

CENTRAL VALLEY  
CENTRAL SCHOOL  
DISTRICT



MANAGEMENT'S  
DISCUSSION AND  
ANALYSIS

AND

BASIC FINANCIAL  
STATEMENTS

For the Year Ended  
June 30, 2018

**CENTRAL VALLEY CENTRAL SCHOOL DISTRICT  
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**Independent Auditor's Report**

Board of Education  
Central Valley Central School District

**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 Central Valley Central 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District'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 District'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 Central Valley Central School District, as of June 30, 2018, and the respective changes in financial position for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

**New Accounting Standard**

As discussed in Note 1 to the financial statements, the School District changed accounting policies related to the financial statement presentation of other postemployment benefits (OPEB) by adopting Statement of Governmental Accounting Standards (GASB Statement) No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, in 2018. 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 and other required supplementary information, as listed in the table of contents, 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 Central Valley Central School District's basic financial statements. The other supplementary information on pages 53 through 55 is presented for purposes of additional analysis as required by New York State Education Department and is not a required part of the basic financial statements. The accompanying 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 Schedule of Expenditures of Federal Awards and other supplementary information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information and Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with Government Auditing Standards, we have also issued our report dated October 16, 2018 on our consideration of the Central Valley Central School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Central Valley Central School District's internal control over financial reporting and compliance.

*D'Arcangelo + Co., LLP*

October 16, 2018

Rome, New York

**CENTRAL VALLEY CENTRAL SCHOOL DISTRICT  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2018**

The Central Valley Central School District’s discussion and analysis of financial performance provides an overall review of the District’s financial activities for the fiscal years ended June 30, 2018 and 2017. The intent of this discussion and analysis is to look at the District’s financial performance as a whole. This should be read in conjunction with the financial statements, which immediately follow this section.

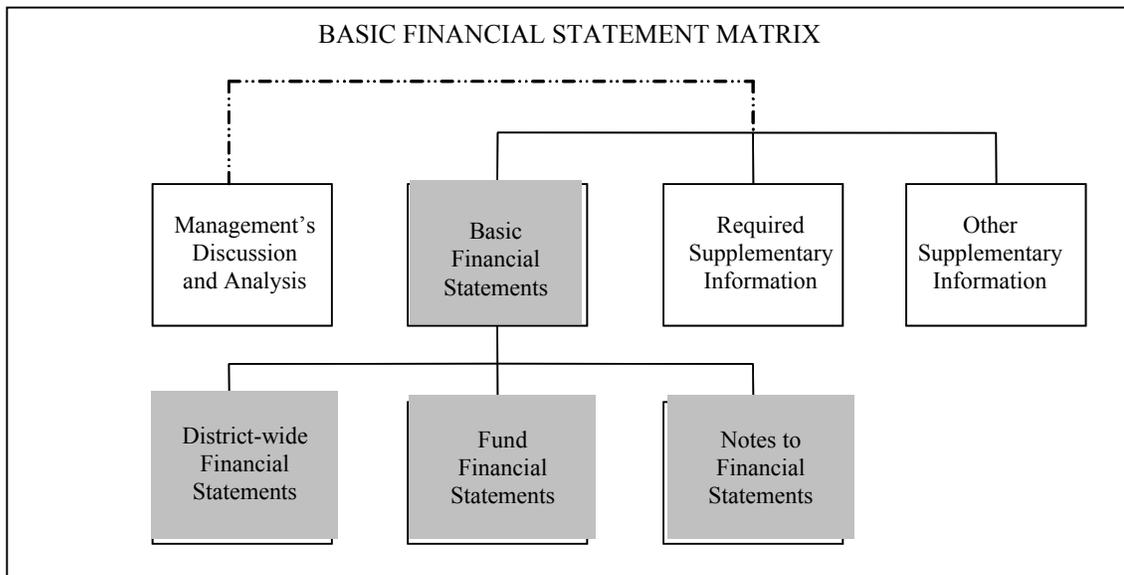
**1. FINANCIAL HIGHLIGHTS**

Key financial highlights for fiscal year 2018 are as follows:

- The District’s total net position, as reflected in the District-wide financial statements, increased by \$5,147,667 to a deficit of \$25,381,429. The opening net position required a prior period adjustment of \$52,411,993 (decrease) due to the cumulative effect of implementing a new accounting standard for other postemployment benefits (GASB 75) in the current year.
- The District’s expenses for the year, as reflected in the District-wide financial statements, totaled \$46,161,337. Of this amount, \$98,444, \$3,495,838, and \$667,772 were offset by program charges for services, operating grants, and capital grants to support instructional, food service programs, and general support, respectively. General revenues of \$47,046,950 amount to 91.7% of total revenues. These revenues covered the remaining program expenses, leaving an excess of \$5,147,667 for the year.
- State and federal revenue increased by 0.03% to \$36,965,931 in 2018, from \$36,955,295 in 2017. Each year’s state aid includes \$4,446,765 for the fourth and fifth years of reorganization incentive operating aid due to the merger that occurred in 2014.
- The General Fund’s total fund balance, as reflected in the fund financial statements on pages 15 and 17, increased by \$4,440,731 to \$8,154,103. This was due to an excess of revenues over expenditures based on the modified accrual basis of accounting.

**2. OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of four parts – Management’s Discussion and Analysis (MD&A), the basic financial statements, required supplementary information, and other supplementary information. The basic financial statements consist of District-wide financial statements, fund financial statements, and notes to the financial statements. A graphic display of the relationship of these statements follows:



**CENTRAL VALLEY CENTRAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2018**

**(Continued)**

**A. District-wide Financial Statements**

The District-wide financial statements are organized to provide an understanding of the fiscal performance of the District as a whole in a manner similar to a private sector business. There are two District-wide financial statements - the Statement of Net Position and the Statement of Activities. These statements provide both an aggregate and long-term view of the District's finances.

These statements utilize the accrual basis of accounting. This basis of accounting recognizes the financial effects of events when they occur, without regard to the timing of cash flows related to the events.

The Statement of Net Position

The Statement of Net Position presents information on all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating, respectively.

The Statement of Activities

The Statement of Activities presents information showing the change in during the fiscal year. All changes in net position are recorded at the time the underlying financial event occurs. Therefore, revenues and expenses are reported in the statement for some items that will result in cash flow in future fiscal periods.

**B. Fund Financial Statements**

The fund financial statements provide more detailed information about the District's funds, not the District as a whole. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District also uses fund accounting to ensure compliance with finance-related legal requirements. The funds of the District are reported in the governmental funds and the fiduciary funds.

These statements utilize the modified accrual basis of accounting. This basis of accounting recognizes revenues in the period that they become measurable and available. It recognizes expenditures in the period that they become measurable, funded through available resources and payable within a current period.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the District-wide financial statements. However, the governmental fund financial statements focus on shorter term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year for spending in future years. Consequently, the governmental fund statements provide a detailed short-term view of the District's operations and the services it provides.

Because the focus of governmental funds is narrower than that of District-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the District-wide financial statements. By doing so, you may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains five individual governmental funds, General Fund, School Lunch Fund, Special Aid Fund, Debt Service Fund, and the Capital Projects Fund, each of which is considered to be a major fund and is presented separately in the fund financial statements.

Fiduciary Funds

Fiduciary funds are used to account for assets held by the District in its capacity as agent or trustee. All of the District's fiduciary activities are reported in a separate Statement of Fiduciary Net Position. The fiduciary activities have been excluded from the District's District-wide financial statements because the District cannot use these assets to finance its operations.

**CENTRAL VALLEY CENTRAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2018**

(Continued)

**3. FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

**A. Net Position**

The District's total net position increased by \$5,147,667 between fiscal year 2017 and 2018. A summary of the District's Statement of Net Position for June 30, 2018 and 2017 is as follows:

	2018	(Restated) 2017	Increase/ (Decrease)	Percentage Change
Current and Other Assets	\$ 32,699,413	\$ 10,429,848	\$ 22,269,565	213.5%
Net Pension Asset - Proportionate Share	689,507		689,507	100.0%
Capital Assets, (Net of Accumulated Depreciation)	<u>103,205,915</u>	<u>76,429,315</u>	<u>26,776,600</u>	35.0%
Total Assets	<u>136,594,835</u>	<u>86,859,163</u>	<u>49,735,672</u>	57.3%
Deferred Outflow of Resources	<u>13,667,247</u>	<u>10,977,432</u>	<u>2,689,815</u>	24.5%
Current and Other Liabilities	31,062,841	3,364,899	27,697,942	823.1%
Net Pension Liability - Proportionate Share	315,917	1,990,622	(1,674,705)	(84.1%)
Non-Current Liabilities	<u>130,953,005</u>	<u>122,350,211</u>	<u>8,602,794</u>	7.0%
Total Liabilities	<u>162,331,763</u>	<u>127,705,732</u>	<u>34,626,031</u>	27.1%
Deferred Inflow of Resources	<u>13,311,748</u>	<u>659,959</u>	<u>12,651,789</u>	1917.1%
Net Position				
Net Investment in Capital Assets	56,175,509	51,615,539	4,559,970	8.8%
Restricted	2,919,075	2,902,484	16,591	0.6%
Unrestricted (Deficit)	<u>(84,476,013)</u>	<u>(85,047,119)</u>	<u>571,106</u>	0.7%
Total Net Position (Deficit)	<u>\$ (25,381,429)</u>	<u>\$ (30,529,096)</u>	<u>\$ 5,147,667</u>	16.9%

Current and other assets increased by \$22,269,565, as compared to the prior year. The increase is primarily due to an increase in cash in the Capital Projects Fund due to unspent funds from the issuance of a \$25 million bond anticipation note.

The net pension asset – proportionate share represents the School District's share of the TRS total pension asset, which was a pension liability in the prior year.

Capital assets, net of accumulated depreciation, increased by \$26,776,600, as compared to the prior year. This increase is due to capital additions, primarily construction in progress, exceeding depreciation expense for the current year. Note 8 to the Financial Statements provides additional information.

Current and other liabilities increased by \$27,697,942 as compared to the prior year. The increase is primarily due to issuance of a \$25 million BAN during 2018.

The net pension liability – proportionate share decreased by \$1,674,705 as compared to the prior year. This is primarily due to the fact that the proportionate share of the TRS pension became an asset in the current year.

Non-current liabilities increased by \$8,602,794, as compared to the prior year. This increase is primarily due to the issuance of a \$16,185,000 DASNY serial bond during 2018, and is offset by a net decrease in the other postemployment benefits liability of \$9,637,816.

The net investment in capital assets is calculated by subtracting the amount of outstanding debt used for construction from the total cost of all asset acquisitions, net of accumulated depreciation. The total cost of these acquisitions includes expenditures to purchase land, construct and improve buildings and purchase vehicles, equipment and furniture to support District operations.

The restricted portion of net position at June 30, 2018, is \$2,919,075, which represents the amount of the District's reserves in the General Fund and other restricted funds for debt service.

**CENTRAL VALLEY CENTRAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2018**

**(Continued)**

The unrestricted portion of net position at June 30, 2018, is a deficit of \$84,476,013, which represents the amount by which the District's liabilities and deferred inflows of resources, excluding debt related to capital construction and capital assets, exceeded the District's assets and deferred outflows of resources other than capital assets. This deficit is primarily due to the accrual of other postemployment benefits in the amount of \$89,365,392.

**Changes in Net Position**

The results of this year's operations as a whole are reported in the Statement of Activities in a programmatic format in the accompanying financial statements. In the accompanying financial statements STAR (school tax relief) revenue is included in the other tax items line. However, in this MD&A, STAR revenue has been combined with property taxes. A summary of this statement for the years ended June 30, 2018 and 2017 is as follows.

<b>Revenues</b>	<u>2018</u>	<u>2017</u>	<u>Increase/ (Decrease)</u>	<u>Percentage Change</u>
<b>Program Revenues</b>				
Charges for Services	\$ 98,444	\$ 85,146	\$ 13,298	15.6%
Operating Grants	3,495,838	3,642,076	(146,238)	(4.0%)
Capital Grants	667,772		667,772	100.0%
<b>General Revenues</b>				
Property Taxes and STAR	8,488,697	8,346,202	142,495	1.7%
State and Federal Sources	36,965,931	36,955,295	10,636	0.0%
Other	1,592,322	822,359	769,963	93.6%
Total Revenues	<u>51,309,004</u>	<u>49,851,078</u>	<u>1,457,926</u>	2.9%
<b>Expenses</b>				
General Support	6,535,997	6,433,554	102,443	1.6%
Instruction	35,036,828	38,697,085	(3,660,257)	(9.5%)
Pupil Transportation	2,398,026	2,171,809	226,217	10.4%
Debt Service-Unallocated Interest	1,105,448	1,017,209	88,239	8.7%
Food Service Program	1,085,038	1,225,612	(140,574)	(11.5%)
Total Expenses	<u>46,161,337</u>	<u>49,545,269</u>	<u>(3,383,932)</u>	(6.8%)
Total Change in Net Position	<u>\$ 5,147,667</u>	<u>\$ 305,809</u>	<u>\$ 4,841,858</u>	

The District's revenues increased by 2.9% in 2018 or \$1,457,926. The major factors that contributed to the increase were:

- An increase in other revenues in the amount of \$769,963 primarily due to premiums on bond anticipation notes recorded in the General Fund in the amount of \$486,685.
- The District received capital grants in the amount of \$667,772, which consists of Excel Aid used for the 2015 capital project.

The District's expenses decreased by 6.8% in 2018 or \$3,383,932, primarily in the instructional category. The major factor that contributed to the decrease was:

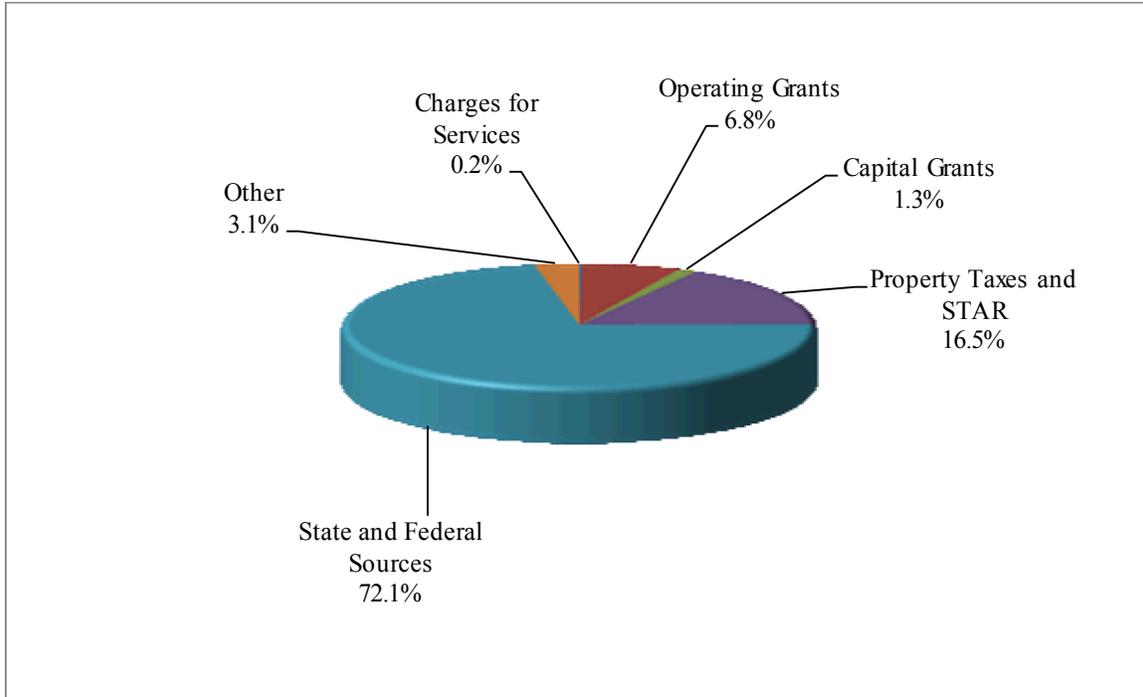
- A decrease of approximately \$3.5 million in the other postemployment benefits expense for the current year under provisions of GASB 75. The decrease is primarily allocated to the instructional category.

**CENTRAL VALLEY CENTRAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2018**

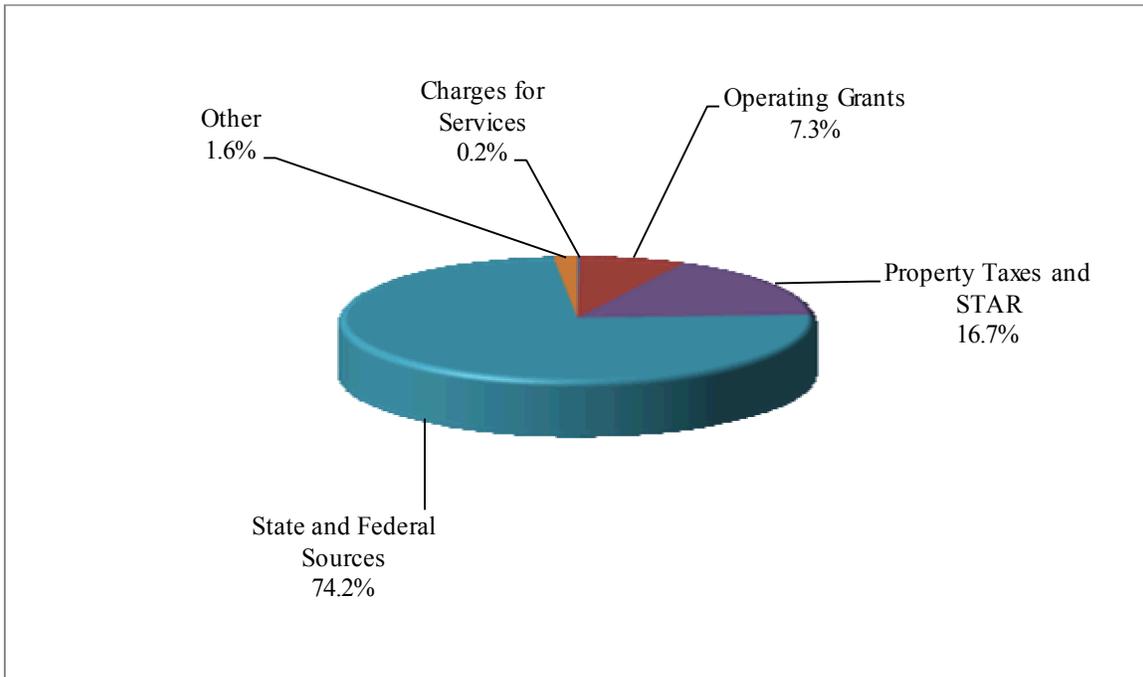
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A graphic display of the distribution of revenues for the two years follows:

**For the Year Ended June 30, 2018**



**For the Year Ended June 30, 2017**



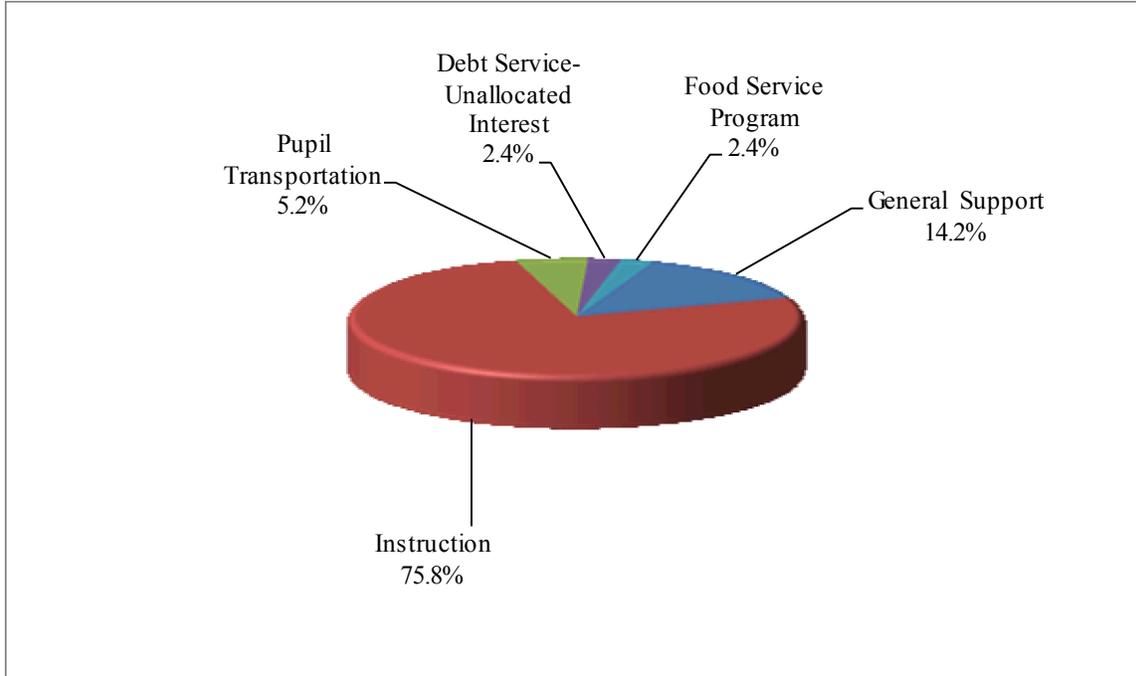
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**CENTRAL VALLEY CENTRAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2018**

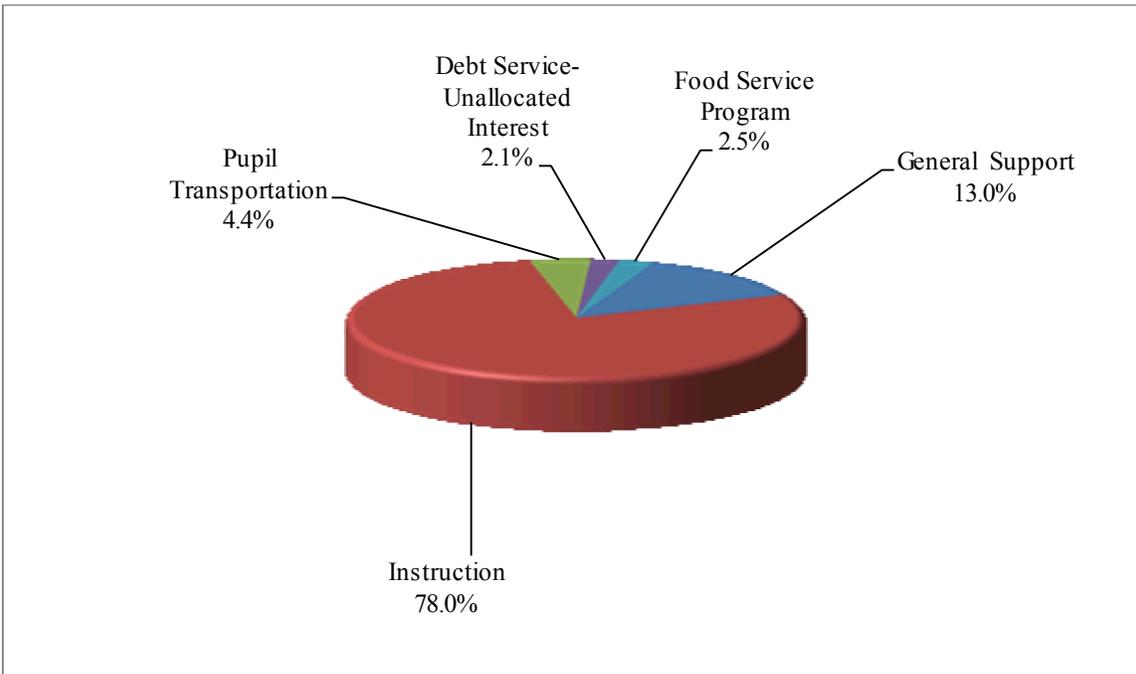
**(Continued)**

A graphic display of the distribution of expenses for the two years follows:

**For the Year Ended June 30, 2018**



**For the Year Ended June 30, 2017**



See Independent Auditor's Report

**CENTRAL VALLEY CENTRAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2018**

(Continued)

**4. FINANCIAL ANALYSIS OF THE DISTRICT'S FUND BALANCES**

At June 30, 2018, the District's governmental funds reported a combined fund balance of \$3,045,000 which is a decrease of \$4,052,907 over the prior year. This decrease is due to a deficit of revenues over expenditures, primarily in the Capital Projects Fund. A summary of the change in fund balance by fund is as follows:

<b>General Fund</b>	<u>2018</u>	<u>2017</u>	<u>Increase/ (Decrease)</u>
<b>Restricted</b>			
Workers' Compensation	\$ 240,000	\$ 240,000	\$
Unemployment Insurance	95,000	95,000	
Retirement Contribution	1,000,000	1,000,000	
Employee Benefit Accrued Liability	350,000	350,000	
Capital	50,964	50,888	76
Repairs	<u>56,764</u>	<u>56,679</u>	<u>85</u>
<b>Total Restricted</b>	<u>1,792,728</u>	<u>1,792,567</u>	<u>161</u>
<b>Unassigned</b>	<u>6,361,375</u>	<u>1,920,805</u>	<u>4,440,570</u>
<b>Total General Fund</b>	<u>8,154,103</u>	<u>3,713,372</u>	<u>4,440,731</u>
<b>School Lunch Fund</b>			
Nonspendable	53,166	68,163	(14,997)
Assigned	<u>342,231</u>	<u>368,214</u>	<u>(25,983)</u>
<b>Total School Lunch Fund</b>	<u>395,397</u>	<u>436,377</u>	<u>(40,980)</u>
<b>Special Aid Fund</b>			
Unassigned (Deficit)	<u>(53,120)</u>	<u>(1,222)</u>	<u>(51,898)</u>
<b>Debt Service Fund</b>			
Restricted	<u>1,126,347</u>	<u>1,109,917</u>	<u>16,430</u>
<b>Capital Projects Fund</b>			
Assigned		2,073,913	(2,073,913)
Unassigned (Deficit)	<u>(6,577,727)</u>	<u>(234,450)</u>	<u>(6,343,277)</u>
<b>Total Capital Projects Fund</b>	<u>(6,577,727)</u>	<u>1,839,463</u>	<u>(8,417,190)</u>
<b>Total Fund Balances</b>	<u>\$ 3,045,000</u>	<u>\$ 7,097,907</u>	<u>\$ (4,052,907)</u>

Combined increases of \$161 to the General Fund restricted fund balance during the year ended June 30, 2018 includes interest earnings on existing balances.

The General Fund unassigned fund balance experienced an increase of \$4,440,570 due to an excess of revenues over expenditures in the current year.

The District has unassigned deficits related to the 2015 Capital Project, Smart Schools Bond Act Technology Project and the 2017-2018 Capital Outlay Project. The deficits will be eliminated when additional or permanent financing is received.

**CENTRAL VALLEY CENTRAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2018**

(Continued)

**5. GENERAL FUND BUDGETARY HIGHLIGHTS**

**A. 2017-2018 Budget**

The District's General Fund adopted budget for the year ended June 30, 2018, was \$44,975,000. This is a decrease of \$119,500 over the prior year's adopted budget.

The budget was funded through a combination of revenues and designated fund balance. The majority of this funding source was \$8,453,000 in estimated property taxes and STAR, and \$35,932,745 in state aid.

**B. Change in General Fund's Unassigned Fund Balance (Budget to Actual)**

The General Fund's unassigned fund balance is the component of total fund balance that is the residual of prior years' excess revenues over expenditures, net of transfers to reserves and designations to fund the subsequent year's budget. It is this balance that is commonly referred to as the "fund balance". The change in this balance demonstrated through a comparison of the actual revenues and expenditures for the year compared to budget follows:

Opening, Unassigned Fund Balance	\$ 1,920,805
Revenues and Other Financing Sources over Budget	2,094,336
Expenditures and Transfers under Budget	2,346,395
Net Increase to Restricted Funds	(161)
Closing, Unassigned Fund Balance	\$ 6,361,375

Opening, Unassigned Fund Balance

The \$1,920,805 shown in the table is the portion of District's June 30, 2017, fund balance that was retained as unassigned. This was 4.27% of the District's 2017-2018 approved operating budget.

Revenues and Other Financing Sources Over Budget

The 2017-2018 budget for revenues and other financing sources was \$44,975,000. The actual revenues and other financing sources received for the year were \$47,069,336. The actual revenue and other financing sources over estimated or budgeted revenue and other financing sources was \$2,094,336. This variance contributes directly to the change to the unassigned portion of the General Fund fund balance from June 30, 2017 to June 30, 2018.

Expenditures and Transfers Under Budget

The 2017-2018 budget for expenditures was \$44,975,000. The actual expenditures were \$42,628,605. The final budget was under expended by \$2,346,395. This under expenditure contributes directly to the change to the unassigned portion of the General Fund fund balance from June 30, 2017 to June 30, 2018.

Appropriated Fund Balance for 2018-2019

The District chose not to use any of its available June 30, 2018 fund balance to fund the 2018-2019 operating budget.

Net Increase to Restricted Funds

Restricted funds were increased by \$161, which represents interest earned in 2017-2018.

Closing, Unassigned Fund Balance

Based upon the summary changes shown in the above table, the District has an unassigned fund balance of \$6,361,375 at June 30, 2018, which is 13.39% of the subsequent year's budget. This is an increase of \$4,440,570 over the unassigned balance from the prior year as of June 30, 2017.

**CENTRAL VALLEY CENTRAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2018**

(Continued)

**6. CAPITAL ASSET AND DEBT ADMINISTRATION**

**A. Capital Assets**

At June 30, 2018, the District had invested in a broad range of capital assets, including land, buildings and improvements and equipment. The net increase in capital assets is due to amounts expended for capital additions exceeding depreciation recorded for the year ended June 30, 2018. A summary of the District's capital assets, net of accumulated depreciation at June 30, 2018 and 2017, is as follows:

	<u>2018</u>	<u>2017</u>	<u>Increase/ (Decrease)</u>
Land	\$ 24,985	\$ 24,985	\$
Construction in Progress	35,446,805	6,149,651	29,297,154
Buildings and Improvements	65,937,290	68,408,666	(2,471,376)
Furniture, Equipment, and Vehicles	<u>1,796,835</u>	<u>1,846,013</u>	<u>(49,178)</u>
Capital Assets, Net	<u>\$ 103,205,915</u>	<u>\$ 76,429,315</u>	<u>\$ 26,776,600</u>

**B. Debt Administration**

At June 30, 2018, the District had total bonds payable of \$36,789,184. A summary of the outstanding debt at June 30, 2018 and 2017 is as follows:

<u>Issue Date</u>	<u>Interest Rate</u>	<u>2018</u>	<u>2017</u>	<u>Increase (Decrease)</u>
Ilion Central School District				
12/23/2010	2.0-5.0%	\$	\$ 1,005,000	\$ (1,005,000)
12/30/2011	2.25-3.375%	1,205,000	11,205,000	(10,000,000)
Mohawk Central School District				
12/17/1999	5.75%	60,000	120,000	(60,000)
06/15/2010	3.0-5.0%	1,335,000	5,470,000	(4,135,000)
Central Valley Central School District				
06/10/2014	2.0-5.0%	5,700,000	6,080,000	(380,000)
08/25/2014	2.90%	129,184	193,776	(64,592)
11/09/2017	2.0-5.0%	3,405,000		3,405,000
12/28/2017	2.0-4.0%	8,775,000		8,775,000
06/07/2018	3.375-5.0%	<u>16,180,000</u>		<u>16,180,000</u>
		<u>\$ 36,789,184</u>	<u>\$ 24,073,776</u>	<u>\$ 12,715,408</u>

During the 2017-2018 fiscal year, the District partially advance refunded the 2010 series Mohawk Central School District bond and the 2011 series Ilion Central School District bond as shown by the significant decreases above.

**CENTRAL VALLEY CENTRAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2018**

**(Continued)**

**7. ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

Employment conditions and inflation characteristics of the geographical area that the District serves have again remained relatively unchanged during the year just ended. The District is located in an area that has been economically stagnant but steady for many years. While we don't seem to experience periods of accelerated growth, we also are able to avoid dramatic economic downturns. The Tractor Supply Company is opening a new distribution center in October 2018 which will add 350 decent jobs. We are hoping that it will have a positive impact on the entire region. Our budgeted each year is usually made without considering economic upturns as we have a history of conservative budgeting.

The District was created through the consolidation of the former Iliion and Mohawk Central School Districts. Because of the consolidation, the District expects to receive over \$42 million in state incentive aid over a 14-year period. In the first five years of operation, that aid was received as scheduled. The 2018-19 budget includes the initial reorganizational incentive aid decrease of \$444,677. Subsequent budgets will also be crafted with that in mind.

The District's goal is to maintain, and where possible, increase current programming for its students while taking steps necessary to insure the long-term financial stability of the District beyond the years that the incentive aid is received. The District will continue to be fiscally conservative to meet that objective, while at the same time offer programming which may attract new families. We will strive to be the educational leader in the Mohawk Valley region.

The District's tax base is expected to remain stable over the next year, while we anticipate steady student enrollment. We considered both factors when developing our General Fund budget.

At the May 2015 budget vote, a new \$73.645 million capital project was overwhelmingly approved for the District. The focus of the project is the transformation of the former Mohawk High School into a building suitable for our current Middle School (grades 5-8) configuration. That building has a projected completion date of fall 2020. Our two elementary schools are essentially finished and our high school will be completed during the 2018-19 school year. The District has been able to set aside a significant down payment for this project which will enable positive cash flows during the life of the serial bonds to be issued for the project. That will assist the District greatly as reorganizational aid declines each year.

**8. CONTACTING THE DISTRICT**

This financial report is designed to provide the School District's citizens, taxpayers, customers, investors, and creditors with a general overview of the School District's finances and to demonstrate the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office, at Central Valley School District, 111 Frederick Street, Iliion, NY 13357.

**CENTRAL VALLEY CENTRAL SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**June 30, 2018**

<b>Assets</b>	
Cash and Cash Equivalents	\$ 4,415,456
Restricted Cash and Cash Equivalents	24,485,318
Receivables	
Due From Other Governments	3,594,765
Other Receivables	150,708
Inventory	53,166
Net Pension Asset - Proportionate Share	689,507
Capital Assets (Net of Accumulated Depreciation)	<u>103,205,915</u>
Total Assets	<u>136,594,835</u>
 <b>Deferred Outflows of Resources</b>	
Deferred Charge on Refunding	458,535
Other Postemployment Benefits	2,644,795
Pensions	<u>10,563,917</u>
Total Deferred Outflows of Resources	<u>13,667,247</u>
 <b>Total Assets and Deferred Outflows of Resources</b>	
	<u><u>\$ 150,262,082</u></u>
 <b>Liabilities</b>	
Accounts Payable	\$ 2,979,593
Retainage Percentages Payable	1,393,525
Accrued Liabilities	78,600
Due To	
Teachers' Retirement System	1,495,423
Employees' Retirement System	115,158
Short-Term Note Payable	
Bond Anticipation Note	25,000,000
Deferred Credits	
Overpayments and Collections in Advance	542
Net Pension Liability - Proportionate Share	315,917
Noncurrent Liabilities	
Due Within One Year	3,295,986
Due in More Than One Year	<u>127,657,019</u>
Total Liabilities	<u>162,331,763</u>
 <b>Deferred Inflows of Resources</b>	
Other Postemployment Benefits	10,232,055
Pensions	<u>3,079,693</u>
Total Deferred Inflows of Resources	<u>13,311,748</u>
 <b>Net Position</b>	
Net Investment in Capital Assets	56,175,509
Restricted	2,919,075
Unrestricted (Deficit)	<u>(84,476,013)</u>
Total Net Position (Deficit)	<u>(25,381,429)</u>
 <b>Total Liabilities, Deferred Inflows of Resources, and Net Position</b>	
	<u><u>\$ 150,262,082</u></u>

The Accompanying Notes are an Integral Part of These Financial Statements.

**CENTRAL VALLEY CENTRAL SCHOOL DISTRICT**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2018**

<b>Functions/Programs</b>	<u>Expenses</u>	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
General Support	\$ 6,535,997	\$	\$	\$ (5,868,225)
Instruction	35,036,828	39,332	2,551,349	(32,446,147)
Pupil Transportation	2,398,026			(2,398,026)
Debt Service - Unallocated Interest	1,105,448			(1,105,448)
Food Service	1,085,038	59,112	944,489	(81,437)
Total Functions/Programs	<u>\$ 46,161,337</u>	<u>\$ 98,444</u>	<u>\$ 3,495,838</u>	<u>\$ 667,772</u>
<b>General Revenues</b>				
Real Property Taxes				6,101,597
STAR and Other Real Property Tax Items				2,387,100
Use of Money and Property				136,331
Sale of Property and Compensation for Loss				37,671
State and Federal Sources				36,965,931
Miscellaneous				<u>1,418,320</u>
Total General Revenues				<u>47,046,950</u>
Change in Net Position				<u>5,147,667</u>
Net Position, Beginning of Year				21,882,897
Prior Period Adjustment				<u>(52,411,993)</u>
Net Position (Deficit), Beginning of Year (Restated)				<u>(30,529,096)</u>
Net Position (Deficit), End of Year				<u>\$ (25,381,429)</u>

The Accompanying Notes are an Integral Part of These Financial Statements.

**CENTRAL VALLEY CENTRAL SCHOOL DISTRICT  
BALANCE SHEET - GOVERNMENTAL FUNDS  
June 30, 2018**

	General	School Lunch	Special Aid	Debt Service	Capital Projects	Total
<b>Assets</b>						
Cash and Cash Equivalents	\$ 3,512,162	\$ 380,239	\$ 523,055	\$	\$	\$ 4,415,456
Restricted Cash and Cash Equivalents	1,792,728			1,122,038	21,570,552	24,485,318
Due From						
Other Governments	3,212,449		382,316			3,594,765
Other Funds	1,667,136		4,717	4,309	318,668	1,994,830
Other Receivables	150,708					150,708
Inventory		53,166				53,166
Total Assets	<u>\$ 10,335,183</u>	<u>\$ 433,405</u>	<u>\$ 910,088</u>	<u>\$ 1,126,347</u>	<u>\$ 21,889,220</u>	<u>\$ 34,694,243</u>
<b>Liabilities</b>						
Payables						
Accounts Payable	\$ 247,114	\$ 37,466	\$	\$	\$ 2,695,013	\$ 2,979,593
Due To						
Other Funds	323,385		899,511		771,934	1,994,830
Teachers' Retirement System	1,495,423					1,495,423
Employees' Retirement System	115,158					115,158
Short-Term Note Payable						
Bond Anticipation Note					25,000,000	25,000,000
Deferred Credits						
Overpayments and Collections in Advance		542				542
Total Liabilities	<u>2,181,080</u>	<u>38,008</u>	<u>899,511</u>	<u></u>	<u>28,466,947</u>	<u>31,585,546</u>
<b>Deferred Inflows of Resources</b>						
Unavailable Revenue - Grants			63,697			63,697
Total Deferred Inflows of Resources			<u>63,697</u>			<u>63,697</u>
<b>Fund Balance (Deficit)</b>						
Nonspendable		53,166				53,166
Restricted	1,792,728			1,126,347		2,919,075
Assigned		342,231				342,231
Unassigned (Deficit)	6,361,375		(53,120)		(6,577,727)	(269,472)
Total Fund Balance (Deficit)	<u>8,154,103</u>	<u>395,397</u>	<u>(53,120)</u>	<u>1,126,347</u>	<u>(6,577,727)</u>	<u>3,045,000</u>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balance</b>	<u>\$ 10,335,183</u>	<u>\$ 433,405</u>	<u>\$ 910,088</u>	<u>\$ 1,126,347</u>	<u>\$ 21,889,220</u>	<u>\$ 34,694,243</u>

The Accompanying Notes are an Integral Part of These Financial Statements.

**CENTRAL VALLEY CENTRAL SCHOOL DISTRICT  
RECONCILIATION OF GOVERNMENTAL FUNDS  
BALANCE SHEET TO THE STATEMENT OF NET POSITION  
June 30, 2018**

Total Governmental Fund Balances \$ 3,045,000

Amounts reported for governmental activities in the Statement of Net Position are different because:

Revenues that do not provide current financial resources that are recognized in the Statement of Net Position but not the fund financial statements.

Grant Revenue 63,697

The cost of building and acquiring capital assets (land, buildings, and equipment) financed from the governmental funds are reported as expenditures in the year they are incurred, and the assets do not appear on the balance sheet. However, the Statement of Net Position includes those capital assets among the assets of the School District as a whole, and their original costs are expensed annually over their useful lives.

Original Cost of Capital Assets 151,322,331  
Accumulated Depreciation (48,116,416)  
103,205,915

The proportionate share of long-term assets, deferred outflows of resources, liabilities, and deferred inflows of resources associated with participation in state retirement systems are not current financial resources or obligations and are not reported in the funds.

Net Pension Asset - Proportionate Share 689,507  
Deferred Outflows - Pensions 10,563,917  
Net Pension Liability - Proportionate Share (315,917)  
Deferred Inflows - Pensions (3,079,693)  
7,857,814

Non-current liabilities and related payables, deferred inflows of resources, and deferred outflows of resources are not due and payable in the current period and, therefore, are not reported in the funds. Non-current liabilities and related items at year end consisted of:

Retainage Payable (1,393,525)  
Bonds Payable (36,789,184)  
Unamortized Deferred Charge on Advance Refunding 458,535  
Unamortized Bond Premium (3,663,495)  
Accrued Interest on Bonds Payable (78,600)  
Other Postemployment Benefits and related Deferred Inflows/Outflows (96,952,652)  
Compensated Absences Payable (1,134,934)  
(139,553,855)

Total Net Position (Deficit) \$ (25,381,429)

**CENTRAL VALLEY CENTRAL SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**ALL GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2018**

	General	School Lunch	Special Aid	Debt Service	Capital Projects	Total
<b>Revenues</b>						
Real Property Taxes	\$ 6,101,597	\$	\$	\$	\$	\$ 6,101,597
STAR and Other Real Property Tax Items	2,387,100					2,387,100
Charges for Services	39,332					39,332
Use of Money and Property	123,693	517		12,121		136,331
Sale of Property and Compensation for Loss	37,671					37,671
Miscellaneous	928,327					928,327
State Aid	36,792,119	25,793	1,060,375		667,772	38,546,059
Federal Aid	173,812	918,696	1,439,076			2,531,584
School Lunch Sales		59,112				59,112
<b>Total Revenues</b>	<u>46,583,651</u>	<u>1,004,118</u>	<u>2,499,451</u>	<u>12,121</u>	<u>667,772</u>	<u>50,767,113</u>
<b>Expenditures</b>						
General Support	4,699,156			228,615	27,903,629	32,831,400
Instruction	20,919,185		2,040,212			22,959,397
Pupil Transportation	2,150,578		23,583			2,174,161
Food Service Program		945,702				945,702
Employee Benefits	9,902,782	99,396	505,938			10,508,116
Debt Service - Principal	3,540,810					3,540,810
Debt Service - Interest	1,310,260					1,310,260
<b>Total Expenditures</b>	<u>42,522,771</u>	<u>1,045,098</u>	<u>2,569,733</u>	<u>228,615</u>	<u>27,903,629</u>	<u>74,269,846</u>
Excess (Deficit) Revenues Over Expenditures	<u>4,060,880</u>	<u>(40,980)</u>	<u>(70,282)</u>	<u>(216,494)</u>	<u>(27,235,857)</u>	<u>(23,502,733)</u>
<b>Other Financing Sources (Uses)</b>						
Proceeds of Serial Bonds					16,185,000	16,185,000
Proceeds of Refunding Bonds				12,185,000		12,185,000
Payment to Escrow Agent				(12,866,274)		(12,866,274)
Premium on Obligations	485,685			914,198	2,314,999	3,714,882
BANs Redeemed from Appropriations					231,218	231,218
Transfers from Other Funds			18,384		87,450	105,834
Transfers to Other Funds	(105,834)					(105,834)
<b>Total Other Financing Sources (Uses)</b>	<u>379,851</u>		<u>18,384</u>	<u>232,924</u>	<u>18,818,667</u>	<u>19,449,826</u>
<b>Excess Revenues Over Expenditures and Other Financing Sources (Uses)</b>	4,440,731	(40,980)	(51,898)	16,430	(8,417,190)	(4,052,907)
<b>Fund Balance (Deficit), Beginning of Year</b>	<u>3,713,372</u>	<u>436,377</u>	<u>(1,222)</u>	<u>1,109,917</u>	<u>1,839,463</u>	<u>7,097,907</u>
<b>Fund Balance (Deficit), End of Year</b>	<u>\$ 8,154,103</u>	<u>\$ 395,397</u>	<u>\$ (53,120)</u>	<u>\$ 1,126,347</u>	<u>\$ (6,577,727)</u>	<u>\$ 3,045,000</u>

The Accompanying Notes are an Integral Part of These Financial Statements.

**CENTRAL VALLEY CENTRAL SCHOOL DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES AND  
EXPENDITURES OF THE GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2018**

Net Changes in Fund Balance - Total Governmental Funds \$ (4,052,907)

Capital Outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities, those costs are shown in the Statement of Net Position and allocated over their useful lives as depreciation expenses in the Statement of Activities. This is the amount by which capital outlays exceeded depreciation expense and loss on disposal of assets in the period.

Depreciation Expense	(2,769,788)	
Loss on Disposal	(22,886)	
Capital Outlays	<u>28,175,749</u>	25,383,075

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayments of bond principal is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. This is the amount by which bond proceeds and related premiums exceeded repayments and amortization of serial bond premiums in the period.

Proceeds of Serial Bonds	(16,185,000)	
Serial Bond Premium	(2,315,000)	
Amortization of Serial Bond Premium	301,394	
Repayment Bond Principal	<u>3,309,592</u>	(14,889,014)

Proceeds of debt refunding and payments to escrow agents as part of debt refunding are reported as other financing sources (uses) in the governmental funds. However, the amount of the proceeds in excess of the defeasance of old debt is deferred in the statement of net assets and amortized as a component of interest expense over the remaining life of the new debt.

Proceeds of Refunding Bonds	(12,185,000)	
Payment to Escrow Agent	12,866,274	
Refunding Bond Premium	(909,889)	
Amortized Interest Expense	<u>(62,739)</u>	(291,354)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds.

Grant Revenue	51,898
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Certain expenses in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Change in Accrued Interest on Serial Bonds	(33,843)	
Change in Compensated Absences	24,457	
Change in Other Postemployment Benefits	<u>(575,608)</u>	(584,994)

(Increases) decreases in the proportionate share of net pension asset/liability reported in the Statement of Activities do not provide for or require the use of current financial resources and therefore are not reported as revenues or expenditures in the governmental funds.

Teachers' Retirement System	(351,091)	
Employees' Retirement System	<u>(117,946)</u>	<u>(469,037)</u>

Change in Net Position Governmental Activities \$ 5,147,667

The Accompanying Notes are an Integral Part of These Financial Statements.

**CENTRAL VALLEY CENTRAL SCHOOL DISTRICT**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**June 30, 2018**

	Private Purpose Trusts	Agency
<b>Assets</b>		
Cash and Cash Equivalents - Unrestricted	\$	\$ 98,033
Cash and Cash Equivalents - Restricted	1,003,991	
Investments - Restricted	365,978	
Total Assets	\$ 1,369,969	\$ 98,033
<b>Liabilities</b>		
Agency Liabilities	\$	\$ 21,151
Extraclassroom Activity Balances		76,882
		\$ 98,033
<b>Net Position</b>		
Restricted for Scholarships	1,369,969	
Total Net Position	\$ 1,369,969	

The Accompanying Notes are an Integral Part of These Financial Statements.

**CENTRAL VALLEY CENTRAL SCHOOL DISTRICT**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**For the Year Ended June 30, 2018**

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	<u>Private Purpose Trusts</u>
<b>Additions</b>	
Investment Income	\$ 8,246
Net Investment Gain	21,686
Gifts and Contributions	<u>16,119</u>
Total Additions	<u>46,051</u>
<b>Deductions</b>	
Scholarships and Awards	<u>51,130</u>
<b>Change in Net Position</b>	(5,079)
<b>Net Position, Beginning of Year</b>	<u>1,375,048</u>
<b>Net Position, End of Year</b>	<u><u>\$ 1,369,969</u></u>

The Accompanying Notes are an Integral Part of These Financial Statements.

**CENTRAL VALLEY CENTRAL SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2018**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of Central Valley Central School District (the School District) have been prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) as they apply to governmental units. Those principles are prescribed by the Governmental Accounting Standards Board (GASB), which is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Certain significant accounting principles and policies utilized by the School District are described below:

***Reporting Entity***

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 seven 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 reporting entity of the School District is based upon criteria set forth by GASB. The financial reporting entity consists of the primary government, 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 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 following is a brief description of certain entities included in the School District's reporting entity:

***Extraclassroom Activity Funds***

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. The School District accounts for assets held as an agent for various student organizations in an agency fund. Separate audited financial statements (cash basis) of the Extraclassroom Activity Funds can be found at the School District's business office.

***Joint Venture***

The School District is a component district in the Herkimer-Fulton-Hamilton-Otsego Counties Board of Cooperative Education Services (BOCES). A BOCES is a voluntary, cooperative association of school districts in a geographic area that shares 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 §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 §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 district's share of administrative and capital cost is determined by resident public school district enrollment, as defined in the New York State Education Law, §1950(4)(b)(7). In addition, component districts pay tuition or a service fee for programs in which its students participate.

**CENTRAL VALLEY CENTRAL SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2018**

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***Basis of Presentation***

**(a) *District-Wide Statements***

The Statement of Net Position and the Statement of Activities present financial information about the School District's governmental activities. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. Governmental activities generally are financed through taxes, state aid, intergovernmental revenues, and other exchange and nonexchange transactions. Operating grants include operating-specific and discretionary (either operating or capital) grants, while the capital grants column reflects capital-specific grants.

The Statement of 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 that are specifically associated with and are clearly identifiable to a particular function. Indirect expenses, principally employee benefits and depreciation expense for the year, are allocated to functional areas in proportion to the payroll expended and total expenditures, respectively, for those areas. Program revenues include charges paid by the recipients of goods or services offered by the programs, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

**(b) *Fund Financial Statements***

The fund 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 fund financial statements is on major governmental funds, each displayed in a separate column. All funds of the School District are displayed as major funds. The School District reports the following major governmental funds:

***General Fund:*** This is the School District's primary operating fund used to account for and report all financial resources not accounted for in another fund.

***Special Revenue Funds:***

***Special Aid Fund:*** This fund accounts for and reports the proceeds of specific revenue sources, such as Federal and State grants, that are legally restricted to expenditures for specified purposes.

***School Lunch Fund:*** This fund is used to account for and report transactions of the School District's food service operations.

***Debt Service Fund:*** This fund accounts for and reports financial resources that are restricted to expenditures for principal and interest. Debt service funds should be used to report resources if legally mandated.

***Capital Projects Fund:*** This fund is used to account for and report financial resources that are restricted or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

**(c) *Fiduciary Funds***

Fiduciary funds are used to account for and report fiduciary activities. 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. There are two classes of fiduciary funds:

***Private Purpose Trust Funds:*** These funds are used to account for and report trust arrangements in which principal and income benefits annual third-party awards and scholarships for students. Established criteria govern the use of the funds and members of the School District or representatives of the donors may serve on committees to determine who benefits.

**CENTRAL VALLEY CENTRAL SCHOOL DISTRICT**  
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**Agency Funds:** These funds are strictly custodial in nature and do not involve the 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***

Accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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 statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The School District considers all revenues reported in the governmental funds to be available if the revenues are collected within six months after the end of the fiscal year.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

***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, deferred outflows of resources, liabilities, and deferred inflows of resources, 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, other postemployment benefits, potential contingent liabilities, and useful lives of long-lived assets.

***Property Taxes***

Real property taxes are levied annually by the Board of Education and become a lien no later than September 1. Taxes are collected during the period September 1 to October 31. Herkimer County subsequently enforces uncollected real property taxes. The County pays an amount representing uncollected real property taxes transmitted to the County for enforcement to the School District no later than the following April 1.

***Restricted Resources***

When an expenditure is incurred for purposes for which both restricted and unrestricted net position are available, the School District's policy concerning which to apply first varies with the intended use, and with associated legal requirements, many of which are described elsewhere in these Notes.

**CENTRAL VALLEY CENTRAL SCHOOL DISTRICT**  
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***Interfund Transactions***

The operations of the School District include transactions between funds. These transactions may be temporary in nature, such as with interfund borrowings. The School District typically loans resources between funds for the purpose of providing cash flow. These interfund receivables and payables are expected to be repaid within one year. Permanent transfers of funds include the transfer of expenditures and revenues to provide financing or other services.

The amounts reported on the Statement of Net Position for due to and due from other funds represents amounts due between different fund types (governmental activities and fiduciary funds). Eliminations have been made for amounts due to and due from within the same fund type. A detailed description of the interfund transactions for governmental funds throughout the year is shown in Note 14 to the financial statements.

***Cash and Cash Equivalents***

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 districts.

***Investments***

The investments in securities are carried at fair value and are categorized as investments held by the School District and are recorded in the Private Purpose Trust Fund. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The net change in the unrealized gain or losses, realized gains or losses, and interest and dividends are recognized as investment income and are reported net of fees.

***Receivables***

Receivables are shown gross, with uncollectible amounts recognized under the direct write-off method. No allowance for uncollectible accounts has been provided since it is believed that such allowance would not be material.

***Inventories***

The inventories of food and/or supplies in the School Lunch Fund are recorded at cost on a first-in, first-out basis or, in the case of surplus food donated by the U.S. Department of Agriculture, at the government's assigned value, which approximates market.

Purchases of inventory items in other funds are recorded as expenditures at the time of purchase, and are considered immaterial in amount.

A portion of the fund balance in the amount of this non-liquid asset has been identified as not available for other subsequent expenditures.

***Capital Assets***

Capital assets are reported at actual cost for acquisitions subsequent to July 1, 2003. For assets acquired prior to July 1, 2003, estimated historical costs, based on appraisals conducted by independent third-party professionals were used. Donated assets are reported at estimated fair market value at the time received.

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Land and construction in progress are not depreciated. The School District uses capitalization thresholds of \$5,000, (the dollar value above which asset acquisitions are added to the capital asset accounts). Depreciation methods and estimated useful lives of capital assets reported in the District-wide statements are as follows:

	<u>Lives</u>	<u>Depreciation Method</u>
Buildings and Improvements	20-40 Years	Straight Line
Furniture, Equipment, and Vehicles	5-20 Years	Straight Line

***Deferred Outflows/Inflows of Resources***

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The School District has three items that qualify for reporting in this category. The first item is a deferred charge on refunding. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The second item is related to the reporting of other postemployment benefits. This item represents the School District contributions, including implicit subsidy, subsequent to the measurement date. The third item is related to pensions reported in the District-wide Statement of Net Position. It represents the effect of the net change in the School District's proportion of the collective net pension liability and difference during the measurement period between the School District's contributions and its proportion share of total contributions to the pension systems not included in pension expense. This also includes the School District contributions to the pension systems (TRS and ERS Systems) subsequent to the measurement date.

In addition to liabilities, Statement of Net Position and government funds will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The School District has three items that qualify for reporting in this category. The first item which qualifies for reporting in this category, which arises only under a modified accrual basis of accounting, is unavailable revenues for grants. These revenues have met all other eligibility requirements except those related to time restrictions. This item is reported only in the governmental funds balance sheet. The second item is related to the reporting of other postemployment benefits in the District-wide Statement of Net Position. This item represents the effect of changes of assumptions or other inputs. The third item is related to pensions reported in the District-wide Statement of Net Position. It represents the effect of the net change in the School District's proportion of the collective net pension asset or liability and difference during the measurement periods between the School District's contributions and its proportionate share of total contributions to the pension systems not included in pension expense.

***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 judgments, other postemployment benefits, and compensated absences that will be paid from governmental funds, are reported as a liability in the fund 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 District's future obligations or future economic outflows. The liabilities are reported as due within one year or due in more than one year in the Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed when bonds are issued.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

**CENTRAL VALLEY CENTRAL SCHOOL DISTRICT**  
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***Compensated Absences***

Compensated absences consist of accumulated sick leave and vacation time.

Sick leave eligibility and accumulation is specified in negotiated labor contracts, and in individual employment contracts. Upon retirement, resignation, or death, employees may receive a payment of unused accumulated sick leave, based on contractual provisions.

The School District employees are granted vacation 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, the liability has been calculated using the termination method and an accrual for that 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 fund 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.

***Other Benefits***

Eligible School District employees participate in the New York State Teachers' Retirement System or the New York State Employees' Retirement System.

In addition to providing pension benefits, the School District provides post-employment health insurance coverage and survivor benefits for retired employees and their survivors. Collective bargaining agreements determine if School District employees are eligible for these benefits if they reach normal retirement age while working for the School District. 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 postemployment benefits is shared between the School District and the retired employee. The School District recognizes the costs of providing health insurance by recording its share of insurance premiums as an expenditure. Other postemployment benefit costs are measured and disclosed using the accrual basis of accounting (see Note 13).

***Short Term Debt***

The School District may issue Bond Anticipation Notes (BAN), in anticipation of proceeds from the subsequent sales 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 projects be converted to long-term financing within five years after the original issue date.

***Equity classifications***

***(a) District-wide Financial Statements***

In the District-wide statements there are three classes of net position:

Net Investment in capital assets – consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, construction or improvements of those assets.

Restricted net position – reports net position when constraints placed on the assets are either externally imposed by creditors (such as through debt covenants), grantors, contributors, laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position – reports the balance of the net position that does not meet the definition of the above classifications and is deemed to be available for general use by the School District.

**CENTRAL VALLEY CENTRAL SCHOOL DISTRICT**  
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**(b) Fund Statements**

In the fund financial statements, there are five classification of fund balance:

***Non-spendable***

This category includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. This category consists of the inventories in the School Lunch Fund.

***Restricted***

This category includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. Generally, the School District's policy is to use restricted resources only when appropriated by the Board of Education. The School District has established the following restricted fund balances:

- ***Reserve for Workers' Compensation***

Workers' Compensation Reserve (GML §6-j) is used to pay for compensation benefits and other expenses authorized by Article 2 of the Workers' Compensation Law and for payment of expenses of administering this self-insurance program. The reserve may be established by board action, and is funded by budgetary appropriations and such other funds as may be legally appropriated. Within sixty 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. The reserve is accounted for in the General Fund.

- ***Unemployment Insurance Reserve***

Unemployment Insurance Reserve (GML §6-m) is 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 sixty 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.

- ***Retirement Contribution Reserve***

The Retirement Contribution Reserve Fund (GML §6-r) (Chapter 260 of the NYS Laws of 2004) is used to reserve funds for the payment of retirement contributions to the New York State and Local Employees' Retirement System. This reserve was established by a Board resolution and is funded by budgetary appropriation and such other reserves and funds that may be legally appropriated. The reserve is accounted for in the General Fund.

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

Reserve for Employee Benefit Accrued Liability (GML §6-p) is used to reserve funds for the payment of accrued employee benefit 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. The reserve is accounted for in the General Fund.

- ***Capital Reserve***

The Capital Reserve is 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 people at any special or annual meeting. Such authorization is further required for payments from the capital reserve. The form of 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 Section 3651 of Education Law. This reserve is accounted for in the General Fund.

**CENTRAL VALLEY CENTRAL SCHOOL DISTRICT**  
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- ***Reserve for Repairs***

Repair Reserve (GML §6-d) is used to pay the cost of repairs to capital improvements or equipment, which repairs are of a type not recurring annually. The Board of Education, without voter approval, may establish a repair reserve fund by a majority vote of its members. Voter approval is required to fund this reserve (opinion of the New York State Comptroller 81-401). Expenditures from this reserve may be made only after a public hearing has been held, except in emergency situations. If no hearing is held, the amount expended must be repaid to the reserve fund over the next two subsequent fiscal years. This reserve is accounted for in the General Fund.

- ***Debt Service Fund***

This fund is used to account for and report the financial resources that are restricted to pay debt service. The funds include unused debt proceeds and interest and earnings on the temporary investment of debt proceeds.

- ***Reserve for Endowment and Scholarships***

The School District maintains funds restricted by donors for the benefit of the School and its students. This reserve is accounted for in the Fiduciary Fund.

***Committed*** – Includes amounts that can only be used for the specific purposes pursuant to constraints imposed by formal action of the School District’s highest level of decision-making authority, i.e., the Board of Education. The School District has no committed fund balances as of June 30, 2018.

***Assigned*** – Includes amounts that are constrained by the School District’s intent to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by (a) the Board of Education or (b) the designated official, such as the School District’s Purchasing Agent, to which the Board has delegated the authority to assign amounts to be used for specific purposes. All encumbrances are classified as Assigned Fund Balance in the applicable fund. The amount appropriated for the subsequent year’s budget of the General Fund is also classified as Assigned Fund Balance in the General Fund.

***Unassigned*** – Includes all other fund amounts that do not meet the definition of the above two classifications and are deemed to be available for general use by the School District. In other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in the respective fund.

**(c) *Order of Use of Fund Balance***

In circumstances where an expenditure is incurred for the purpose for which amounts are available in multiple fund balance classifications, (e.g. expenditures related to reserves) the Board will assess the current financial condition of the School District and then determine the order of application of expenditures to which the fund balance classification will be charged. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the School District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless School District has provided otherwise in its commitment or assignment actions.

***New Accounting Standard***

For the fiscal year ended June 30, 2018, the School District implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The implementation of the statement improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It requires districts to report total OPEB liabilities, OPEB expenses, deferred outflow of resources and deferred inflow of resources related to OPEB. See Note 21 for the financial statement impact of the implementation of the statement.

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*Future Changes in Accounting Standards*

- GASB Statement No. 84 – Fiduciary Activities (Effective for the year ended June 30, 2020)
- GASB Statement No. 87 – Leases (Effective for the year ended June 30, 2021)

The school district will evaluate the impact these pronouncements may have on its financial statements and will implement them as applicable and when material.

**2. EXPLANATION OF DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND DISTRICT-WIDE STATEMENTS**

Due to the differences in the measurement focus and basis of accounting used in the governmental fund statements and the District-wide statements, certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items. The differences result primarily from the economic resource management focus of the Statement of Activities, compared with the current financial resource management focus of the governmental funds.

*Total Fund Balances of Governmental Funds Compared to Net Position of Governmental Activities*

Total fund balances of the School District’s governmental funds differ from “net position” of governmental activities reported in the Statement of Net Position. This difference primarily results from the additional long-term economic focus of the Statement of Net Position versus the solely current financial resources focus of the governmental fund Balance Sheet.

*Statement of Revenues, Expenditures, and Changes in Fund Balance Compared to Statement of Activities*

Differences between the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balance and the Statement of Activities fall into one of six broad categories.

*(a) Long-Term Revenue/Expense Differences*

Long-term revenue differences arise because governmental funds report revenues only when they are considered “available,” whereas the Statement of Activities reports revenues when earned. Differences in long-term expenses arise because governmental funds report on a modified accrual basis, whereas the accrual basis of accounting is used on the Statement of Activities.

*(b) Capital Related Differences*

Capital related differences include the difference between proceeds for the sale of capital assets reported on governmental fund statements and the gain or loss on the sale of assets as reported on the Statement of Activities, and the difference between recording an expenditure for the purchase of capital items in the governmental fund statements and depreciation expense on those items as recorded in the Statement of Activities.

*(c) Long-Term Debt Transaction Differences*

Long-term debt transaction differences occur because both interest and principal payments are recorded as expenditures in the governmental fund statements, whereas interest payments are recorded in the Statement of Activities as incurred, and principal payments are recorded as a reduction of liabilities in the Statement of Net Position.

*(d) Pension differences*

Pension differences occur as a result of changes in the School District’s proportion of the collective net pension asset/liability and differences between the District’s contributions and its proportionate share of the total contributions to the pension systems.

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**(e) OPEB Differences**

OPEB differences occur as a result of changes in the School District's total OPEB liability and differences between the School District's contributions and OPEB expense.

**(f) Employee Benefit Allocation**

Expenditures for employee benefits are not allocated to a specific function on the Statement of Revenues, Expenditures, and Changes in Fund Equity based on the requirements of New York State. These costs have been allocated based on total salary for each function in the Statement of Activities.

**3. STEWARDSHIP AND COMPLIANCE**

***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 legal (appropriated) budgets are adopted.

The voters of the School District approved the proposed appropriation budget for the General Fund.

Appropriations are adopted at the program line item level.

Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances) that 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. Appropriations authorized for the current year are increased by the planned use of specific reserves, and budget amendments approved by the Board of Education as a result of selected new revenue sources not included in the original budget (when permitted by law). These 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. No supplemental appropriations occurred during the year.

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.

Budgets are established and used for individual capital project funds expenditures as approved by a special referendum of the School District's voters. The maximum project amount authorized is based primarily upon the cost of the project, plus any requirements for certain borrowings, not annual appropriations. These budgets do not lapse and are carried over to subsequent fiscal years until the completion of the projects.

***Encumbrances***

Encumbrance accounting is used for budget control and monitoring purposes and is reported as a part of the governmental funds. Under this method, purchase orders, contracts and other commitments for the expenditure of monies are recorded to reserve applicable appropriations. Outstanding encumbrances as of year-end are presented as reservations of fund balance and do not represent expenditures or liabilities. These commitments will be honored in the subsequent period. Related expenditures are recognized at that time, as the liability is incurred or the commitment is paid.

***General Fund – Statutory Unassigned Fund Balance Limit***

NYS Real Property Tax Law 1318 limits the amount of unexpended surplus funds a school district can retain to no more than 4% of the school district's budget for the General Fund for the ensuing fiscal year. Nonspendable and restricted fund balance of the General Fund are excluded from the 4% limitation. Amounts appropriated for the subsequent year and encumbrances are also excluded from the 4% limitation.

At June 30, 2018, the School District's unassigned fund balance is 13.39% of the 2018-2019 budget.

***Statutory Debt Limit***

At June 30, 2018, the School District was in compliance with the statutory debt limit.

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***NYS Real Property Tax Cap***

Chapter 97 of the Laws of 2011 established a property tax levy limit (generally referred to as the tax cap) that restricts the amount of property taxes local governments (including school districts) can levy. The School District was in compliance with the tax cap for the year ended June 30, 2018.

**4. CASH AND CASH EQUIVALENTS**

***Custodial Credit Risk***

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.

As of June 30, 2018, the School District's bank balances of \$ 34,636,091 were fully collateralized by FDIC insurance of \$250,000 and securities held by an agent of the pledging financial institution in an account in the School District's name of \$34,386,091 and not exposed to custodial credit risk.

***Investment and Deposit Policy***

The School District follows an investment and deposit policy, the overall objective of which is to provide the School District with the best rate of return available without exposing the principal to an unreasonable risk of loss. All investments made on behalf of the District shall comply with the requirements of all applicable federal and state laws, including the Education Law, General Municipal Law, and Local Finance Law.

***Restricted Cash and Cash Equivalents***

Restricted cash and cash equivalents of \$1,792,728 in the General Fund represents amounts in the following reserves: \$240,000 for Workers' Compensation Reserve, \$95,000 for Unemployment Insurance Reserve, \$1,000,000 for Retirement Contribution Reserve, \$350,000 for Employee Benefit Accrued Liability Reserve, \$50,964 for Capital Reserve, and \$56,764 for Repair Reserve.

Restricted cash and cash equivalents of \$1,122,038 in the Debt Service Fund represents reserves for future debt service. The amount due from the Capital Projects Fund of \$4,309 is also restricted for this purpose.

Restricted cash and cash equivalents of \$1,003,991 in the fiduciary funds represents funds gifted to the School District for scholarships and awards. In addition, investments of \$365,978 are also restricted for this purpose.

**5. INVESTMENTS – PRIVATE PURPOSE TRUSTS**

The investments are described on June 30, 2018, as follows:

	Fair Value 07/01/17	Additions	Deductions	Fair Value 06/30/18
Olga D. Rasmussen Fund (the Fund)	\$ 349,594	\$ 29,165	\$ 12,781	\$ 365,978

The investments consist of mutual funds and common trust funds at June 30, 2018, and are categorized by asset class within the fund as follows (excluding accrued income of \$331):

	Fair Value	Cost	Unrealized Gain (Loss)
Cash and Cash Equivalents	\$ 12,855	\$ 12,855	\$
Equities	253,852	214,717	39,135
Fixed Income	29,170	29,533	(363)
Hedge Funds	50,446	50,657	(211)
Other	19,324	18,456	868
Total	\$ 365,647	\$ 326,218	\$ 39,429

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Investments are stated at fair value. The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset.

Level 1 inputs are quoted prices in active markets for identical assets.

Level 2 inputs are significant other observable inputs.

Level 3 inputs are significant unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value:

**Mutual Funds:** Valued at the daily closing price as reported by the fund. Mutual funds held by the entity are open-ended mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the School District are deemed to be actively traded.

**Common Trust Funds:** Valued at NAV of units held, as reported by the fund sponsor.

The School District has the following recurring fair value measurements as of June 30, 2018:

Mutual Funds of \$204,654 (Level 1 inputs)  
Common Trust Funds of \$160,993 (measured at NAV)

In accordance with GASB 72, certain investments that were measured at NAV per share (or its equivalent) have not been classified in the fair value hierarchy. However, the following discloses additional information on the investment objectives and redemption restrictions:

**Aggregate Bond Common Trust Fund:** The primary objective of the fund is to seek total return, consisting of current income and capital appreciation, from a portfolio of fixed income obligations. Redemptions of fund units are made on valuation dates which are determined four times per month based on the NAV per unit.

**Dividend Income Common Trust Fund:** The primary objective of the fund is to seek total return, consisting of current income and capital appreciation of U.S. large cap equities. Redemptions of fund units are made on valuation dates which are determined four times per month based on the NAV per unit.

**Emerging Markets Stock Common Trust Fund:** The primary objective of the fund is to seek long-term capital appreciation of emerging markets equities. Redemptions of fund units are made on valuation dates which are determined four times per month based on the NAV per unit.

**International Focused Equity Common Trust Fund:** The primary objective of the fund is to seek long term total return of internationally developed equities. Redemptions of fund units are made on valuation dates which are determined four times per month based on the NAV per unit.

**Mid Cap Value Common Trust Fund:** The primary objective of the fund is to seek long term capital appreciation of U.S. mid cap equities. Redemptions of fund units are made on valuation dates which are determined four times per month based on the NAV per unit.

**Strategic Growth Common Trust Fund:** The primary objective of the fund is to seek total return through investments in a diversified portfolio of U.S. large cap equity securities that generally contains large cap stocks that have growth characteristics. Redemptions of fund units are made on valuation dates which are determined four times per month based on the NAV per unit.

**Mid Cap Growth Common Trust Fund:** The primary objective of the fund is to seek total long-term capital appreciation of U.S. mid cap equities. Redemptions of fund units are made on valuation dates which are determined four times per month based on the NAV per unit.

**Small Cap Growth Leaders Common Trust Fund:** The primary objective of the fund is to seek total long-term growth of capital in U.S. small cap equities. Redemptions of fund units are made on valuation dates which are determined four times per month based on the NAV per unit.

**Small Cap Value Common Trust Fund:** The primary objective of the fund is to seek total long-term capital appreciation of U.S. small cap equities. Redemptions of fund units are made on valuation dates which are determined four times per month based on the NAV per unit.

**CENTRAL VALLEY CENTRAL SCHOOL DISTRICT**  
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**6. PARTICIPATION IN BOCES**

During the year, the School District was billed \$7,016,166 for BOCES' administrative and program costs. The School District's share of BOCES' aid amounted to \$4,405,416.

During the year ended June 30, 2018, the School District issued no debt on behalf of BOCES. During 2010, the BOCES issued \$14,200,000 in Revenue Lease Bonds with the Dormitory Authority of the State of New York (DASNY). These bonds are being repaid by the component districts of the BOCES over the term of the bonds. During 2018, the BOCES made a principal payment of \$925,000, which reduced the outstanding balance to \$7,775,000 at June 30, 2018. The School District's share of the outstanding balance is \$1,893,982.

Financial statements of the BOCES are available from the Herkimer-Fulton-Hamilton-Otsego BOCES located in Herkimer, New York.

**7. DUE FROM OTHER GOVERNMENTS**

The amount due from other governments in the General Fund and Special Aid Fund at June 30, 2018, consisted of:

General Fund	
New York State – August Excess Cost Aid	\$ 649,160
New York State – September Excess Cost Aid	68,701
BOCES Invoice Credit	52,880
BOCES Aid	<u>2,441,708</u>
Total	<u>\$ 3,212,449</u>
Special Aid Fund	
Federal Grants	\$ 172,043
New York State Grants	<u>210,273</u>
Total	<u>\$ 382,316</u>

**8. CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2018, is as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
<b>Capital Assets Not Being Depreciated</b>				
Land	\$ 24,985	\$	\$	\$ 24,985
Construction in Progress	<u>6,149,651</u>	<u>29,297,154</u>		<u>35,446,805</u>
Total	<u>6,174,636</u>	<u>29,297,154</u>		<u>35,471,790</u>
<b>Capital Assets Being Depreciated</b>				
Buildings and Improvements	106,241,189			106,241,189
Furniture, Equipment, and Vehicles	<u>9,566,089</u>	<u>272,120</u>	<u>228,857</u>	<u>9,609,352</u>
Total	<u>115,807,278</u>	<u>272,120</u>	<u>228,857</u>	<u>115,850,541</u>
<b>Accumulated Depreciation</b>				
Buildings and Improvements	37,832,523	2,471,376		40,303,899
Furniture, Equipment, and Vehicles	<u>7,720,076</u>	<u>298,412</u>	<u>205,971</u>	<u>7,812,517</u>
Total	<u>45,552,599</u>	<u>2,769,788</u>	<u>205,971</u>	<u>48,116,416</u>
<b>Net Capital Assets Being Depreciated</b>	<u>70,254,679</u>	<u>(2,497,668)</u>	<u>22,886</u>	<u>67,734,125</u>
<b>Net Capital Assets</b>	<u>\$ 76,429,315</u>	<u>\$ 26,799,486</u>	<u>\$ 22,886</u>	<u>\$ 103,205,915</u>

**CENTRAL VALLEY CENTRAL SCHOOL DISTRICT  
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Depreciation expense of \$2,769,788 was allocated based on estimated usage by function as follows:

Function/Program	
General Support	\$ 388,260
Instruction	2,200,143
Pupil Transportation	163,654
Food Service Program	<u>17,731</u>
Total Depreciation	<u>\$ 2,769,788</u>

**9. SHORT-TERM NOTES PAYABLE**

The School District had an outstanding bond anticipation note (BAN) at June 30, 2018, as follows:

<u>Payable From/Description</u>	<u>Date of Original Issue</u>	<u>Original Amount</u>	<u>Date of Final Maturity</u>	<u>Interest Rate (%)</u>	<u>Outstanding Amount</u>
General Fund					
Capital Project BAN 2018	06/18	<u>\$ 25,000,000</u>	06/19	3.00%	<u>\$ 25,000,000</u>

Changes in the School District's short-term notes payable for the year ended June 30, 2018, are as follows:

<u>Description</u>	<u>Balance 07/01/17</u>	<u>Issued</u>	<u>Refinanced</u>	<u>Paid</u>	<u>Balance 06/30/18</u>
Capital Project BAN 2017	\$	\$ 18,500,000	\$ (18,268,782)	\$ 231,218	\$
Capital Project BAN 2018		<u>6,731,218</u>	<u>18,268,782</u>		<u>25,000,000</u>
Total	<u>\$</u>	<u>\$ 25,231,218</u>	<u>\$</u>	<u>\$ 231,218</u>	<u>\$ 25,000,000</u>

**10. NONCURRENT LIABILITIES**

Noncurrent liability balances and activity are as follows:

<u>Description</u>	<u>(Restated) Beginning Balance</u>	<u>Net Refunding</u>	<u>Issued</u>	<u>Paid</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Long Term Debt						
Bonds Payable	\$ 24,073,776	\$ (160,000)	\$ 16,185,000	\$ 3,309,592	\$ 36,789,184	\$ 2,994,592
Bond Premium, Net	<u>740,000</u>		<u>3,224,889</u>	<u>301,394</u>	<u>3,663,495</u>	<u>301,394</u>
Total Long Term Debt	<u>24,813,776</u>	<u>(160,000)</u>	<u>19,409,889</u>	<u>3,610,986</u>	<u>40,452,679</u>	<u>3,295,986</u>
Other Liabilities						
Other Postemployment Benefits	99,003,208		5,449,609	15,087,425	89,365,392	
Compensated Absences	<u>1,159,391</u>			<u>24,457</u>	<u>1,134,934</u>	
Total Other Liabilities	<u>100,162,599</u>		<u>5,449,609</u>	<u>15,111,882</u>	<u>90,500,326</u>	
Total Noncurrent Liabilities	<u>\$ 124,976,375</u>	<u>\$ (160,000)</u>	<u>\$ 24,859,498</u>	<u>\$ 18,722,868</u>	<u>\$ 130,953,005</u>	<u>\$ 3,295,986</u>

***Serial Bonds***

The School District borrows funds on a long-term basis for the purpose of financing acquisitions of land and equipment and construction of buildings and improvements. This policy enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of the capital assets. These long-term liabilities for governmental funds are maintained separately and represent a reconciling item between the fund and District-wide statements. Interest associated with long-term debt is recorded as an expenditure when such amounts are due.

**CENTRAL VALLEY CENTRAL SCHOOL DISTRICT**  
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Details relating to general obligation (serial) bonds of the School District outstanding at June 30, 2018, are summarized as follows:

<u>Payable From/Description</u>	<u>Original Issue</u>	<u>Original Amount</u>	<u>Final Maturity</u>	<u>Interest Rate (%)</u>	<u>Outstanding Amount</u>
<b>General Fund</b>					
<b>Ilion Central School District</b>					
Serial Bonds, 2011	12/30/11	\$ 17,704,218	06/15/26	2.25-3.375	\$ 1,205,000
<b>Mohawk Central School District</b>					
Building Construction	12/17/99	\$ 1,000,000	06/15/19	5.75	60,000
Building Construction Bond	06/15/10	\$ 8,995,000	06/15/25	3.0-5.0	1,335,000
<b>Central Valley Central School District</b>					
2014 Serial Bonds	06/10/14	\$ 7,105,000	06/15/29	2.0-5.0	5,700,000
Statutory Installment Bond- Bus Purchase	08/25/14	\$ 322,960	08/15/19	2.9	129,184
2017 Refunding Bond	11/09/17	\$ 3,410,000	06/15/25	2.0-5.0	3,405,000
2017 Refunding Bond	12/28/17	\$ 8,775,000	06/15/26	2.0-4.0	8,775,000
2018 DASNY Bond	06/07/18	\$ 16,185,000	06/15/34	3.375-5.0	<u>16,180,000</u>
Total					<u>\$ 36,789,184</u>

Principal and interest payments due on the serial bonds are as follows:

<u>Fiscal Year Ending</u> <u>June 30,</u>	<u>Serial Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 2,994,592	\$ 1,877,693	\$ 4,872,285
2020	3,314,592	1,477,036	4,791,628
2021	3,325,000	1,332,313	4,657,313
2022	3,445,000	1,195,863	4,640,863
2023	3,565,000	1,068,113	4,633,113
2024-2028	12,915,000	3,309,150	16,224,150
2029-2033	7,035,000	1,044,656	8,079,656
2034	<u>195,000</u>	<u>6,580</u>	<u>201,580</u>
Total	<u>\$ 36,789,184</u>	<u>\$ 11,311,404</u>	<u>\$ 48,100,588</u>

Interest expense on the District-wide financial statements is calculated as follows:

Interest Paid on Long Term Debt	\$ 897,864
Interest on BANs	412,396
Less: Amortization of Bond Premium	(301,394)
Plus: Amortization of Deferred Loss on Refunding	62,739
Less: Interest Accrued in the Prior Year	(44,757)
Plus: Interest Accrued in the Current Year	<u>78,600</u>
Total Interest Expense	<u>\$ 1,105,448</u>

***Serial Bond Premiums***

In 2014, the School District issued serial bonds through the Dormitory Authority of New York State for \$7,105,000. The serial bonds were issued at a premium of \$925,000. The premium is being amortized as a reduction in interest expense over the life of the corresponding bond (15 years).

**CENTRAL VALLEY CENTRAL SCHOOL DISTRICT**  
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In 2017, the School District issued two refunding bonds totaling \$12,185,000 and received premiums on these bonds totaling \$909,889. The premiums are being amortized on a straight-line basis over the life of the bonds, which mature on June 15, 2025 and June 15, 2026, respectively.

In 2018, the School District issued serial bonds through the Dormitory Authority of New York State for \$16,185,000 and received premiums on these bonds totaling \$2,315,000.

Current year amortization on all premiums was \$301,394 and the remaining unamortized balance is \$3,663,495.

**11. ADVANCE REFUNDINGS**

On November 9, 2017, the School District issued \$3,410,000 general obligation bonds with an average interest rate of 4.77%, to advance refund \$3,510,000 of outstanding 2010A Mohawk Central School District series bonds with an average interest rate of 4.88%. The net proceeds of \$3,857,028 (after a premium of \$545,409 offset by payment of \$98,381 in underwriting fees, insurance and other issuance costs) were used to purchase United States 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 District's financial statements. The district advance refunded the bonds to revise its payment schedules due to changes in New York State's aid payment schedules. The total economic gain (loss) on the transactions (the difference between the present values of the debt service payments on the old and new debt) is approximately \$162,064.

On December 28, 2017, the District issued \$8,775,000 general obligation bonds with an average interest rate of 2.71%, to advance refund \$8,835,000 of outstanding 2011 Iliion Central School District series bonds with an average interest rate of 3.10%. The net proceeds of \$9,009,246 (after a premium of \$364,480 offset by payment of \$130,234 in underwriting fees, insurance and other issuance costs) were used to purchase United States 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 District's financial statements. The district advance refunded the bonds to revise its payment schedules due to changes in New York State's aid payment schedules. The total economic gain (loss) on the transactions (the difference between the present values of the debt service payments on the old and new debt) is approximately \$250,341.

The advance refundings resulted in total deferred charges of \$458,535 due to the carrying value of the refunded bonds exceeding the reacquisition prices. This amount has been classified as a deferred outflow of resources in the district-wide financial statements in accordance with GASB 63 and GASB 65. The deferred losses will be amortized using the straight-line method over the life of the refunding bonds beginning in the 2018-19 fiscal year.

**12. PENSION PLANS**

**A. New York State and Local Employees' Retirement System (ERS)**

**(a) *Plan Description***

The School District participates in the New York State and Local Employees' Retirement System (ERS). This is a cost-sharing multiple-employer public employee retirement system. The system provides retirement benefits as well as death and disability benefits.

The net position of the System is held in the New York State Common Retirement Fund (the Fund), which was established to hold all net assets and record changes in plan net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. System benefits are established under the provisions of the New York State Retirement and Social Security Law (RSSL). Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The School District also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance.

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The System maintains records and accounts, and prepares financial statements using the accrual basis of accounting. Contributions are recognized when due. Benefit payments are recognized when due and payable. Investments are recognized at fair value. 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](http://www.osc.state.ny.us/retire/publications/index.php) or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

**(b) Contributions**

The System is noncontributory for employees who joined prior to July 28, 1976. For employees who joined after July 27, 1976, and prior to January 1, 2010, employees contribute 3% of their salary for the first ten years of membership. Employees who joined on or after January 1, 2010, but prior to April 1, 2012, are required to contribute 3% of their annual salary for their entire working career. Employees who joined on or after April 1, 2012 must contribute at a specific percentage of earnings (between 3 and 6%) for their entire career. Under the authority of the RSSL, the Comptroller certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the Systems' fiscal year ending March 31. All required contributions for the NYSERS fiscal year ended March 31, 2018, were paid.

The required contributions for the current year and two preceding years were:

<u>Year ended June 30,</u>	<u>Amount</u>
2016	\$ 490,646
2017	\$ 496,999
2018	\$ 465,381

**(c) 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 a liability of \$315,917 for its proportionate share of the net pension liability. The net pension liability was measured as of March 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on a projection of the School District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. This information was provided by the ERS System in a report provided to the School District.

At June 30, 2018 and 2017, the School District's proportion was .0097885 percent and .0104597 percent, respectively.

For the year ended June 30, 2018, the School District recognized pension expense of \$574,449. At June 30, 2018, the School District reported deferred outflows and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 112,677	\$ 93,112
Change of assumptions	209,479	
Net difference between projected and actual earnings on pension plan investments	458,845	905,714
Changes in proportion and differences between contributions and proportionate share of contributions	306,100	29,537
Contributions subsequent to the measurement date	115,158	
Total	\$ 1,202,259	\$ 1,028,363

School District contributions subsequent to the measurement date in the amount of \$115,158 were reported as deferred outflows of resources and will be recognized as a reduction of the net pension asset/liability in the year ended June 30, 2019.

**CENTRAL VALLEY CENTRAL SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
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Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30,</u>	<u>Amount</u>
2019	\$ 260,149
2020	\$ 99,589
2021	\$ (203,066)
2020	\$ (97,934)

**(d) Actuarial Assumptions**

The total pension liability at March 31, 2018 was determined by using an actuarial valuation as of April 1, 2017, with update procedures used to roll forward the total pension liability to March 31, 2018. The actuarial valuation used the following significant actuarial assumptions:

Investment rate of return (net of investment expense, including inflation)	7.00%
Cost of Living Adjustments	1.30%
Salary Scale	3.80%
Inflation rate	2.50%

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.

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.

The long-term expected 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 the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of March 31, 2018 are summarized below.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	36%	4.55%
International equity	14%	6.35%
Private equity	10%	7.50%
Real estate	10%	5.55%
Absolute return strategies	2%	3.75%
Opportunistic portfolio	3%	5.68%
Real assets	3%	5.29%
Bonds and mortgages	17%	1.31%
Cash	1%	-0.25%
Inflation-indexed bonds	4%	1.25%
	100%	

**CENTRAL VALLEY CENTRAL SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
For the Year Ended June 30, 2018**

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**(e) Discount Rate**

The discount rate used to calculate the total pension liability was 7.0%. 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 that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the School District's proportionate share of the net pension liability calculated using the discount rate of 7.0 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.0 percent) or 1-percentage-point higher (8.0 percent) than the current rate:

	1% Decrease 6.0%		Current Assumption 7.0%		1% Increase 8.0%
Proportionate Share of the Net Pension Liability (Asset)	\$ 2,390,315	\$	315,917	\$	(1,438,941)

**(g) Pension Plan Fiduciary Net Position**

Detailed information about the Plan's fiduciary net position is available in the separately issued ERS financial report.

**(h) Payables to the Pension Plan**

The School District has recorded an amount due to ERS in amount of \$115,158 at June 30, 2018. This amount represents the three months of the School District's fiscal year that will be covered in the ERS 2018-2019 billing cycle and has been accrued as an expenditure in the current year.

**B. New York State Teachers' Retirement System (TRS)**

**(a) Plan Description**

The School District participates in the New York 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.

The TRS was created and exists pursuant to Article 11 of the New York State Education Law. TRS is administered by the system and governed by a ten-member board to provide these benefits to teachers employed by participating employers in the State of New York, excluding New York City. The System provides benefits to plan members and beneficiaries as authorized by the New York State Law and may be amended only by the Legislature with the Governor's approval. Benefit provisions vary depending on date of membership and membership class (6 tiers). The System's financial statements are prepared using the accrual basis of accounting. Contributions are recognized when due. Benefit payments are recognized when due and payable. Investments are recognized at fair value. TRS issues a publicly available financial report that contains basic financial statements and required supplementary information for the System. For additional plan information please refer to the NYSTRS Comprehensive Annual Financial Report which can be found on the TRS website located at [www.nystrs.org](http://www.nystrs.org) or obtained by writing to the New York State Teachers' Retirement System, 10 Corporate Woods Drive, Albany, NY 12211-2395.

**CENTRAL VALLEY CENTRAL SCHOOL DISTRICT  
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**(b) Contributions**

Pursuant to Article 11 of the New York State Education Law, employers are required to contribute at an actuarially determined rate adopted annually by the Retirement Board. Tier 3 and Tier 4 members who have less than 10 years of service or membership are required by law to contribute 3% of salary to the System. Tier 5 members are required by law to contribute 3.5% of salary throughout their active membership. Tier 6 members are required by law to contribute between 3% and 6% of salary throughout their active membership in accordance with a schedule based upon salary earned. Pursuant to Article 14 and Article 15 of the Retirement and Social Security Law, 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 Retirement and Social Security Law. 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.

The required employer contributions for the current year and two preceding years were:

<u>Year ended June 30,</u>	<u>Amount</u>
2016	\$ 1,905,085
2017	\$ 1,684,749
2018	\$ 1,414,602

**(c) Pension Asset, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2018, the School District reported an asset of \$689,507 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2017, and the total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of June 30, 2016. The School District's proportion of the net pension asset was based on a projection of the School District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. This information was provided by the TRS System in reports provided to the School District.

At June 30, 2017 and 2016, the School District's proportion was .090713 percent and .094096 percent, respectively.

For the year ended June 30, 2018, the School District recognized pension expense of \$1,776,434. At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 567,295	\$ 268,831
Change of Assumptions	7,015,871	
Net difference between projected and actual earnings on Pensions plan investments		1,623,989
Changes in proportion and differences between contributions and proportionate share of contributions	363,890	158,510
Contributions subsequent to the measurement date	<u>1,414,602</u>	
Total	<u>\$ 9,361,658</u>	<u>\$ 2,051,330</u>

School District contributions subsequent to the measurement date in the amount of \$1,414,602 were reported as deferred outflows of resources and will be recognized as a reduction of the net pension asset or liability in the year ended June 30, 2019.

**CENTRAL VALLEY CENTRAL SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
For the Year Ended June 30, 2018**

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

<u>Year ended June 30,</u>	<u>Amount</u>
2018	\$ 202,490
2019	\$ 1,899,115
2020	\$ 1,371,246
2021	\$ 372,684
2022	\$ 1,367,381
Thereafter	\$ 682,810

**(d) Actuarial Assumptions**

The total pension asset at the June 30, 2017 measurement date was determined by using an actuarial valuation as of June 30, 2016, with update procedures used to roll forward the total pension liability to June 30, 2017. The actuarial valuation used the following significant actuarial assumptions:

Investment Rate  
of Return      7.25 % compounded annually, net of pension plan investment expense, including inflation.

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

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

Projected COLAs      1.5% compounded annually.  
Inflation rate      2.5%

Annuitant mortality rates are based on plan member experience, with adjustments for mortality improvements based on the Society of Actuaries Scale MP 2014, applied on a generational basis. Active member mortality rates are based on plan member experience.

The actuarial assumptions were based on the results of an actuarial experience study for the period July 1, 2009 to June 30, 2014.

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.

**CENTRAL VALLEY CENTRAL SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
For the Year Ended June 30, 2018**

Best estimates of arithmetic real rates of return for each major asset class included in the System's target asset allocation as of the valuation date of June 30, 2017 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return*
Domestic equity	35.0%	5.9%
International equity	18.0%	7.4%
Real estate	11.0%	4.3%
Alternative investments	8.0%	9.0%
Domestic fixed income securities	16.0%	1.6%
Global fixed income securities	2.0%	1.3%
Mortgages	8.0%	2.8%
High-yield fixed income securities	1.0%	3.9%
Short-term	1.0%	0.6%
	<u>100.0%</u>	

\* Real rates of return are net of the long-term inflation assumption of 2.2% for 2017.

**(e) Discount Rate**

The discount rate used to calculate the total pension asset was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from school districts will be made at statutorily required rates, actuarially determined. Based on those assumptions, the System's 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.

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

The following presents School District's proportionate share of the net pension asset calculated using the discount rate of 7.25 percent, as well as what the School District's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease 6.25%	Current Assumption 7.25%	1% Increase 8.25%
Proportionate share of the net pension liability (assets)	\$ 11,878,169	\$ (689,507)	\$ (11,214,313)

**(g) Pension Plan Fiduciary Net Position**

Detailed information about the Plan's fiduciary net position is available in the separately issued TRS financial report.

**(h) Payables to the Pension Plan**

The School District has recorded an amount due to TRS in the amount of \$1,414,602, excluding the employees' share, in the General Fund at June 30, 2018. This amount represents contribution for the 2017-2018 fiscal year that will be made in 2018-2019 and has been accrued as an expenditure in the current year.

**13. POSTEMPLOYMENT HEALTH CARE BENEFITS**

**(a) Plan Description**

Central Valley Central School District provides two minimum premium plans to eligible retirees and dependents through a single employer defined benefit plan with Herkimer County BOCES' Health Insurance Consortium. Article 11 of the State Compiled Statutes grants the authority to establish and amend the benefit terms and financing requirements to the District Board. No assets are accumulated in a trust that meets all of the criteria in GASB Statement No. 75, paragraph 4.

**CENTRAL VALLEY CENTRAL SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
For the Year Ended June 30, 2018**

**(b) Benefits Provided**

The School District provides medical and prescription drug benefits for retirees, spouses, and their covered dependents while contributing a portion of the expenses, in accordance with the provisions of various employment contracts. The District also provides full Medicare Part B premium reimbursement to all retirees and spouses only. Surviving spouses do not receive Medicare Part B premium reimbursement from the District. The benefit levels, employee contributions and employer contributions are governed by the School District's contractual agreements. The Plans can be amended by action of the School District through agreements with the bargaining units. The specifics of each contract are on file at the School District offices and are available upon request.

Benefit Cost Sharing	<p>The School District pays 75% of all individual plan premiums and 60% of all family plan premiums for all former Ilion Central School District retirees.</p> <p>The School District pays 90-95% of premiums for former Mohawk Central School District retired teacher individual or family health plans.</p> <p>The School District pays 92-98% of premiums for former Mohawk Central School District Employees Union retiree individual or family health plans.</p> <p>The School District pays 75% of all individual plan premiums and 60% of all family plan premiums for retired Central Valley Central School District teachers, administrative, and service employees.</p>
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**(c) Employees Covered by Benefit Terms**

At June 30, 2018, the following employees were covered by benefit terms:

	Total
Inactive employees currently receiving benefit payments	252
Inactive employees entitled to but not yet receiving benefit payments	0
Active employees	246
Total	498

**(d) Total OPEB Liability**

The School District's total OPEB liability of \$89,365,392 was measured as of July 1, 2017, and was determined by an actuarial valuation as of July 1, 2016. Financial data and actuarial roll forward techniques were used to calculate the results as of July 1, 2017, the measurement date.

**(e) Changes in the Total OPEB Liability**

Changes in the District's total OPEB liability were as follows:

	<b>Total OPEB Liability</b>
Balance at June 30, 2017 (restated)	\$ 99,003,208
Changes recognized for the year:	
Service Cost	2,591,581
Interest on Total OPEB Liability	2,858,028
Changes of Assumptions and Other Inputs	(12,461,261)
Benefit Payments	(2,626,164)
Net changes	(9,637,816)
Balance at June 30, 2018	\$ 89,365,392

**CENTRAL VALLEY CENTRAL SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2018**

Changes of assumptions and other inputs reflects a change in the discount rate from 2.85% on July 1, 2016 to 3.6% on July 1, 2017.

**(f) 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 (2.6 percent) or 1 percentage point higher (4.6 percent) than the current discount rate (3.6 percent):

	1% Decrease <u>(2.6%)</u>	Current Assumption <u>(3.6%)</u>	1% Increase <u>(4.6%)</u>
Total OPEB liability as of June 30, 2018	\$ 106,525,853	\$ 89,365,392	\$ 75,910,184

**(g) Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates**

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 healthcare cost trend rates that are 1 percentage point lower (4.0 percent decreasing to 2.84%) or 1 percentage point higher (6.0 percent decreasing to 4.84%) than the current healthcare cost trend rate (5.0 percent decreasing to 3.84%):

	1% Decrease <u>(4.0%-2.84%)</u>	Current Assumption <u>(5.0%-3.84%)</u>	1% Increase <u>(6.0%-4.84%)</u>
Total OPEB liability as of June 30, 2018	\$ 74,157,313	\$ 89,365,392	\$ 109,393,688

**(h) OPEB Expense and Deferred Outflows of Resources Related to OPEB**

For the year ended June 30, 2018, the School District recognized OPEB expense of \$3,220,403. At June 30, 2018, the School District reported deferred outflows of resources of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions or other inputs	\$	\$ 10,232,055
Contributions subsequent to the measurement date	2,644,795	
Total	\$ 2,644,795	\$ 10,232,055

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

Year ended June 30:	<u>Amount</u>
2019	\$ (2,229,206)
2020	\$ (2,229,206)
2021	\$ (2,229,206)
2022	\$ (2,229,206)
Thereafter	\$ (1,315,231)

**(i) Actuarial Methods and Assumptions**

The total OPEB liability was determined by an actuarial valuation as of July 1, 2016 rolled forward to July 1, 2017, the measurement date.

**CENTRAL VALLEY CENTRAL SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
For the Year Ended June 30, 2018**

The following actuarial assumptions applied to all periods in the measurement, unless otherwise specified:

Inflation rate	2.2%
Healthcare Cost Trend Rates	5.0 percent for 2018 to an ultimate rate of 3.84 percent
Salary Changes	3.0%
Discount Rate	3.6%

The selected discount rate of 3.6% is based on the prescribed discount interest rate methodology under GASB 75 using a 20-year tax-exempt general obligation municipal bond rated AA/Aa (or equivalent) or higher

Mortality rates for active employees were based on the RPH-2014 Mortality Table for employees, sex distinct, with generational mortality adjusted to 2006 using scale MP-2014, and projected forward with scale MP-2015.

Mortality rates for retired employees were based on the RPH-2014 Mortality Table for Healthy Annuitants, sex distinct, with generational mortality adjusted to 2006 using scale MP-2014, and projected forward with scale MP-2015.

**14. INTERFUND TRANSACTIONS – GOVERNMENTAL FUNDS**

The following is a summary of interfund transactions and balances during the year ended June 30, 2018:

<u>Fund Type</u>	<u>Interfund</u>		<u>Interfund</u>	
	<u>Receivables</u>	<u>Payables</u>	<u>Revenues</u>	<u>Expenditures</u>
General	\$ 1,667,136	\$ 323,385	\$	\$ 105,834
Special Aid	4,717	899,511	18,384	
Debt Service	4,309			
Capital Projects	<u>318,668</u>	<u>771,934</u>	<u>87,450</u>	
Total	<u>\$ 1,994,830</u>	<u>\$ 1,994,830</u>	<u>\$ 105,834</u>	<u>\$ 105,834</u>

- Interfund receivables and payables are expected to be repaid within one year.
- The School District typically transfers from the General Fund to the Special Aid Fund as a local match for federal and state grants.
- The School District transferred \$87,450 from the General Fund to the Capital Projects Fund for the local share of the 2016-2017 capital outlay project.

**15. RISK MANAGEMENT**

***General Information***

The School District is exposed to various risks of loss related to tax certioraris, torts, theft, damage, injuries, errors and omissions, natural disasters, and other risks. Except for tax certiorari, 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 two years. Sufficient reserves exist to cover any unfavorable settlements of the tax certiorari. The School District continues to carry commercial insurance for all other risks of loss, including general liability and employee health and accident insurance.

**CENTRAL VALLEY CENTRAL SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
For the Year Ended June 30, 2018**

***Health and Workers' Compensation Insurance***

The School District participates with eleven other governmental entities in the Herkimer County BOCES Health Insurance Consortium for its health insurance coverage, as well as with twenty-nine other school districts in the Madison-Oneida-Herkimer Workers' Compensation Consortium for its workers' compensation insurance coverage. Entities joining the plan must remain members for a minimum of one year; a member may withdraw from the plan after that time by submitting a notice of withdrawal 120 days for workers' compensation or 30 days for health insurance prior to the plan's year end. 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 claim 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.

The Consortiums are shared-risk public entity risk pools whereby each entity pays annual premiums. The premiums are computed based on an established rate of covered payroll. The School District paid premiums of \$191,554 to the Madison-Oneida-Herkimer Workers' Compensation Insurance and \$6,944,406 to Herkimer County BOCES Health Insurance Consortium for the year ended June 30, 2018. Paid claims are accounted for in the aggregate with individual entity activity not being tracked separately.

**16. FUND BALANCE**

(a) The following is a summary of the change in General Fund restricted reserve funds during the year ended June 30, 2018:

<u>Restricted Reserve</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Ending Balance</u>
Workers' Compensation Reserve	\$ 240,000	\$	\$ 240,000
Unemployment Insurance Reserve	95,000		95,000
Retirement Contribution Reserve	1,000,000		1,000,000
Employee Benefit Accrued Liability Reserve	350,000		350,000
Capital Reserve	50,888	76	50,964
Repair Reserve	56,679	85	56,764
Total General Fund Restricted	<u>\$ 1,792,567</u>	<u>\$ 161</u>	<u>\$ 1,792,728</u>

**CENTRAL VALLEY CENTRAL SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2018**

(b) The following is the disaggregation of the fund balance that is reported in summary on the governmental fund's Balance Sheet:

	General	School Lunch	Special Aid	Debt Service	Capital Projects	Total
<b>Nonspendable</b>						
School Lunch Inventory	\$	\$ 53,166	\$	\$	\$	\$ 53,166
<b>Restricted</b>						
Workers' Compensation Reserve	240,000					240,000
Unemployment Insurance Reserve	95,000					95,000
Retirement Contribution Reserve	1,000,000					1,000,000
Employee Benefit Accrued Liability Reserve	350,000					350,000
Capital Reserve	50,964					50,964
Repair Reserve	56,764					56,764
Debt Service Fund				1,126,347		1,126,347
<b>Total Restricted</b>	<b>1,792,728</b>			<b>1,126,347</b>		<b>2,919,075</b>
<b>Assigned</b>						
Food Service Program		342,231				342,231
<b>Unassigned (Deficit)</b>	<b>6,361,375</b>		<b>(53,120)</b>		<b>(6,577,727)</b>	<b>(269,472)</b>
<b>Total Fund Balance (Deficit)</b>	<b>\$ 8,154,103</b>	<b>\$ 395,397</b>	<b>\$ (53,120)</b>	<b>\$ 1,126,347</b>	<b>\$ (6,577,727)</b>	<b>\$ 3,045,000</b>

**17. COMMITMENT AND CONTINGENCIES**

***Potential Grantor Liability***

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the Federal and State governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amounts, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the School District expects such amounts, if any, to be immaterial.

***Construction Commitments***

At June 30, 2018, the School District had various ongoing capital projects. The total voter and Board of Education authorization for these projects is \$77,049,211. The School District has entered into various construction contracts for the project amount. At June 30, 2018, the School District has expended \$33,676,948 (including incidental costs) of the authorizations. The School District also had outstanding construction commitments in the amount of \$34,343,801, which are contingent on performance of contractors.

***Soil Remediation***

During the 2016-17 school year, in the course of doing soil boring for a possible building addition (which actually never happened) in the rear parking area at the high school, the engineers detected a petroleum odor. As a result, the New York State Dept. of Environmental Conservation (NYSDEC) was notified and from that point on, the cleanup was under their direction. No immediate cleanup took place as the School District was waiting for site work to commence at the high school. The School District earmarked \$250,000 in its 2018-19 budget for the remediation work. That work did not take place until early August of 2018. That work consisted of digging approximately 18 feet deep in some areas of the parking lot. The NYSDEC finally cleared the site to be readied for paving late in August. The site contractor filled the hole with crushed stone and paved the entire parking lot as was considered in their project bid. The actual expense of the cleanup was \$670,000 which included disposal of the contaminated soil at the Oneida-Herkimer Solid Waste Authority Landfill and treatment of the leachate pumped from the hole (approximately 18,000 gallons) at a facility equipped to handle that.

**CENTRAL VALLEY CENTRAL SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
For the Year Ended June 30, 2018**

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The District has a NYSED project number for the work and will submit a report in order to obtain NYS Building Aid on the work performed.

**18. DEFICIT FUND BALANCE**

*Special Aid Fund*

The School District deferred recognition of \$63,697, in revenues because the funds did not meet the availability criteria. The deferral was the primary reason for a fund balance deficit at the end of the year of \$53,120. The deficit will be eliminated when the revenues become available.

*Capital Projects Fund*

The Capital Projects Fund has a fund balance deficit of \$6,577,727 at June 30, 2018. This deficit is due to funds expended for the 2015 Capital Project, Smart Schools Bond Act technology project, and the 2017-2018 capital outlay project exceeding the amounts financed to date. The deficit will be eliminated once the School District is reimbursed for projects completed under the Smart Schools Bond Act and permanent financing is received for the other capital projects.

**19. NET POSITION DEFICIT – DISTRICT-WIDE**

The District-wide Net Position had an unrestricted deficit at June 30, 2018 of \$84,476,013 and a total net position deficit of \$25,381,429. The deficit is primarily the result of the implementation of GASB Statement 75, “Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions,” which required the recognition of an unfunded liability of \$89,365,392 at June 30, 2018. Since New York State Laws provide no mechanism for funding the liability, the subsequent accruals are expected to increase the deficit in subsequent years.

**20. OPERATING LEASES**

The School District, as lessor, has entered into various operating leases for the rental of classrooms to Herkimer BOCES (lessee). Total rental income for the year ended June 30, 2018 was \$110,000 and includes charges for ancillary services and operations and maintenance. Future minimum lease payments are expected to be \$132,000 for each of the next five years through July 30, 2023.

**21. PRIOR PERIOD ADJUSTMENT**

As a result of implementing GASB 75, the School District has restated the beginning net position in the District-wide Statement of Net Position, effectively decreasing net position as of July 1, 2017, by \$52,411,993. The decrease results from restating the beginning Other Postemployment Benefits liability to the full liability under GASB 75, from the net OPEB obligation required under GASB 45.

The full impact of these adjustments to beginning net position is summarized as follows:

Net Position, 7/1/17, as Previously Stated	\$ 21,882,897
Cumulative Effect of Change to GASB 75	<u>(52,411,993)</u>
Net Position (Deficit), 7/1/17, Restated	<u>\$ (30,529,096)</u>

**CENTRAL VALLEY CENTRAL SCHOOL DISTRICT**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**For the Year Ended June 30, 2018**

	Original Budget	Final Budget	Actual	Final Budget Variance With Actual	
<b>Revenues</b>					
Local Sources					
Real Property Taxes	\$ 6,093,263	\$ 6,093,263	\$ 6,101,597	\$ 8,334	
STAR and Other Real Property Tax Items	2,359,737	2,359,737	2,387,100	27,363	
Charges for Services	30,000	30,000	39,332	9,332	
Use of Money and Property	106,900	106,900	123,693	16,793	
Sale of Property and Compensation for Loss			37,671	37,671	
Miscellaneous	347,355	347,355	928,327	580,972	
State Aid	35,932,745	35,932,745	36,792,119	859,374	
Federal Aid	105,000	105,000	173,812	68,812	
Total Revenues	<u>44,975,000</u>	<u>44,975,000</u>	<u>46,583,651</u>	<u>1,608,651</u>	
<b>Other Financing Sources</b>					
Premium on Obligations			485,685	485,685	
Total Revenues and Other Financing Sources	<u>\$ 44,975,000</u>	<u>\$ 44,975,000</u>	<u>47,069,336</u>	<u>\$ 2,094,336</u>	
	Original Budget	Final Budget	Actual	Year-End Encumbrances	Final Budget Variance With Actual
<b>Expenditures</b>					
General Support					
Board of Education	\$ 34,500	\$ 36,800	26,827	\$	\$ 9,973
Central Administration	286,500	395,100	383,799		11,301
Finance	867,639	747,039	703,419		43,620
Staff	174,361	161,461	142,659		18,802
Central Services	2,576,252	2,412,003	2,094,766		317,237
Special Items	1,324,465	1,364,666	1,347,686		16,980
Total General Support	<u>5,263,717</u>	<u>5,117,069</u>	<u>4,699,156</u>		<u>417,913</u>
Instruction					
Instruction, Administration, and Improvement	(900,862)	1,490,538	1,363,903		126,635
Teaching - Regular School	13,221,697	12,012,297	11,765,645		246,652
Programs for Children With Special Needs	5,552,221	5,340,368	5,085,857		254,511
Occupational Education	1,267,669	1,267,670	1,267,669		1
Teaching - Special School	7,400	7,400	6,720		680
Instructional Media	408,191	421,641	369,993		51,648
Pupil Services	1,307,929	1,145,379	1,059,398		85,981
Total Instruction	<u>20,864,245</u>	<u>21,685,293</u>	<u>20,919,185</u>		<u>766,108</u>
Pupil Transportation	2,087,944	2,258,994	2,150,578		108,416
Employee Benefits	12,140,382	10,946,382	9,902,782		1,043,600
Debt Service - Principal	3,299,592	3,461,592	3,540,810		(79,218)
Debt Service - Interest	949,120	1,158,520	1,310,260		(151,740)
Total Expenditures	<u>44,605,000</u>	<u>44,627,850</u>	<u>42,522,771</u>		<u>2,105,079</u>
<b>Other Financing Uses</b>					
Transfers to Other Funds	370,000	347,150	105,834		241,316
Total Expenditures and Other Financing Uses	<u>\$ 44,975,000</u>	<u>\$ 44,975,000</u>	<u>42,628,605</u>	<u>\$ 0</u>	<u>\$ 2,346,395</u>
<b>Net Change in Fund Balance</b>			4,440,731		
<b>Fund Balance - Beginning of Year</b>			<u>3,713,372</u>		
<b>Fund Balance - End of Year</b>			<u>\$ 8,154,103</u>		

**Notes to Required Supplementary Information:**

The School District administration prepares a proposed budget for approval by the Board of Education for the General Fund, the only fund with a legally adopted budget.

The budget is 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.

**CENTRAL VALLEY CENTRAL SCHOOL DISTRICT**  
**SCHEDULES OF CHANGES IN THE SCHOOL DISTRICT'S TOTAL OPEB LIABILITY AND RELATED RATIOS**  
**For the Year Ended June 30, 2018**

	2018*
Service cost	\$ 2,591,581
Interest	2,858,028
Changes in assumptions or other inputs	(12,461,261)
Expected benefit payments	(2,626,164)
Net change in total OPEB liability	(9,637,816)
Total OPEB liability - beginning of year	99,003,208
Total OPEB liability - ending of year	\$ 89,365,392
Covered employee payroll	\$ 16,089,773
Total OPEB liability as a percentage of covered payroll	555.42%

\* 10 years of historical information will not be available upon implementation. An additional year of historical information will be added each year subsequent to the year of implementation until 10 years of historical data is available.

Notes to Schedule:

Changes of Benefit Terms: Not Applicable.

Changes of Assumptions: Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period.

The discount rate in effect at the current measurement date is 3.6% while the previous rate was 2.85%.

Plan Assets: No assets are accumulated in a trust that meets all of the criteria of GASBS No. 75, paragraph 4, to pay benefits.

**CENTRAL VALLEY CENTRAL SCHOOL DISTRICT  
SCHEDULES OF DISTRICT CONTRIBUTIONS  
For the Year Ended June 30, 2018**

**ERS Pension Plan**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$ 465,381	\$ 496,999	\$ 490,646	\$ 605,863	\$ 645,444
Contributions in Relation to the Contractually Required Contribution	<u>465,381</u>	<u>496,999</u>	<u>490,646</u>	<u>605,863</u>	<u>645,444</u>
Contribution Deficiency (Excess)	<u>\$ _____</u>				
School District's Covered-ERS Employee Payroll	\$ 3,056,182	\$ 3,213,145	\$ 2,870,177	\$ 3,034,358	\$ 3,024,386
Contributions as a Percentage of Covered-Employee Payroll	15.23%	15.47%	17.09%	19.97%	21.34%

**TRS Pension Plan**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$ 1,414,602	\$ 1,684,749	\$ 1,905,085	\$ 2,562,186	\$ 2,177,681
Contributions in Relation to the Contractually Required Contribution	<u>1,414,602</u>	<u>1,684,749</u>	<u>1,905,085</u>	<u>2,562,186</u>	<u>2,177,681</u>
Contribution Deficiency (Excess)	<u>\$ _____</u>				
School District's Covered-TRS Employee Payroll	\$ 14,434,714	\$ 14,374,991	\$ 14,367,157	\$ 14,616,007	\$ 13,401,114
Contributions as a Percentage of Covered-Employee Payroll	9.80%	11.72%	13.26%	17.53%	16.25%

Information is presented only for the years the School District was in existence.

**CENTRAL VALLEY CENTRAL SCHOOL DISTRICT**  
**SCHEDULES OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION ASSET OR LIABILITY**  
**For the Year Ended June 30, 2018**

**ERS Pension Plan**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's Proportion of the Net Pension Asset or Liability	0.0097885%	0.0104597%	0.0102645%	0.0077766%	0.0077766%
District's Proportionate Share of the Net Pension Asset (Liability)	\$ (315,917)	\$ (982,815)	\$ (1,647,489)	\$ (262,713)	\$ (351,415)
District's Covered-Employee Payroll	\$ 3,056,182	\$ 3,213,145	\$ 2,870,177	\$ 3,034,358	\$ 3,024,386
District's Proportionate Share of the Net Pension Asset or Liability as a Percentage of its Covered-Employee Payroll	10.3%	30.6%	57.4%	8.7%	11.6%
Plan Fiduciary Net Position as a Percentage of Total Pension Asset or Liability	98.2%	94.7%	90.7%	97.9%	97.2%

**TRS Pension Plan**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's Proportion of the Net Pension Asset or Liability	0.090713%	0.094096%	0.097302%	0.090722%	0.090215%
District's Proportionate Share of the Net Pension Asset (Liability)	\$ 689,507	\$ (1,007,807)	\$ 10,106,527	\$ 10,105,910	\$ 593,845
District's Covered-Employee Payroll	\$ 14,374,991	\$ 14,367,157	\$ 14,616,007	\$ 13,401,114	N/A
District's Proportionate Share of the Net Pension Asset or Liability as a Percentage of its Covered-Employee Payroll	4.8%	7.0%	69.1%	75.4%	N/A
Plan Fiduciary Net Position as a Percentage of Total Pension Asset or Liability	100.7%	99.0%	110.5%	111.5%	100.7%

Information is presented only for the years the School District was in existence.

**CENTRAL VALLEY CENTRAL SCHOOL DISTRICT  
SCHEDULES OF CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET  
AND SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION  
For the Year Ended June 30, 2018**

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**Change from Adopted Budget to Final Budget**

Adopted Budget	\$ <u>44,975,000</u>
Original and Final Budget	\$ <u>44,975,000</u>

**Section 1318 of Real Property Tax Law Limit Calculation**

Central Valley School District 2018-19 voter-approved expenditure budget	\$ <u>47,500,000</u>
Maximum allowed (4% of 2018-19 budget)	\$ <u>1,900,000</u>

General Fund - Fund Balance Subject to Section 1318 of Real Property Tax Law :

Unrestricted fund balance:	
Unassigned fund balance	6,361,375
Total unrestricted fund balance	6,361,375

General Fund - Fund Balance Subject to Section 1318 of Real Property Tax Law	\$ <u>6,361,375</u>
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Actual Percentage	13.39%
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**CENTRAL VALLEY CENTRAL SCHOOL DISTRICT  
SCHEDULE OF PROJECT EXPENDITURES - CAPITAL PROJECTS FUND  
For the Year Ended June 30, 2018**

PROJECT TITLE	Original Authorization	Revised Authorization	Expenditures			Unexpended Balance	Methods of Financing				Fund Balance June 30, 2018
			Prior Years	Current Year	Total		Proceeds of Obligations	Federal and State Aid	Local Sources	Total	
2015 Capital Project - Per Referendum	\$ 73,645,000	\$ 73,645,000	\$ 5,538,769	\$ 27,840,379	\$ 33,379,148	\$ 40,265,852	\$ 16,185,000	\$ 667,772	\$ 10,158,899	\$ 27,011,671	\$ (6,367,477)
Smart Schools Bond Act Technology Project	2,954,211	2,954,211	147,000	49,000	196,000	2,758,211					(196,000)
2016-2017 Capital Outlay Project	100,000	100,000	87,550		87,550	12,450			87,550	87,550	
2017-2018 Capital Outlay Project	100,000	100,000		14,250	14,250	85,750					(14,250)
2017-2018 Soil Project	<u>250,000</u>	<u>250,000</u>				<u>250,000</u>					
<b>Total All Capital Projects</b>	<u>\$ 77,049,211</u>	<u>\$ 77,049,211</u>	<u>\$ 5,773,319</u>	<u>\$ 27,903,629</u>	<u>\$ 33,676,948</u>	<u>\$ 43,372,263</u>	<u>\$ 16,185,000</u>	<u>\$ 667,772</u>	<u>\$ 10,246,449</u>	<u>\$ 27,099,221</u>	<u>\$ (6,577,727)</u>

**CENTRAL VALLEY CENTRAL SCHOOL DISTRICT**  
**NET INVESTMENT IN CAPITAL ASSETS**  
**June 30, 2018**

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Capital Assets, Net	\$ <u>103,205,915</u>
Add:	
Capital Fund Unspent Monies	<u>21,889,220</u>
Deduct:	
Bond Anticipation Notes	25,000,000
Serial Bonds Payable	36,789,184
Premium on Bonds Payable	3,663,495
Capital Fund Liabilities	<u>3,466,947</u>
	<u>68,919,626</u>
Net Investment in Capital Assets	<u>\$ 56,175,509</u>

See Independent Auditor's Report.

**D'Arcangelo & Co., LLP**  
Certified Public Accountants & Consultants

200 E. Garden St., P.O. Box 4300, Rome, N.Y. 13442-4300  
315-336-9220 Fax: 315-336-0836

**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

Central Valley Central School District

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Central Valley Central School District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Central Valley Central School District's basic financial statements, and have issued our report thereon dated October 16, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Central Valley Central 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 Central Valley Central School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Central Valley Central 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 School District'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 Central Valley Central 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 School District'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 School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*D'Arcangelo + Co., LLP*

October 16, 2018

Rome, New York

**D'Arcangelo & Co., LLP**  
Certified Public Accountants & Consultants

200 E. Garden St., P.O. Box 4300, Rome, N.Y. 13442-4300  
315-336-9220 Fax: 315-336-0836

**Independent Auditor's Report on Compliance For Each Major Program  
and on Internal Control Over Compliance Required by the Uniform Guidance**

Board of Education  
Central Valley Central School District

**Report on Compliance for Each Major Federal Program**

We have audited Central Valley Central School District's compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of Central Valley Central School District's major federal programs for the year ended June 30, 2018. Central Valley Central 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 federal statutes, regulations, contracts, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Central Valley Central 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 the 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 Central Valley Central 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 Central Valley Central School District's compliance.

***Opinion on Each Major Federal Program***

In our opinion, Central Valley Central School District complied, in all material respects, with the types of 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.

**Report on Internal Control Over Compliance**

Management of Central Valley Central 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 Central Valley Central 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 Central Valley Central 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*D'Arcangelo + Co., LLP*

October 16, 2018

Rome, New York

**CENTRAL VALLEY CENTRAL SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended June 30, 2018**

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Agency or Pass- through Number	Federal Expenditures
<u>United States Department of Agriculture</u>			
Passed Through New York State Department of Education:			
Child Nutrition Cluster			
Non-Cash Assistance (food distribution)			
National School Lunch Program	10.555	N/A	\$ 76,282
Cash Assistance			
School Breakfast Program	10.553	N/A	252,762
National School Lunch Program	10.555	N/A	<u>589,652</u>
Total Child Nutrition Cluster			<u>918,696</u>
Total Department of Agriculture			<u>918,696</u>
<u>United States Department of Education</u>			
Passed Through New York State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	0021181110	<u>745,165</u>
Special Education Cluster (IDEA)			
Special Education - Grants to States	84.027	0032180303	566,597
Special Education - Preschool Grants	84.173	0033180303	<u>20,151</u>
Total Special Education Cluster (IDEA)			<u>586,748</u>
Supporting Effective Instruction State Grants	84.367	0147181110	<u>107,163</u>
Total Department of Education			<u>1,439,076</u>
Total Federal Awards Expended			<u>\$ 2,357,772</u>

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

**CENTRAL VALLEY CENTRAL SCHOOL DISTRICT  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended June 30, 2018**

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**1. SIGNIFICANT ACCOUNTING POLICIES**

***Basis of Presentation***

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Central Valley Central School District under programs of the federal government for the year ended June 30, 2018. The information in this Schedule 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).

***Basis of Accounting***

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

***Use of Subrecipients***

There were no awards passed through to subrecipients.

***De Minimis Indirect Cost Rate***

The District has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

***Food Donation***

Nonmonetary assistance is reported in the schedule at the fair market value of the food commodities received. At June 30, 2018, the School District had food commodities totaling \$32,816 in inventory.

**CENTRAL VALLEY CENTRAL SCHOOL DISTRICT  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS FEDERAL COMPLIANCE REQUIREMENTS  
 For the Year Ended June 30, 2018**

***Summary of Auditor's Results***

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other significant deficiencies reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major Federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other significant deficiencies reported for major Federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under 2 CFR Section 200.516(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	<u>U.S. Department of Education</u> Special Education Cluster CFDA#84.027 Special Education – Grants to States CFDA#84.173 Special Education – Preschool Grants
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 750,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

**(Continued)**

**CENTRAL VALLEY CENTRAL SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - FEDERAL COMPLIANCE REQUIREMENTS  
For the Year Ended June 30, 2018**

**(Continued)**

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***Findings – Financial Statement Audit***

None noted.

***Findings and Questioned Costs – Major Federal Award Programs Audit***

None noted.

**CENTRAL VALLEY CENTRAL SCHOOL DISTRICT  
STATUS OF PRIOR YEAR'S FINDINGS AND QUESTIONED COSTS – FEDERAL COMPLIANCE REQUIREMENTS  
For the Year Ended June 30, 2018**

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***Findings – Financial Statement Audit***

None noted.

***Findings and Questioned Costs – Major Federal Award Programs Audit***

None noted.