salary increases	3.8%	1.9% - 4.72%
Cost of living adjustments	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's 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 MP2014, applied on a generational basis.

For ERS, the actuarial assumptions used in the April 1, 2017 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, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2009 - June 30, 2014.

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. 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. Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation are summarized as follows:

CHENANGO FORKS CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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

	ERS	TRS
Measurement date	March 31, 2018	June 30, 2017
Asset Type:		
Domestic equities	4.6%	5.9%
International equities	6.4%	7.4%
Real estate	5.6%	4.3%
Private equity/Alternative investments	7.5%	9.0%
Absolute return strategies	3.8%	
Opportunistic portfolio	5.7%	
Real assets	5.3%	
Cash	(0.3%)	
Inflation-indexed bonds	1.3%	
Domestic fixed income securities		1.6%
Global fixed income securities		1.3%
High-yield fixed income securities		3.9%
Mortgages and bonds	1.3%	2.8%
Short-term		0.6%

Discount Rate

The discount rate used to calculate the total pension (asset) liability was 7.0% for ERS and 7.25% 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 on 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.

CHENANGO FORKS CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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

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 7.25% 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:

ERS	1% Decrease (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
School District's proportionate share of the net pension (asset) liability	\$ 1,543,761	\$ 204,032	\$ (929,325)

TRS	1% Decrease (6.25%)	Current Assumption (7.25%)	1% Increase (8.25%)
School District's proportionate share of the net pension (asset) liability	\$ 8,043,562	\$ (466,915)	\$ (7,594,017)

Pension Plan Fiduciary Net Position

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

	Dollars in Thousands	
	ERS	TRS
Measurement date	March 31, 2018	June 30, 2017
Employers' total pension (asset) liability	\$ 183,400,590	\$ 114,708,261
Plan net position	(180,173,145)	(115,468,360)
Employers' net pension (asset) liability	\$ 3,227,445	\$ (760,099)
Ratio of Plan Net Position to the Employers' Total Pension (asset) Liability	98.2%	(100.7%)

CHENANGO FORKS CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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

Payables to the Pension Plan

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31st. Accrued retirement contributions as of June 30, 2018 represent the projected employer contribution for the period of April 1, 2018 through June 30, 2018 based on estimated ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2018 amounted to \$68,196.

For TRS, employer and employee contributions for the fiscal year ended June 30, 2018 are paid to the System in September, October, and November 2018 through a state aid intercept. Accrued retirement contributions as of June 30, 2018 represent employee and employer contributions for the fiscal year ended June 30, 2018 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, 2018 amounted to \$1,076,514.

Effect on Net Position

Changes in the net pension (asset) liability and deferred outflows and inflows of resources for the year ended June 30, 2018 resulted in the following effect on net position:

	Beginning Balance	Change	Ending Balance
ERS			
Net pension liability	\$ 622,851	\$ (418,819)	\$ 204,032
Deferred outflows of resources	(449,099)	(153,779)	(602,878)
Deferred inflows of resources	163,982	535,874	699,856
Subtotal	337,734	(36,724)	301,010
TRS			
Net pension (asset) liability	622,979	(1,089,894)	(466,915)
Deferred outflows of resources	(6,113,146)	(18,209)	(6,131,355)
Deferred inflows of resources	399,733	1,246,697	1,646,430
Subtotal	(5,090,434)	138,594	(4,951,840)
Total	\$ (4,752,700)	\$ 101,870	\$ (4,650,830)

CHENANGO FORKS CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

Note 11 Postemployment Benefits Other Than Pensions (OPEB)

During the year ended June 30, 2018 the School District implemented GASB 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."

General Information about the OPEB Plan

Plan Description - The School District's defined OPEB plan provides medical benefits to eligible retirees and their spouses in accordance with various employment contracts. The plan is a single-employer defined benefit healthcare plan administered by the School District. Article 11 of the State Compiled Statutes grants the authority to establish and amend the benefit terms and financing requirements to the School District Board. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75. The Plan does not issue separate financial statements, as there are no assets legally segregated for the sole purpose of paying benefits under the plan.

Benefits Provided - The School District provides healthcare benefits for eligible retirees and their spouses. Benefit terms are dependent of which contract each employee falls under. The specifics of each contract are on file at the School District offices and are available upon request.

Employees Covered by Benefit Terms - At June 30, 2018, the following employees were covered by the benefit terms.

Inactive employees or beneficiaries currently receiving benefit payments	224
Active employees	<u>218</u>
	<u><u>442</u></u>

CHENANGO FORKS CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

Note 11 Postemployment Benefits Other Than Pensions (OPEB) - Continued

Total OPEB Liability

The School District's total OPEB liability of \$89,293,243 was measured as of June 30, 2018, and was determined by an actuarial valuation as of July 1, 2016.

Actuarial Assumptions and Other Inputs - The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Long-Term Bond Rate	3.0%
Single Discount Rate	3.0%
Salary scale	2.6%
Rate of Inflation	2.6%
Marital Assumption	50.0%
Participation Rate	100.0%
Healthcare Cost Trend Rates	7.5% for 2016, decreasing to an ultimate rate of 4.5% for 2022 and later years

The long-term bond rate is based on the S&P Municipal Bond 20 Year High Grade Rate Index as of the measurement date (or the nearest business day thereto).

Mortality rates were based on the sex-distinct RP-2014 Mortality Tables for employees and healthy annuitants, adjusted backward to 2006 with Scale MP-2016.

Rates of turnover and retirement rates are based on the experience under the New York State Employees' Retirement System (ERS) and the New York State Teachers' Retirement System (TRS). The ERS rates are based on the April 1, 2010 - March 31, 2015 System's experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2014. For TRS, annuitant mortality rates are based on plan member experience with adjustments for mortality improvements based on Society of Actuaries Scale MP2016, applied on a generational basis.

The annual rate of increase in healthcare costs developed based on a review of published National trend survey data in relation to the retiree health plan offerings and updated long-term rates based on the Society of Actuaries Long Term Healthcare Cost Trend Models v2018_c (the Getzen model).

CHENANGO FORKS CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

Note 11 Postemployment Benefits Other Than Pensions (OPEB) - Continued

The actuarial assumptions used in the June 30, 2018 valuation were consistent with the requirements of GASB Statement No. 75 and Actuarial Standards of Practice (ASOPs).

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at June 30, 2017	\$ 86,546,823
Changes for the year:	
Service cost	2,901,098
Interest cost	2,630,673
Differences between expected and actual experience	758,531
Benefit payments	(3,543,882)
Net change	2,746,420
Balance at June 30, 2018	\$ 89,293,243

Sensitivity of the total OPEB liability to changes in the discount rate - The following presents the total OPEB liability of the School District, as well as what the School District's total OPEB liability would be if it were calculated using a discount rate that is 1 - percentage-point lower (2.00%) or 1-percentage-point higher (4.00%) than the current discount rate:

	1% Decrease (2.00%)	Discount Rate (3.00%)	1% Increase (4.00%)
Total OPEB liability	\$ 105,103,795	\$ 89,293,243	\$ 76,743,695

CHENANGO FORKS CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

Note 11 Postemployment Benefits Other Than Pensions (OPEB) - Continued

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate - The following presents the total OPEB liability of the School District, as well as what the School District's total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rate:

	1% Decrease (6.50% to 3.5%)	Healthcare Cost Trend Rate (7.50% to 4.50%)	1% Increase (8.50% to 5.50%)
Total OPEB liability	\$ 75,494,172	\$ 89,293,243	\$ 108,718,166

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2018, the School District recognized OPEB expense of \$5,640,133.

At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 650,169	\$ -
Total	\$ 650,169	\$ -

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30,	Amount
2019	\$ 108,362
2020	108,362
2021	108,362
2022	108,362
2023	108,362
2024 and thereafter	108,359

CHENANGO FORKS CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

Note 11 Postemployment Benefits Other Than Pensions (OPEB) - 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, 2018 resulted in the following effect on net position:

	Beginning Balance	Change	Ending Balance
Other postemployment benefits liability	\$ 86,546,823	\$ 2,746,420	\$ 89,293,243
Deferred outflows of resources	-	(650,169)	(650,169)
Total Effect on Net Position	\$ 86,546,823	\$ 2,096,251	\$ 88,643,074

Note 12 Commitments and Contingencies

Risk Financing and Related Insurance

Health Insurance

The School District incurs costs related to an employee health insurance plan (Plan) sponsored by the Broome-Tioga Health Insurance Consortium. 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 15 school districts and one BOCES, with the School District bearing a proportionate share of the Plan's assets and claims liabilities. Plan members are subject to a supplemental assessment in the event of deficiencies. If the Plan's assets were to be exhausted, members would be responsible for the Plan's liabilities.

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

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

During the year ended June 30, 2018, the School District incurred premiums or contribution expenditures totaling \$5,660,384.

CHENANGO FORKS CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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

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.

Other Items

The School District has received grants which are subject to audit by agencies of the state and federal governments. Such audits may result in disallowances and a request for a return of funds. Based on prior audits, the School District's administration believes disallowances, if any, will be immaterial. Also, certain revenue is not recognized in the Governmental Fund financial statements because it is received after the School District's availability period and is therefore accrued in the Government-wide financial statements.

CHENANGO FORKS CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

Note 13 Fund Balance Detail

At June 30, 2018, nonspendable, restricted, and assigned fund balances in the governmental funds were as follows:

	General Fund	School Lunch Fund	Debt Service Fund
Nonspendable			
Prepaid expenses	\$ 403	\$	\$
Inventory		22,064	
Total Nonspendable Fund Balance	\$ 403	\$ 22,064	\$ -
Restricted			
Unemployment insurance reserve	\$ 178,872	\$	\$
Retirement contribution reserve	1,708,174		
Employee benefit accrued liability reserve	165,059		
Capital reserve	3,161,124		
School lunch		312,979	
Debt			1,229,250
Total Restricted Fund Balance	\$ 5,213,229	\$ 312,979	\$ 1,229,250
Assigned			
Appropriated for next year's budget	\$ 500,000	\$	\$
Encumbered for:			
General support	142,000		
Instruction	12,206		
Pupil transportation	29,374		
Total Assigned Fund Balance	\$ 683,580	\$ -	\$ -

CHENANGO FORKS CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

Note 14 Restricted Fund Balances

Portions of fund balance are reserved and not available for current expenditures as reported in the Governmental Funds Balance Sheet. The balances and activity for the year ended June 30, 2018 of the General Fund reserves were as follows:

<u>General Fund</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Interest Earned</u>	<u>Appropriated</u>	<u>Ending Balance</u>
Retirement contribution reserve	\$ 1,931,530	\$	\$ 16,644	\$ (240,000)	\$ 1,708,174
Unemployment insurance reserve	177,332		1,540		178,872
Employee benefit accrued liability reserve	233,073		1,987	(70,000)	165,059
Capital reserve	1,160,000	1,990,000	11,124		3,161,124
Total	\$ 3,501,935	\$ 1,990,000	\$ 31,295	\$ (310,000)	\$ 5,213,229

Note 15 Stewardship, Compliance, and Accountability-Deficit Fund Balance and Net Position

Deficit Fund Balance

At June 30, 2018, the Capital Projects Fund - Renovations has a deficit fund balance of \$(16,968,269) and the Capital Projects Fund - Buses has a deficit fund balance of \$(1,231,832). These deficits will be eliminated as short-term debt is redeemed or converted to long-term bond financing.

Deficit Net Position

At June 30, 2018, the District-wide Statement of Net Position had a deficit net position of \$(53,064,672). This is the result of the requirement to record other postemployment benefit liability with no requirement or mechanism to fund this liability (See Note 11). The deficit is not expected to be eliminated during the normal course of operations.

Note 16 Restatement

The School District's June 30, 2017 net position has been restated to reflect the following:

Net Position (Deficit) Beginning of Year	\$ (1,884,942)
Beginning OPEB plan liability	<u>(53,364,309)</u>
Net Position (Deficit) Beginning of Year, as Restated	<u>\$ (55,249,251)</u>

CHENANGO FORKS CENTRAL SCHOOL DISTRICT

SCHEDULE OF REVENUES COMPARED TO BUDGET (NON-GAAP) - GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2018

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Local Sources				
Real property taxes	\$ 11,533,996	\$ 9,308,008	\$ 9,305,050	\$ (2,958)
Other tax items	21,000	2,246,988	2,246,317	(671)
Charges for services	95,500	95,500	75,348	(20,152)
Use of money and property	524,345	524,345	608,861	84,516
Sale of property and compensation for loss			34,044	34,044
Miscellaneous	888,400	891,300	1,560,974	669,674
Total Local Sources	13,063,241	13,066,141	13,830,594	764,453
State sources	20,717,949	20,717,949	19,895,944	(822,005)
Federal sources	30,000	30,000	49,950	19,950
Total Revenues	33,811,190	33,814,090	33,776,488	(37,602)
OTHER FINANCING SOURCES				
Operating transfers in	-	-	48,030	48,030
Total Revenues and Other Financing Sources	33,811,190	33,814,090	\$ 33,824,518	\$ 10,428
Appropriated Fund Balance	915,000	915,000		
Appropriated Reserves	296,331	296,331		
Designated Fund Balance and Encumbrances Carried Forward from Prior Year	98,421	98,421		
Total Revenues, Appropriated Reserves, and Designated Fund Balance	\$ 35,120,942	\$ 35,123,842		

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

CHENANGO FORKS CENTRAL SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES COMPARED TO BUDGET (NON-GAAP) - GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2018

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Encumbrances</u>	<u>Variance Favorable (Unfavorable)</u>
EXPENDITURES					
General Support					
Board of Education	\$ 25,062	\$ 25,750	\$ 22,561	\$	\$ 3,189
Central administration	212,006	208,956	207,589		1,367
Finance	533,089	535,476	522,096		13,380
Staff	209,709	203,690	141,873		61,817
Central services	1,990,411	1,971,920	1,654,362	142,000	175,558
Special items	355,311	352,920	336,481		16,439
Total General Support	<u>3,325,588</u>	<u>3,298,712</u>	<u>2,884,962</u>	<u>142,000</u>	<u>271,750</u>
Instruction					
Instruction, administration, and improvement	1,110,305	1,103,414	1,095,522		7,892
Teaching - Regular school	7,357,883	7,540,423	7,492,761	11,490	36,172
Programs for students with disabilities	4,453,378	4,073,305	3,719,940		353,365
Occupational education	364,658	560,736	560,735		1
Teaching - Special school	4,210	4,635	4,134		501
Instructional media	1,480,111	1,447,365	1,410,048	391	36,926
Pupil services	1,303,880	1,404,087	1,379,830	325	23,932
Total Instruction	<u>16,074,425</u>	<u>16,133,965</u>	<u>15,662,970</u>	<u>12,206</u>	<u>458,789</u>
Pupil transportation	2,072,745	2,083,827	1,950,344	29,374	104,109
Community services	1,000	1,000			1,000
Employee benefits	8,500,268	8,459,422	7,822,821		636,601
Debt Service					
Principal	4,111,893	4,397,419	3,437,000		960,419
Interest	892,523	606,997	606,996		1
Total Debt Service	<u>5,004,416</u>	<u>5,004,416</u>	<u>4,043,996</u>	<u>-</u>	<u>960,420</u>
Total Expenditures	<u>34,978,442</u>	<u>34,981,342</u>	<u>32,365,093</u>	<u>183,580</u>	<u>2,432,669</u>
OTHER FINANCING USES					
Operating transfers out	142,500	142,500	134,509		7,991
Total Expenditures and Other Financing Uses	<u>\$ 35,120,942</u>	<u>\$ 35,123,842</u>	<u>32,499,602</u>	<u>\$ 183,580</u>	<u>\$ 2,440,660</u>
Net Change in Fund Balance			<u>1,324,916</u>		
Fund Balance - Beginning of Year			<u>5,758,182</u>		
Fund Balance - End of Year			<u>\$ 7,083,098</u>		

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

CHENANGO FORKS CENTRAL SCHOOL DISTRICT

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

	2018	2017	2016
Contractually required contribution	\$ 264,419	\$ 276,086	\$ 230,301
Contributions in relation to the contractually required contribution	(264,419)	(276,086)	(230,301)
Contribution deficiency (excess)	-	-	-
School District's covered payroll for year ending June 30,	1,937,275	1,968,662	1,715,938
Contributions as a percentage of covered payroll	13.6%	14.0%	13.4%

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

	2018	2017	2016
Contractually required contribution	\$ 989,475	\$ 1,155,495	\$ 1,205,755
Contributions in relation to the contractually required contribution	(989,475)	(1,155,495)	(1,205,755)
Contribution deficiency (excess)	-	-	-
School District's covered payroll for year ending June 30,	10,096,684	9,859,172	9,093,175
Contributions as a percentage of covered payroll	9.8%	11.7%	13.3%

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

<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$ 276,431	\$ 439,333	\$ 392,143	\$ 306,921	\$ 306,399	\$ 181,361	\$ 175,157
(276,431)	(439,333)	(392,143)	(306,921)	(306,399)	(181,361)	(175,157)
-	-	-	-	-	-	-
1,971,884	2,199,348	2,241,028	2,270,084	2,590,562	2,566,750	2,301,587
14.0%	20.0%	17.5%	13.5%	11.8%	7.1%	7.6%

<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$ 1,475,987	\$ 1,322,333	\$ 980,774	\$ 887,206	\$ 799,881	\$ 601,899	\$ 746,219
(1,475,987)	(1,322,333)	(980,774)	(887,206)	(799,881)	(601,899)	(746,219)
-	-	-	-	-	-	-
8,419,778	8,137,434	8,283,564	7,985,653	9,279,362	9,723,732	9,780,066
17.5%	16.2%	11.8%	11.1%	8.6%	6.2%	7.6%

CHENANGO FORKS 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>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
School District's proportion of the net pension (asset) liability	0.0063218%	0.0066287%	0.0062215%	0.0071824%
School District's proportionate share of the net pension (asset) liability	\$ 204,032	\$ 622,851	\$ 998,564	\$ 242,638
School District's covered payroll during the measurement period	1,904,459	1,934,558	1,677,181	1,948,834
School District's proportionate share of the net pension (asset) liability as a percentage of its covered payroll	10.7%	32.2%	59.5%	12.5%
Plan fiduciary net position as a percentage of the total pension (asset) liability	98.2%	94.7%	90.7%	97.9%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
School District's proportion of the net pension (asset) liability	0.061428%	0.058166%	0.055060%	0.054512%
School District's proportionate share of the net pension (asset) liability	\$ (466,915)	\$ 622,979	\$ (5,718,991)	\$ (6,072,270)
School District's covered payroll during the measurement period	9,859,172	9,093,175	8,419,778	8,052,234
School District's proportionate share of the net pension (asset) liability as a percentage of its covered payroll	(4.7)%	6.9%	(67.9%)	(75.4%)
Plan fiduciary net position as a percentage of the total pension (asset) liability	(100.7%)	99.0%	(110.5%)	(111.5%)

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available

CHENANGO FORKS CENTRAL SCHOOL DISTRICT

SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY AND RELATED RATIOS FOR THE LAST 10 FISCAL YEARS

	2018	2017	2016
Service cost	\$ 2,901,098	\$ *	\$ *
Interest cost	2,630,673	*	*
Changes of benefit terms	-	*	*
Differences between expected and actual experience	758,531	*	*
Changes in assumptions or other inputs	-	*	*
Benefit payments	(3,543,882)	*	*
	2,746,420	*	*
Total OPEB Liability - Beginning	86,546,823	*	*
Total OPEB Liability - Ending	\$ 89,293,243	\$ 86,546,823	\$ *
Covered employee payroll	11,995,168	*	*
Total OPEB Liability as a Percentage of Covered Payroll	744%	*	*

* Information for periods prior to implementation of GASB Statement No. 75 is unavailable and will be completed for each year going forward as it becomes available.

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

CHENANGO FORKS CENTRAL SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED JUNE 30, 2018

Note 1 **Budgetary Procedures and Budgetary Accounting**

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

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

Adopted Budget	\$ 35,022,521
Carryover Encumbrances	98,421
Original Budget	<u>35,120,942</u>
Additions	<u>2,900</u>
Final Budget	<u>\$ 35,123,842</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.

Annual legal budgets are not adopted for the Special Revenue Funds (Special Aid and School Lunch). Budgetary controls for the Special Aid Fund are established in accordance with the applicable grant agreements. Special Aid grants may also cover a period other than the School District's fiscal year. Budgetary controls for School Lunch Fund are established internally.

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, as there were no encumbrances added to the actual expenditures recorded in the budgetary comparison schedules.

Note 3 **Schedule of Changes in the School District's Total OPEB Liability and Related Ratios**

Changes of assumptions - Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates in each period:

2018 - 3.00%
2017 - 3.00%

CHENANGO FORKS CENTRAL SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED JUNE 30, 2018

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 four years of information. These schedules will present ten years of information as it becomes available from the pension plans.

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

NYSLRS

Changes in Benefit Terms

There were no significant legislative changes in benefits.

Changes of Assumptions

There 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, 2017 actuarial valuation.

Methods and Assumptions Used in Calculations of Actuarially Determined Contributions

The April 1, 2017 actuarial valuation determines the employer rates for contributions payable in fiscal year 2018. 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	Five-year phase 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%
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 FORKS CENTRAL SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED JUNE 30, 2018

***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. The 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, at a rate of 20% per year, 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 FORKS CENTRAL SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED JUNE 30, 2018

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

Methods and Assumptions Used in Calculations of Actuarially Determined Contributions

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

Actuarial cost method	The System is funded in accordance with the Aggregate Cost Method, which does not identify nor separately amortize unfunded actuarial liabilities. Costs are determined by amortizing the unfunded present value of benefits over the average future working lifetime of active plan members, which currently for NYSTRS is approximately 13 years.
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Asset valuation method	5 year phased in deferred recognition of each year's actual gain or loss above (or below) an assumed inflationary gain of 3.0%.
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Inflation	2.5%
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Projected salary increases	Rates of increase differ based on service. They have been calculated based upon recent NYSTRS member experience.
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Service	Rate
5	4.72%
15	3.46%
25	2.37%
35	1.90%

Investment rate of return	7.25% compounded annually, net of investment expenses, including inflation.
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Cost of living adjustments	1.5% compounded annually
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CHENANGO FORKS CENTRAL SCHOOL DISTRICT

SCHEDULE OF CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET AND THE REAL PROPERTY TAX LIMIT FOR THE YEAR ENDED JUNE 30, 2018

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted Budget	\$ 35,022,521
Prior year's encumbrances	<u>98,421</u>
Original Budget	<u>35,120,942</u>
Gifts and donations	<u>2,900</u>
Total Additions	<u>2,900</u>
Deductions:	
Total Deductions	<u>-</u>
Final Budget	\$ <u><u>35,123,842</u></u>

§1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

Next year's budget is a voter approved budget	\$ <u><u>33,806,855</u></u>
Maximum allowed (4% of the 2018-2019 budget)	\$ 1,352,274
General Fund fund balance subject to §1318 of Real Property Tax Law:	
Unrestricted fund balance:	
Assigned fund balance	\$ 683,580
Unassigned fund balance	<u>1,185,886</u>
Total Unrestricted Fund Balance	<u>1,869,466</u>
Less:	
Appropriated fund balance	\$ 500,000
Encumbrances included in committed and assigned fund balance	<u>183,580</u>
Total Adjustments	<u>683,580</u>
General Fund Fund Balance Subject to §1318 of Real Property Tax Law	\$ <u><u>1,185,886</u></u>
Actual Percentage	3.5%

See Independent Auditor's Report

CHENANGO FORKS CENTRAL SCHOOL DISTRICT

SCHEDULE OF PROJECT EXPENDITURES CAPITAL PROJECTS FUND FOR THE YEAR ENDED JUNE 30, 2018

PROJECT TITLE	Original Budget	Revised Budget	Expenditures			Total
			Prior Years	Current Year	Transfer to Debt Service	
Buses 2017-2018	\$ 500,000	\$ 500,000	\$	\$ 1,833	\$	\$ 1,833
Buses 2016-2017	525,000	525,000	1,294	489,141	34,565	525,000
High School 0004021	13,920,864	14,250,975	5,395,269	5,016,392		10,411,661
High School 0004023	4,153,785	3,638,567	3,638,567			3,638,567
Middle School 0002012	152,000	402,533	36,302	101,608		137,910
Middle School 0002013	145,376	75,618	75,618			75,618
Elementary School 0003012	51,520	134,108	12,943	111,834		124,777
Elementary School 0003013	21,764	609,912	609,912			609,912
Bus Garage 5001010	9,920	32,702	1,394	14,759		16,153
District Wide 7999	4,092,000	3,846,068	2,476,411	1,303,235		3,779,646
2017-2018 \$100,000 Project	100,000	100,000		100,000		100,000
Subtotal	23,672,229	24,115,483	12,247,710	7,138,802	34,565	19,421,077
Unredeemed BANS - Buses						
Unredeemed BANS - Capital						
Total	\$ 23,672,229	\$ 24,115,483	\$ 12,247,710	\$ 7,138,802	\$ 34,565	\$ 19,421,077

**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, 2018
	Proceeds of Obligations	State Aid	Local Sources		
\$ 498,167	\$ 30,000	\$	\$ 470,000	\$ 500,000	\$ 498,167 *
-	160,050		364,950	525,000	-
3,839,314	9,624,056			9,624,056	(787,605) *
-	3,638,567			3,638,567	-
264,623	282,523		67,820	350,343	212,433 *
-	75,618			75,618	-
9,331	310,956			310,956	186,179 *
-	609,912			609,912	-
16,549	41,038			41,038	24,885 *
66,422	3,623,664	1,385,306		5,008,970	1,229,324 *
-			100,000	100,000	-
4,694,406	18,396,384	1,385,306	1,002,770	20,784,460	1,363,383
	(1,730,000)			(1,730,000)	(1,730,000)
	(17,833,484)			(17,833,484)	(17,833,484)
\$ 4,694,406	\$ (1,167,100)	\$ 1,385,306	\$ 1,002,770	\$ 1,220,976	\$ (18,200,101)

CHENANGO FORKS CENTRAL SCHOOL DISTRICT

SCHEDULE OF NET INVESTMENT IN CAPITAL ASSETS FOR THE YEAR ENDED JUNE 30, 2018

Capital assets, net	\$ <u>50,330,950</u>
Add:	
Amounts deferred on refunding	<u>371,208</u>
Deduct:	
Bond anticipation notes	<u>(19,563,484)</u>
Premium on bonds	<u>(164,543)</u>
Premium on bond anticipation notes	<u>(113,860)</u>
Short-term portion of installment purchase debt	<u>(221,000)</u>
Long-term portion of installment purchase debt	<u>(3,153,000)</u>
Short-term portion of bonds payable, before deferred amounts	<u>(1,260,000)</u>
Long-term portion of bonds payable, before deferred amounts	<u>(5,130,000)</u>
Less: unspent bond proceeds	<u>383,844</u>
Net Investment in Capital Assets	\$ <u><u>21,480,115</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 Forks 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 Forks Central School District (the School District), as of and for the year ended June 30, 2018, 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 12, 2018.

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, slightly slanted style.

Insero & Co. CPAs, LLP
Certified Public Accountants

Ithaca, New York
September 12, 2018



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

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

Report on Compliance for Each Major Federal Program

We have audited Chenango Forks 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, 2018. 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, 2018.

INSERO & Co. CPAs, LLP

Rochester | Ithaca | Corning | Cortland | Watkins Glen | (800) 232-9547 | www.inserocpa.com

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,



Insero & Co. CPAs, LLP
Certified Public Accountants

Ithaca, New York
September 12, 2018

CHENANGO FORKS CENTRAL SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2018

<u>Federal Grantor/Pass - Through Grantor Program Title</u>	<u>Federal CFDA #</u>	<u>Pass - Through Grantor #</u>	<u>Expenditures to Subrecipients</u>	<u>Expenditures</u>
U.S. Department of Education				
Passed Through NYS Department of Education:				
Title I Grants to Local Educational Agencies	84.010	0021180145	\$	\$ 316,948
Title I Grants to Local Educational Agencies	84.010	0021170145		19,088
		Subtotal		<u>336,036</u>
Special Education Cluster:				
Special Education - Grants to States	84.027	0032180048		365,631
Special Education - Preschool Grants	84.173	0033180048		17,694
		Subtotal		<u>383,325</u>
Improving Teacher Quality State Grants	84.367	0147180145		52,464
Improving Teacher Quality State Grants	84.367	0147170145		14,560
		Subtotal		<u>67,024</u>
Total U.S. Department of Education				<u>786,385</u>
U.S. Department of Agriculture				
Passed Through NYS Department of Education:				
Child Nutrition Cluster:				
National School Lunch	10.555	03010106		361,869
School Breakfast Program	10.553	03010106		104,385
Summer Food Service Program for Children	10.559	03010106		12,225
		Subtotal		<u>478,479</u>
Total U.S. Department of Agriculture				<u>478,479</u>
U.S. Department of Homeland Security				
Passed Through NYS Division of Homeland				
Security and Emergency Services:				
Disaster Grants - Public Assistance	97.036	4322-DR-NY		6,590
Total U.S. Department of Homeland Security				<u>6,590</u>
Total Expenditures of Federal Awards			\$ -	\$ <u>1,271,454</u>

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

CHENANGO FORKS CENTRAL SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2018

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* 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 School District has not elected to use the 10% de minimus 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, 2018, the School District received \$48,909 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 FORKS CENTRAL SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2018

Section I - Summary of Auditor's Results

Financial Statements

Unmodified

Type of auditor's report issued

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 no

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 Uniform Guidance §200.516(a)? ___ yes X no

Identification of major programs

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

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

Auditee qualified as low-risk? X yes ___ no

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

None