

PRELIMINARY OFFICIAL STATEMENT

NEW ISSUE

BOND ANTICIPATION NOTES

In the opinion of Hodgson Russ LLP of Buffalo, New York, Bond Counsel, subject to continuing compliance by the Cassadaga Valley Central District, Chautauqua County, New York (the "District" or the "School District") with its covenants relating to certain requirements contained in the Internal Revenue Code of 1986, as amended (the "Code"), interest on the Notes is (A) excluded from gross income of the owners thereof for federal income tax purposes under existing law, and (B) exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York). Moreover, interest on the Notes is not an "item of tax preference" for purposes of the individual and corporate alternative minimum taxes imposed by the Code. (See the caption "TAX EXEMPTION" herein for a discussion of certain federal taxes applicable to corporate owners of the Notes.)

The Notes will be designated as "qualified tax-exempt obligations" pursuant to Section 265(b)(3) of the Code.

**CASSADAGA VALLEY CENTRAL SCHOOL DISTRICT
CHAUTAUQUA COUNTY, NEW YORK**



**GENERAL OBLIGATIONS
CUSIP BASE #: 148159**

**\$4,000,000 Bond Anticipation Notes, 2017A
(the "Notes")**

Dated: July 17, 2017

Due: July 17, 2018

The Notes are general obligations of the Cassadaga Valley Central School District, Chautauqua County, New York (the "District" or the "School District"), and will contain a pledge of its faith and credit for the payment of the principal of and interest on the Notes. All the taxable real property within the District will be subject to the levy of ad valorem taxes, without limitation as to rate or amount, subject to certain statutory limitations imposed by Chapter 97 of the 2011 Laws of New York.

The Notes are not subject to redemption prior to maturity.

The Notes will be issued as registered notes and at the option of the purchaser(s), may be registered in the name of the purchaser(s) or may be registered to the Depository Trust Company ("DTC"). If such Notes are issued as registered in the name of the purchaser, principal of and interest on the Notes will be payable in Federal Funds. In such case, the Notes will be issued as registered in the name of the purchaser in denominations of \$5,000 or multiples thereof as may be determined by such successful bidder(s).

Alternatively, if the Notes will be issued through DTC, the Notes will be registered in the name of Cede & Co. as nominee of DTC which will act as the securities depository for the Notes. Noteholders will not receive certificates representing their ownership interest in the notes purchased if the Purchaser(s) elects to register the Notes. Such Notes will be issued in denominations of \$5,000 or integral multiples thereof as may be determined by such successful bidder(s). If the Notes are issued as registered notes, payment of the principal of and interest on the Notes to the Beneficial Owner(s) of the Notes will be made by DTC Direct Participants and Indirect Participants in accordance with standing instructions and customary practices, as is now the case with municipal securities held for the accounts of customers registered in the name of the purchaser or registered in "street name". Payment will be the responsibility of such DTC Direct or Indirect Participants and the District, subject to any statutory and regulatory requirements as may be in effect from time to time. See "BOOK-ENTRY-ONLY SYSTEM" herein.

The Notes are offered when, as and if issued and received by the purchaser(s) and subject to the receipt of the approving legal opinion as to the validity of the Notes of Hodgson Russ LLP, Bond Counsel, of Buffalo, New York. It is anticipated that the Notes will be available for delivery through the facilities of DTC located in Jersey City, New Jersey or as may be agreed upon on or about July 17, 2017.

ELECTRONIC BIDS for the Bonds must be submitted via Grant Street Group's MuniAuction website ("MuniAuction") accessible via www.GrantStreet.com on June 26, 2017 until 11:45 A.M., Eastern Time, pursuant to the Notice of Sale. No other form of electronic bidding services will be accepted. No bid will be received after the time for receiving bids specified above. Bids may also be submitted by facsimile at (315) 930-2354. No phone bids will be accepted. Once the bids are communicated electronically via MuniAuction or facsimile to the District, each bid will constitute an irrevocable offer to purchase the Notes pursuant to the terms provided in the Notice of Sale.

June 19, 2017

THE DISTRICT DEEMS THIS OFFICIAL STATEMENT TO BE FINAL FOR PURPOSES OF SECURITIES AND EXCHANGE COMMISSION RULE 15c2-12 (THE "RULE"), EXCEPT FOR CERTAIN INFORMATION THAT HAS BEEN OMITTED HEREFROM IN ACCORDANCE WITH SAID RULE AND THAT WILL BE SUPPLIED WHEN THIS OFFICIAL STATEMENT IS UPDATED FOLLOWING THE SALE OF THE OBLIGATIONS HEREIN DESCRIBED. THIS OFFICIAL STATEMENT WILL BE SO UPDATED UPON REQUEST OF THE SUCCESSFUL BIDDER(S), AS MORE FULLY DESCRIBED IN THE NOTICE OF SALE WITH RESPECT TO THE OBLIGATIONS HEREIN DESCRIBED. UNLESS THE NOTES ARE PURCHASED FOR THE SUCCESSFUL BIDDER'S OWN ACCOUNT, AS PRINCIPAL FOR INVESTMENT AND NOT FOR RESALE, THE DISTRICT WILL COVENANT IN AN UNDERTAKING TO PROVIDE NOTICE OF CERTAIN MATERIAL EVENTS AS DEFINED IN THE RULE. SEE "DISCLOSURE UNDERTAKING" HEREIN.

CASSADAGA VALLEY CENTRAL SCHOOL DISTRICT CHAUTAUQUA COUNTY, NEW YORK

SCHOOL DISTRICT OFFICIALS

2016-2017 BOARD OF EDUCATION

JEANNE OAG
President



WILLIAM CARLSON
Vice President

MARCUS CLARK
BEVERLY LEBARON
DANIEL PAVLOCK

* * * * *

CHARLES LEICHNER
Superintendent of Schools

DEBRA A. MCAVOY
School Business Administrator

BRITTNAY SPRY
School District Clerk



FISCAL ADVISORS & MARKETING, INC.
Municipal Advisor



HODGSON RUSS LLP
Bond Counsel
&
School District Attorney

No person has been authorized by the Cassadaga Valley Central School District to give any information or to make any representations not contained in this Official Statement, and, if given or made, such information or representations must not be relied upon as having been authorized. This Official Statement does not constitute an offer to sell or solicitation of an offer to buy any of the Notes in any jurisdiction to any person to whom it is unlawful to make such offer or solicitation in such jurisdiction. The information, estimates and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Cassadaga Valley Central School District.

TABLE OF CONTENTS

	<u>Page</u>		<u>Page</u>
THE NOTES	1	STATUS OF INDEBTEDNESS (cont.)	
Description of the Notes.....	1	Capital Project Plans	21
No Optional Redemption	1	Cash Flow Borrowings.....	21
Purpose of Issue	1	Estimated Overlapping Indebtedness	21
BOOK-ENTRY-ONLY SYSTEM	2	Debt Ratios.....	22
Certificated Notes.....	3	SPECIAL PROVISIONS AFFECTING	
THE SCHOOL DISTRICT	3	REMEDIES UPON DEFAULT	22
General Information	3	MARKET AND RISK FACTORS	23
Population	4	TAX EXEMPTION	23
Selected Wealth and Income Indicators	4	LEGAL MATTERS	24
Unemployment Rate Statistics	4	LITIGATION	25
Form of School Government.....	5	DISCLOSURE UNDERTAKING	25
Budgetary Procedures	5	Historical Compliance.....	25
Investment Policy.....	6	MUNICIPAL ADVISOR	26
State Aid.....	6	RATING	26
State Aid Revenues	8	MISCELLANEOUS	26
District Facilities	8	APPENDIX - A	
Enrollment Trends.....	8	GENERAL FUND - Balance Sheets	
Employees.....	9	APPENDIX - A1	
Status and Financing of Employee Pension Benefits	9	GENERAL FUND – Revenues, Expenditures and	
Other Post-Employment Benefits.....	11	Changes in Fund Balance	
Other Information.....	13	APPENDIX - A2	
Financial Statements	13	GENERAL FUND – Revenues, Expenditures and	
New York State Comptroller Report of Examination.....	13	Changes in Fund Balance - Budget and Actual	
The State Comptroller’s Fiscal Stress Monitoring System...	14	APPENDIX – B	
TAX INFORMATION	14	BONDED DEBT SERVICE	
Taxable Assessed Valuations	14	APPENDIX – B1	
Tax Rate Per \$1,000 (Assessed).....	15	CURRENT BONDS OUTSTANDING	
Tax Levy and Tax Collection Record.....	15	APPENDIX - C	
Tax Collection Procedure	15	DISCLOSURE UNDERTAKING	
Real Property Tax Revenues	15	APPENDIX - D	
Larger Taxpayers 2016 for 2016-2017 Tax Roll.....	16	AUDITED FINANCIAL STATEMENTS AND	
STAR - School Tax Exemption.....	16	SUPPLEMENTARY INFORMATION- JUNE 30, 2016	
Additional Tax Information.....	17		
TAX LEVY LIMITATION LAW	17		
STATUS OF INDEBTEDNESS	18		
Constitutional Requirements	18		
Statutory Procedure	19		
Debt Outstanding End of Fiscal Year.....	20		
Details of Outstanding Indebtedness	20		
Debt Statement Summary.....	20		
Bonded Debt Service.....	21		

PREPARED WITH THE ASSISTANCE OF



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OFFICIAL STATEMENT
of the
CASSADAGA VALLEY CENTRAL SCHOOL DISTRICT
CHAUTAUQUA COUNTY, NEW YORK

Relating To
\$4,000,000 Bond Anticipation Notes, 2017A

This Official Statement, which includes the cover page, has been prepared by the Cassadaga Valley Central School District, Chautauqua County, New York (the "School District" or "District", "County", and "State", respectively) in connection with the sale by the District of \$4,000,000 principal amount of Bond Anticipation Notes, 2017A (the "Notes").

The factors affecting the District's financial condition and the Notes are described throughout this Official Statement. Inasmuch as many of these factors, including economic and demographic factors, are complex and may influence the District tax base, revenues, and expenditures, this Official Statement should be read in its entirety, and no one factor should be considered more or less important than any other by reason of its relative position in this Official Statement.

All quotations from and summaries and explanations of provisions of the Constitution and laws of the State and acts and proceedings of the District contained herein do not purport to be complete and are qualified in their entirety by reference to the official compilations thereof, and all references to the Notes and the proceedings of the District relating thereto are qualified in their entirety by reference to the definitive forms of the Notes and such proceedings.

THE NOTES

Description of the Notes

The Notes are general obligations of the District, and will contain a pledge of its faith and credit for the payment of the principal of and interest on the Bonds as required by the Constitution and laws of the State (State Constitution, Art. VIII, Section 2; Local Finance Law, Section 100.00). All the taxable real property within the District is subject to the levy of *ad valorem* taxes to pay the Bonds and interest thereon, without limitation as to rate or amount subject to certain statutory limitations imposed by Chapter 97 of the 2011 Laws of New York. (See "TAX LEVY LIMITATION LAW" herein.)

The Notes are dated July 17, 2017 and mature, without option of prior redemption, on July 17, 2018. Interest on the Notes will be calculated on a 30-day month and 360-day year basis, payable at maturity.

The Notes will be issued in registered form either (i) in the name of the purchaser(s), in which case principal of and interest on the Notes will be payable in Federal Funds at such bank(s) or trust company(ies) located and authorized to do business in the State as may be selected by such successful bidder(s); or (ii) in the name of Cede & Co. as nominee of DTC, which will act as the securities depository for the Notes. See "BOOK-ENTRY-ONLY SYSTEM" herein. One fully-registered note certificate will be issued for all Notes of a particular issue bearing the same rate of interest and CUSIP number. Purchasers will not receive certificates representing their interest in the Notes. Principal and interest will be paid in lawful money of the United States of America (Federal Funds) by the District directly to the registered owner or to DTC for its nominee, Cede & Co.

No Optional Redemption

The Notes are not subject to redemption prior to maturity.

Purpose of Issue

The Notes are being issued in accordance with the Constitution and statutes of the State of New York, including the Education Law and the Local Finance Law, and pursuant to a bond resolution that was duly adopted by the Board of Education of the District on January 11, 2016 following a positive vote of the qualified voters of the District at a special meeting held on December 10, 2015, authorizing the use of \$800,097 of capital reserve fund monies of the District and the issuance of up to \$15,199,903 of serial bonds of the District to undertake a District-wide capital improvements project consisting of the reconstruction and renovation of, and the construction of improvements and upgrades to, various District buildings and facilities (and the sites thereof), all at an estimated maximum cost of \$16,000,000.

The proceeds of the Notes will provide new monies for the abovementioned purpose.

BOOK-ENTRY-ONLY SYSTEM

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Notes, if so requested. The Notes will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered note certificate will be issued for each note bearing the same rate of interest and CUSIP number and will be deposited with DTC.

DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes on DTC’s records. The ownership interest of each actual purchaser of each Note (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Notes are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Notes, except in the event that use of the book-entry system for the Notes is discontinued.

To facilitate subsequent transfers, all Notes deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Notes with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Notes; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Notes are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Notes may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Notes, such as redemptions, tenders, defaults, and proposed amendments to the Note documents. For example, Beneficial Owners of Notes may wish to ascertain that the nominee holding the Notes for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Principal and interest payments on the Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC’s practice is to credit Direct Participants’ accounts upon DTC’s receipt of funds and corresponding detail information from the District on payable date in accordance with their respective holdings shown on DTC’s records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in “street name,” and will be the responsibility of such Participant and not of DTC nor its nominee or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Notes at any time by giving reasonable notice to the District. Under such circumstances, in the event that a successor depository is not obtained, note certificates are required to be printed and delivered.

The District may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, note certificates will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy thereof.

Source: The Depository Trust Company.

THE DISTRICT CANNOT AND DOES NOT GIVE ANY ASSURANCES THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC WILL DISTRIBUTE TO THE BENEFICIAL OWNERS OF THE NOTES (1) PAYMENTS OF PRINCIPAL OF OR INTEREST OR REDEMPTION PREMIUM ON THE NOTES; (2) CONFIRMATIONS OF THEIR OWNERSHIP INTERESTS IN THE NOTES; OR (3) OTHER NOTICES SENT TO DTC OR CEDE & CO., ITS PARTNERSHIP NOMINEE, AS THE REGISTERED OWNER OF THE NOTES, OR THAT THEY WILL DO SO ON A TIMELY BASIS, OR THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT.

THE DISTRICT WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO DTC, THE DIRECT PARTICIPANTS, THE INDIRECT PARTICIPANTS OF DTC OR THE BENEFICIAL OWNERS WITH RESPECT TO (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC; (2) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL AMOUNT OF OR INTEREST OR REDEMPTION PREMIUM ON THE NOTES; (3) THE DELIVERY BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC OF ANY NOTICE TO ANY BENEFICIAL OWNER; OR (4) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE REGISTERED HOLDER OF THE NOTES.

THE INFORMATION CONTAINED HEREIN CONCERNING DTC AND ITS BOOK-ENTRY SYSTEM HAS BEEN OBTAINED FROM DTC AND THE DISTRICT MAKES NO REPRESENTATION AS TO THE COMPLETENESS OR THE ACCURACY OF SUCH INFORMATION OR AS TO THE ABSENCE OF MATERIAL ADVERSE CHANGES IN SUCH INFORMATION SUBSEQUENT TO THE DATE HEREOF.

Certificated Notes

If the book-entry form is initially chosen by the purchaser(s) of the Notes, DTC may discontinue providing its services with respect to the Notes at any time by giving notice to the District and discharging its responsibilities with respect thereto under applicable law, or the District may terminate its participation in the system of book-entry-only system transfers through DTC at any time. In the event that such book-entry-only system is utilized by a purchaser(s) of the Notes upon issuance and later discontinued, the following provisions will apply:

The Notes will be issued in registered form in denominations of \$5,000 or integral multiples thereof. Principal of and interest on the Notes will be payable at a principal corporate trust office of a bank or trust company located and authorized to do business in the State of New York to be named as fiscal agent by the District. The Notes will remain not subject to redemption prior to their stated final maturity date.

THE SCHOOL DISTRICT

General Information

The District comprises an area of 167 square miles in the central portion of Chautauqua County about ten miles north of the City of Jamestown. The District is centered around the incorporated Village of Sinclairville. Route 60 traverses the District in a generally north-south direction.

Agriculture is a major socio-economic base for the District along with other retail and commercial activities. Residents are also employed in professional and industrial concerns in Jamestown.

Banking services are provided to the School District by Community Bank.

Source: District officials.

Population

The current estimated population of the District is 6,921. (Source: 2015 U.S. Census Bureau estimate)

Selected Wealth and Income Indicators

Per capita income statistics are not available for the District as such. The smallest areas for which such statistics are available, which involve the District, are the Towns and the County listed below. The figures set below with respect to such Towns and County are included for information only. It should not be inferred from the inclusion of such data in the Official Statement that the Towns or the County are necessarily representative of the District, or vice versa.

	<u>Per Capita Income</u>			<u>Median Family Income</u>		
	<u>2000</u>	<u>2006-2010</u>	<u>2011-2015</u>	<u>2000</u>	<u>2006-2010</u>	<u>2011-2015</u>
Towns of:						
Arkwright	\$ 18,802	\$ 26,947	\$ 25,380	\$ 45,294	\$ 71,042	\$ 64,167
Charlotte	15,733	19,046	20,606	40,893	51,786	49,107
Cherry Creek	14,980	17,862	22,795	36,250	39,813	60,703
Ellery	20,619	23,778	29,799	48,093	59,659	66,861
Ellicott	19,296	23,955	25,490	47,813	52,937	62,102
Ellington	15,790	18,427	21,806	41,058	47,614	56,563
Gerry	15,272	22,195	25,392	36,853	48,636	59,500
Pomfret	16,506	20,404	24,110	47,252	64,217	62,042
Stockton	17,717	19,412	19,050	44,146	50,938	50,288
County of:						
Chautauqua	16,840	21,033	22,903	41,054	51,031	54,131
State of:						
New York	23,389	30,948	33,236	51,691	67,405	71,913

Note: 2012-2016 American Community Survey estimates are not available as of the date of this Official Statement.

Source: U.S. Census Bureau, 2000 census, 2006-2010 and 2011-2015 American Community Survey data.

Unemployment Rate Statistics

Unemployment statistics are not available for the District as such. The smallest area for which such statistics are available (which includes the District) is the County. The information set forth below with respect to the County is included for informational purposes only. It should not be implied from the inclusion of such data in this Official Statement that the County is necessarily representative of the District, or vice versa.

	<u>Annual Average</u>						
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Chautauqua County	8.9%	8.2%	8.5%	8.0%	6.8%	6.0%	5.8%
New York State	8.6%	8.3%	8.5%	7.7%	6.3%	5.3%	4.8%
	<u>2017 Monthly Figures</u>						
	<u>Jan</u>	<u>Feb</u>	<u>Mar</u>	<u>Apr</u>	<u>May</u>	<u>Jun</u>	
Chautauqua County	7.0%	7.1%	6.1%	5.9%	N/A	N/A	
New York State	4.9%	5.0%	4.4%	4.2%	4.3%	N/A	

Note: May and June 2017 County unemployment rates have not been released as of the date of this Official Statement.

The June 2017 State unemployment rate has not been released as of the date of this Official Statement.

Source: Department of Labor, State of New York. (Note: Figures not seasonally adjusted).

Form of School Government

The District is an independent entity governed by an elected board of education comprised of five members. District operations are subject to the provisions of the State Education Law affecting school districts; other statutes applicable to the District include the General Municipal Law, the Local Finance Law and the Real Property Tax Law.

Members of the Board of Education are elected on a staggered term basis by qualified voters at the annual election of the District (held on the third Tuesday in May). The term of office for each board member is five years and the number of terms that may be served is unrestricted. A president is selected by the Board from its members and also serves as the chief fiscal officer of the District. The Board of Education is vested with various powers and duties as set forth in the Education Law. Among these are the adoption of annual budgets (subject to voter approval), the levy of real property taxes for the support of education, the appointment of such employees as may be necessary, and other such duties reasonably required to fulfill the responsibilities provided by law.

The Board of Education appoints the Superintendent of Schools, who serves the Board. The Superintendent is the chief executive officer of the District and the education system. It is the responsibility of the Superintendent to enforce all provisions of law and all rules and regulations relating to the management of the schools and other educational, social, and recreational activities under the direction of the Board of Education. Also, certain of the financial functions of the District are the responsibility of the Superintendent of Schools and School Business Administrator.

Budgetary Procedures

Pursuant to the Education Law, the Board of Education annually prepares a detailed statement of estimated sums necessary for the various expenditures of the School District for the ensuing fiscal year (tentative budget) and distributes that statement not less than fourteen days prior to the date on which the annual school district vote is conducted, at which the tentative budget is voted upon. Notice of the annual vote is published as required by statute with a first publication not less than 45 days prior to the day of the vote.

If the qualified voters at the annual vote approve the tentative budget, the Board of Education, by resolution, adopts it as the budget of the School District for the ensuing year. In the event the tentative budget is not approved by a majority of the voters, the Board of Education may call and hold a subsequent election on a budget.

Pursuant to Chapter 97 of the Laws of 2011 (“Chapter 97”), beginning with the 2012 – 2013 fiscal year, if the proposed budget requires a tax levy increase that does not exceed the lesser of 2% or the rate of inflation (the “Tax Cap”), then a simple majority vote is required for approval. If the proposed budget requires a tax levy that exceeds the Tax Cap, the budget proposition must include special language and a 60% vote is required for approval. Any separate proposition that would cause the School District to exceed the Tax Cap also must receive at least 60% voter approval.

If the proposed budget is not approved by the required margin, the Board of Education may resubmit the original budget or a revised budget to the voters on the 3rd Tuesday in June, or adopt a contingency budget (which would provide for ordinary contingent expenses, including debt service) that levies a tax levy no greater than that of the prior fiscal year (i.e. a 0% increase in the tax levy).

If the resubmitted and/or revised budget is not approved by the required margin, the Board of Education must adopt a budget that requires a tax levy no greater than that of the prior fiscal year (i.e. a 0% increase in the tax levy). For a complete discussion of Chapter 97, see “TAX LEVY LIMITATION LAW” herein.

Recent Budget Vote Results

The budget for the 2016-17 fiscal year was adopted by the qualified voters on May 17, 2016 with a vote of 162 to 20. The District’s budget for 2016-2017 fiscal year will remain within the Tax Cap imposed by Chapter 97 of the Laws of 2011.

The budget for the 2017-2018 fiscal year was adopted by the qualified voters on May 16, 2017 with a vote of 130 to 17. The District’s budget for 2017-2018 fiscal year will remain within the Tax Cap imposed by Chapter 97 of the Laws of 2011.

Investment Policy

Pursuant to the statutes of the State, the School District is permitted to invest only in the following investments: (1) special time deposits or certificates of deposits in a bank or trust company located and authorized to do business in the State; (2) obligations of the United States of America; (3) obligations guaranteed by agencies of the United States of America where the payment of principal and interest is guaranteed by the United States of America; (4) obligations of the State; (5) with the approval of the State Comptroller, tax anticipation notes and revenue anticipation notes issued by any municipality or district corporation of the State, other than the School District; (6) obligations of a New York public corporation which are made lawful investments by the School District pursuant to another provision of law; (7) certain certificates of participation issued on behalf of political subdivisions of the State; and, (8) in the case of School District moneys held in certain reserve funds established pursuant to law, obligations issued by the School District. These statutes further require that all bank deposits, in excess of the amount insured under the Federal Deposit Insurance Act, be secured by either a pledge of eligible securities, an eligible surety bond or an eligible letter of credit, as those terms are defined in the law.

Consistent with the above statutory limitations, it is the District's current policy to invest in: (1) certificates of deposit or time deposit accounts that are fully secured as required by statute, (2) obligations of the United States of America or (3) obligations guaranteed by agencies of the United States of America where the payment of principal and interest is guaranteed by the United States of America. In the case of obligations of the United States government, the District may purchase such obligations pursuant to a written repurchase agreement that requires the purchased securities to be delivered to a third party custodian.

State Aid

The District receives financial assistance from the State. In its adopted budget for the 2017-2018 fiscal year, approximately 75.1% of the revenues of the District are estimated to be received in the form of State aid. If the State should not adopt its budget in a timely manner, in any year, municipalities and school districts in the State, including the District, may be affected by a delay in the payment of State aid.

The State is not constitutionally obligated to maintain or continue State aid to the District. No assurance can be given that present State aid levels will be maintained in the future. State budgetary restrictions which could eliminate or substantially reduce State aid could have a material adverse effect upon the District, requiring either a counterbalancing increase in revenues from other sources to the extent available, or a curtailment of expenditures.

Building Aid

A portion of the District's State aid consists of building aid which is related to outstanding indebtedness for capital project purposes. In order to receive building aid, the District must have building plans and specifications approved by the Facilities Planning Unit of the State Education Department. A maximum construction and incidental cost allowance is computed for each building project that takes into account a pupil construction cost allowance and assigned pupil capacity. For each project financed with debt obligations, a bond percentage is computed. The bond percentage is derived from the ratio of total approved cost allowances to the total principal borrowed. Approved cost allowances are estimated until a project final cost report is completed.

Aid on debt service is generally paid in the current fiscal year provided such debt service is reported to the Commissioner of Education by November 15 of that year. Any debt service in excess of amounts reported by November 15 will not be aided until the following fiscal year. The building aid received is equal to the approved building expense, or bond percent, times the building aid ratio that is assigned to the District. The building aid ratio is calculated based on a formula that involves the full valuation per pupil in the District compared to a State-wide average.

Pursuant to the provisions of Chapter 760 of the Laws of 1963, the District is eligible to receive a Building Aid Estimate from the New York State Department of Education. Since the gross indebtedness of the District is within the debt limit, the District is not required to apply for a Building Aid Estimate. Based on 2017-2018 preliminary building aid ratios, the District State Building aid of approximately 91.0% for debt service on State Education Department approved expenditures from July 1, 2004 to the present.

The State building aid ratio is calculated each year based upon a formula which reflects Resident Weighted Average Daily Attendance (RWADA) and the full value per pupil compared with the State average. Consequently, the estimated aid will vary over the life of each issue. State building aid is further dependent upon the continued apportionment of funds by the State Legislature.

State aid history

State aid to school districts within the State has declined in some recent years before increasing again in more recent years.

School district fiscal year (2012-2013): The State Legislature adopted the State budget on March 30, 2012. The budget included an increase of \$751 million in State aid for school districts.

The 2012-2013 State budget linked additional school aid to compliance with a new teacher evaluation process. A school district would not be eligible for an aid increase in 2012-2013 unless it had its teacher evaluation process reviewed and approved by the New York State Education Department by January 17, 2013. The New York State Education Department approved the District's initial Annual Professional Performance Review Plan (APPR) on December 4, 2012. The most recent APPR plan was approved on April 21, 2017.

School district fiscal year (2013-2014): The State Legislature adopted the State budget on March 29, 2013. The budget included an increase of \$1.0 billion in State aid for school districts.

School district fiscal year (2014-2015): The 2014-2015 State budget included a \$1.1 billion or 5.3% increase in State aid to school districts for the 2014-2015 school year. High-need school districts would receive 70% of the school aid increase. The 2014-2015 State budget restored \$602 million of Gap Elimination Adjustment ("GEA") reductions that had been imposed on school districts from 2010-2011 to 2012-2013. The 2014-2015 State budget invested \$1.5 billion over five years to support the phase-in of a statewide universal full-day pre-kindergarten program.

The Smart Schools Bond Act was proposed as part of the 2014-2015 State budget and was subsequently approved by the voters of the State. The Smart Schools Bond Act authorizes the issuance of \$2 billion of general obligation bonds to finance improved educational technology and infrastructure to improve learning and opportunity for students throughout the State. The District's estimated allocation of funds thereunder is \$1,333,520.

School district fiscal year (2015-2016): The 2015-2016 State budget included a partial reduction in the Gap Elimination Adjustment with \$603 million in GEA cuts being restored, and provided an additional \$428 million in foundation aid and \$268 million in expense base aids which reimbursed school districts for prior year expenses in school construction, transportation, BOCES and special education services.

School district fiscal year (2016-2017): The 2016-17 State budget included a school aid increase of \$991 million over 2015-16, \$863 million of which consists of traditional operating aid. In addition to full-funding of expense based aids (\$408 million), the budget also includes a \$266 million increase in Foundation Aid and a \$189 million restoration to the Gap Elimination Adjustment. The bulk of the remaining increase included \$100 million in Community Schools Aid, an aid category, to support school districts that wish to create community schools. The funds may only be used for certain purposes such as providing health, mental health and nutritional services to students and their families. The amount of funds allocated to the District through the Community Schools Grant Initiative (CSGI) is \$99,547.

School district fiscal year (2017-2018): The State 2017-18 Enacted Budget increases State aid to education by \$1.1 billion, including a \$700 million increase in Foundation Aid, bringing the total amount of State aid to education to \$25.8 billion or an increase of 4.4%. Expense-based aids to support school construction, pupil transportation, BOCES and special education were continued in full, as is the State's usual practice. Transportation aid increased by 5.5% and building aid increased by 4.8%. The State 2017-18 Enacted Budget continues to link school aid increases for 2017-18 and 2018-19 to teacher and principal evaluation plans approved by September 1 of the current year in compliance with Education Law Section 3012-d. The State 2017-18 Enacted Budget allows the Governor to reduce expenditures (including aid to school districts) mid-year if revenues (including, but not limited to, funding from the federal government) are less than what was expected. If federal support is reduced by \$850 million or more, the Governor will develop a plan to make uniform spending reductions. Such plan would take effect automatically unless the Legislature passes their own plan within 90 days.

In January 2001, the State Supreme Court issued a decision in *Campaign for Fiscal Equity v. New York* mandating that the system of apportionment of State aid to school districts within the State be restructured by the Governor and the State Legislature. On June 25, 2002, the Appellate Division of the State Supreme Court reversed that decision. On June 26, 2003, the State Court of Appeals, the highest court in the State, reversed the Appellate Division, holding that the State must, by July 30, 2004, ascertain the actual cost of providing a sound basic education, enact reforms to the system of school funding and ensure a system of accountability for such reforms. The Court of Appeals further modified the decision of the Appellate Division by deciding against a Statewide remedy and instead limited its ruling solely to the New York City school system.

After further litigation, on appeal in 2006, the Court of Appeals held that \$1.93 billion of additional funds for the New York City schools – as initially proposed by the Governor and presented to the Legislature as an amount sufficient to provide a sound basic education – was reasonably determined. State legislative reforms in the wake of the *Campaign for Fiscal Equity* decision

included increased accountability for expenditure of State funds and collapsing over 30 categories of school aid for school districts in the State into one classroom operating formula referred to as foundation aid. The stated purpose of foundation aid is to prioritize funding distribution based upon student need. As a result of the Court of Appeals ruling schools were to receive \$5.5 billion increase in foundation aid over a four fiscal year phase-in covering 2007 to 2011.

Litigation is continuing however as a statewide lawsuit entitled NYSER vs. State of New York was heard on appeal on May 30, 2017. The plaintiffs assert that the State has failed to comply with the original decision of the New York State Court of Appeals in CFE v. State of New York to ensure that all students throughout the State have the opportunity for a sound basic education. The complaint asks the court for an order requiring the state to immediately discontinue the use of the gap elimination adjustment (GEA), the cap on state aid increases and the supermajority requirements regarding increases in local property tax levies. The complaint also asks the court to order the State to develop a new methodology for determining the actual costs of providing all students the opportunity for a sound basic education, revise the State funding formulas to ensure that all schools receive sufficient resources, and ensure a system of accountability that measures whether every school has sufficient resources and that all students are, in fact, receiving the opportunity for a sound basic education. It is not possible to predict the outcome of this litigation.

There can be no assurance that the State appropriation for building aid and other State aid to school districts will be continued in future years, either pursuant to existing formulas or in any form whatsoever. State aid, including building aid appropriated and apportioned to the District, can be paid only if the State has such monies available therefor. The availability of such monies and the timeliness of such payment could be affected by a delay in the adoption of the State budget or their elimination therefrom.

State Aid Revenues

The following table illustrates the percentage of total revenues of the District for each of the below completed fiscal years and budgeted new figures comprised of State aid.

<u>Fiscal Year</u>	<u>Total Revenues</u>	<u>Total State Aid</u>	<u>Percentage of Total Revenues Consisting of State Aid</u>
2011-2012	\$ 18,201,861	\$ 13,126,457	72.1%
2012-2013	18,830,006	13,538,857	71.9%
2013-2014	19,112,159	13,818,554	72.3%
2014-2015	19,504,845	14,257,345	73.1%
2015-2016	20,015,545	14,363,547	71.8%
2016-2017 (Budgeted)	20,173,163	14,806,658	73.0%
2017-2018 (Budgeted)	21,110,157	15,851,162	75.1%

Source: 2011-12 through and including the 2015-16 audited financial statements of the District and the budget of the District for the 2016-17 and 2017-18 fiscal years. This table is not audited.

District Facilities

<u>Name</u>	<u>Grades</u>	<u>Capacity</u>	<u>Year(s) Built/Renovated</u>
Sinclairville Elementary	Pre-K-5	360	1968, '96, '97
Middle/High School	6-12	900	1939, '96, '97, '01, '08

Source: District officials.

Enrollment Trends

<u>School Year</u>	<u>Actual Enrollment</u>	<u>School Year</u>	<u>Projected Enrollment</u>
2012-13	1,001	2017-18	880
2013-14	959	2018-19	872
2014-15	969	2019-20	860
2015-16	946	2020-21	851
2016-17	895	2021-22	845

Source: District officials.

Employees

The District employs a total of 138 full-time and 44 part-time employees with representation by the various bargaining units listed below:

<u>Employees</u>	<u>Union Representation</u>	<u>Contract Expiration Date</u>
90	Cassadaga Valley Faculty Association	June 30, 2021
82	Cassadaga Valley School – Related Personnel Assoc.	June 30, 2018
5	Cassadaga Valley Administrators’ Association	June 30, 2017 ⁽¹⁾

⁽¹⁾ Currently in negotiations.

Source: District officials.

Status and Financing of Employee Pension Benefits

Substantially all employees of the District are members of either the New York State and Local Employees' Retirement System ("ERS") (for non-teaching and non-certified administrative employees) or the New York State Teachers' Retirement System ("TRS") (for teachers and certified administrators). (Both Systems are referred to together hereinafter as the "Retirement Systems" where appropriate.) These Retirement Systems are cost-sharing multiple public employer retirement systems. The obligation of employers and employees to contribute and the benefits to employees are governed by the New York State Retirement and Social Security Law (the "Retirement System Law"). The Retirement Systems offer a wide range of plans and benefits which are related to years of service and final average salary, vesting of retirement benefits, death and disability benefits and optional methods of benefit payments. All benefits generally vest after ten years of credited service. The Retirement System Law generally provides that all participating employers in each retirement system are jointly and severally liable for any unfunded amounts. Such amounts are collected through annual billings to all participating employers. Generally, all employees, except certain part-time employees, participate in the Retirement Systems. The Retirement Systems are non-contributory with respect to members hired prior to July 27, 1976. All members working less than ten years must contribute 3% (ERS) or 3.5% (TRS) of gross annual salary towards the cost of retirement programs.

On December 12, 2009, a new Tier V was signed into law. The legislation created a new Tier V pension level, the most significant reform of the State's pension system in more than a quarter-century. Key components of Tier V include:

- Raising the minimum age at which most civilians can retire without penalty from 55 to 62 and imposing a penalty of up to 38% for any civilian who retires prior to age 62.
- Requiring ERS employees to continue contributing 3% of their salaries and TRS employees to continue contributing 3.5% toward pension costs so long as they accumulate additional pension credits.
- Increasing the minimum years of service required to draw a pension from 5 years to 10 years.
- Capping the amount of overtime that can be considered in the calculation of pension benefits for civilians at \$15,000 per year, and for police and firefighters at 15% of non-overtime wages.

On March 16, 2012, the Governor signed into law the new Tier VI pension program, effective for new ERS and TRS employees hired after April 1, 2012. The Tier VI legislation provides for increased employee contribution rates of between 3% and 6% and contributions at such rates continue so long as such employee continues to accumulate pension credits, an increase in the retirement age from 62 years to 63 years, a readjustment of the pension multiplier, and a change in the time period for the final average salary calculation from 3 years to 5 years. Tier VI employees will vest in the system after ten years of employment and will continue to make employee contribution throughout employment.

The District is required to contribute at an actuarially determined rate. The actual contributions for the last five years and budgeted figures for the 2016-2017 and 2017-2018 fiscal years are as follows:

<u>Year</u>	<u>ERS</u>	<u>TRS</u>
2011-2012	\$ 384,287	\$ 811,698
2012-2013	443,000	897,000
2013-2014	451,000	1,184,000
2014-2015	362,000	1,301,000
2015-2016	342,000	979,000
2016-2017 (Budgeted)	311,259	858,674
2017-2018 (Budgeted)	264,408	740,243

Source: District officials.

Pursuant to various laws enacted between 1991 and 2002, the State Legislature authorized local governments to make available certain early retirement incentive programs to its employees.

The District offered early retirement incentives as follows:

<u>Fiscal Year</u>	<u>Staff Participants</u>	<u>Replacement Cost</u>	<u>Savings</u>
2013-14	4	\$ 40,000	\$ 266,998
2014-15	6	60,000	184,117
2015-16	9	90,000	165,695

Source: District officials.

Historical Trends and Contribution Rates. Historically there has been a State mandate requiring full (100%) funding of the annual actuarially required local governmental contribution out of current budgetary appropriations. With the strong performance of the Retirement System in the 1990s, the locally required annual contribution declined to zero. However, with the subsequent decline in the equity markets, the pension system became underfunded. As a result, required contributions increased substantially to 15% to 20% of payroll for the employees' and the police and fire retirement systems, respectively. Wide swings in the contribution rate resulted in budgetary planning problems for many participating local governments.

A chart of average ERS and TRS rates as a percent of payroll (2010 to 2018) is shown below:

<u>Fiscal Year</u>	<u>ERS</u>	<u>TRS</u>
2009-10	7.4%	6.19%
2010-11	11.9	8.62
2011-12	16.3	11.11
2012-13	18.9	11.84
2013-14	20.9	16.25
2014-15	20.1	17.53
2015-16	18.2	13.26
2016-17	15.5	11.72
2017-18	15.3	9.80*

* Estimated. The final TRS rate for 2017-18 fiscal year is expected to be adopted by the TRS Retirement Board in July 2017.

In 2003, Chapter 49 of the Laws of 2003 amended the Retirement and Social Security Law and the Local Finance Law. The amendments empowered the State Comptroller to implement a comprehensive structural reform program for ERS. The reform program established a minimum contribution for any local governmental employer equal to 4.5% of pensionable salaries for bills which were due December 15, 2003 and for all fiscal years thereafter, as a minimum annual contribution where the actual rate would otherwise be 4.5% or less due to the investment performance of the fund. In addition, the reform program instituted a billing system to match the budget cycle of municipalities and school districts that will advise such employers over one year in advance concerning actual pension contribution rates for the next annual billing cycle. Under the previous method, the requisite ERS contributions for a fiscal year could not be determined until after the local budget adoption process was complete. Under the new system, a contribution for a given fiscal year is based on the valuation of the pension fund on the prior April 1 of the calendar year preceding the contribution due date instead of the following April 1 in the year of contribution so that the exact amount may now be included in a budget.

Chapter 57 of the Laws of 2010 (Part TT) amended the Retirement and Social Security Law to authorize participating employers, if they so elect, to amortize an eligible portion of their annual required contributions to ERS when employer contribution rates rise above certain levels. The option to amortize the eligible portion began with the annual contribution due February 1, 2011. The amortizable portion of an annual required contribution is based on a "graded" rate by the State Comptroller in accordance with formulas provided in Chapter 57. Amortized contributions are to be paid in equal annual installments over a ten-year period, but may be prepaid at any time. Interest is to be charged on the unpaid amortized portion at a rate to be determined by State Comptroller, which approximates a market rate of return on taxable fixed rate securities of a comparable duration issued by comparable issuers. The interest rate is established annually for that year's amortized amount and then applies to the entire ten years of the amortization cycle of that amount. When in any fiscal year, the participating employer's graded payment eliminates all balances owed on prior amortized amounts, any remaining graded payments are to be paid into an employer contribution reserve fund established by the State Comptroller for the employer, to the extent that amortizing employer has no currently unpaid prior amortized amounts, for future such use.

The District is not amortizing any pension payments nor does it intend to do so in the foreseeable future.

Stable Rate Pension Contribution Option: The 2013-14 State Budget included a provision that provides local governments and school districts, including the District, with the option to “lock-in” long-term, stable rate pension contributions for a period of years determined by the State Comptroller and ERS and TRS. The stable rates would be 12% for ERS and 14% for TRS. The pension contribution rates under this program would reduce near-term payments for employers, but will require higher than normal contributions in later years. The District is not participating in the Stable Rate Pension Contribution Option nor does it intend to do so in the foreseeable future.

The investment of monies, and assumptions underlying same, of the Retirement Systems covering the District’s employees is not subject to the direction of the District. Thus, it is not possible to predict, control or prepare for future unfunded accrued actuarial liabilities of the Retirement Systems (“UAALs”). The UAAL is the difference between total actuarially accrued liabilities and actuarially calculated assets available for the payment of such benefits. The UAAL is based on assumptions as to retirement age, mortality, projected salary increases attributed to inflation, across-the-board raises and merit raises, increases in retirement benefits, cost-of-living adjustments, valuation of current assets, investment return and other matters. Such UAALs could be substantial in the future, requiring significantly increased contributions from the District which could affect other budgetary matters. Concerned investors should contact the Retirement Systems administrative staff for further information on the latest actuarial valuations of the Retirement Systems.

Other Post-Employment Benefits

Healthcare Benefits. It should also be noted that the District provides employment healthcare benefits to various categories of former employees. These costs may be expected to rise substantially in the future. There is now an accounting rule that requires governmental entities, such as the District, to account for employment healthcare benefits as it accounts for vested pension benefits. GASB Statement No. 45 ("GASB 45") of the Governmental Accounting Standards Board ("GASB"), described below, requires such accounting.

School districts and Boards of Cooperative Educational Services, unlike other municipal units of government in the State, have been prohibited from reducing health benefits received by or increasing health care contributions paid by retirees below the level of benefits or contributions afforded to or required from active employees since the implementation of Chapter 729 of the Laws of 1994. Legislative attempts to provide similar protection to retirees of other local units of government in the State have not succeeded as of this date. Nevertheless, many such retirees of all varieties of municipal units in the State do presently receive such benefits.

GASB 45 and OPEB. OPEB refers to "other post-employment benefits," meaning other than pension benefits. OPEB consists primarily of health care benefits, and may include other benefits such as disability benefits and life insurance. Until now, these benefits have generally been administered on a pay-as-you-go basis and have not been reported as a liability on governmental financial statements.

GASB 45 requires municipalities and school districts to account for OPEB liabilities much like they already account for pension liabilities, generally adopting the actuarial methodologies used for pensions, with adjustments for the different characteristics of OPEB and the fact that most municipalities and school districts have not set aside any funds against this liability. Unlike GASB 27, which covers accounting for pensions, GASB 45 does not require municipalities or school districts to report a net OPEB obligation at the start.

Under GASB 45, based on actuarial valuation, an annual required contribution ("ARC") is determined for each municipality or school district. The ARC is the sum of (a) the normal cost for the year (the present value of future benefits being earned by current employees) plus (b) amortization of the unfunded accrued liability (benefits already earned by current and former employees but not yet provided for), using an amortization period of not more than 30 years. If a municipality or school district contributes an amount less than the ARC, a net OPEB obligation will result, which is required to be recorded as a liability on its financial statements.

GASB 45 does not require that the unfunded liability actually be amortized nor that it be advance funded, only that the municipality or school district account for its unfunded accrued liability and compliance in meeting its ARC.

The District contracted with Burke Group, an actuarial firm, to calculate its OPEB in accordance with GASB 45. Based on the most recent actuarial valuation and financial data as of June 30, 2016, the following tables show the components of the District's annual OPEB cost, the amount actuarially contributed to the plan, changes in the District's net OPEB obligation and funding status for the fiscal years ending June 30, 2015 and 2016:

<i>Annual OPEB Cost and Net OPEB Obligation:</i>	<u>2015</u>	<u>2016</u>
Annual required contribution (ARC)	\$ 1,029,128	\$ 1,029,128
Interest on net OPEB obligation	36,548	36,548
Adjustment to ARC	<u>(37,848)</u>	<u>(37,848)</u>
Annual OPEB cost (expense)	1,027,828	1,027,828
Contributions made	<u>(730,684)</u>	<u>(700,000)</u>
Increase in net OPEB obligation	297,194	327,828
Net OPEB obligation - beginning of year	<u>913,692</u>	<u>1,210,886</u>
Net OPEB obligation - end of year	<u>\$ 1,210,886</u>	<u>\$ 1,538,714</u>
Percentage of annual OPEB cost contributed	71.09%	68.10%

Funding Status:

Actuarial Accrued Liability (AAL)	\$ 21,169,036	\$ 21,169,036
Actuarial Value of Assets	<u>0</u>	<u>0</u>
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 21,169,036</u>	<u>\$ 21,169,036</u>
Funded Ratio (Assets as a Percentage of AAL)	0.0%	0.0%

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2016	\$ 1,027,828	68.10%	\$ 1,538,714
2015	1,027,828	71.09	1,210,886
2014	914,214	82.04	913,692
2013	914,445	82.21	749,478

Note: The above tables are not audited.

The aforementioned liability and ARC are recognized and have been disclosed in accordance with GASB 45 standards in the District's audited financial statements.

There is no authority in current State law to establish a trust account or reserve fund for this liability. The District has not reserved any funds towards its OPEB liability. The District funds this liability on a pay-as-you-go basis.

The District's unfunded actuarial accrued OPEB liability could have a material adverse impact upon the District's finances and could force the District to reduce services, raise taxes or both.

Actuarial valuation will be required every 2 years for OPEB plans with more than 200 members, every 3 years if there are fewer than 200 members.

In April 2015, the State Comptroller proposed legislation to create an optional investment pool to help the State and local governments fund retiree health insurance and other post-employment benefits. The proposed legislation would allow the following:

- Authorize the creation of irrevocable OPEB trusts, not part of the New York State Common Retirement Fund, so that New York state and its local governments can, at their option, help fund their OPEB liabilities;
- Establish an OPEB investment fund in the sole custody of the State Comptroller for the investment of OPEB assets of the state and participating eligible local governments;
- Designate the president of the Civil Service Commission as the trustee of the state's OPEB trust and the governing boards as trustee for local governments; and
- Allow school districts to transfer certain excess reserve balances to an OPEB trust once it is established.

Under the State Comptroller's proposal, there are no restrictions on the amount a government can deposit into the trust. While it was not enacted into law in the last two legislative sessions, it is not possible to predict whether the Comptroller's proposed legislation will be reintroduced and enacted into law in the future.

Other Information

The statutory authority for the power to spend money for the object or purpose, or to accomplish the object or purpose, for which the Notes are to be issued is the Education Law and the Local Finance Law.

The District is in compliance with the procedure for the publication of the estoppel notice with respect to the Notes as provided in Title 6 of Article 2 of the Local Finance Law.

No principal or interest upon any obligation of the District is past due.

The fiscal year of the District is July 1 to June 30.

Except for as shown under "STATUS OF INDEBTEDNESS – Estimated Overlapping Indebtedness", this Official Statement does not include the financial data of any political subdivision having power to levy taxes within the District.

Financial Statements

The District retains independent certified public accountants. The last audit report covers the period ending June 30, 2016 and is attached hereto as "APPENDIX – D". Certain financial information of the District can be found attached as Appendices to the Official Statement.

The District complies with the Uniform System of Accounts as prescribed for school districts in New York State by the State. This system differs from generally accepted accounting principles as prescribed by the American Institute of Certified Public Accountants' Industry Audit Guide, "Audits of State and Local Governmental Units", and codified in Government Accounting, Auditing and Financial Reporting (GAAFR), published by the Governmental Accounting Standards Board (GASB).

Beginning with the fiscal year ending June 30, 2003, the District issues its financial statements in accordance with GASB Statement No. 34. This statement includes reporting of all assets including infrastructure and depreciation in the Government Wide Statement of Activities, as well as the Management's Discussion and Analysis.

New York State Comptroller Report of Examination

The NYS Comptroller's office released an audit report of the District on December 20, 2013. The purpose of the audit was to evaluate the District's financial condition and the use of fund balance and reserve funds for the period from July 1, 2008 through August 5, 2013.

Key Findings:

- District officials consistently over-estimated expenditures in the general fund by a total of \$6.3 million over the five-year period ending June 30, 2013. Therefore, the District did not need to use the \$5.8 million of fund balance that the Board appropriated as a funding source in the general fund budgets for the same five-year period. Instead, the District has experienced operating surpluses in the general fund for four of the last five years, totaling \$1,100,434, leading to unexpended surplus fund balance exceeding the statutory limit of 4 percent of the ensuing year's operations for the last two fiscal years.
- District officials could not demonstrate a planned need for more than \$876,000 in reserves.

Key Recommendations:

- Develop realistic expenditure and fund balance estimates for the annual general fund budget. Develop a plan for the use of the surplus balances in the reserve funds identified in this report in a manner that benefits District taxpayers.
- Develop comprehensive policies related to the establishment and use of reserve funds. Review all reserves and determine if the amounts reserved are necessary, reasonable, and in compliance with statutory requirements.

The District provided a complete response to the NYS Comptroller's office on November 22, 2013. A copy of the complete report and response can be found via the website of the Office of the New York State Comptroller.

There are no State Comptroller's audits of the District that are currently in progress or pending release.

Note: Reference to website implies no warranty of accuracy of information therein.

The State Comptroller's Fiscal Stress Monitoring System

The New York State Comptroller has reported that New York State's school districts and municipalities are facing significant fiscal challenges. As a result, the Office of the State Comptroller has developed a Fiscal Stress Monitoring System ("FSMS") to provide independent, objectively measured and quantifiable information to school district and municipal officials, taxpayers and policy makers regarding the various levels of fiscal stress under which the State's school districts and municipalities are operating.

The fiscal stress scores are based on financial information submitted as part of each school district's ST-3 report filed with the State Education Department annually, and each municipality's annual report filed with the State Comptroller. Using financial indicators that include year-end fund balance, cash position and patterns of operating deficits, the system creates an overall fiscal stress score which classifies whether a school district or municipality is in "Significant Fiscal Stress", in "Moderate Fiscal Stress," as "Susceptible to Fiscal Stress" or "No Designation". Entities that do not accumulate the number of points that would place them in a stress category will receive a financial score but will be classified in a category of "No Designation." This classification should not be interpreted to imply that the entity is completely free of fiscal stress conditions. Rather, the entity's financial information, when objectively scored according to the FSMS criteria, did not generate sufficient points to place them in one of the three established stress categories.

The reports of the State Comptroller for the past three fiscal years of the District are as follows:

<u>Fiscal Year Ending In</u>	<u>Stress Designation</u>	<u>Fiscal Score</u>
2016	No Designation	0.0%
2015	No Designation	0.0%
2014	No Designation	0.0%

Source: Website of the Office of the New York State Comptroller.

Note: Reference to website implies no warranty of accuracy of information therein.

TAX INFORMATION

Taxable Assessed Valuations

<u>Fiscal Year Ending June 30:</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Towns of:					
Arkwright	\$ 8,964,340	\$ 8,918,985	\$ 8,722,334	\$ 8,797,495	\$ 8,721,080
Charlotte	68,829,520	68,933,937	68,773,706	68,957,062	69,506,209
Cherry Creek	5,886,070	5,758,861	5,750,570	5,635,060	5,606,937
Ellery	13,721,081	13,799,164	13,820,688	13,763,871	13,854,094
Ellicott	1,560,365	1,561,008	1,557,774	1,556,731	1,557,116
Ellington	6,386,915	6,954,333	6,462,145	6,587,321	6,575,748
Gerry	69,842,230	69,495,941	67,097,066	66,846,212	67,808,854
Pomfret	5,921,152	5,881,071	5,996,656	6,051,030	6,213,439
Stockton	92,965,486	96,609,811	96,916,780	96,803,206	103,427,274
Total Assessed Values	<u>\$ 274,077,159</u>	<u>\$ 277,913,111</u>	<u>\$ 275,097,719</u>	<u>\$ 274,997,988</u>	<u>\$ 283,270,751</u>

State Equalization Rates

Towns of:					
Arkwright	55.00%	55.00%	55.00%	50.87%	51.00%
Charlotte	100.00%	100.00%	100.00%	100.00%	100.00%
Cherry Creek	100.00%	100.00%	100.00%	97.30%	98.60%
Ellery	100.00%	100.00%	100.00%	100.00%	94.00%
Ellicott	100.00%	100.00%	99.00%	100.00%	97.20%
Ellington	97.00%	100.00%	100.00%	97.00%	95.00%
Gerry	100.00%	100.00%	100.00%	100.00%	98.00%
Pomfret	20.21%	20.21%	20.21%	20.21%	18.50%
Stockton	100.00%	100.00%	100.00%	100.00%	100.00%
Total Taxable Full Valuation	<u>\$ 304,986,130</u>	<u>\$ 308,429,198</u>	<u>\$ 305,924,980</u>	<u>\$ 307,744,408</u>	<u>\$ 321,761,263</u>

Tax Rate Per \$1,000 (Assessed)

<u>Fiscal Year Ending June 30:</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Towns of:					
Arkwright	\$ 29.80	\$ 30.05	\$ 30.15	\$ 32.22	\$ 30.74
Charlotte	16.39	16.53	16.58	16.39	15.68
Cherry Creek	16.39	16.53	16.58	16.85	15.90
Ellery	16.39	16.53	16.58	16.39	16.68
Ellicott	16.39	16.53	16.58	16.39	16.13
Ellington	16.39	16.53	16.58	16.90	15.50
Gerry	16.39	16.53	16.58	16.39	16.00
Pomfret	81.09	81.79	82.04	81.10	84.74
Stockton	16.39	16.53	16.58	16.39	15.68

Tax Levy and Tax Collection Record

<u>Fiscal Year Ending June 30:</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Total Tax Levy	\$ 4,988,000	\$ 5,097,960	\$ 5,072,859	\$ 5,044,220	\$ 5,044,220
Amount Uncollected ⁽¹⁾	501,966	510,197	438,259	417,686	N/A
% Uncollected	10.06%	10.01%	8.64%	8.28%	N/A

⁽¹⁾ The District receives 100% of its tax levy each year. See "Tax Collection Procedures" herein.

Tax Collection Procedure

Taxes are due and payable without penalty during September up to and including October 4 after which a 2% penalty is imposed. The last day for collection is November 4. After November 4, uncollected taxes are turned over to the County with additional penalties imposed. The County reimburses the District in full before the end of the District's fiscal year.

Real Property Tax Revenues

The following table illustrates the percentage of total revenues of the District for each of the below completed fiscal years and budgeted figures comprised of Real Property Taxes.

<u>Fiscal Year</u>	<u>Total Revenues</u>	<u>Total Real Property Taxes</u>	<u>Percentage of Total Revenues Consisting of Real Property Tax</u>
2011-2012	\$ 18,201,861	\$ 4,832,355	26.5%
2012-2013	18,830,006	4,991,473	26.5%
2013-2014	19,112,159	5,096,706	26.7%
2014-2015	19,504,845	5,072,859	26.0%
2015-2016	20,015,545	5,055,656	25.3%
2016-2017 (Budgeted)	20,173,163	5,044,220	25.0%
2017-2018 (Budgeted)	21,110,157	5,044,220	23.9%

Source: 2011-12 through and including the 2015-16 audited financial statements of the District and the budgets of the District for the 2016-17 and 2017-18 fiscal years. This table is not audited.

Larger Taxpayers 2016 for 2016-17 Tax Roll

<u>Name</u>	<u>Type</u>	<u>Taxable Assessed Valuation</u>
National Grid	Utility	\$ 4,453,889
Cassadaga Super Market Inc.	Grocery Store	1,023,514
Pine Ridge MHP LLC	Mobile Home Park	1,041,135
Niagara Mohawk Power Corp.	Utility	842,500
State of NY	State Land	797,600
National Fuel Gas Dist Corp	Utility Distribution	784,200
Sweeney, Michael	Retail Store	667,568
Sinclairville Housing	Apartments	655,000
Tenneco Inc.	Gas Well	637,838
Roberts, Mark T.	Apartments	602,300

The ten larger taxpayers listed above have a total taxable assessed valuation of \$11,505,544 which represents 4.06% of the tax base of the District.

As of the date of this Official Statement, the District currently does not have any pending or outstanding tax certioraris that are known to have a material impact on the District.

Source: District Tax Rolls.

STAR – School Tax Exemption

The STAR (School Tax Relief) program provides State-funded exemptions from school property taxes to homeowners for their primary residences. School districts are reimbursed by the State for real property taxes exempted pursuant to the STAR program.

Homeowners over 65 years of age with household adjusted gross incomes, less the taxable amount of total distributions from individual retirement accounts and undisclosed retirement annuities (“STAR Adjusted Gross Income”) of \$86,000 or less, increased annually according to a Cost-of-Living adjustment, are eligible for an “enhanced” exemption. Other homeowners with household STAR Adjusted Gross Income not in excess of \$500,000 are eligible for a “basic” exemption on their primary residence.

The below table lists the basic and enhanced exemption amounts for the municipalities applicable to the District:

<u>Towns of:</u>	<u>Enhanced Exemption</u>	<u>Basic Exemption</u>	<u>Date Certified</u>
Arkwright	\$ 33,410	\$ 15,300	4/7/2017
Charlotte	65,300	30,000	4/7/2017
Cherry Creek	64,580	29,580	4/7/2017
Ellery	61,570	28,200	4/7/2017
Ellicott	63,670	29,160	4/7/2017
Ellington	62,230	28,500	4/7/2017
Gerry	64,190	29,400	4/7/2017
Pomfret	12,120	5,550	4/7/2017
Stockton	65,500	30,000	4/7/2017

\$1,197,746 of the District’s \$5,044,220 school tax levy for 2015-2016 was exempted by the STAR Program. The District received full reimbursement of such exempt taxes from the State in January, 2016.

Approximately \$1,150,979 of the District’s \$5,044,220 school tax levy for 2016-2017 was exempted by the STAR Program. The District received full reimbursement of such exempt taxes from the State in January, 2017.

Additional Tax Information

Real property located in the District is assessed by the towns in the School District.

Veterans' and senior citizens' exemptions are offered to those who qualify.

Total assessed valuation of the District is approximately: residential-58%, commercial-20%, industrial-8%, agricultural-12% and State forest lands-2%.

The estimated total annual property tax bill of a \$100,000 market value residential property located in the District is approximately \$3,081 including County, town, village, School District and fire district Taxes.

TAX LEVY LIMITATION LAW

On June 24, 2011, Chapter 97 of the 2011 Laws of New York was signed into law by the Governor (“Chapter 97” or the “Tax Levy Limitation Law”). The Tax Levy Limitation Law applies to all local governments, including school districts (with the exception of New York City, and the counties comprising New York City and school districts in New York City, Buffalo, Rochester, Syracuse, and Yonkers.)

On June 25, 2015, Chapter 20 of the 2015 Laws of New York (“Chapter 20”) amended the Tax Levy Limitation Law to extend its expiration from June 15, 2016 to June 15, 2020. Chapter 20 also affects the calculation of the tax base growth factor, as outlined below.

Prior to the enactment of the Tax Levy Limitation Law, there was no statutory limitation on the amount of real property taxes that a school district could levy as part of its budget if its budget had been approved by a simple majority of its voters. In the event the budget had been defeated by the voters, the school district was required to adopt a contingency budget. Under a contingency budget, school budget increases were limited to the lesser of four percent (4%) of the prior year’s budget or one hundred twenty percent (120%) of the consumer price index (“CPI”).

Chapter 97 requires that a school district submit its proposed tax levy to the voters each year beginning with the 2012-2013 fiscal year.

Chapter 97 restricts, among other things, the amount of real property taxes that may be levied by or on behalf of a school district in a particular year. Pursuant to the Tax Levy Limitation Law, the tax levy of a school district cannot increase by more than the lesser of (i) two percent (2%) or (ii) the annual increase in the CPI, over the amount of the prior year’s tax levy. Certain adjustments are permitted for taxable real property full valuation increases or changes in physical or quantity growth in the real property base as defined in Section 1220 of the Real Property Tax Law. Chapter 20 additionally allows the State Commissioner of Taxation and Finance to adjust for changes in the real property base to reflect development on tax exempt real property. A school district can exceed the tax levy limitation for the coming fiscal year only if the voters of such school district first approve a tax levy by at least 60% affirmative vote of those voting to override such limitation for such coming fiscal year only. Tax levies that do not exceed the limitation will only require approval by at least 50% of those voting. In the event that the voters reject a tax levy and the district does not go out for a second vote, or if a second vote is likewise defeated, Chapter 97 provides that the tax levy for the new fiscal year may not exceed the tax levy for the prior fiscal year.

A school district’s calculation of each fiscal year’s tax levy limit is subject to review by the Commissioner of Education and the Commissioner of Taxation and Finance prior to adoption of each fiscal year budget.

There are exceptions for school districts to the tax levy limitation provided in Chapter 97, including expenditures made on account of certain tort settlements and certain increases in the average actuarial contribution rates of the New York State and Local Employees’ Retirement System and the Teachers’ Retirement System. School districts are also permitted to carry forward a certain portion of their unused levy limitation from a prior year.

There is also an exception for school districts for “Capital Local Expenditures” subject to voter approval where required by law. This term is defined in a manner that does not include certain items for which a school district may issue debt, including the payment of judgments or settled claims, including tax certiorari payments, and cashflow borrowings, including tax anticipation notes, revenue anticipation notes, budget notes and deficiency notes. “Capital Local Expenditures” are defined as “the taxes associated with budgeted expenditures resulting from the financing, refinancing, acquisition, design, construction, reconstruction, rehabilitation, improvement, furnishing and equipping of or otherwise providing for school district capital facilities or school district capital equipment, including debt service and lease expenditures, and transportation capital debt service, subject to the approval of the qualified voters where required by law”. The portion of the tax levy necessary to support “Capital Local Expenditures” is defined as the “Capital Tax Levy”, and is an exclusion from the tax levy limitation, applicable to the Bonds.

Real Property Tax Rebate (Chapter 59). Chapter 59 of the 2014 Laws of the State (“Chapter 59”), included provisions which provide a refundable personal income tax credit to real property taxpayers in school districts and certain municipal units of government. Real property owners in school districts are eligible for this credit in the 2014 and 2015 taxable years of those property owners. Real property taxpayers in certain other municipal units of government are eligible for this credit in the 2015 and 2016 taxable years of those real property taxpayers. The eligibility of real property taxpayers for the tax credit in each year depends on such jurisdiction’s compliance with the provisions of the Tax Levy Limitation Law. School districts budgets must comply in their 2014-2015 and 2015-2016 fiscal years. Other municipal units of government must have their budgets in compliance for their 2015 and 2016 fiscal years. Such budgets must be within the tax cap limits set by the Tax Levy Limitation Law for the real property taxpayers to be eligible for this personal income tax credit. The affected jurisdictions include counties, cities (other than any city with a population of one million or more and its counties), towns, villages, school districts (other than the dependent school districts of New York City, Buffalo, Rochester, Syracuse and Yonkers, the latter four of which are indirectly affected by applicability to their respective city) and independent special districts.

Certain additional restrictions on the amount of the personal income tax credit are set forth in Chapter 59 in order for the tax cap to qualify as one which will provide the tax credit benefit to such real property taxpayers. The refundable personal income tax credit amount is increased in the second year if compliance occurs in both taxable years.

For the second taxable year of the program, the refundable personal income tax credit for real property taxpayers is additionally contingent upon adoption by the school district or municipal unit of a State approved “government efficiency plan” which demonstrates “three year savings and efficiencies of at least one per cent per year from shared services, cooperation agreements and/or mergers or efficiencies”.

Municipalities, school districts and independent special districts must provide certification of compliance with the requirements of the new provisions to certain State officials in order to render their real property taxpayers eligible for the personal income tax credit.

Real Property Tax Rebate (Chapter 20). Chapter 20 introduced a new real property tax rebate program that will provide State-financed tax rebate checks and credits to taxpayers who are eligible for the STAR exemption (see “STAR - School Tax Exemption,” herein) in the years 2016-2019. Residents of New York City are not eligible for the Chapter 20 Real Property Tax Rebate. For 2016, eligible taxpayers who reside outside New York City but within the Metropolitan Commuter Transportation District (“MCTD”) will receive \$130, and eligible taxpayers who reside outside the MCTD will receive \$185. Credits in 2017-2019 vary based on a taxpayer’s personal income level and STAR tax savings.

Similarly to the Chapter 59 Real Property Tax Rebate, under Chapter 20 the eligibility of real property taxpayers for the tax credit in each year depends on such jurisdiction’s compliance with the provisions of the Tax Levy Limitation Law. Unlike Chapter 59, however, for many taxpayers only the compliance of the school district in which the taxpayer resides is relevant. Municipal compliance with the Tax Levy Limitation Law is only required in the case of the “Big 4” cities that have fiscally dependent school districts. In such cases, the joint school/city levy must remain in compliance with the Tax Levy Limitation Law. In either scenario, the relevant jurisdiction (independent school district or joint city/school district) must certify its compliance with the provisions of the Tax Levy Limitation Law.

While the provisions of Chapter 59 and Chapter 20 do not directly further restrict the taxing power of the affected municipalities, school districts and special districts, they do provide an incentive for such tax levies to remain within the tax cap limits established by the Tax Levy Limitation Law. The implications of this for future tax levies and for operations and services of the District are uncertain at this time.

See “THE SCHOOL DISTRICT – Budgetary Procedures” herein for additional information regarding the District’s Tax Levy.

STATUS OF INDEBTEDNESS

Constitutional Requirements

The New York State Constitution limits the power of the District (and other municipalities and certain school districts of the State) to issue obligations and to contract indebtedness. Such constitutional limitations in summary form and as generally applicable to the District include the following:

Purpose and Pledge. The District shall not give or loan any money or property to or in aid of any individual or private undertaking or give or loan its credit to or in aid of any of the foregoing or any public corporation.

The District may contract indebtedness only for a District purpose and shall pledge its faith and credit for the payment of principal of and interest thereon.

Payment and Maturity. Except for certain short-term indebtedness contracted in anticipation of taxes or to be paid within three fiscal year periods, indebtedness shall be paid in annual installments commencing no later than two years after the date such indebtedness shall have been contracted and ending no later than the expiration of the period of probable usefulness of the object or purpose as determined by statute; unless substantially level or declining debt service is utilized, no installment may be more than fifty percent in excess of the smallest prior installment. The District is required to provide an annual appropriation for the payment of interest due during the year on its indebtedness and for the amounts required in such year for amortization and redemption of its serial bonds and such required annual installments on its notes.

Statutory Procedure

In general, the State Legislature has, by the enactment of the Local Finance Law, authorized the powers and procedure for the District to borrow and incur indebtedness subject, of course, to the constitutional provisions set forth above. The power to spend money, however, generally derives from other law, including the Education Law.

The District is generally required by such laws to submit propositions for the expenditure of money for capital purposes to the qualified electors of the District. Upon approval thereby, the Board of Education may adopt a bond resolution authorizing the issuance of bonds, and notes in anticipation of the bonds. No down payment is required in connection with the issuance of District obligations.

The Local Finance Law also authorizes the District to issue revenue anticipation notes, in anticipation of the collection of a specific type of revenue, such as State aid.

Debt Limit. The District has the power to contract indebtedness for any District purpose authorized by the Legislature of the State provided the aggregate principal amount thereof shall not exceed ten per centum of the full valuation of the taxable real estate of the District and subject to certain enumerated deductions such as State aid for building purposes. The statutory method for determining full valuation is by taking assessed valuation of taxable real estate for the last completed assessment roll and applying thereto the ratio (equalization rate) which such assessed valuation bears to the full valuation; such ratio is determined by the State Office of Real Property Services. The Legislature prescribes the manner by which such ratio shall be determined.

The Local Finance Law also provides that where a resolution authorizing the issuance of bonds or notes is published with a statutory form of notice, the validity of the bonds or notes authorized thereby, including revenue anticipation notes may be contested only if:

- (1) (a) such obligations were authorized for an object or purpose for which the District is not authorized to expend money, or
(b) if the provisions of the law which should be complied with as of the date of publication of this notice were not substantially complied with,

and an action, suit or proceeding contesting such validity is commenced within 20 days after the date of such publication of this notice; or

- (2) Such obligations were authorized in violation of the provisions of the Constitution of New York.

The District has complied with this estoppel procedure in connection with the bond resolution under which the Notes are being issued.

The Board of Education, as the finance board of the District, has the power to enact bond resolutions and revenue anticipation note resolutions. In addition, the Board has the power to authorize the sale and issuance of obligations. However, the Board may delegate the power to sell the obligations to the President of the Board, the chief fiscal officer of the District, pursuant to the Local Finance Law.

The District is further subject to constitutional limitation by the general constitutionally imposed duty on the State Legislature to restrict the power of taxation and contracting indebtedness; however, the State Legislature is prohibited by a specific constitutional provision from restricting the power of the District to levy taxes on real estate for the payment of interest on or principal of indebtedness theretofore contracted.

Debt Outstanding End of Fiscal Year

<u>Fiscal Years Ending June 30th:</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Bonds	\$ 9,605,000	\$ 8,335,000	\$ 6,985,000	\$ 6,645,000	\$ 10,580,000 ⁽¹⁾
Bond Anticipation Notes	425,050	1,101,859	1,708,897	871,331	950,972
Other Debt	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Debt Outstanding	\$ 9,490,050	\$ 9,436,859	\$ 8,693,897	\$ 7,516,331	\$ 11,530,972

⁽¹⁾ On June 22, 2016, the District issued \$4,570,000 advance refunding serial bonds to realize net present value and budgetary savings. The bonds advance refunded \$4,560,000 outstanding principal of the District's 2010 series bonds dated June 15, 2010. The bonds listed above include \$4,560,000 of refunded serial bonds outstanding. Debt service on these refunded bonds is being paid from a fully funded escrow account, and while not legally defeased, these bonds are considered economically defeased. These refunded bonds were redeemed in full as of their first call date, June 15, 2017.

Details of Outstanding Indebtedness

The following table sets forth the indebtedness of the School District as of June 19, 2017:

<u>Type of Indebtedness</u>	<u>Maturity</u>	<u>Amount</u>
<u>Bonds</u>	2018-2029	\$ 5,340,000
<u>Bond Anticipation Notes</u>		
Purchase of Buses	June 16, 2018	<u>994,667</u>
	Total Indebtedness	<u>\$ 6,334,667</u>

Debt Statement Summary

Summary of Indebtedness, Debt Limit and Net Debt-Contracting Margin as of June 19, 2017:

Full Valuation of Taxable Real Property	\$ 321,761,263
Debt Limit 10% thereof	32,176,126

Inclusions:

Bonds	\$ 5,340,000	
Bond Anticipation Notes	994,667	
Principal of this Issue	<u>4,000,000</u>	
Total Inclusions		<u>\$ 10,334,667</u>

Exclusions:

Building Aid ⁽¹⁾	\$ <u>0</u>	
Total Exclusions		<u>\$ 0</u>

Total Net Indebtedness	<u>\$ 10,334,667</u>
Net Debt-Contracting Margin	<u>\$ 21,841,459</u>
The percent of debt contracting power exhausted is	32.12%

⁽¹⁾ Based on preliminary 2017-2018 building aid estimates, the District anticipates State Building aid of 91.0% for debt service on State Education Department approved expenditures from July 1, 2004 to the present. The District has no reason to believe that it will not ultimately receive all of the building aid it anticipates, however, no assurance can be given as to when and how much building aid the District will receive in relation to the outstanding bonds.

Note: The State Constitution does not provide for the inclusion of tax anticipation or revenue anticipation notes in the computation of the net indebtedness of the District.

Bonded Debt Service

A schedule of bonded debt service may be found in “APPENDIX – B” to this Official Statement.

Capital Project Plans

On January 11, 2016, the School District adopted a bond resolution authorizing the District to (a) undertake an approved District-wide capital improvements project consisting of the reconstruction and renovation of, and the construction of improvements and upgrades to, various District buildings and facilities and the sites thereof at an estimated cost of \$16,000,000. The District will apply approximately \$800,097 from the District’s capital reserve fund that was established in 2014, and the balance will be financed with the proceeds of serial bonds in an aggregate principal amount not to exceed \$15,199,903. Future borrowings will occur as construction cash flow requires. The issuance of the Notes represents the first borrowing against said authorization.

The District issues bond anticipation notes annually for the financing of bus purchases.

Cash Flow Borrowings

The District has not found it necessary to issue revenue anticipation notes or tax anticipation notes in the past and does not anticipate having to do so in the future.

Estimated Overlapping Indebtedness

In addition to the District, the following political subdivisions have the power to issue obligations and to levy taxes or cause taxes to be levied on taxable real property in the District. Estimated bonds and bond anticipation notes are listed of the respective municipalities as follows:

<u>Municipality</u>	<u>Status of Debt as of</u>	<u>Gross Indebtedness</u> ⁽¹⁾	<u>Exclusions</u> ⁽²⁾	<u>Net Indebtedness</u>	<u>District Share</u>	<u>Applicable Indebtedness</u>
County of:						
Chautauqua	12/31/2015	\$ 57,698,541	\$ 36,000	\$ 57,662,541	4.49%	\$ 2,589,048
Town of:						
Arkwright	12/31/2015	20,000	20,000	-	24.34%	-
Charlotte	12/31/2015	-	-	-	97.75%	-
Cherry Creek	12/31/2015	-	-	-	10.35%	-
Ellery	12/31/2015	-	-	-	2.68%	-
Ellicott	12/31/2015	918,842	494,110	424,732	0.32%	1,359
Ellington	12/31/2015	-	-	-	10.48%	-
Gerry	12/31/2015	-	-	-	88.30%	-
Pomfret	12/31/2015	3,449,017	3,369,017	80,000	4.82%	3,856
Stockton	12/31/2015	-	-	-	91.98%	-
Village of:						
Cassadega	5/31/2016	3,612,000	3,612,000	-	100.00%	-
Sinclairville	5/31/2016	-	-	-	100.00%	-
					Total:	<u>\$ 2,594,263</u>

⁽¹⁾ Bonds and bond anticipation notes not adjusted to include subsequent bond sales, if any.

⁽²⁾ Water and sewer debt and appropriations. Pursuant to the Local Finance Law, this indebtedness is excluded from the constitutional debt limit.

Note: The 2016 Comptroller’s Special Report is currently unavailable as of the date of this Official Statement.

Source: 2015 Comptroller’s Special Report on Municipal Affairs for Local Finance.

Debt Ratios

The following table sets forth certain ratios relating to the School District's indebtedness as of June 19, 2017:

	<u>Amount</u>	<u>Per Capita</u> ^(a)	<u>Percentage of Full Value</u> ^(b)
Net Indebtedness ^(c)	\$ 10,334,667	\$ 1,493.23	3.21%
Net Indebtedness Plus Net Overlapping Indebtedness ^(d)	12,928,930	1,868.07	4.02%

- (a) The current estimated population of the District is 6,921. (See "THE SCHOOL DISTRICT - Population" herein.)
- (b) The District's full value of taxable real estate for 2016-2017 is \$321,761,263. (See "TAX INFORMATION – Taxable Assessed Valuations" herein.)
- (c) See "STATUS OF INDEBTEDNESS – Debt Statement Summary" herein.
- (d) Estimated net overlapping indebtedness is \$2,594,263. (See "Estimated Overlapping Indebtedness" herein.)

Note: The above ratios do not take into account State building aid the District will receive for past and current construction building projects.

SPECIAL PROVISIONS AFFECTING REMEDIES UPON DEFAULT

In the event of a default in the payment of the principal of and/or interest on the Notes, the State Comptroller is required to withhold, under certain conditions prescribed by Section 99-b of the State Finance Law, State aid and assistance to the District and to apply the amount thereof so withheld to the payment of such defaulted principal and/or interest, which requirement constitutes a covenant by the State with the holders from time to time of the Notes.

Section 3-a of the General Municipal Law provides, subject to exceptions not pertinent, that the rate of interest to be paid by the District upon any judgment or accrued claim against it shall not exceed nine per centum per annum. This provision might be construed to have application to the holders of the Notes in the event of a default in the payment of the principal of or interest on the Notes.

In accordance with the general rule with respect to municipalities, judgments against the District may not be enforced by levy and execution against property owned by the District.

The Federal Bankruptcy Code allows public bodies recourse to the protection of a federal court for the purpose of adjusting outstanding indebtedness. Section 85.80 of the Local Finance Law contains specific authorization for any municipality in the State to file a petition under any provision of federal bankruptcy law for the composition or adjustment of municipal indebtedness. While these provisions do not apply to school districts, there can be no assurance that they will not be made so applicable in the future.

At the Extraordinary Session of the State Legislature held in November, 1975, legislation was enacted which purported to suspend the right to commence or continue an action in any court to collect or enforce certain short-term obligations of The City of New York. The effect of such act was to create a three-year moratorium on actions to enforce the payment of such obligations. On November 19, 1976, the Court of Appeals, the State's highest court, declared such act to be invalid on the ground that it violates the provisions of the State Constitution requiring a pledge by such City of its faith and credit for the payment of such obligations.

As a result of the Court of Appeals decision, the constitutionality of that portion of Title 6-A of Article 2 of the Local Finance Law enacted at the 1975 Extraordinary Session of the State legislature authorizing any county, city, town or village with respect to which the State has declared a financial emergency to petition the State Supreme Court to stay the enforcement against such municipality of any claim for payment relating to any contract, debt or obligation of the municipality during the emergency period, is subject to doubt. In any event, no such emergency has been declared with respect to the District.

The Constitutional provision providing for first revenue set asides does not apply to tax anticipation notes, revenue anticipation notes or bond anticipation notes.

MARKET AND RISK FACTORS

The financial and economic condition of the District as well as the market for the Notes could be affected by a variety of factors, some of which are beyond the District's control. There can be no assurance that adverse events in the State and in other jurisdictions in the Counties, including, for example, the seeking by a municipality or large taxable property owner of remedies pursuant to the Federal Bankruptcy Code or otherwise, will not occur which might affect the market price of and the market for the Notes. If a significant default or other financial crisis should occur in the affairs of the State or any other jurisdiction or any of its agencies or political subdivisions thereby further impairing the acceptability of obligations issued by borrowers within the State, both the ability of the District to arrange for additional borrowings, and the market for and market value of outstanding debt obligations, including the Notes, could be adversely affected.

The District is dependent in part on financial assistance from the State. However, if the State should experience difficulty in borrowing funds in anticipation of the receipt of State taxes in order to pay State aid to municipalities and school districts in the State, including the District, in any year, the District may be affected by a delay, until sufficient taxes have been received by the State to make State aid payments to the District. In several recent years, the District has received delayed payments of State aid which resulted from the State's delay in adopting its budget and appropriating State aid to municipalities and school districts, and consequent delay in State borrowing to finance such appropriations. (See also "THE SCHOOL DISTRICT - State Aid").

The enactment of the Tax Levy Limitation Law, which imposes a tax levy limitation upon municipalities, school districts and fire districts in the State, including the District, could have an impact upon the market price of the Notes. See "TAX LEVY LIMITATION LAW" herein.

Amendments to the United States Internal Revenue Code of 1986, as amended (the "Code") could reduce or eliminate the favorable tax treatment granted to municipal debt, including the Notes and other debt issued by the District. President Trump and the leaders of the Republican majorities in both houses of Congress have stated that some sort of significant tax reform legislation will be a priority for them in 2017, and a broad outline of the President's tax proposal has been released. While it is impossible to predict at this time what, if any tax reform legislation will be proposed or enacted, any such future legislation could have an adverse effect on the market value of the Notes (see "TAX EXEMPTION," herein).

TAX EXEMPTION

In the opinion of Hodgson Russ LLP of Buffalo, New York, Bond Counsel, under existing law, the interest on the Notes is excluded from gross income of the owners thereof for federal income tax purposes, and is not an "item of tax preference" for purposes of the individual and corporate alternative minimum taxes imposed by the Code. However, it should be noted that (1) the District, by failing to comply with certain restrictions contained in the Code, may cause interest on the Notes to become subject to federal income taxation from the date of issuance of the Notes (2) Section 56 of the Code provides that for purposes of computing the alternative minimum tax on corporations (as defined for federal income tax purposes) interest on the Notes is taken into account in determining adjusted current earnings, and (3) interest on the Notes earned by foreign corporations doing business in the United States could be subject to the branch profits tax imposed by Section 884 of the Code. Interest on the Notes is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York).

In rendering the foregoing opinions, Hodgson Russ LLP will note that the exclusion of the interest on the Notes from gross income for federal income tax purposes is subject to, among other things, continuing compliance by the District with the applicable requirements of Sections 141, 148 and 149 of the Code and the regulations promulgated thereunder (collectively, the "Tax Requirements"). In the opinion of Hodgson Russ LLP, the Tax Certificate that is to be delivered in connection with the issuance of the Notes establishes requirements and procedures, compliance with which will satisfy the Tax Requirements.

The Tax Requirements referred to above, which must be complied with in order that interest on the Notes remains excluded from gross income for federal income tax purposes, include, but are not limited to:

- (1) The requirement that the proceeds of the Notes be used in a manner so that the Notes are not obligations which meet the definition of a "private activity bond" within the meaning of Section 141 of the Code.
- (2) The requirements contained in Section 148 of the Code relating to arbitrage bonds, including, but not limited to the requirement that the excess of all amounts earned on the investment of the gross proceeds of the Notes over that which would have been earned on such gross proceeds had such gross proceeds been invested at a yield equal to the yield on the Notes, and any investment income earned on such excess, be rebated to the United States.

- (3) The requirements that payment of principal or interest on the Notes not be directly or indirectly guaranteed (in whole or in part) by the United States (or any agency or instrumentality thereof) as provided in Section 149(b) of the Code.

In the Tax Certificate, the District has covenanted to comply with the Tax Requirements, and to refrain from taking any action which would cause the interest on the Notes to be includable in gross income for federal income tax purposes. Any violation of the Tax Requirements may cause the interest on the Notes to be included in gross income for federal income tax purposes from the date of issuance of the Notes. Hodgson Russ LLP expresses no opinion regarding other federal tax consequences arising with respect to the Notes.

The interest on the Notes is subject to, among others, the following provisions contained in the Code:

- (1) Interest on the Notes is not an "item of tax preference" for purposes of the individual and corporate alternative minimum taxes imposed by the Code. However, interest on the Notes is includable in the "adjusted current earnings" of a corporate owner of the Notes and 75% of the interest on the Notes is thus includable in the tax base for computing a corporation's liability with respect to the 20% alternative minimum tax imposed on corporations by the Code.
- (2) If the Notes are held by certain foreign corporations doing business in the United States, the interest on the Notes will be included in "effectively connected earnings and profits" for purposes of computing a branch profits tax of up to 30%.
- (3) A property casualty insurance company's deduction for the losses incurred will be reduced by 15% of the income received from tax-exempt obligations.
- (4) The United States Treasury Department has promulgated regulations which might have the effect of imposing a tax at ordinary income rates with respect to interest on the Notes owned by "S Corporations" in certain cases.
- (5) In addition, the Notes constitute "qualified tax-exempt obligations" within the meaning of the Code, and if the Notes are held by a financial institution, a portion of the interest expense allocable to the Notes will be deductible for federal income tax purposes.

Under the Code, the benefits of the exclusion of the interest on the Notes from gross income for federal income tax purposes may be diminished by operation of certain provisions of the Code which affect recipients of Social Security and railroad retirement benefits.

As noted under "NOTEHOLDER RISKS," amendments to the Code could reduce or eliminate the favorable tax treatment granted to municipal debt, including the Notes and other debt issued by the District. President Trump and the leaders of the Republican majorities in both houses of Congress have stated that some sort of significant tax reform legislation will be a priority for them in 2017, and a broad outline of the President's tax proposal has been released.

While previous Congresses have been able to defer significant discussions regarding federal tax and spending policies by voting to suspend the nation's statutory debt ceiling, the latest such suspension expired on March 15, 2017. As of the date of this Official Statement, Congress has not yet voted to raise or further suspend the debt ceiling, and as a result the Treasury Department has indicated that it will use "extraordinary measures" to avoid defaulting on the nation's obligations. The Congressional Budget Office projects that these measures could provide sufficient cash to defer the threat of default until the fall of 2017. At this time the outcome of negotiations in Washington about possible tax reform measures (and the nation's debt limit) cannot be predicted.

Each purchaser of the Notes should consult his or her tax advisor regarding the impact of the foregoing and other provisions of the Code on his or her individual tax position.

LEGAL MATTERS

The legality of the authorization and issuance of the Notes will be covered by the approving legal opinion of Hodgson Russ LLP, of Buffalo, New York, Bond Counsel. Such legal opinion will state that in the opinion of Bond Counsel (i) the Notes have been authorized and issued in accordance with the Constitution and statutes of the State of New York and constitute valid and legally binding general obligations of the District, and, unless paid from other sources, all the taxable property within which is subject to the levy of *ad valorem* taxes to pay the Notes and interest thereon, without limitation as to rate or amount (subject to certain statutory limitations imposed by Chapter 97 of the 2011 Laws of New York) provided that the enforceability (but not the validity) of the Notes (a) may be limited by any applicable existing or future bankruptcy, insolvency or other law (State or federal)

affecting the enforcement of creditors' rights and (b) may be subject to the exercise of judicial discretion in appropriate cases, (ii) the District has the power to comply with its covenants included in its tax certificate with respect to the Notes relating to compliance with the Code as it relates to the Notes; provided, however, that the enforceability (but not the validity) of such covenants may be limited by any applicable existing or future bankruptcy, insolvency or other law (State or federal) affecting the enforcement of creditors' rights; and (iii) assuming that the District complies with such covenants, interest on the Notes is not includable in the gross income of the owners thereof for federal income tax purposes under existing statutes and court decisions. Moreover, interest on the Notes is not an "item of tax preference" for purposes of the individual and corporate alternative minimum taxes imposed by the Code. However, interest on the Notes is includable in the "adjusted current earnings" of a corporate owner of the Notes and 75% of the interest on the Notes is thus includable in the tax base for computing a corporation's liability with respect to the 20% alternative minimum tax imposed on corporations by the Code. Moreover, interest on the Notes may be subject to a branch profits tax of up to 30% when owned by certain foreign corporations. Furthermore, interest on the Notes may be subject to a tax at ordinary income rates when owned by "S Corporations" in certain cases. Interest on the Notes is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof, including The City of New York. Bond Counsel will express no opinion regarding other federal income tax consequences arising with respect to the Notes.

Such legal opinion also will state that (i) in rendering the opinions expressed therein, Bond Counsel has assumed the accuracy and truthfulness of all public records, documents and proceedings examined by Bond Counsel which have been executed or certified by public officials acting within the scope of their official capacities, and has not verified the accuracy or truthfulness thereof, and Bond Counsel also has assumed the accuracy of the signatures appearing upon such public records, documents and proceedings and such certifications; (ii) the scope of Bond Counsel's engagement in relation to the issuance of the Notes has extended solely to the examination of the facts and law incident to rendering the opinions expressed therein; (iii) the opinions expressed therein are not intended and should not be construed to express or imply any conclusion that the amount of real property subject to taxation within the boundaries of the District, together with other legally available sources of revenue, if any, will be sufficient to enable the District to pay the principal of and interest on the Notes as the same respectively become due and payable; (iv) reference should be made to the Official Statement for factual information which, in the judgment of the District, would materially affect the ability of the District to pay such principal and interest; and (v) while Bond Counsel has participated in the preparation of the Official Statement, Bond Counsel has not verified the accuracy, completeness or fairness of the factual information contained therein and, accordingly, no opinion is expressed by Bond Counsel as to whether the District, in connection with the sale of the Notes, has made any untrue statement of a material fact, or omitted to state a material fact necessary in order to make any statements made, in the light of the circumstances under which they were made, not misleading.

LITIGATION

The District is subject to a number of lawsuits in the ordinary conduct of its affairs. The District does not believe, however, that such suits, individually or in the aggregate, are likely to have a material adverse effect on the financial condition of the District.

There is no action, suit, proceedings or investigation, at law or in equity, before or by any court, public board or body pending or, to the best knowledge of the District, threatened against or affecting the District to restrain or enjoin the issuance, sale or delivery of the Notes or the levy and collection of taxes or assessments to pay same, or in any way contesting or affecting the validity of the Notes or any proceedings or authority of the District taken with respect to the authorization, issuance or sale of the Notes or contesting the corporate existence or boundaries of the District.

DISCLOSURE UNDERTAKING

In order to assist the purchasers in complying with Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended ("Rule 15c2-12"), the District will enter into a Disclosure Undertaking, a summary of which is attached hereto as "APPENDIX – C."

Historical Compliance

Except as noted below, the District is in compliance in all material respects within the last five years with all previous undertakings made pursuant to the Rule 15c2-12.

On November 14, 2012, the District issued refunding bonds, the proceeds of which were used to refund the School District's 2002 serial bonds. A bond redemption notice was not filed in connection with the 2002 serial bonds which were redeemed on December 14, 2012. A designated event notice was filed on May 25, 2016.

The District did file Annual Financial Information and Operating Data (“AFIOD”) for a portion of the fiscal year ending June 30, 2013; however, because the disclosure statement was dated as of October 23, 2012, it contained Annual Financial Information and Operating Data only through October 18, 2012, which was prior to the close of the June 30, 2013 fiscal year. While missing portions of this information were contained in the AFIOD for the fiscal year ending June 30, 2014, the District has amended the filing for the fiscal year ending June 30, 2013 to include it under the proper fiscal year. The amendment was submitted to EMMA on May 25, 2016. For the fiscal year ending June 30, 2013, the District did file its audited financial statements in a timely manner. A designated event notice was filed on May 25, 2016.

MUNICIPAL ADVISOR

Fiscal Advisors & Marketing, Inc. (the "Municipal Advisor"), is a municipal advisor, registered with the Securities and Exchange Commission and the Municipal Securities Rulemaking Board. The Municipal Advisor serves as independent municipal advisor to the District on matters relating to debt management. The Municipal Advisor is a municipal advisory and consulting organization and is not engaged in the business of underwriting, marketing, or trading municipal securities or any other negotiated instruments. The Municipal Advisor has provided advice as to the plan of financing and the structuring of the Notes and has reviewed and commented on certain legal documents, including this Official Statement. The advice on the plan of financing and the structuring of the Notes was based on materials provided by the District and other sources of information believed to be reliable. The Municipal Advisor has not audited, authenticated, or otherwise verified the information provided by the District or the information set forth in this Official Statement or any other information available to the District with respect to the appropriateness, accuracy, or completeness of disclosure of such information and no guarantee, warranty, or other representation is made by the Municipal Advisor respecting the accuracy and completeness of or any other matter related to such information and this Official Statement.

RATING

The Notes are not rated. The purchaser(s) of the Notes may choose to have a rating completed after the sale at the expense of the purchaser(s), including any fees to be incurred by the District, as such rating action will result in a material event notification to be posted to EMMA which is required by the District’s continuing disclosure undertakings. (See “APPENDIX - C” herein.)

S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“S&P”) has assigned their underlying rating of “A” with a stable outlook to the District’s outstanding bonds. The rating reflects only the view of S&P and any desired explanation of the significance of such rating should be obtained from S&P, Public Finance Ratings, 55 Water Street, 38th Floor, New York, New York 10041, Phone: (212) 438-2118.

Generally, rating agencies base their ratings on the information and materials furnished to it and on investigations, studies and assumptions by the respective rating agency. There is no assurance that a particular rating will apply for any given period of time or that it will not be lowered or withdrawn entirely if, in the judgment of the agency originally establishing the rating, circumstances so warrant. Any downward revision or withdrawal of the rating of the outstanding bonds may have an adverse effect on the market price of the outstanding bonds.

MISCELLANEOUS

So far as any statements made in this Official Statement involve matters of opinion or estimates whether or not expressly stated, they are set forth as such and not as representations of fact, and no representation is made that any of the statements will be realized. Neither this Official Statement nor any statement which may have been made verbally or in writing is to be construed as a contract with the holders of the Notes.

Statements in this official statement, and the documents included by specific reference, that are not historical facts are forward-looking statements, which are based on the District management’s beliefs as well as assumptions made by, and information currently available to, the District’s management and staff. Because the statements are based on expectations about future events and economic performance and are not statements of fact, actual results may differ materially from those projected. Important factors that could cause future results to differ include legislative and regulatory changes, changes in the economy, and other factors discussed in this and other documents that the District’s files with the repositories. When used in District documents or oral presentation, the words “anticipate”, “estimate”, “expect”, “objective”, “projection”, “forecast”, “goal”, or similar words are intended to identify forward-looking statements.

To the extent any statements made in this Official Statement involve matters of opinion or estimates, whether or not expressly stated, they are set forth as such and not as representations of fact, and no representation is made that any of the statements will be realized. Neither this Official Statement nor any statement which may have been made verbally or in writing is to be construed as a contract with the holder of the Notes.

Hodgson Russ, LLP, of Buffalo, New York, Bond Counsel to the District, expresses no opinion as to the accuracy or completeness of information in any documents prepared by or on behalf of the District for use in connection with the offer and sale of the Notes, including but not limited to, the financial or statistical information in this Official Statement.

References herein to the Constitution of the State and various State and federal laws are only brief outlines of certain provisions thereof and do not purport to summarize or describe all of such provisions.

Concurrently with the delivery of the Notes, the District will furnish a certificate to the effect that as of the date of the Official Statement, the Official Statement did not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements herein, in the light of the circumstances under which they were made, not misleading, subject to a limitation as to information in the Official Statement obtained from sources other than the District.

The Official Statement is submitted only in connection with the sale of the Notes by the District and may not be reproduced or used in whole or in part for any other purpose.

The District hereby disclaims any obligation to update developments of the various risk factors or to announce publicly any revision to any of the forward-looking statements contained herein or to make corrections to reflect future events or developments except to the extent required by Rule 15c2-12 promulgated by the Securities and Exchange Commission.

Fiscal Advisors & Marketing, Inc. may place a copy of this Official Statement on its website at www.fiscaladvisors.com. Unless this Official Statement specifically indicates otherwise, no statement on such website is included by specific reference or constitutes a part of this Official Statement. Fiscal Advisors & Marketing, Inc. has prepared such website information for convenience, but no decisions should be made in reliance upon that information. Typographical or other errors may have occurred in converting original source documents to digital format, and neither the District nor Fiscal Advisors & Marketing, Inc. assumes any liability or responsibility for errors or omissions on such website. Further, Fiscal Advisors & Marketing, Inc. and the District disclaim any duty or obligation either to update or to maintain that information or any responsibility or liability for any damages caused by viruses in the electronic files on the website. Fiscal Advisors & Marketing, Inc. and the District also assume no liability or responsibility for any errors or omissions or for any updates to dated website information.

The District's contact information is as follows: Ms. Debra McAvoy, Business Administrator, 5935 Route 60, P.O. Box 540, Sinclairville, New York 14782 telephone (716) 962-5155 x250, fax (716) 962-5976, email dmcavoy@cvcougars.org.

Additional copies of the Notice of Sale and the Official Statement may be obtained upon request from the offices of Fiscal Advisors & Marketing, Inc., telephone number (315) 752-0051, or at www.fiscaladvisors.com

CASSADAGA VALLEY CENTRAL SCHOOL DISTRICT

Dated: June 19, 2017

JEANNE OAG
PRESIDENT OF THE BOARD OF EDUCATION AND
CHIEF FISCAL OFFICER

GENERAL FUND

Balance Sheets

Fiscal Years Ending June 30:	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
<u>ASSETS</u>					
Unrestricted Cash	\$ 1,983,671	\$ 1,990,174	\$ 1,678,679	\$ 1,845,826	\$ 2,264,815
Restricted Cash	1,680,544	1,683,934	2,617,879	2,807,884	2,225,824
Due from Other Funds	380,340	405,069	450,085	448,558	593,939
State and Federal Aid Receivable	245,939	285,074	218,272	285,684	218,123
Due from Other Governments	366,215	505,333	399,013	485,814	546,488
Inventories	-	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL ASSETS	<u>\$ 4,656,709</u>	<u>\$ 4,869,584</u>	<u>\$ 5,363,928</u>	<u>\$ 5,873,766</u>	<u>\$ 5,849,189</u>
 <u>LIABILITIES AND FUND EQUITY</u>					
Accounts Payable	\$ 4,415	\$ 7,269	\$ 8,755	\$ 2,184	\$ 9,156
Accrued Liabilities	29,623	77,631	109,733	123,581	122,728
Due to Other Funds	6,559	43,262	43,262	71,478	97,444
Deferred Revenue	126	126	126	126	126
Due to Other Governments	-	459	459	459	459
Due to Teachers' Retirement System	847,129	904,679	1,198,547	1,310,812	1,002,114
Due to Employees' Retirement System	65,900	70,175	95,000	69,408	72,346
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL LIABILITIES	<u>953,752</u>	<u>1,103,601</u>	<u>1,455,882</u>	<u>1,578,048</u>	<u>1,304,373</u>
 <u>FUND EQUITY</u>					
Reserved/Restricted	\$ 1,680,544	\$ 1,683,934	\$ 2,617,879	\$ 2,807,884	\$ 2,225,824
Unreserved:					
Appropriated/Assigned	963,856	591,305	166,745	210,760	154,045
Unappropriated/Unassigned	1,058,557	1,490,744	1,123,422	1,277,074	2,164,947
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL FUND EQUITY	<u>3,702,957</u>	<u>3,765,983</u>	<u>3,908,046</u>	<u>4,295,718</u>	<u>4,544,816</u>
 TOTAL LIABILITIES and FUND EQUITY					
	<u>\$ 4,656,709</u>	<u>\$ 4,869,584</u>	<u>\$ 5,363,928</u>	<u>\$ 5,873,766</u>	<u>\$ 5,849,189</u>

Source: Audited financial reports of the School District.

GENERAL FUND

Revenues, Expenditures and Changes in Fund Balance

Fiscal Years Ending June 30:	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
REVENUES					
Real Property Taxes	\$ 4,655,317	\$ 4,832,355	\$ 4,991,473	\$ 5,096,706	\$ 5,012,382
Real Property Tax Items	17,335	19,628	14,672	15,200	13,691
Charges for Services	12,556	44,111	19,223	20,618	25,026
Use of Money & Property	21,039	14,082	9,638	7,772	2,454
Sale of Property and Compensation for Loss	1,359	-	-	3,143	43,036
Miscellaneous	136,347	146,328	184,905	105,588	98,162
Interfund Revenues	-	-	-	-	-
Revenues from State Sources	13,497,692	13,126,457	13,538,857	13,818,554	14,257,345
Revenues from Federal Sources	336,137	18,900	71,238	44,578	52,749
Total Revenues	<u>\$ 18,677,782</u>	<u>\$ 18,201,861</u>	<u>\$ 18,830,006</u>	<u>\$ 19,112,159</u>	<u>\$ 19,504,845</u>
Other Sources:					
Interfund Transfers	<u>193,335</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenues and Other Sources	<u>18,871,117</u>	<u>18,201,861</u>	<u>18,830,006</u>	<u>19,112,159</u>	<u>19,504,845</u>
EXPENDITURES					
General Support	\$ 1,885,746	\$ 1,731,352	\$ 1,704,494	\$ 1,917,310	\$ 1,930,491
Instruction	9,990,035	9,655,981	9,854,965	9,590,234	9,993,678
Pupil Transportation	1,187,295	1,128,199	1,068,190	991,805	991,668
Community Services	-	-	-	-	-
Employee Benefits	3,953,352	4,209,192	4,399,904	4,559,420	4,503,470
Debt Service	1,775,782	1,705,391	1,739,427	1,789,396	1,697,866
Total Expenditures	<u>\$ 18,792,210</u>	<u>\$ 18,430,115</u>	<u>\$ 18,766,980</u>	<u>\$ 18,848,165</u>	<u>\$ 19,117,173</u>
Other Uses:					
Interfund Transfers	<u>-</u>	<u>522</u>	<u>-</u>	<u>121,931</u>	<u>-</u>
Total Expenditures and Other Uses	<u>18,792,210</u>	<u>18,430,637</u>	<u>18,766,980</u>	<u>18,970,096</u>	<u>19,117,173</u>
Excess (Deficit) Revenues Over Expenditures	<u>78,907</u>	<u>(228,776)</u>	<u>63,026</u>	<u>142,063</u>	<u>387,672</u>
FUND BALANCE					
Fund Balance - Beginning of Year	3,852,826	3,931,733	3,702,957	3,765,983	3,908,046
Prior Period Adjustments (net)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 3,931,733</u>	<u>\$ 3,702,957</u>	<u>\$ 3,765,983</u>	<u>\$ 3,908,046</u>	<u>\$ 4,295,718</u>

Source: Audited financial reports of the School District.

GENERAL FUND

Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

Fiscal Years Ending June 30:	2016			2017		2018
	Adopted Budget	Modified Budget	Actual	Adopted Budget	Adopted Budget	
<u>REVENUES</u>						
Real Property Taxes	\$ 5,044,220	\$ 5,044,220	\$ 5,055,656	\$ 5,044,220	\$ 5,044,220	
Real Property Tax Items	14,000	14,000	-	-	-	
Charges for Services	13,500	13,500	28,551	-	-	
Use of Money & Property	3,000	3,000	699	-	-	
Sale of Property and Compensation for Loss	-	-	381,226	-	-	
Miscellaneous	110,000	110,000	117,959	164,000	163,500	
Interfund Revenues	-	-	-	-	-	
Revenues from State Sources	14,489,144	14,489,144	14,363,547	14,806,658	15,851,162	
Revenues from Federal Sources	99,952	99,952	67,907	-	-	
Total Revenues	\$ 19,773,816	\$ 19,773,816	\$ 20,015,545	\$ 20,014,878	\$ 21,058,882	
Other Sources:						
Appropriated Fund Balance	283,825	1,140,540	-	158,285	51,275	
Total Revenues and Other Sources	20,057,641	20,914,356	20,015,545	20,173,163	21,110,157	
<u>EXPENDITURES</u>						
General Support	\$ 2,026,622	\$ 2,326,759	\$ 1,958,115	\$ 1,963,140	\$ 2,312,633	
Instruction	11,013,364	10,860,942	10,405,764	11,112,281	11,427,461	
Pupil Transportation	1,170,451	1,170,951	955,059	1,206,252	1,255,072	
Community Services	-	-	-	-	-	
Employee Benefits	4,601,253	4,509,753	4,419,440	4,581,058	4,821,724	
Debt Service	1,145,951	1,145,951	1,127,929	1,210,432	1,193,267	
Total Expenditures	\$ 19,957,641	\$ 20,014,356	\$ 18,866,307	\$ 20,073,163	\$ 21,010,157	
Other Uses:						
Interfund Transfers	100,000	900,000	900,140	100,000	100,000	
Total Expenditures and Other Uses	20,057,641	20,914,356	19,766,447	20,173,163	21,110,157	
Excess (Deficit) Revenues Over						
Expenditures	-	-	249,098	-	-	
<u>FUND BALANCE</u>						
Fund Balance - Beginning of Year	-	-	4,295,718	-	-	
Prior Period Adjustments (net)	-	-	-	-	-	
Fund Balance - End of Year	\$ -	\$ -	\$ 4,544,816	\$ -	\$ -	

Source: Audited financial report and budgets of the School District.

APPENDIX - B
Cassadaga Valley CSD

BONDED DEBT SERVICE

Fiscal Year Ending June 30th	Principal	Interest	Total
2017	\$ 680,000	\$ 158,155.00	\$ 838,155.00
2018	705,000	139,168.75	844,168.75
2019	735,000	118,534.38	853,534.38
2020	760,000	90,165.63	850,165.63
2021	780,000	67,978.13	847,978.13
2022	795,000	52,075.00	847,075.00
2023	805,000	35,875.00	840,875.00
2024	385,000	19,331.25	404,331.25
2025	65,000	11,062.50	76,062.50
2026	65,000	9,112.50	74,112.50
2027	70,000	7,000.00	77,000.00
2028	70,000	4,725.00	74,725.00
2029	70,000	2,406.25	72,406.25
2030	35,000	612.50	35,612.50
TOTALS	\$ 6,020,000	\$ 716,201.89	\$ 6,736,201.89

CURRENT BONDS OUTSTANDING

Fiscal Year Ending June 30th	2014 Capital Improvements			2016 Refunding of 2010 Serial Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2017	\$ 55,000	\$ 22,118.75	\$ 77,118.75	\$ 10,000	\$ 116,048.75	\$ 126,048.75
2018	55,000	21,018.75	76,018.75	650,000	118,150.00	768,150.00
2019	55,000	19,884.38	74,884.38	680,000	98,650.00	778,650.00
2020	55,000	18,715.63	73,715.63	705,000	71,450.00	776,450.00
2021	55,000	17,478.13	72,478.13	725,000	50,500.00	775,500.00
2022	60,000	16,075.00	76,075.00	735,000	36,000.00	771,000.00
2023	60,000	14,575.00	74,575.00	745,000	21,300.00	766,300.00
2024	65,000	12,931.25	77,931.25	320,000	6,400.00	326,400.00
2025	65,000	11,062.50	76,062.50	-	-	-
2026	65,000	9,112.50	74,112.50	-	-	-
2027	70,000	7,000.00	77,000.00	-	-	-
2028	70,000	4,725.00	74,725.00	-	-	-
2029	70,000	2,406.25	72,406.25	-	-	-
2030	35,000	612.50	35,612.50	-	-	-
TOTALS	\$ 835,000	\$ 177,715.63	\$1,012,715.63	\$ 4,570,000	\$ 518,498.75	\$ 5,088,498.75

Fiscal Year Ending June 30th	2010 Capital Improvements		
	Principal	Interest	Total
2017	\$ 615,000	\$ 19,987.50	\$ 634,987.50
TOTALS	\$ 615,000	\$ 19,987.50	\$ 634,987.50

DISCLOSURE UNDERTAKING

In accordance with the provisions of Rule 15c2-12, as the same may be amended or officially interpreted from time to time (the "Rule"), promulgated by the Commission pursuant to the Securities Exchange Act of 1934, the District has agreed to provide or cause to be provided, in a timely manner not in excess of ten (10) business days after the occurrence of the event, during the period in which the Notes are outstanding, to the EMMA system of the Municipal Securities Rulemaking Board ("MSRB") or any other entity designated or authorized by the Commission to receive reports pursuant to the Rule, notice of the occurrence of any of the following events with respect to the Notes:

- (a) principal and interest payment delinquencies
- (b) non-payment related defaults, if material
- (c) unscheduled draws on debt service reserves reflecting financial difficulties
- (d) in the case of credit enhancement, if any, provided in connection with the issuance of the Notes, unscheduled draws on credit enhancements reflecting financial difficulties
- (e) substitution of credit or liquidity providers, or their failure to perform
- (f) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 TEB) or other material notices or determinations with respect to the tax status of the Note, or other material events affecting the tax status of the Notes
- (g) modifications to rights of Note holders, if material
- (h) note calls, if material and tender offers
- (i) defeasances
- (j) release, substitution, or sale of property securing repayment of the Note
- (k) rating changes
- (l) bankruptcy, insolvency, receivership or similar event of the District
- (m) the consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material
- (n) appointment of a successor or additional trustee or the change of name of a trustee, if material

Event (c) is included pursuant to a letter from the SEC staff to the National Association of Bond Lawyers dated September 19, 1995. However, event (c) is not applicable, since no "debt service reserves" will be established for the Notes.

With respect to event (d) the District does not undertake to provide any notice with respect to credit enhancement added after the primary offering of the Notes.

For the purposes of the event identified in paragraph (l) of this section, the event is considered to occur when any of the following occur: The appointment of a receiver, fiscal agent or similar officer for the District in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District.

The District may from time to time choose to provide notice of the occurrence of certain other events, in addition to those listed above, if the District determines that any such other event is material with respect to the Notes; but the District does not undertake to commit to provide any such notice of the occurrence of any material event except those events listed above.

The District reserves the right to terminate its obligation to provide the aforescribed notices of material events, as set forth above, if and when the District no longer remains an obligated person with respect to the Notes within the meaning of the Rule. The District acknowledges that its undertaking pursuant to the Rule described under this heading is intended to be for the benefit of the holders of the Notes (including holders of beneficial interests in the Notes). The right of holders of the Notes to enforce the provisions of the undertaking will be limited to a right to obtain specific enforcement of the District's obligations under its material event notices undertaking and any failure by the District to comply with the provisions of the undertaking will neither be a default with respect to the Notes nor entitle any holder of the Notes to recover monetary damages.

The District reserves the right to modify from time to time the specific types of information provided or the format of the presentation of such information, to the extent necessary or appropriate in the judgment of the District; provided that the District agrees that any such modification will be done in a manner consistent with the Rule.

A "Disclosure Undertaking" to this effect shall be provided to the purchaser(s) at closing.

**CASSADAGA VALLEY CENTRAL SCHOOL DISTRICT
CHAUTAUQUA COUNTY, NEW YORK**

**AUDITED FINANCIAL STATEMENTS
AND OTHER FINANCIAL INFORMATION**

JUNE 30, 2016

Such Financial Report and opinions were prepared as of date thereof and have not been reviewed and/or updated in connection with the preparation and dissemination of this Official Statement.

CASSADAGA VALLEY CENTRAL SCHOOL DISTRICT

TABLE OF CONTENTS

2016 FINANCIAL STATEMENTS

	<u>Schedule</u>	<u>Page</u>
Independent Auditor’s Report		1-2
Management’s Discussion and Analysis		3-9
Government-wide Financial Statements		
Statement of Net Position	1	10
Statement of Activities	2	11
Fund Financial Statements		
Combined Balance Sheet - Governmental Funds.....	3	12
Combined Statement of Revenue, Expenditures and Changes in Fund Equity - Governmental Funds	4	13
Statement of Fiduciary Net Position - Fiduciary Funds	5	14
Statement of Changes in Fiduciary Net Position - Fiduciary Funds	6	15
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position.....	7	16
Reconciliation of Governmental Funds Revenue, Expenditures and Changes in Fund Equity to the Statement of Activities.....	8	17
Notes to the Financial Statements		18-36
Supplementary Information		
Combining Schedule of Revenue, Expenditures, and Changes In Fund Equity - Budget and Actual - Governmental Funds.....	SS1&SS1A	37-38
Schedule of Change from Adopted Budget to Final Budget and the Real Property Tax Limit.....	SS2	39
Schedule of Project Expenditures - Capital Projects Fund.....	SS3	40
Budget Comparison Statement for State and Other Grant Programs - Special Aid and Food Service Funds	SS4A	41
Notes to the Schedule of Expenditures Federal Awards.....	SS4B	42
Schedule of Expenditures Federal Awards	SS4C	42
Schedule of Major Programs Tested.....	SS4D	43
Schedule of Certain Revenue and Expenditures Compared to ST-3 Data - General Fund.....	SS5	44
Schedule of the Net Investment in Capital Assets	SS6	45
Schedule of Funding Progress.....	SS7	46
Schedule of District Contributions – New York State Teachers’ Retirement System (NYSTRS) and New York State and Local Employees’ Retirement System (NYSLERS).....	SS8	47
Schedule of the District’s Proportionate Share of the Net Pension Asset - New York State Teachers’ Retirement System (NYSTRS) and District’s Proportionate Share of the Net Pension Liability – New York State and Local Employee’s Retirement System (NYSLERS).....	SS9	48
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”		49-50
Independent Auditor’s Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance		51-52

Schedule of Findings and Questioned Costs	53-55
Management Letter	56-58
Annual Financial Statement on Extraclassroom Activity Fund	59-62

INDEPENDENT AUDITOR'S REPORT

**To the President and Members of
The Board of Education
Cassadaga Valley Central School District
Sinclairville, New York**

We have audited the accompanying financial statements of the governmental activities and each major fund of **Cassadaga Valley Central School District** as of and for the year ended June 30, 2016, and the related notes to the financial statements which collectively comprise the **Cassadaga Valley Central School District's** basic financial statements as listed in the accompanying Table of Contents. We have also audited the fiduciary fund types of the **Cassadaga Valley Central School District** as of June 30, 2016, as displayed in the District's basic financial statements.

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 these 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 the *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, and each major fund of the **Cassadaga Valley Central School District** as of June 30, 2016, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the **Cassadaga Valley Central School District's** June 30, 2015 financial statements, and our report dated September 10, 2015, expressed unmodified opinions on the respective financial statements of the governmental activities and each major fund financial statement. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of funding progress, schedule of the District's share of the net pension asset/liability, and the schedule of the District's contributions for defined benefit pension plans on pages 3 through 9, 37 through 38, and 46 through 48 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 **Cassadaga Valley Central School District's** basic financial statements. The combining and individual fund financial statements and other schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards*, and is also not a required part of the financial statements.

The combining and individual fund financial statements, the schedule of expenditures of federal awards, and other schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 supplementary information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2016 on our consideration of **Cassadaga Valley Central School District's** internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering **Cassadaga Valley Central School District's** internal control over financial reporting and compliance.

Buffamante Whipple Buttafaro PC

BUFFAMANTE WHIPPLE BUTTAFARO, P.C.

**Olean, New York
September 29, 2016**

I. Discussion and Analysis

The following is a discussion and analysis of the *Cassadaga Valley Central School District's* financial performance for the year ended June 30, 2016. This section is a summary of the District's financial activities based on currently known facts, decisions, or conditions. It is based on both the government-wide and fund-based financial statements. The results of the current year are discussed in comparison with the prior year, with an emphasis placed on the current year. This section is only an introduction and should be read in conjunction with the District's financial statements, which follows this section.

II. Financial Highlights

The following items are the financial highlights experienced by the *Cassadaga Valley Central School District* during the fiscal year ended June 30, 2016:

- Overall net position of the District increased during the current year from operations in the amount of \$218,000 as compared to an increase of \$2,261,000 during the prior fiscal year.
- The District's total revenue decreased 6% from \$20,765,000 for the year ended June 30, 2015 to \$19,563,000 for the year ended June 30, 2016. This decrease was primarily the result of the loss on the sale of a school building during the current year, which was partially offset by an increase in state aid.
- The District's total expenses increased approximately 5% from \$18,504,000 during the year ended June 30, 2015 to \$19,345,000 during the year ended June 30, 2016. This increase was mostly related to increases in employee benefits, BOCES expenditures and debt service costs related to refunding.
- The District had capital outlays during the current year in the amount of \$798,000, which primarily related to preliminary costs associated with the District's new capital project and the purchase of buses.

III. Overview of the Financial Statements

This annual report consists of three parts: MD&A (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of *Cassadaga Valley Central School District*.

**III. Overview of the Financial Statements
(continued)**

A. Reporting the School District as a Whole (District-wide Financial Statements):

The district-wide statements report information about the School District as a whole using accounting methods similar to those used by private-sector companies. Activities that are fiduciary in nature are not included in these statements.

1. Statement of Net Position

The Statement of Net Position (page 10) shows the "assets" (what is owned), "liabilities" (what is owed) and the "net position" (the resources that would remain if all obligations were settled) of the District. The Statement categorizes assets to show that some assets are very liquid, such as cash and cash equivalents. Some assets are restricted for certain purposes or reserved for emergencies and cash flow purposes. Some assets are invested in "fixed" or "capital" assets, such as buildings, equipment and other long-lived property; and some assets are available to fund budgets of the following year.

2. Statement of Activities

The Statement of Activities (page 11) shows the amounts of program-specific and general District revenue used to support the District's various functions.

The Statement of Net Position and Statement of Activities divide the activities of the District into two categories: governmental activities (the school functions, including general support, instruction, transportation, administration, etc.; property taxes, state and federal revenue usually support most of these functions) and proprietary activities. The District only had governmental activities during the current fiscal year.

The two district-wide statements report the School District's net position and how they have changed. Net assets – the difference between the District's assets and liabilities – is one way to measure the District's financial health or position. Over time, increases or decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively. To assess the District's overall health, you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

**III. Overview of the Financial Statements
(continued)**

B. Reporting the District's Most Significant Funds (Fund Financial Statements):

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or major funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. Significance of funds is determined based on the proportional size of the funds, the relative importance of the activities of the funds to the District's operations, and the existence of legal budget requirements. Internal Service funds are never reported as major funds, but are combined and presented in a separate column.

The District has two kinds of funds:

1. Governmental Funds

Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and the balances left at year-end that are available for spending. Consequently the governmental funds

**III. Overview of the Financial Statements
(continued)**

B. Reporting the District's Most Significant Funds (Fund Financial Statements): (continued)

1. Governmental Funds (continued)

statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them.

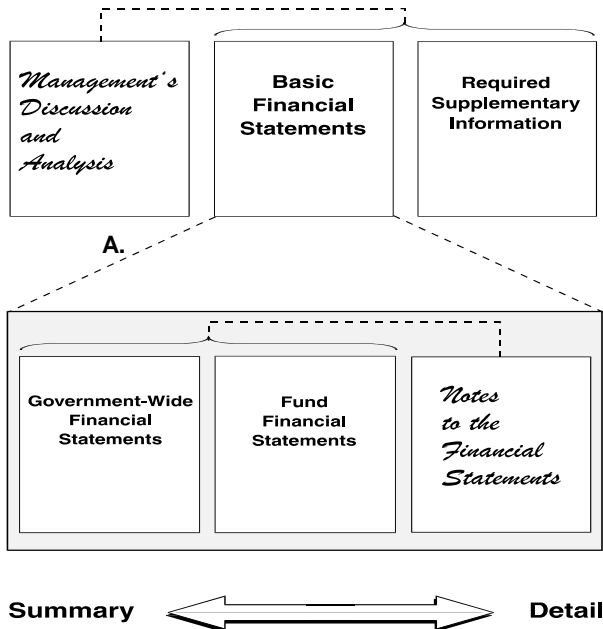
2. Fiduciary Funds

The District is the trustee, or fiduciary, for assets that belong to others, such as the scholarship fund and the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the district-wide financial statements because it cannot use these assets to finance its operations.

Figure A-1 - Major Features of the District-Wide Statements and Fund Financial Statements

	District-Wide	Fund Financial Statements	
		Governmental Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	Statement of Net Position Statement of Activities	Balance Sheet Statement of Revenue, Expenditures, and Changes in Fund Balances	Statement of Fiduciary Net Position Statement of Changes in Fiduciary Net Position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, all assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

Figure A-2 - Required Components of the District's Annual Financial Report



IV. Financial Analysis of the School District as a Whole (continued)

Changes in Net Position (continued)

The total cost of all programs and services of the District increased 5% to \$19,345,000. The District's expenses cover a range of services, with 77% related to instruction and 12% related to general support. Figure A-4 through figure A-8 and the narrative that follows considers the operations of governmental activities, along with revenue and net costs percentages for governmental activities.

Governmental Activities

Revenue of the District's governmental activities decreased approximately 6%, while total expenses increased 5%. The District's net position from operations increased approximately \$218,000 or 2% during the fiscal year ended June 30, 2016.

Figure A-4 presents the major sources of revenue of the District. Revenue of the District totaled \$19,563,000 for the fiscal year ended June 30, 2016. The most significant changes in the District's governmental revenue are more thoroughly discussed as follows:

- Property tax revenue which represents approximately 25% of the District's total revenue for governmental activities increased 1% due to an increase in tax levy.
- The District's most significant revenue is state sources which represent \$12,030,000 or 63% of total governmental revenue. The District state sources increased 3% which was primarily related to increases in basic state aid.
- During the year ended June 30, 2016, the District saw a decrease in program revenue in the amount of \$289,000, which mostly resulted from a decrease in operating grants and contributions which decreased \$283,000 and was related to a decrease in New York State building and transportation aid.
- During the current year the District sold a vacated school building for \$405,000 (\$379,020 net of closing costs). The sale resulted in a loss on sale in the amount of approximately \$1,360,000.

IV. Financial Analysis of the School District as a Whole

Net Position

The District's total reporting entity net position was approximately \$13,907,000. The components of net position include net investment in capital assets, of \$7,194,000; restricted net position of \$2,241,000; and unrestricted net position of \$4,472,000.

Changes in Net Position

The District's total government-wide revenue decreased by approximately 6% to \$19,563,000. Approximately 25%, 18% and 63% of total revenue is derived from the property taxes, operating grants and state aid, respectively. The remaining -6% comes from the loss on the sale of a school building, federal aid, use of money and property, miscellaneous, charges for services and other operating grants and contributions.

IV. Financial Analysis of the School District as a Whole (continued)

Expenses

Figure A-8 presents the cost of each of the District's five largest expenditure-type, which include; general support, instruction, transportation, interest and cost of sales; as well as each expenditure-type's net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost shows the financial burden that was placed on the District's taxpayers and NYS by each of these functions. Total costs of the District's governmental activities were \$19,345,000. The most significant changes in the District's governmental expenses are more thoroughly discussed as follows:

- The District's general support increased by approximately \$34,000 related to an increase in salaries and benefits. These increases were partially offset by a decrease in utilities.
- The District's instruction costs increased by approximately \$678,000 which was the result of an increase in BOCES expenditures related to special education and employee benefits. These increases were partially offset by a decrease in salaries.
- Debt service of the District increased approximately \$70,000 during the year ended June 30, 2016. This increase resulted from issuance costs incurred related to the current year bond refunding.
- Transportation costs of the District increased 4% or \$49,000 during the year ended June 30, 2016. This increase was the result of higher salaries and depreciation expense which was partially offset by a decrease in gas costs due to lower prices.
- The Districts cost of sales (food service fund) totaled \$473,000 during the current year as compared to \$475,000 during the fiscal year ended June 30, 2015.
- The District received approximately \$3,652,000 of operating grants and charges for services from its state and federal grants and tuition and transportation aid which subsidized certain programs of the District.
- Most of the Districts net costs (\$16 million) were financed by real property taxes and state aid.

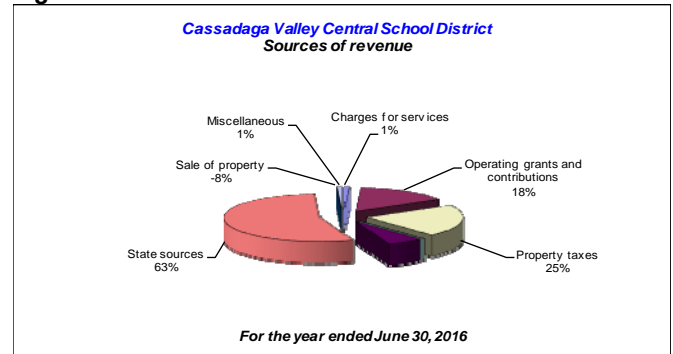
Figure A-3 – Condensed Statement of Net Position

<i>Cassadaga Valley Central School District</i>			
<i>Condensed Statement of Net Position (in thousands of dollars)</i>			
	Governmental Activities and Total District-wide		
	2016	2015	% Change
Assets			
Current and other assets	\$ 11,633	\$ 11,601	0%
Capital assets	13,488	15,405	-12%
Total assets	25,121	27,006	-7%
Deferred Outflows of Resources			
Deferred outflows - pensions and refunding	2,354	1,461	61%
Deferred outflows of resources and assets	\$ 27,475	\$ 28,467	-3%
Liabilities			
Other liabilities	\$ 2,208	\$ 2,443	-10%
Long-term debt outstanding	9,504	8,663	10%
Total liabilities	11,712	11,106	5%
Deferred Inflows of Resources			
Deferred inflows related to pensions	1,856	3,671	-49%
Deferred inflows of resources and liabilities	13,568	14,777	-8%
Net position			
Invested in capital assets, Net of related debt	7,194	8,314	-13%
Restricted	2,241	2,816	-20%
Unrestricted (deficit)	4,472	2,560	75%
Total net position	13,907	13,690	2%
Total liabilities and net position	\$ 27,475	\$ 28,467	-3%

Figure A-4 – Changes in Net Position

<i>Cassadaga Valley Central School District</i>			
<i>Changes in Net Position from Operating Results (in thousands of Dollars)</i>			
	Governmental Activities and Total District-wide		
	2016	2015	% Change
Revenue			
Program revenue			
Charges for services	\$ 169	\$ 175	-3%
Operating grants and contributions	3,483	3,766	-8%
General revenue			
Real property taxes	5,056	5,026	1%
Use of money & property	1	3	-67%
Sale of property & comp for loss	(1,368)	-	n/a
State sources	12,030	11,640	3%
Federal sources	68	53	28%
Miscellaneous	124	102	22%
Total revenue	19,563	20,765	-6%
Expenses			
General support	2,346	2,312	1%
Instruction	14,786	14,108	5%
Transportation	1,410	1,361	4%
Debt service - interest	330	260	27%
Cost of sales	473	463	2%
Total expenses	19,345	18,504	5%
Change in net position	\$ 218	\$ 2,261	

Figure A-5 – Sources of Revenue



**CASSADAGA VALLEY CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Figure A-6 - Expenses

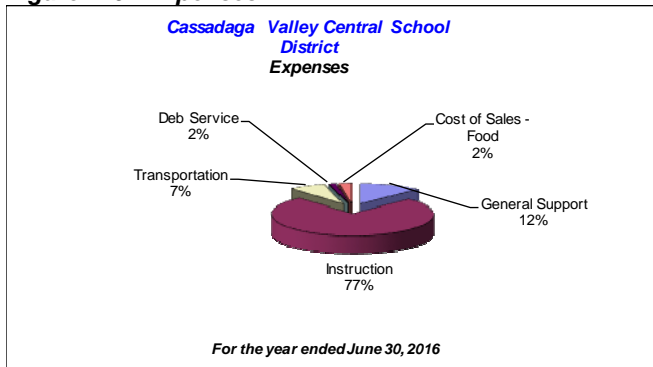


Figure A-7 – Expenditures Supported with Program Revenue

	Governmental Activities & Total District			
	2016		2015	
Expenditures supported with general revenue (from taxes & other sources)	\$ 15,693	81%	\$ 14,563	79%
Expenditures supported with program revenue	3,652	19%	3,941	21%
Total expenditures related to governmental activities	\$ 19,345	100%	\$ 18,504	100%

Figure A-8 – Net Cost of Governmental Activities

	Total cost of services			Net cost of services		
	2016	2015	Change	2016	2015	Change
General support	\$ 2,346	\$ 2,312	\$ 34	\$ 2,346	\$ 2,312	\$ 34
Instruction	14,786	14,108	678	13,907	13,240	667
Transportation	1,410	1,361	49	281	218	63
Debt service - interest	330	260	70	(875)	(1,214)	339
Cost of sales - food	473	463	10	34	7	27
Total	\$ 19,345	\$ 18,504	\$ 841	\$ 15,693	\$ 14,563	\$ 1,130

V. Financial Analysis of the School District's Funds

It is important to note that variances between years for the governmental fund financial statements (Balance Sheets and Statement of Revenue, Expenditures and Changes in Fund Equity) are not the same as variances between years for the District-wide financial statements (Statement of Net Position and Statement of Activities). The District's governmental funds are presented on the current financial resources measurement focus and the modified accrual basis of accounting, while the statement of net assets is presented on the full accrual method of accounting. Therefore, governmental funds do not include long-term

V. Financial Analysis of the School District's Funds (continued)

debt liabilities for the funds' projects and capital assets purchased by the funds. Governmental funds will include the proceeds received from the issuance of debt, the current payments for capital assets, and the current payments for debt. Below is a description of the most significant changes to the fund financial statements from that reported in the previous year.

General Fund

- The District's general fund revenue and other sources exceeded expenditures and other uses by approximately \$249,000.
- The District's general fund unassigned fund balance equated to approximately \$2,165,000 as of June 30, 2016.
- The District has many fund balance reserves during the year ended June 30, 2016, and had a total restricted fund balance approximated \$2,226,000.
- The District's total assets decreased approximately \$25,000 as of June 30, 2016, primarily due to a decrease in cash.
- The District's liabilities decreased approximately \$274,000, primarily due to a decrease in due to teachers' retirement system.
- Total revenue in the District's general fund increased \$511,000, which was primarily related to the increase in state aid and proceeds from the sale of a school building.
- Total expenditures in the District's general fund increased \$648,000 primarily due to increases in salaries, medical insurance costs and BOCES expenditures.

Food Service Fund

- The District's food service fund experienced a \$34,000 decrease in fund equity during the current fiscal year.
- Revenue in the District's food service fund was \$439,000 during 2016 as compared with \$455,000 in 2015. This decrease was primarily due to a decline in participation. Expenditures in the food service fund decreased approximately \$2,000 primarily related to less equipment purchased in the current year.

Special Aid Fund

- The District's special aid fund revenue and expenditures decreased approximately \$17,000 due to a decrease in IDEA and Summer School grant funding during the current year.

Capital Projects Fund

- The District had expenditures in the amount of \$751,000 in capital projects during the year ended June 30, 2016, which was related to costs associated with the its new capital project and bus purchases.

**CASSADAGA VALLEY CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

VI. General Fund Budgetary Highlight

Over the course of the year, the District makes many budget transfers. Actual expenditures were approximately \$1,149,000 below the revised budget. The most significant positive variances were in the areas of general support, instruction, transportation and employee benefits which totaled \$369,000, \$455,000, \$216,000 and \$91,000, respectively, below that which was budgeted. On the other hand, resources available for appropriations were approximately \$242,000 above the final budgeted amount. Significant variances of revenue items consisted of state sources which were \$125,000 below that budgeted, while local sources were \$399,000 above that budgeted.

Figure A-9 – Budget vs. Actual Comparison

<i>Cassadaga Valley Central School District</i>				
<i>General Fund - Budget vs Actual Comparison (in thousands of dollars)</i>				
	Revised Budget	Actual	Difference	%
Revenue				
Local sources	\$ 5,185	\$ 5,584	\$ 399	8%
State sources	14,489	14,364	(125)	-1%
Federal sources	100	68	(32)	-32%
Other sources	-	-	-	n/a
Total revenue	\$ 19,774	\$ 20,016	\$ 242	1%
Expenditures				
General support	\$ 2,327	\$ 1,958	\$ 369	16%
Instruction	10,861	10,406	455	4%
Transportation	1,171	955	216	18%
Employee benefits	4,510	4,419	91	2%
Debt service	1,146	1,128	18	2%
Operating transfers	900	900	-	n/a
Total expenditures	\$ 20,915	\$ 19,766	\$ 1,149	5%

VII. Capital Assets and Debt Administration

Capital Assets

As depicted in Figure A-10, as of June 30, 2016, the District had invested approximately \$13,488,000 in a broad range of capital assets, including reconstruction projects, transportation vehicles and other equipment. Capital additions made during the year ended June 30, 2016, totaled approximately \$798,000 and consisted primarily of costs associated with the District's new capital project and the purchase of buses. More detailed information about the District's capital assets is presented in the notes of the financial statements.

Long-term Debt

As depicted in Figure A-11, as of June 30, 2016, the District had approximately \$9,503,000 in bonds, other post-employment benefits, pension liability and compensated absences, an increase of approximately 10% as compared with the previous year. The decrease in bonds payable was the result of current year debt payments, whereas the increase in other post-employment benefits was the result of the liability not being funded. The increase in pension liability related to the NYS Employers' Retirement System was the result in new actuarial assumptions and differences between estimated and actual results.

Figure A-10 – Capital Assets

<i>Cassadaga Valley Central School District</i>			
<i>Capital Assets (net of depreciation)</i>			
	Governmental Activities & Total District-wide		
	2016	2015	Change
Land	\$ 352,700	\$ 352,700	0%
Cost basis	26,257,189	29,759,095	-12%
Accumulated depreciation	(13,121,511)	(14,706,484)	-11%
Total Capital Assets, net	\$ 13,488,378	\$ 15,405,311	-12%

Figure A-11 – Outstanding Long-term Debt

<i>Cassadaga Valley Central School District</i>			
<i>Outstanding Long-Term Debt and Liabilities</i>			
	Governmental Activities & Total District-wide		
	2016	2015	Change
Bonds payable	\$ 6,243,174	\$ 6,645,000	-6%
Other post-employment benefits	1,538,714	1,210,886	27%
Net pension liability - ERS	1,204,412	239,624	403%
Compensated absences	516,526	567,715	-9%
Total Long-Term Debt	\$ 9,502,826	\$ 8,663,225	10%

VIII. Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the District was aware of the following existing circumstances that could significantly affect its financial health in the future:

- Future proposed legislative changes in state aid to school districts could have a material affect on the District's financial statements.
- Changes in educational standards could materially affect programs provided the District, as well as the District's financial position.
- Declining student enrollment.

IX. Contacting the District's Financial Management

This financial report is designed to provide citizens, taxpayers, customers and investors and creditors with a general overview of the finances of the District and to demonstrate our accountability with the money we receive. If you have any questions about this report or need additional financial information, please contact:

Cassadaga Valley Central School District
District Administrative Offices
Attention: Ms. Debra McAvoy, Business Administrator
P.O. Box 540
Sinclairville, New York 14782

CASSADAGA VALLEY CENTRAL SCHOOL DISTRICT
STATEMENT OF NET POSITION
AS OF JUNE 30, 2016

Schedule 1

Page 10

	<u>2016</u>	<u>2015</u>
Assets		
Cash		
Unrestricted	\$ 2,346,085	\$ 1,977,273
Restricted	2,240,619	2,816,163
Receivables		
State and federal aid	470,939	533,218
Due from other governments	546,488	485,814
Due from other fiduciary funds	152,368	23,953
Inventories	4,615	7,429
Net pension asset - NYS Teachers' Retirement System	4,983,326	5,348,938
Cash to be used for capital assets	888,015	407,904
Capital assets, net	13,488,378	15,405,311
Total assets	<u>25,120,833</u>	<u>27,006,003</u>
Deferred Outflows of Resources		
Deferred outflows related to pensions	2,218,821	1,460,548
Deferred outflows related to bond refunding	135,172	-
Total deferred outflows of resources	<u>2,353,993</u>	<u>1,460,548</u>
Total assets and deferred outflows of resources	<u>\$ 27,474,826</u>	<u>\$ 28,466,551</u>
Liabilities		
Current liabilities		
Accounts payable and retainage payable	\$ 9,156	\$ 2,184
Accrued liabilities	131,399	134,207
Accrued interest	15,000	30,000
Due to other governments	500	572
Due to retirement systems	1,087,516	1,401,250
Unearned revenue	13,730	3,580
Bond anticipation notes payable	950,972	871,331
Long-term liabilities		
Portion due or payable within one year		
Bonds payable	680,000	635,000
Compensated absences	84,620	65,930
Portion due or payable after one year		
Bonds payable	5,563,174	6,010,000
Net pension liability - NYS Employees' Retirement System	1,204,412	239,624
Other post-employment benefits	1,538,714	1,210,886
Compensated absences	431,906	501,785
Total liabilities	<u>11,711,099</u>	<u>11,106,349</u>
Deferred Inflows of Resources		
Deferred inflows related to pensions	1,856,128	3,670,611
Total liabilities and deferred inflows of resources	<u>13,567,227</u>	<u>14,776,960</u>
Net Position		
Invested in capital assets, net of related debt	7,194,430	8,313,581
Restricted	2,240,619	2,816,163
Unrestricted	4,472,550	2,559,847
Total net position	<u>13,907,599</u>	<u>13,689,591</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 27,474,826</u>	<u>\$ 28,466,551</u>

See accompanying independent auditor's report and notes to financial statements.

CASSADAGA VALLEY CENTRAL SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

Schedule 2

Page 11

	Expenses	Indirect Expenses Allocation	Program Revenues		2016 Net (Expense) Revenue and Changes in Net Position	2015 Net (Expense) Revenue and Changes in Net Position
			Charges for Services	Operating Grants		
Functions/Programs						
General support	\$ 2,235,906	\$ 110,127	\$ -	\$ -	\$ (2,346,033)	\$ (2,312,210)
Instruction	14,208,974	577,947	28,551	851,511	(13,906,859)	(13,239,953)
Pupil transportation	1,131,802	277,713	-	1,128,605	(280,910)	(217,973)
Debt service	329,554	-	-	1,204,922	875,368	1,213,925
Food service program	472,991	-	140,705	297,942	(34,344)	(6,637)
Depreciation	965,787	(965,787)	-	-	-	-
Total functions and programs	\$ 19,345,014	\$ -	\$ 169,256	\$ 3,482,980	(15,692,778)	(14,562,848)
General Revenues						
Real property taxes					5,055,656	5,026,073
Use of money and property					754	2,628
Sale of property and compensation for loss					(1,367,971)	(168)
Miscellaneous					124,420	102,468
State sources					12,030,020	11,640,399
Federal sources					67,907	52,749
Total general revenues					15,910,786	16,824,149
Change in net position					218,008	2,261,301
Net position - beginning of year					13,689,591	10,163,868
Prior period adjustments					-	1,264,422
Net position - end of year					\$ 13,907,599	\$ 13,689,591

CASSADAGA VALLEY CENTRAL SCHOOL DISTRICT
COMBINED BALANCE SHEET – GOVERNMENTAL FUNDS
AS OF JUNE 30, 2016

Schedule 3

Page 12

	Governmental Funds					2016	2015
	General	Special Aid	Food Service	Debt Service	Capital Projects	(Memo only) Total	(Memo only) Total
Assets							
Unrestricted cash	\$ 2,264,815	\$ 45,474	\$ 25,613	\$ -	\$ -	\$ 2,335,902	\$ 1,960,576
Restricted cash	2,225,824	-	-	24,978	888,015	3,138,817	3,240,764
Due from other funds	593,939	62,375	6,480	9,614	21,797	694,205	508,310
State and federal aid receivable	218,123	234,500	18,316	-	-	470,939	533,218
Other receivables	-	-	-	-	-	-	-
Due from other governments	546,488	-	-	-	-	546,488	485,814
Inventories	-	-	4,615	-	-	4,615	7,429
Total assets	\$ 5,849,189	\$ 342,349	\$ 55,024	\$ 34,592	\$ 909,812	\$ 7,190,966	\$ 6,736,111
Liabilities and Fund Equity							
Liabilities							
Accounts payable	\$ 9,156	\$ -	\$ -	\$ -	\$ -	\$ 9,156	\$ 2,184
Accrued liabilities	122,728	3,063	5,608	-	-	131,399	134,207
Bond anticipation notes payable	-	-	-	-	950,972	950,972	871,331
Due to other funds	97,444	330,801	84,181	19,797	9,614	541,837	484,357
Unearned revenue	126	8,485	5,119	-	-	13,730	3,580
Due to other governments	459	-	41	-	-	500	572
Due to Teachers' Retirement System	1,002,114	-	-	-	-	1,002,114	1,310,812
Due to Employees' Retirement System	72,346	-	13,056	-	-	85,402	90,438
Total liabilities	1,304,373	342,349	108,005	19,797	960,586	2,735,110	2,897,481
Fund Equity							
Fund equity:							
Nonspendable	-	-	4,615	-	-	4,615	7,429
Restricted	2,225,824	-	-	14,795	-	2,240,619	2,816,163
Assigned	154,045	-	-	-	-	154,045	210,760
Unassigned (deficit)	2,164,947	-	(57,596)	-	(50,774)	2,056,577	804,278
Total fund equity (deficit)	4,544,816	-	(52,981)	14,795	(50,774)	4,455,856	3,838,630
Total liabilities and fund equity	\$ 5,849,189	\$ 342,349	\$ 55,024	\$ 34,592	\$ 909,812	\$ 7,190,966	\$ 6,736,111

CASSADAGA VALLEY CENTRAL SCHOOL DISTRICT
COMBINED STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND EQUITY – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

Schedule 4

Page 13

	Governmental Funds					2016	2015
	General	Special Aid	Food Service	Debt Service	Capital Projects	(Memo only) Total	(Memo only) Total
Revenue							
Real property taxes	\$ 5,055,656	\$ -	\$ -	\$ -	\$ -	\$ 5,055,656	\$ 5,026,073
Charges for services	28,551	-	-	-	-	28,551	25,026
Use of money and property	699	-	4	55	-	758	2,642
Sale of property compensation for loss	381,226	-	-	-	-	381,226	43,036
Miscellaneous	117,959	-	99	6,461	-	124,519	103,053
State sources	14,363,547	282,409	9,184	-	-	14,655,140	14,554,877
Federal sources	67,907	684,738	253,160	-	-	1,005,805	1,012,220
Surplus food	-	-	35,598	-	-	35,598	33,392
Sales (school food service)	-	-	140,602	-	-	140,602	149,082
Total revenue	20,015,545	967,147	438,647	6,516	-	21,427,855	20,949,401
Expenditures							
General support	1,958,115	-	186,944	-	-	2,145,059	2,115,424
Instruction	10,405,764	851,511	-	-	-	11,257,275	10,836,242
Pupil transportation	955,059	-	-	-	366,235	1,321,294	1,259,661
Employee benefits	4,419,440	115,636	100,346	-	-	4,635,422	4,745,893
Debt service							
Principal	881,377	-	-	-	-	881,377	1,448,943
Interest	246,552	-	-	-	-	246,552	248,923
Capital outlay	-	-	-	-	384,326	384,326	346,067
Cost of sales	-	-	168,612	-	-	168,612	169,260
Other expenses	-	-	17,089	-	-	17,089	19,533
Total expenditures	18,866,307	967,147	472,991	-	750,561	21,057,006	21,189,946
Excess (deficiency) of revenue over expenditures	1,149,238	-	(34,344)	6,516	(750,561)	370,849	(240,545)
Other sources and uses							
Proceeds from refunding bonds	-	-	-	4,793,174	-	4,793,174	-
Payment to refunded bond escrow agent	-	-	-	(4,793,174)	-	(4,793,174)	-
BANs redeemed from appropriations	-	-	-	-	246,377	246,377	233,943
Issuance of serial bonds	-	-	-	-	-	-	875,000
Operating transfers in	-	-	-	-	900,140	900,140	-
Operating transfers out	(900,140)	-	-	-	-	(900,140)	-
Total other sources (uses)	(900,140)	-	-	-	1,146,517	246,377	1,108,943
Excess (deficiency) of revenue and other sources over expenditures and other uses	249,098	-	(34,344)	6,516	395,956	617,226	868,398
Fund equity (deficit), beginning of year	4,295,718	-	(18,637)	8,279	(446,730)	3,838,630	2,970,232
Fund equity (deficit), end of year	\$ 4,544,816	\$ -	\$ (52,981)	\$ 14,795	\$ (50,774)	\$ 4,455,856	\$ 3,838,630

See accompanying independent auditor's report and notes to financial statements.

CASSADAGA VALLEY CENTRAL SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS
AS OF JUNE 30, 2016

Schedule 5

Page 14

	Private Purpose Trusts	Agency Funds	Total 06/30/16	(Memo only) Total 06/30/15
Assets				
Cash	\$ 41,393	\$ 389,939	\$ 431,332	\$ 202,979
Due from governmental funds	149	2,897	3,046	3,047
Total assets	\$ 41,542	\$ 392,836	\$ 434,378	\$ 206,026
Liabilities				
Accrued liabilities	\$ -	\$ 191,936	\$ 191,936	\$ 62,449
Due to governmental funds	-	155,414	155,414	27,000
Student extraclassroom activity funds	-	45,486	45,486	44,755
Total liabilities	-	392,836	392,836	134,204
Net position				
Reserved for scholarships	41,542	-	41,542	71,822
Total liabilities and net position	\$ 41,542	\$ 392,836	\$ 434,378	\$ 206,026

CASSADAGA VALLEY CENTRAL SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

Schedule 6

Page 15

	06/30/16	(Memo only)	06/30/15
Additions			
Gifts and contributions	\$ 1,289	\$	1,200
Interest earnings	39		45
Total additions	<u>1,328</u>		<u>1,245</u>
Deductions			
Transfer to community foundation	27,580		-
Scholarships awarded	<u>4,028</u>		<u>2,786</u>
Total subtractions	<u>31,608</u>		<u>2,786</u>
Change in net position	(30,280)		(1,541)
Net position - beginning of year	<u>71,822</u>		<u>73,363</u>
Net position - end of year	<u>\$ 41,542</u>	\$	<u>71,822</u>

CASSADAGA VALLEY CENTRAL SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
AS OF JUNE 30, 2016

Total fund balances - governmental funds \$ 4,455,856

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. Capital assets consist of the following at year-end:

Cost of the assets	\$ 26,609,889	
Accumulated depreciation	<u>(13,121,511)</u>	13,488,378

District's proportionate share of the net pension asset is reported on the statement of net position, whereas in the governmental funds, pension costs are based on required contributions	4,983,326
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Interest on long-term liabilities is not accrued in governmental funds, but rather is recognized as an expenditure when due.	(15,000)
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Deferred charges associated with the refunding of bonds is not reported as an asset in the governmental funds. The asset is reported in the statement of net assets and is being amortized over the repayment schedule of the new bonds.	135,172
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Deferred inflows of resources related to actuarial pension differences are reported on the statement of net position and amortized over the average members' years of service. In the governmental funds, pension expense is based on required contributions.	362,693
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Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of the following:

Bonds payable	(6,243,174)	
Other post-employment benefits	(1,538,714)	
Net pension liability	(1,204,412)	
Compensated absences	<u>(516,526)</u>	<u>(9,502,826)</u>

Total net position - governmental activities \$ 13,907,599

	Total Governmental Funds	Long-term Asset Transactions	Long-term Liability Transactions	Reclassification and Eliminations	Statement of Net Position
Assets					
Cash	\$ 5,474,719	\$ -	\$ -	\$ -	\$ 5,474,719
Due from other funds	694,205	-	-	(541,837)	152,368
State and federal aid receivable	470,939	-	-	-	470,939
Due from other governments	546,488	-	-	-	546,488
Inventories	4,615	-	-	-	4,615
Net pension asset - NYS Teachers' Retirement System	-	4,983,326	-	-	4,983,326
Capital assets, net	-	13,488,378	-	-	13,488,378
Total assets	7,190,966	18,471,704	-	(541,837)	25,120,833
Deferred Outflows of Resources					
Deferred outflows related to pensions and bond refunding	-	2,353,993	-	-	2,353,993
Total assets and deferred outflows of resources	\$ 7,190,966	\$ 20,825,697	\$ -	\$ (541,837)	\$ 27,474,826
Liabilities and Net Position					
Liabilities					
Accounts payable	\$ 9,156	\$ -	\$ -	\$ -	\$ 9,156
Accrued liabilities	131,399	-	-	-	131,399
Accrued interest	-	-	15,000	-	15,000
Due to other funds	541,837	-	-	(541,837)	-
Unearned revenue	13,730	-	-	-	13,730
Due to other governments	500	-	-	-	500
Due to retirement systems	1,087,516	-	-	-	1,087,516
Bond anticipation notes payable	950,972	-	-	-	950,972
Bonds payable	-	-	6,243,174	-	6,243,174
Net pension liability - NYS Employers' Retirement System	-	-	1,204,412	-	1,204,412
Other post-employment benefits	-	-	1,538,714	-	1,538,714
Compensated absences	-	-	516,526	-	516,526
Total liabilities	2,735,110	-	9,517,826	(541,837)	11,711,099
Deferred Inflows of Resources					
Deferred inflows related to pensions	-	-	1,856,128	-	1,856,128
Total liabilities and deferred inflows of resources	2,735,110	-	11,373,954	(541,837)	13,567,227
Fund equity and net position	4,455,856	20,825,697	(11,373,954)	-	13,907,599
Total liabilities, deferred inflows of resources and position	\$ 7,190,966	\$ 20,825,697	\$ -	\$ (541,837)	\$ 27,474,826

CASSADAGA VALLEY CENTRAL SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS REVENUE, EXPENDITURES
AND CHANGES IN FUND EQUITY TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

Total net change in fund balances - governmental funds	\$ 617,226
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. Activity for the current fiscal year ended was as follows:	
Capital outlays	\$ 798,051
Depreciation expense	<u>(965,787)</u> (167,736)
Disposal of fixed assets with remaining book value is reported as a loss in the statement of activities, whereas this transaction has no effect on revenue or expenditures reported in the governmental funds.	(1,749,197)
Repayment of bond (including refunding) and bond anticipation notes redeemed from appropriations are recorded as an expenditure in the governmental funds, but the repayment reduces long-term and short-term liabilities in the statement of net assets.	5,591,549
Bond anticipation notes redeemed from appropriations is recorded as revenue and other sources in the governmental funds, whereas the repayment reduces short-term liabilities in the statement of net assets.	(246,377)
Proceeds from issuance of bonds (including refunding) are recorded as revenue in the governmental funds. However, in the statement of activities, proceeds from the issuance of bonds is not recorded as revenue but rather the amount is recorded as a liability in the statement of net assets. During the current year, the District received proceeds from the issuance of serial bonds relate to a capital project.	(4,793,174)
District's proportionate share of actuarial calculated pension expense and net amortization of deferred amounts from changes in proportion are recorded in the statement of activities, whereas in the governmental funds, pension expense is based on the District's required contribution to pension plans.	1,242,356
In the statement of activities, certain operating expenses - compensated absences, special termination benefits and other post-employment benefits - are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, special termination benefits, compensated absences and other post-employment benefits liability changed by this amount.	<u>(276,639)</u>
Change in net position of governmental activities	<u><u>\$ 218,008</u></u>

	Total Governmental Funds	Long-term Asset Transactions	Long-term Liability Transactions	Reclassification and Eliminations	Statement of Activities Totals
Revenue					
Real property taxes	\$ 5,055,656	\$ -	\$ -	\$ -	\$ 5,055,656
Charges for services	28,551	-	-	(28,551)	-
Use of money and property	758	-	-	(4)	754
Sale of property and compensation for loss	381,226	(1,749,197)	-	-	(1,367,971)
Miscellaneous	124,519	-	-	(99)	124,420
State sources	14,655,140	-	-	(2,625,120)	12,030,020
Federal sources	1,005,805	-	-	(937,898)	67,907
Surplus food	35,598	-	-	(35,598)	-
Sales (school food service)	140,602	-	-	(140,602)	-
Total revenue	21,427,855	(1,749,197)	-	(3,767,872)	15,910,786
Expenditures					
General support	2,145,059	62,637	-	138,337	2,346,033
Instruction	11,257,275	577,947	276,639	1,794,998	13,906,859
Pupil transportation	1,321,294	(88,522)	-	(951,862)	280,910
Employee benefits	4,635,422	-	(1,242,356)	(3,393,066)	-
Debt service	1,127,929	-	(798,375)	(1,204,922)	(875,368)
Capital outlay	384,326	(384,326)	-	-	-
Cost of sales	168,612	-	-	(134,268)	34,344
Other expenses	17,089	-	-	(17,089)	-
Total expenditures	21,057,006	167,736	(1,764,092)	(3,767,872)	15,692,778
Excess (deficiency) of revenue over expenditures	370,849	(1,916,933)	1,764,092	-	218,008
Other sources and uses					
BANs redeemed from appropriations	246,377	-	(246,377)	-	-
Proceeds from refunding bonds	4,793,174	-	(4,793,174)	-	-
Payment to refunded bond escrow agent	(4,793,174)	-	4,793,174	-	-
Operating transfers in	900,140	-	-	(900,140)	-
Operating transfers out	(900,140)	-	-	900,140	-
Total other sources (uses)	246,377	-	(246,377)	-	-
Net change for year	\$ 617,226	\$ (1,916,933)	\$ 1,517,715	\$ -	\$ 218,008

**CASSADAGA VALLEY CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

Page 18

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

I. Significant Accounting Policies

The accompanying financial statements of the **Cassadaga Valley Central School District** have been prepared in conformity with generally accepted accounting principles (GAAP) for governments as prescribed by the Governmental Accounting Standards Board (GASB) which is the standard setting body for establishing governmental accounting and financial reporting principles.

A. Reporting Entity

The financial statements include all funds and account groups of the School District as well as the component units and other organizational entities determined to be includable in the School District's financial 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 review of certain entities included in the School District's reporting entity:

1. The Extraclassroom Activity Funds

The extraclassroom activity funds of the **Cassadaga Valley Central School District** represents 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 cash and investment balances are reported in the Agency Fund of the District. The audited financial statements (cash basis) of the extraclassroom activity funds are included as supplementary information to these audited financial statements, located on pages 59-62 of this report.

B. Joint Venture

The **Cassadaga Valley Central School District** is one of 27 component school districts in the Chautauqua/Cattaraugus Board of Cooperative Educational Services (BOCES). A BOCES is a voluntary, cooperative association of school districts in a geographic area that share planning, services, and programs which provide educational and support activities.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Joint Venture (continued)

BOCES are organized under Section 1950 of the Education Law. A BOCES Board is considered a corporate body. All BOCES property is held by the BOCES Board as a corporation (Section 1950(6)). In addition, BOCES Boards also are considered municipal corporations to permit them to contract with other municipalities on a cooperative basis under Section 119-n(a) of the General Municipal Law.

A BOCES budget is comprised of separate budgets for administrative, program, and capital costs. Each component school district's share of the administrative and capital cost is determined by resident public school district enrollment as defined in Education Law, Section 1950(4)(b)(7).

There is no authority or process by which a school district can terminate its status as a BOCES component. In addition, component school districts pay tuition or a service fee for programs in which its students participate. Members of a BOCES Board are nominated and elected by their component member boards in accordance with provisions of Section 1950 of the Education Law.

During the year, the District was billed \$2,702,000 for BOCES administration, program and capital costs. The District's share of BOCES aid and refunds amounted to \$867,000 for the year ended June 30, 2016. Financial statements for the Erie 2 – Chautauqua/Cattaraugus BOCES are available at the BOCES administrative offices in Angola, New York.

C. Basis of Presentation

1. District-wide Statements

The Statement of Net Position and the Statement of Activities present financial information about the 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 double counting of internal transactions. Governmental activities generally are financed through taxes, state aid, intergovernmental revenues, and other exchange and non-exchange transactions. Operating grants include operating-specific and discretionary (either operating or capital) grants.

CASSADAGA VALLEY CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

1. District-wide Statements (continued)

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Program revenues include charges paid by the recipients of goods or services offered by the programs, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

2. Fund Financial Statements

The fund statements provide information about the 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.

The District reports the following major governmental funds:

General - is the general operating fund and is used to account for all financial transactions except those required to be accounted for in another fund.

Special Aid - is used to account for the proceeds of specific revenue sources such as Federal and State grants, that are legally restricted to expenditures for specified purposes, whose funds are restricted as to use. These legal restrictions may be imposed by either governments that provide the funds or outside parties.

Food Service - is used to account for all revenue and expenditures pertaining to the cafeteria operations.

Capital Projects - is used to account for the financial resources used for acquisition, construction, or major repair of capital facilities.

Debt Service - is used to account for the accumulation of resources and the payment of general long-term debt principal and interest.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

2. Fund Financial Statements (continued)

Fiduciary Fund Types - This fund is used to account for fiduciary activities. Fiduciary activities are those in which the 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 District, and are not available to be used. Included in the Fiduciary Fund are Private Purpose Trust Funds and Agency Funds. Agency Funds are custodial in nature (assets equal liabilities) and generally are accounted for on the cash basis which approximates the modified accrual basis of accounting. Private Purpose Trust Funds are accounted for on the accrual basis of accounting.

D. Measurement Focus and Basis of Accounting

The District-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Non-exchange transactions, in which the District gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The governmental fund 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 District considers all revenues reported in the governmental funds to be available if the revenues are collected within the current period or soon enough thereafter to be used to pay liabilities of the current period. Non-expendable trust funds are accounted for on the accrual basis of accounting, whereby revenue is recognized when earned and expenses are recorded when incurred.

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.

CASSADAGA VALLEY CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Measurement Focus and Basis of Accounting (continued)

General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

E. Cash and Cash Equivalents

For financial statement purposes, all highly liquid investments of three months or less are considered as cash equivalents. New York State law governs the District's investment policies. Resources must be deposited in 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.

F. Inventory

Inventories of food in the School Food Service Fund are recorded at cost on a first-in, first-out basis or in the case of surplus food, at stated value which approximates market. Purchases of inventoriable items in other funds are recorded as expenditures at the time of purchase.

G. Capital Assets

Capital assets are reported at actual cost for acquisitions subsequent to July 1, 2002. For assets acquired prior to July 1, 2002, estimated historical costs, based on appraisals conducted by independent third-party professionals was used. Donated assets are reported at estimated fair market value at the time received.

Capitalization thresholds (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 as follows:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Buildings	\$ 5,000	Straight-line	40-50 years
Land improvements	5,000	Straight-line	20-30 years
Furniture and equipment	5,000	Straight-line	5-20 years
Transportation vehicles	5,000	Straight-line	8 years

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Investments

Investments are stated at current market value.

I. Due To/From Other Funds

The amounts reported on the Statement of Net Assets for due to and 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 individual fund balances at year-end is provided subsequently in these notes.

J. Deferred Outflows and 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 District has two items that qualify for reporting in this category. The first item is related to pensions reported in the district-wide Statement of Net Position. This represents the effect of the net change in the District's proportion of the collective net pension asset or liability and difference during the measurement period between the District's contributions and its proportion share of total contributions to the pension systems not included in pension expense. The second item is the District contributions to the pension systems (TRS and ERS Systems) subsequent to the measurement date.

In addition to liabilities, the statement of net position 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 that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualify for reporting in this category and is related to pensions reported in the district-wide Statement of Net Position. This represents the effect of the net change in the District's proportion of the collective net pension liability (ERS System) and difference during the measurement periods between the District's contributions and its proportion share of total contributions to the pension systems not included in pension expense.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K. Compensated Absences

Sick leave and Retirement Incentive Pay - certain of the District's employee groups have negotiated retirement incentive benefits payable based on accumulated unused sick days. Generally the employee must have accumulated minimum years of service with the District and must be eligible for retirement under the provisions of either the teacher or employee retirement systems.

L. Unearned Revenue

Unearned revenue is reported on the District's combined balance sheet. Unearned revenue arises when potential revenue does not meet both the measurable and available criteria for recognition in the current period. Unearned revenue also arises when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both recognition criteria are met, or when the District has legal claim to the resources, the liability for unearned revenue is removed and revenue is recognized. Unearned revenues recorded in the governmental funds are not recorded in the District-wide statements.

M. Post-Employment Benefits

In addition to the retirement benefits described in Note 3V, the District provides post-employment health insurance coverage to its retired employees and their survivors in accordance with the provisions of the employment contracts negotiated between the School District and its employee groups.

N. Fund Equity

1. Governmental Funds

The Governmental Accounting Standards Board (GASB) has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). This Statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes

GASB 54 requires the fund balance amounts to be reported within one of the fund balance categories listed below:

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

N. Fund Equity (continued)

1. Governmental Funds (continued)

A. Nonspendable

Fund balance associated with assets that are inherently nonspendable in the current period because of their form or because they must be maintained intact, including inventories, prepaids, long-term loans and notes receivable, and property held for relate (unless the proceeds are restricted, committed, or assigned). Nonspendable Fund Balance includes the following category:

1. Inventory Reserve

This reserve is used to limit the investment in inventory and to restrict that portion of fund balance which is unavailable for appropriation. This reserve is accounted for in the School Food Service Fund.

B. Restricted

Fund balance amounts that can be spent only for specific purposes stipulated by constitutional, external resource providers including creditors, grantors, contributors, etc., or through enabling legislation. Restricted Fund Balance includes the following categories:

1. Unemployment Reserve

This reserve is used to accumulate funds to pay the cost of reimbursement to the New York State Unemployment Insurance Fund for payments made to claimants. 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 be either transferred to another reserve or the excess applied to the appropriations next succeeding fiscal year's budget. If the District elects to convert to tax 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 recorded in the General Fund.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

N. Fund Equity (continued)

1. Governmental Funds (continued)

B. Restricted (continued)

2. Reserve for Retirement

The purpose of this reserve is to reserve funds to finance the cost of future retirement contributions. This reserve fund may be established by a majority vote of the board of education. This reserve is recorded in the General Fund.

3. Reserve for Employee Benefits

The purpose of this reserve is to reserve funds for the payment of any accrued employee benefit due an employee upon termination of service. This reserve fund may be established by a majority vote of the board of education and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated. This reserve is accounted for in the General Fund.

4. Insurance Reserve

This reserve is used to pay liability, casualty and other types of losses, except losses incurred for which the following types of insurance may be purchased: life, accident, health, annuities, fidelity and surety, credit, title residual value and mortgage guarantee. In addition, this reserve may not be used for any purpose for which a special reserve may be established pursuant to law. The reserve may be established by board action, and funded by budgetary appropriations, or such other funds as may be legally appropriated. This reserve is accounted for in the General Fund.

5. Debt Service Reserve

This reserve is used to account for proceeds from the sale of property that was financed by obligations still outstanding, interest and earnings on outstanding obligations, and remaining bond proceeds not to be utilized for the intended purpose. These reserves are accounted for in the Debt Service Fund.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

N. Fund Equity (continued)

1. Governmental Funds (continued)

B. Restricted (continued)

6. Capital Reserve

These reserves are used to accumulate funds to finance all or a portion of future capital projects and bus purchases for which bonds may be issued. Voter authorization is required for both the establishment of the reserves and payments from the reserves. These reserves are accounted for in the General Fund.

7. Endowment Scholarships Reserve

This reserve is used to account for endowments, scholarships and other funds held in trust by the School District. These monies and earnings must be used for the specific purpose of the original contribution.

C. Committed

Fund balance amounts that can be used only for specific purposes determined by a formal action of the District's Board of Education, which is the District's highest level of decision-making authority. The District did not have any committed fund balance as of June 30, 2016.

D. Assigned

Fund balance intended to be used by the District for specific purposes but does not meet the criteria to be restricted or committed. Along with the District's Board of Education, the Business Manager and Treasurer has been authorized to assign fund balance amounts for specific purposes through the establishment of an encumbrance.

1. Appropriated Fund Equity

General Fund - The amount of \$154,045 has been designated as the amount estimated to be appropriated to reduce taxes for the year ending June 30, 2017 as allowed by Section 1318 of the Real Property Tax Law.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

N. Fund Equity (continued)

1. Governmental Funds (continued)

D. Assigned (continued)

2. Encumbrance Accounting

Encumbrance accounting, under which purchase orders, contracts, and other commitments of the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is used in the General Fund, Special Revenue Funds, and Capital Projects Fund. If resources have already been restricted or committed for encumbrances, the encumbered amounts will be included with restricted or committed resources. If resources have not already been restricted or committed, amounts encumbered are considered assigned for the purpose of the expected expenditure. The District had reserve for encumbrances as of June 30, 2016 in the amount of \$-.

E. Unassigned

The residual classification of the general fund and includes all spendable amounts not contained in the other classifications.

2. Government-wide financial statements

A. Net Investment in Capital Assets

This designation of net position is used to accumulate the capital asset balance in the statement of net assets less accumulated depreciation and outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

B. Restricted

This category represents amounts that can be spent only for specific purposes stipulated by constitutional, external resource providers including creditors, grantors, contributors, etc., or through enabling legislation.

C. Unrestricted

This category represents net position of the District not restricted for any other purpose.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

N. Fund Equity (continued)

3. Order of Fund Balance Spending Policy

When more than one classification of fund balance of the District are eligible to be utilized for an expenditure of the District, the order in which the fund balance classifications will be utilized will be as follows:

- a. Restricted fund balance for which action has been taken by the Board of Education, a designated school official, or by the voters of the District, specifically designating funds to the expenditure;
- b. Committed fund balance for which action has been taken by the Board of Education, a designated school official, or by the voters of the District, specifically designating funds to the expenditure;
- c. Assigned fund balance created specifically for the expenditure (encumbered fund balance);
- d. Assigned fund balance within funds other than the General Fund of the District to which the expenditure relates;
- e. Unassigned fund balance.

O. Budgetary Procedures and Budgetary Accounting

1. Budget Policies

The budget policies are as follows:

- a) The School District administration prepares a proposed budget for approval by the Board of Education for the General Fund and the School Food Service Fund.
- b) The proposed appropriations budget is approved by the voters within the District.
- c) Appropriations are adopted at the program level.

CASSADAGA VALLEY CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

Page 24

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

O. Budgetary Procedures and Budgetary Accounting (continued)

1. Budget Policies (continued)

- d) Appropriations established by adoption of the budget constitute a limitation on expenditures and encumbrances which may be incurred. Appropriations lapse at the fiscal year end. Supplemental appropriations may occur subject to legal restrictions, if the Board of Education approves them because of a need which exists which was not determined at the time the budget was adopted. A supplemental appropriation in the amount of \$800,000 was made during the year ended June 30, 2016 related to the transfer of the capital reserve to the capital projects fund as approved by the voters.

During the year ended June 30, 2016, no transfers from general fund reserves to the general fund unappropriated fund equity were approved by the Board of Education.

2. Budget Basis for Accounting

Budgets are adopted annually on a basis consistent with the fund financial statements and the modified accrual basis of accounting. Appropriations authorized for the current year are increased by the amount of encumbrances carried forward from the prior year.

The budget and actual comparison for the Food Service Fund reflects budgeted and actual amounts for funds with legally authorized (appropriated) budgets.

Budgetary controls for the special revenue (other than School Food Service Fund) and capital funds are established in accordance with the applicable grant agreement or authorized project limit which may cover a period other than the District's fiscal year. Consequently, the budgets for such funds have been excluded from the combined schedule of revenue, Expenditures and changes in fund equity - budget and actual.

P. Property Taxes

1. Calendar

Real property taxes are levied annually by the Board of Education no later than September 1 and become a lien on October 31.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

P. Property Taxes (continued)

2. Enforcement

Uncollected real property taxes are subsequently enforced by the Counties, in which the School District is located. An amount representing uncollected real property taxes transmitted to the County for enforcement is paid by the County to the School District no later than the forthcoming April 1.

Q. Interfund Transfers

The operations of the School District give rise to certain transactions between funds, including transfers to provide services and construct assets.

R. Deferred Compensation Plan

Cassadaga Valley Central School District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 403(b) - Tax Sheltered Annuities (TSA). The plan is available to all school employees and permits them to defer taxation on a portion of their salary until future years. The deferred portion is withheld by the District and disbursed to the employees' TSA plan administrator. The TSA plans are owned by the individuals and held in trust by the plan administrator. The School District has a fiduciary responsibility for funds withheld and remittance to trustees.

S. Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported revenues and expenses.

T. Reclassifications

Certain prior year amounts have been reclassified to conform with current year presentations.

**CASSADAGA VALLEY CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

Page 25

**NOTE 2 - EXPLANATION OF CERTAIN 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 focus of the Statement of Activities, compared with the current financial resources focus of the governmental funds.

A. Total Fund Balances of Governmental Funds vs. Net Position of Governmental Activities

Total fund balances of the District's governmental funds differs 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.

B. Statement of Revenues, Expenditures and Changes in Fund Balance vs. 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 three broad categories. The amounts shown below represent:

**NOTE 2 - EXPLANATION OF CERTAIN DIFFERENCES
BETWEEN GOVERNMENTAL FUND STATEMENTS
AND DISTRICT-WIDE STATEMENTS (continued)**

B. Statement of Revenues, Expenditures and Changes in Fund Balance vs. Statement of Activities (continued)

1. Long-term Revenue 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.

2. 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.

3. 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 Assets.

**CASSADAGA VALLEY CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

NOTE 3 - DETAIL NOTES ON ALL FUNDS

I. Cash

The *Cassadaga Valley Central School District's* investment policies are governed by State statutes. School District monies must be deposited in FDIC-insured commercial banks or trust companies located within the State. The District treasurer is authorized to use demand accounts and certificates of deposits. Permissible investments include obligations of the U.S. Treasury and U.S. 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 Federal Deposit Insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the state and its municipalities and School Districts.

Custodial credit risk is the risk that in the event of a bank failure the District's deposits may not be returned to it. While the District does not have a specific policy with regards to custodial credit risk, New York State statutes govern the District's investment policies and as of June 30, 2016, the District's bank deposits were fully collateralized.

A. Deposits

Deposits are valued at cost or cost plus interest and are categorized as either:

- (1) Insured through the Federal Deposit Insurance Corporation or collateralized with securities held by the entity or by its agent in the entity's name;
- (2) Collateralized with securities held by the pledging financial institution's trust department or agency in the entity's name; or
- (3) Uncollateralized

Total financial institution (bank) balances at June 30, 2016 per the bank were approximately \$6,305,000. Deposits are categorized as follows:

<u>Category 1</u>	<u>Category 2</u>	<u>Carrying Value</u>
\$ 250,000	\$ 6,055,000	\$ 6,305,000

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

II. Interfund Transactions

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

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 593,939	\$ 97,444
Food Service Fund	6,480	84,181
Special Aid Fund	62,375	330,801
Debt Service Fund	9,614	19,797
Capital Projects Fund	21,797	9,614
Private Purpose Trust	149	-
Agency Fund	2,897	155,414
Total	<u>\$ 697,251</u>	<u>\$ 697,251</u>

The District had interfund transfers during the year ended June 30, 2016 as follows.

	<u>Interfund Revenue</u>	<u>Interfund Expenditures</u>
General Fund	\$ -	\$ 900,140
Capital Projects Fund	900,140	-
Total	<u>\$ 900,140</u>	<u>\$ 900,140</u>

The interfund transfer to the from the general fund to the capital project fund was related to transferring \$800,140 from the capital reserve, including interest of \$140 and financing the capital outlay project in the amount of \$100,000.

III. Receivables

Receivables at June 30, 2016 consisted of the following, which are stated at net realizable value. District management has deemed the amounts to be fully collectible.

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
School Food Service	State and Federal Aid	\$ 18,316
Special Aid	State and Federal Aid	234,500
General	State and Federal Aid	218,123
	Due from Other	
General	Governments	546,488
		<u>\$ 1,017,427</u>

**CASSADAGA VALLEY CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

IV. Capital Assets

Capital asset balances and activity for the year ended June 30, 2016 were as follows:

	Beginning Balance 06/30/15	Net Change	Ending Balance 06/30/16
Governmental activities:			
Capital assets that are not depreciated:			
Land	\$ 352,700	\$ -	\$ 352,700
Construction-in-Progress	-	-	-
Capital assets that are depreciated:			
Buildings and improvements	26,248,627	(3,784,425)	22,464,202
Furniture and equipment	3,510,468	282,519	3,792,987
Total depreciable historical cost	30,111,795	\$ (3,501,906)	26,609,889
Less accumulated depreciation:			
Buildings and improvements	12,254,016	(1,433,894)	10,820,122
Furniture and equipment	2,452,468	(151,079)	2,301,389
Total accumulated depreciation	14,706,484	\$ (1,584,973)	13,121,511
Total net book value	<u>\$15,405,311</u>		<u>\$ 13,488,378</u>

Depreciation expense was charged to governmental functions as follows:

General support	\$ 110,127
Instruction	577,947
Pupil transportation	277,713
	<u>\$ 965,787</u>

During the current year, the District had capital additions in the amount of \$798,051.

V. Liabilities

A. Pension Plans

1. General Information

The *Cassadaga Valley Central School District* participates in the New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement System (TRS). These are cost-sharing multiple employer, public employee retirement systems. The Systems offer a wide range of plans and benefits which are related to years of service and final average salary, vesting of retirement benefits, death, and disability.

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

V. Liabilities (continued)

A. Pension Plans (continued)

2. Plan Descriptions

a. Teachers' Retirement System (ERS)

The NYS TRS is administered by the New York State Teachers' Retirement Board. The System provides benefits to plan members and beneficiaries as authorized by the Education Law and the Retirement and Social Security Law of the State of New York. The NYS TRS issues a publicly available financial report that contains financial statements and required supplementary information for the System. The report may be obtained by writing to the New York State Teachers' Retirement System, 10 Corporate Woods Drive, Albany, NY 12211-2395.

b. Employees' Retirement System (ERS)

The New York State and Local Employees' Retirement System provides retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). The System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Retirement System, Gov. Alfred E. Smith State Office Building, Albany, NY 12244.

3. Funding Policies

The Systems are noncontributory except for employees who joined the Systems after July 27, 1976. Employees who joined the Teachers' Retirement System after 1976, who have less than ten years of service are required to contribute 3% of their salary. Employers are required to contribute at an actuarially determined rate, currently at 13.26%, of the annual covered payroll for the fiscal year ended June 30, 2016. Rates applicable to the fiscal years ended June 30, 2015 and 2014 were 17.53% and 16.25%, respectively. For the New York State and Local Employees' Retirement System, the Comptroller shall certify annually the rates expressed as proportions of members' payroll, which shall be used in computing the contributions required to be made by employers to the pension accumulation fund.

**CASSADAGA VALLEY CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

V. Liabilities (continued)

A. Pension Plans (continued)

3. Funding Policies

Pursuant to Article 11 of the Education Law, rates are established annually for TRS by the New York State Teachers' Retirement Board.

The School District is required to contribute at an actuarially determined rate. The required and actual contributions for the current year and two preceding years were:

Year	TRS	ERS
2016	\$ 979,000	\$ 342,000
2015	1,301,000	362,000
2014	1,184,000	451,000

The School District contributions made to the Systems were equal to 100% of the contributions required for each year.

Since 1989, the TRS' billings have been based on Chapter 62 of the Laws of 1989 of the State of New York. This legislation requires participating employers to make payments on a current basis.

Over the years, State Legislature authorized local governments to make available retirement incentive programs to qualifying employees. The District had no expenditures incurred or liability accrued related to the retirement incentive liabilities as of and for the year ended June 30, 2016.

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

V. Liabilities (continued)

A. Pension Plans (continued)

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

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

	ERS 3/31/16	TRS 6/30/15
Actuarial valuation date		
Net pension asset/(liability)	\$ (1,204,412)	\$ 4,938,326
District's portion of the Plan's total net pension asset/(liability)	.0075040%	.047977%

For the year ended June 30, 2015, the District's recognized pension expense of \$454,705 for ERS and the actuarial value (\$327,296) for TRS. At June 30, 2016 the District's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	ERS	TRS	ERS	TRS
Differences between expected and actual experience	\$ 6,086	\$ -	\$ 142,763	\$ 138,109
Changes of assumptions	321,180	-	-	-
Net difference between projected and actual earnings on pension plan investments	714,524	-	-	1,575,256
Changes in proportion and differences between the Districts contributions and proportionate share of contributions	94,792	18,094	-	-
District's contributions subsequent to the measurement date	85,402	978,743	-	-
Total	\$ 1,221,984	\$ 996,837	\$ 142,763	\$ 1,713,365

CASSADAGA VALLEY CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

V. Liabilities (continued)

A. Pension Plans (continued)

4. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

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

	ERS		TRS	
Year ended:				
2017	\$	337,850	\$	345,653
2018		252,448		(633,090)
2019		252,448		(633,090)
2020		236,475		264,245
2021		-		(14,942)
Thereafter		-		(45,304)

5. Actuarial Assumptions

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

Significant actuarial assumptions used in the valuations were as follows:

	ERS	TRS
Measurement date	3/31/16	6/30/15
Actuarial valuation date	4/1/15	6/30/14
Interest rate	7%	8%
Salary scale	3.8% average 4/1/10 – 3/31/15	4.01% - 10.91% 7/1/05 – 6/30/10
Decrement tables	System's Experience	System's Experience
Inflation rate	2.5%	3%

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

V. Liabilities (continued)

A. Pension Plans (continued)

5. Actuarial Assumptions (continued)

For ERS, annuitant mortality rates are based on April 1, 2010 – March 31, 2015 System's experience with adjustments for mortality improvements based on MP-2014. For TRS, annuitant mortality rates are based on member experience with adjustments for mortality improvements based on Society of Actuaries Scale AA.

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

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

Measurement date	3/31/15	6/30/14
Asset Type:		
Domestic Equity	38%	37%
International Equity	13%	18%
Private Equity	10%	-%
Real Estate	8%	10%
Other investments	9%	7%
Domestic fixed income securities	-%	17%
Global fixed income securities	-%	2%
Bonds and Mortgages	18%	8%
Cash and short-term	2%	1%
Inflation-indexed bond funds	2%	-%
Total:	100%	100%

**CASSADAGA VALLEY CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

V. Liabilities (continued)

A. Pension Plans (continued)

6. Discount Rate

The discount rate used to calculate the total pension liability was 7% for ERS and 8% for TRS. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the Systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

7. Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7% for ERS and 8% for TRS, as well as what the District's proportionate share of the net pension asset/(liability) would be if it were calculated using a discount rate that is 1- percentage point lower (6% for ERS and 7% for TRS) or 1-percentage point higher (8% for ERS and 9% for TRS) than the current rate:

	1% Decrease (6%)	Current Assumption (7%)	1% Increase (8%)
ERS			
Employer's proportionate share of the net pension asset (liability)	\$ (2,715,862)	\$ (1,204,412)	\$ 72,698

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

V. Liabilities (continued)

A. Pension Plans (continued)

7. Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption (continued)

	1% Decrease (7%)	Current Assumption (8%)	1% Increase (9%)
TRS			
Employer's proportionate share of the net pension asset (liability)	\$ (339,927)	\$ 4,983,326	\$ 9,522,943

8. Pension Plan Fiduciary Net Position

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

	ERS 3/31/16	TRS 6/30/15
Valuation date		
Employers' total pension liability	\$ 172,303,544	\$ 99,332,104
Plan Net Position	\$ 156,252,265	\$ 109,718,917
Employers' net pension asset/(liability)	\$ (16,050,279)	\$ 10,386,813
Ratio of plan net position to be Employers' total pension asset/(liability)	90.7%	110.46%

9. Payables to the Pension Plan

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31st. Accrued retirement contributions as of June 30, 2016 represent the projected employer contribution for the period of April 1, 2016 through June 30, 2016 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2016 amounted to \$85,402.

For TRS, employer and employee contributions for the fiscal year ended June 30, 2016 are paid to the System in September, October and November 2016 through a state aid intercept. Accrued retirement contributions as of June 30, 2016 represent employee and employer contributions for the fiscal year ended June 30, 2015 based on paid TRS wages multiplied by the employer's contribution rate, by tier and employee contributions for the fiscal year as reported to the TRS System. Accrued retirement contributions as of June 30, 2016 amounted to \$1,002,114 (\$978,743 employer contribution and \$23,371 employee contribution).

CASSADAGA VALLEY CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

V. Liabilities (continued)

A. Pension Plans (continued)

10. Restatement of the Net Position

For the fiscal year ended June 30, 2015, the District implemented GASB Statement No. 68 *Accounting and Financial Reporting for Pensions – Amendment to GASB Statement No. 27*. The implementation of Statement No. 68 resulted in the reporting of an asset, deferred outflow of resources, liability and deferred inflow of resources related to the District's participation in the New York State Teachers' and Employees' retirement systems. The District's net position has been restated as follow

Net position beginning of year, as previously stated	\$ 10,163,868
GASB Statement No. 68 implementation	
Beginning System asset - Teachers' Retirement System	337,326
Beginning System liability - Employees' Retirement System	(320,529)
Beginning deferred outflow of resources for contributions subsequent to the measurement date	
Teachers' Retirement System	1,152,625
Employees' Retirement System	95,000
Total prior period adjustment	1,264,422
Net position beginning of year, as restated	\$ 11,428,290

B. Other Post-Employment Benefits

Plan Description

The District maintains a single-employer defined benefit healthcare plan (the Plan). The Plan provides medical and vision insurance benefits to eligible retirees and their spouses. Benefit provisions are based on bargaining agreements as negotiated from time to time. The Plan does not issue a publicly available financial report. Eligibility for the Plan is established by the District and specified in the District's employment contracts.

Funding Policy

The required contribution is based on projected pay-as-you-go financing requirements, with no current funding of actuarially determined liabilities.

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

V. Liabilities (continued)

B. Other Post-Employment Benefits (continued)

Plan Description

The District maintains a single-employer defined benefit healthcare plan (the Plan). The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Benefit provisions are based on bargaining agreements as negotiated from time to time. The Plan does not issue a publicly available financial report. Eligibility for the Plan is established by the District and specified in the District's employment contracts.

Funding Policy

The required contribution is based on projected pay-as-you-go financing requirements, with no current funding of actuarially determined liabilities.

Annual OPEB Cost and Net OPEB Obligation

The District's annual other post-employment benefit (OPEB) expense is calculated based on the annual required contribution of the District (ARC), an amount actuarially determined in accordance with GASB 45. The ARC represents a level funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and to amortize unfunded actuarial liabilities not to exceed thirty years.

The following table summarizes the District's annual OPEB cost as of 2016 the amount actually contributed to the Plan, and changes in the District's net OPEB obligation:

Normal Cost	\$ 156,479
Amortization of unfunded actuarial accrued liability	872,649
Interest adjustment	36,548
Annual required contribution adjustment	(37,848)
OPEB cost (expense)	1,027,828
Contributions made	(700,000)
Increase in net OPEB obligation	327,828
Net OPEB obligation – beginning of year	1,210,886
Net OPEB obligation-end of year	\$ 1,538,714

CASSADAGA VALLEY CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

V. Liabilities (continued)

B. Other Post-Employment Benefits (continued)

Annual OPEB Cost and Net OPEB Obligation (continued)

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

Fiscal Year Ended	Annual OPEB Cost	Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/16	\$ 1,027,828	68.10%	\$ 1,538,714
6/30/15	1,027,828	71.09%	1,210,886
6/30/14	914,214	82.04%	913,692

Funding Status and Funding Progress

As of June 30, 2016, the actuarial accrued liability for benefits was \$21,169,036, all of which was unfunded. The covered payroll (annual payroll of active employees covered under the plan) was \$7,499,922 and the ratio of unfunded actuarial liability to the covered payroll was 282.26%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual ARC of the District are subject to continual revision as actual results compared with past expectations and new estimates are made about the future. The schedule of funding progress presents multi-year trend information that shows whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities of benefits.

Actuarial Methods and Assumptions

Projection of benefits for financial reporting purposes are based on the Plan as understood by the District and Plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the District and Plan members. The actuarial methods and assumptions used included techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. Valuation assumptions are as follows:

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

V. Liabilities (continued)

B. Other Post-Employment Benefits (continued)

Actuarial Methods and Assumptions (continued)

Teacher Retirement rates – based on the 2014 New York State Teachers Retirement System retirement rates; separate for males and females.

Marital status – N/A; future spouses are not eligible for District paid benefits.

Mortality – based on the 2014 New York State Teachers Retirement System retirement rates; separate for males and females.

Termination rates – 2003 Society of Actuaries small plan withdrawal, scaled 50% for teachers, unscaled for non-teachers.

Healthcare cost trend rate – The short term trend rates were based on the National Health Expenditure Projections 2006-2022 and reflect the impact of legislative changes in 2014 and future years. Long term trend rates were developed using the Society of Actuaries Getzen Long Term Healthcare Cost Trend Resource Model (updated November 2012).

Plan costs – All active and retired employees are assumed to continue their current coverage.

Interest rate – 4.0%

Salary scale – 3.0%

Inflation rate – 2.5%

Amortization - The unfunded actuarial accrued liability is being amortized as a level percent of pay on an open basis over thirty years.

**CASSADAGA VALLEY CENTRAL SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2016**

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

V. Liabilities (continued)

C. Indebtedness

1. Short-Term Debt

a. Bond Anticipation Notes

The District may issue Bond Anticipation Notes, in anticipation of proceeds from the subsequent sale of bonds. These notes are recorded as current liabilities of the funds that will actually receive the proceeds from the issuance of bonds.

State law requires that bond anticipation notes issued for capital purposes be converted to long-term financing within five years after the original issue date.

On June 18, 2015, the District issued a bond anticipation note in the amount of \$871,331 related to transportation vehicles. This note carried an interest rate of 0.99% and matured on June 17, 2016. On June 16, 2016, the District issued a bond anticipation note in the amount of \$950,972 related to transportation vehicles. This note carries an interest rate of 2.0% and matures on June 16, 2017. Proceeds from the note were utilized to pay down the bond anticipation note that matured in the amount of \$624,954 (\$246,377 redeemed from appropriations) and \$328,018 to finance the purchase of buses.

b. Short-Term Debt Interest

The District had \$8,602 of interest on short-term debt for the year ended June 30, 2016.

2. Long-Term Debt

a. Debt Limit

At June 30, 2016, the total indebtedness represents approximately 25% of its debt limit.

b. Serial Bonds

The District borrows money in order to acquire or construct buildings and improvements. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of capital assets.

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

V. Liabilities (continued)

C. Indebtedness (continued)

2. Long-Term Debt (continued)

c. Changes

The changes in the School District's indebtedness during the year ended June 30, 2016 are summarized as follows:

	Balance June 30, 2016	Balance June 30, 2015	Amounts Due Within One Year
Serial Bonds	\$ 6,243,174	\$ 6,645,000	\$ 680,000
Other Post-employment Benefits	1,538,714	1,210,886	-
Net Pension Liability	1,204,412	239,624	-
Compensated Absences	516,526	567,715	84,620
	<u>\$ 9,502,826</u>	<u>\$ 8,663,225</u>	<u>\$ 764,620</u>

The District made principal payments on serial bonds in the amount of \$635,000. In addition, during the year the District refunded some of its bonds. The net pension liability to the New York State Employees' Retirement System increased \$964,588 during the current year. The net change in compensated absences was a decrease of \$51,189, whereas the change in other post-employment benefit liability from the prior year was an increase of \$327,828.

**CASSADAGA VALLEY CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

V. Liabilities (continued)

C. Indebtedness (continued)

2. Long-Term Debt (continued)

d. Maturity

1. The following is a summary of maturity of serial bonds indebtedness on June 30, 2016.

Description of Issue	Outstanding June 30, 2016
<u>Serial Bonds:</u>	
Building reconstruction bonds, issued August 1, 2014 with maturity date of August 1, 2029; bonds carry interest at 2.00%-3.50%.	\$ 835,000
Building reconstruction bonds, issued June 15, 2010 with original maturity date of June 15, 2017; bonds carry interest at 3.25%. Portion of 2010 bonds were refunded in 2016.	615,000
Refunded bonds, issued June 22, 2016 with maturity date of June 15, 2024; bonds carry interest yield at .75% - 1.55%. Plus: unamortized premium	4,570,000 223,174
	<u>\$ 6,243,174</u>

2. The following is a summary of maturing debt service requirements for serial bonds.

Year	Serial Bonds – 2016	
	Principal	Interest
2017	\$ 10,000	\$ 116,049
2018	650,000	118,150
2019	680,000	98,650
2020	705,000	71,450
2021	725,000	50,500
2022-2024	1,800,000	63,700
Total	<u>\$ 4,570,000</u>	<u>\$ 518,499</u>

Year	Serial Bonds – 2014	
	Principal	Interest
2017	\$ 55,000	\$ 22,119
2018	55,000	21,019
2019	55,000	19,884
2020	55,000	18,716
2021	55,000	17,478
2022-2026	315,000	63,754
2027-2029	245,000	14,746
Total	<u>\$ 835,000</u>	<u>\$ 177,716</u>

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

V. Liabilities (continued)

C. Indebtedness (continued)

2. Long-Term Debt (continued)

d. Maturity

Year	Serial Bonds – 2010	
	Principal	Interest
2017	\$ 615,000	\$ 183,812
Total	<u>\$ 615,000</u>	<u>\$ 183,812</u>

e. Long-Term Debt Interest

Interest expense on long-term debt amounted to \$237,950 for the year ended June 30, 2016.

3. Advanced Refunding of Long-Term Debt

On June 15, 2016, the District issued general obligation bond series 2016 of \$4,570,000 (par value) with an interest rate of .75% to 1.55% to refund a portion of general obligation bonds originally issued in 2010 (\$4,560,000 of \$5,175,000) with interest rates ranging from 2.5% to 4.00%. The net proceeds of \$4,695,152 (after a premium of \$223,174 and discounts, bond issuance costs and additional cash of \$98,022) were used to purchase government securities which will be applied against the 2010 bonds when they become callable. Those securities were deposited into an irrevocable trust with an escrow agent to provide for all future debt service payments of the bonds.

As a result of a difference between the carrying value of the refunded debt and reacquisition price of the new debt, a deferred outflows of resources in the amount of \$135,172 was recognized which will be amortized through June 30, 2017.

4. Refunding of Long-Term Debt

In prior years, the District defeased other general obligations and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for future debt service payments on the old bonds. Accordingly, the trust account assets and liability for the defeased bonds are not included in the District's financial statements.

**CASSADAGA VALLEY CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

V. Liabilities (continued)

C. Indebtedness (continued)

5. Premiums, Debt Issuance Costs and Amortization

Net premiums resulting from bond and other debt refinancing are being amortized over the life of the relating debt using the interest method. These premiums are accordingly included in the outstanding principal balances for the bonds. Debt issuance costs related to the bonds were expensed in accordance with GASB 65.

VI. Fund Equity

A. Classification

The District's fund equity is comprised of various components as follows:

Category / Fund	Description	Balance June 30, 2016
Nonspendable:		
Food Service	Inventory	\$ 4,615
Restricted:		
General	Employee benefits accrued liability reserve	\$ 933,534
	Unemployment reserve	185,809
	Reserve for retirement system credits	1,106,481
		<u>\$ 2,225,824</u>
Trust and Agency	Endowment scholarships reserve	\$ 41,542
Debt Service	Debt service reserve	\$ 14,795
Assigned:		
General	Appropriated fund balance	\$ 154,045
	Reserve for encumbrances	-
		<u>\$ 154,045</u>

B. District-wide Net Position

Net position of the District include restricted net assets of \$2,240,619 which represent restricted amounts in the general and debt service funds as presented above.

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

VI. Fund Equity (continued)

C. Deficit Fund Balances

The District's capital project fund had an accumulated deficit in the amount of \$50,774 as of June 30, 2016. It is not uncommon for school districts to have deficit fund balances in the capital project funds as a result of short-term debt being recorded as liabilities until they are converted to long-term debt (serial bonds) or redeemed at which time such proceeds are recorded as other financing sources revenue.

As of June 30, 2016, the District had an accumulated deficit in the amount of \$52,981 in the food service fund resulting from losses from operations. Management is currently reviewing options to alleviate this deficit.

D. Assigned – Appropriated Fund Balance

General Fund - The amount of \$154,045 has been designated as the amount estimated to be appropriated to reduce taxes for the year ending June 30, 2017 as allowed by Section 1318 of the Real Property Tax Law.

VII. Commitments and Contingencies

A. Risk Financing and Related Insurance

1. General Information

The *Cassadaga Valley Central School District* is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; natural disasters, etc. 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.

2. Risk Sharing Pools

For its employee health and accident coverage, *Cassadaga Valley Central School District* is a participant in the Chautauqua County School District Medical Plan, a public entity risk pool operated for the benefit of 18 individual governmental units located within Chautauqua County. The School District pays monthly premiums to the Plan for this health coverage.

The Plan is authorized to assess supplemental premiums to the participating districts. The Plan provides coverage for its members up to \$150,000 per insured event. The Medical Plan obtains independent coverage for insured events in excess of this amount, and the District has essentially transferred all related risk to the pool.

**CASSADAGA VALLEY CENTRAL SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2016**

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

VII. Commitments and Contingencies (continued)

A. Risk Financing and Related Insurance (continued)

The *Cassadaga Valley Central School District* also participates in Erie #2 Area Schools Self Funded Workers' Compensation Plan a risk-sharing pool to insure Workers' Compensation claims. This is a public entity risk pool created under Article 5, Workers' Compensation Law, to finance liability and risks related to Workers' Compensation claims. The Erie #2 Area Self Funded Workers' Compensation Plan is considered a self-sustaining risk pool that will provide coverage for insured events in excess of the \$250,000 limit and the District has essentially transferred all related risk to the Plan.

The Plan has a liability for unbilled and open claims, for which the District has not made a provision for its share of the liability. Administrators of the Plan have indicated that the Plan's reserves are believed to be in excess of estimated unbilled and open claims.

B. Federal and State Grants

The District has received grants reported in the special aid fund which are subject to audit by agencies of the state and federal government. Such audits may result in disallowances and a request for a return of funds. Based on past audits and no known significant areas of non-compliance, the District believes disallowances, if any, will not be material.

NOTE 4 - COMPENSATED ABSENCES

The District does not accrue a liability for accumulating, nonvesting sick leave, since payment is based on an uncontrollable future event (sickness). In accordance with the provisions of Governmental Accounting Standards Board Statement No. 16, the value of accumulating, nonvesting sick leave is considered a contingent liability.

NOTE 5 - DONOR RESTRICTED ENDOWMENTS

The District administers endowment funds, which are restricted by the donor for the purposes of scholarships. Donor restricted endowments are invested in interest bearing accounts and the amount of interest earned on donor-restricted endowments that is available for authorization for expenditure is paid out annually in the form of a scholarship. The District authorizes scholarship expenditures from donor-restricted endowments in compliance with the wishes expressed by the donor, which varies among the unique endowments administered by the District.

NOTE 6 – PRIOR PERIOD ADJUSTMENTS

For the fiscal year ended June 30, 2015, the District implemented GASB Statement No. 68 *Accounting and Financial Reporting for Pensions – Amendment to GASB Statement No. 27*. The implementation of Statement No. 68 resulted in the reporting of an asset, deferred outflow of resources, liability and deferred inflow of resources related to the District's participation in the New York State Teachers' and Employees' retirement systems. The District's net position has been restated as follow

Net position beginning of year, as previously stated	\$ 10,163,868
GASB Statement No. 68 implementation	
Beginning System asset - Teachers' Retirement System	337,326
Beginning System liability - Employees' Retirement System	(320,529)
Beginning deferred outflow of resources for contributions subsequent to the measurement date	
Teachers' Retirement System	1,152,625
Employees' Retirement System	95,000
Total prior period adjustment	1,264,422
Net position beginning of year, as restated	\$ 11,428,290

NOTE 7 – SALE OF SCHOOL BUILDING

During the current year the District sold a vacated elementary school building for \$405,000 (\$379,020 net of closing costs). The sale resulted in a loss on sale in the amount of approximately \$1,360,000.

NOTE 8 – SUBSEQUENT EVENTS

Subsequent events were evaluated through September 29, 2016, which is the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

CASSADAGA VALLEY CENTRAL SCHOOL DISTRICT
COMBINING SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES
IN FUND EQUITY - BUDGET AND ACTUAL - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Original Budget	Final Budget	Current Year's Revenue	Over (Under) Revised Budget
Revenues				
Local Sources:				
Real property taxes and tax items	\$ 5,174,000	\$ 5,044,220	\$ 5,044,220	\$ -
Real property tax items	14,000	14,000	11,436	(2,564)
Charges for services	13,500	13,500	28,551	15,051
Use of money and property	3,000	3,000	699	(2,301)
Sale of property and compensation for loss	-	-	381,226	381,226
Miscellaneous	110,000	110,000	117,959	7,959
State Sources:				
Basic formula	13,540,818	13,540,818	12,759,741	(781,077)
BOCES	-	-	875,443	875,443
Sound basic aid	856,154	856,154	641,324	(214,830)
Textbooks	55,092	55,092	49,621	(5,471)
All other aid	37,080	37,080	37,418	338
Federal Sources:				
Medicaid reimbursement	99,952	99,952	67,907	(32,045)
Total revenue	19,903,596	19,773,816	20,015,545	241,729
Other Sources:				
Operating transfer in	-	-	-	-
Total revenue and other sources	19,903,596	19,773,816	<u>\$ 20,015,545</u>	<u>\$ 241,729</u>
Appropriated fund equity and carry over encumbrances	154,045	1,140,540		
Total revenue, other sources and appropriated fund equity	<u>\$ 20,057,641</u>	<u>\$ 20,914,356</u>		

	Original Budget	Final Budget	Current Year's Expenditures	Encumbrances	Unencumbered Balances
Expenditures					
General Support:					
Board of education	\$ 5,400	\$ 4,490	\$ 2,256	\$ -	\$ 2,234
Central administration	208,567	207,471	201,800	-	5,671
Finance	297,663	297,663	291,159	-	6,504
Staff	84,163	83,128	50,333	-	32,795
Central services	1,191,928	1,507,655	1,188,244	-	319,411
Special items	238,901	226,352	224,323	-	2,029
Instructional:					
Instruction, administration and improvement	593,322	595,652	569,300	-	26,352
Teaching - regular school	5,468,599	5,435,094	5,244,179	-	190,915
Programs for children with handicapping conditions	2,985,042	2,743,649	2,637,003	-	106,646
Teaching - special schools	6,000	5,908	(92)	-	6,000
Occupational education	602,194	571,620	571,620	-	-
Instructional media	512,140	664,129	635,186	-	28,943
Pupil services	846,067	844,890	748,568	-	96,322
Pupil Transportation	1,170,451	1,170,951	955,059	-	215,892
Employee Benefits	4,601,253	4,509,753	4,419,440	-	90,313
Debt Service:					
Debt service principal	881,377	881,377	881,377	-	-
Debt service interest	264,574	264,574	246,552	-	18,022
Total expenditures	<u>19,957,641</u>	<u>20,014,356</u>	<u>18,866,307</u>	-	<u>1,148,049</u>
Other Uses:					
Transfer to other funds	100,000	900,000	900,140	-	(140)
Total other uses	<u>100,000</u>	<u>900,000</u>	<u>900,140</u>	-	<u>(140)</u>
Total expenditures and other uses	<u>\$ 20,057,641</u>	<u>\$ 20,914,356</u>	<u>19,766,447</u>	<u>\$ -</u>	<u>\$ 1,147,909</u>
Excess of revenue and other sources over expenditures and other uses			<u>\$ 249,098</u>		

CASSADAGA VALLEY CENTRAL SCHOOL DISTRICT
COMBINING SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES
IN FUND EQUITY - BUDGET AND ACTUAL - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

Schedule SS1A

Page 38

	School Food Service Fund		
	Budget (Amended)	Actual	Variance Fav. (Unf.)
Revenue			
State sources	\$ 15,000	\$ 9,184	\$ (5,816)
Federal sources	266,998	253,160	(13,838)
Sales	195,279	140,602	(54,677)
Miscellaneous	-	99	99
Surplus food	-	35,598	35,598
Use of money and property	150	4	(146)
Total revenue	<u>477,427</u>	<u>438,647</u>	<u>(38,780)</u>
Expenditures			
General support	185,690	186,944	(1,254)
Employee benefits	109,187	100,346	8,841
Cost of sales	156,000	168,612	(12,612)
Other expenses	26,550	17,089	9,461
Total expenditures	<u>477,427</u>	<u>472,991</u>	<u>4,436</u>
Excess (deficiency) of revenue and other sources over expenditures and other uses	<u>\$ -</u>	<u>(34,344)</u>	<u>\$ (43,216)</u>
Fund equity (deficit), beginning of year		<u>(18,637)</u>	
Fund equity (deficit), end of year		<u>\$ (52,981)</u>	

CASSADAGA VALLEY CENTRAL SCHOOL DISTRICT
SCHEDULE OF CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET
AND THE REAL PROPERTY TAX LIMIT
FOR THE YEAR ENDED JUNE 30, 2016

Schedule SS2

Page 39

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted budget	\$ 20,057,641
Additions:	
Prior year's encumbrances	<u>56,715</u>
Original budget	20,114,356
Budget revisions:	
Supplemental appropriation - transfer from capital reserve	800,000
Final budget	<u><u>\$ 20,914,356</u></u>

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2016-17 voter-approved expenditure budget	\$ 20,173,163
Maximum allowed (4% of 2016-17 budget)	\$ 806,927
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law*:	
Unrestricted fund balance:	
Committed fund balance	\$ -
Assigned fund balance	154,045
Unassigned fund balance	<u>2,164,947</u>
Total unrestricted fund balance	<u>2,318,992</u>
Less:	
Appropriated fund balance	154,045
Insurance recovery reserve	-
Tax reduction reserve	-
Encumbrances included in committed and assigned fund balance	<u>-</u>
Total adjustments	<u>154,045</u>
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law:	<u><u>\$ 2,164,947</u></u>
Actual percentage	<u><u>10.7%</u></u>

* Per Office of State Comptroller's "Fund Balance Reporting and Governmental Type Definitions", Updated April 2011 (Originally Issued November 2010), the portion of the General Fund fund balance subject to Section 1318 of the Real Property Tax Law is: unrestricted fund balance (i.e., the total of the committed, assigned, and unassigned classifications), minus appropriated fund balance, amounts reserved for insurance recovery, amounts reserved for tax reduction, and encumbrances included in committed and assigned fund balance.

CASSADAGA VALLEY CENTRAL SCHOOL DISTRICT
SCHEDULE OF PROJECTS EXPENDITURES - CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2016

Schedule SS3

Page 40

Project Title	Original Appropriation	Revised Appropriation	Expenditures			Unexpended (Overexpended) Balance	Methods of financing				Fund Balance June 30, 2016
			Prior Years	Current Year	Total		Proceeds of Obligations	State Sources	Local Sources	Total	
Construction project	\$ 9,800,000	\$ 9,800,000	\$ 9,802,924	\$ -	\$ 9,802,924	\$ (2,924)	\$ 8,456,025	\$ 578,975	\$ 767,924	\$ 9,802,924	\$ -
Construction project - new	16,000,000	16,000,000	-	287,108	287,108	15,712,892			800,140	800,140	513,032
Capital outlay project	100,000	100,000	-	97,218	97,218	2,782			100,000	100,000	2,782
Water line	1,500,000	1,500,000	893,872	-	893,872	606,128	900,000	-	150	900,150	6,278
Transportation purchases - current year	330,000	330,000	-	-	-	330,000	326,018	-	-	326,018	326,018
Transportation purchases - prior years	1,949,840	1,949,840	1,793,517	366,235	2,159,752	(209,912)	2,082,649	-	129,191	2,211,840	52,088
	<u>\$ 29,679,840</u>	<u>\$ 29,679,840</u>	<u>\$ 12,490,313</u>	<u>\$ 750,561</u>	<u>\$ 13,240,874</u>	<u>\$ 16,438,966</u>	<u>\$ 11,764,692</u>	<u>\$ 578,975</u>	<u>\$ 1,797,405</u>	<u>\$ 14,141,072</u>	900,198
							Less: Proceeds recorded as a bond anticipation note liability				<u>(950,972)</u>
							Fund balance (deficit) as of June 30, 2016				<u>\$ (50,774)</u>

CASSADAGA VALLEY CENTRAL SCHOOL DISTRICT
BUDGET COMPARISON STATEMENT FOR STATE AND
OTHER GRANT PROGRAMS - SPECIAL AID AND FOOD SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

Schedule SS4A

Page 41

Grant Title	Grantors Project No.	Grant Period	Award/ Program Budget	Total Revenue	Total Expenditures
Summer school	N/A	15-16	\$ 35,184	\$ 35,184	\$ 35,184
Universal Pre-kindergarten	0400-16-0325	15-16	247,225	247,225	247,225
School breakfast programs	N/A	15-16	N/A	2,552	2,552
School lunch programs	N/A	15-16	N/A	6,632	6,632
			<u>\$ 282,409</u>	<u>\$ 291,593</u>	<u>\$ 291,593</u>

CASSADAGA VALLEY CENTRAL SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016

Schedule SS4B

Note 1 – Summary of Significant Accounting Policies

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the **Cassadaga Valley Central School District** and is presented on the modified accrual basis of accounting. The information in the 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). Therefore, some amounts presented in the schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

Basis of Accounting

The basis of accounting varies by Federal program consistent with underlying regulations pertaining to each program. The amounts reported as Federal expenditures generally were obtained from the appropriate Federal financial reports for the applicable program and periods. The amounts reported in these Federal financial reports are prepared from records maintained for each program, which are periodically reconciled with the District's financial reporting system.

Note 2 - Non-monetary Federal Program

The accompanying **Cassadaga Valley Central School District** is the recipient of a non-monetary federal award program. During the year ended June 30, 2016, the District reported in the Schedule of Federal Awards \$35,598 of donated commodities at fair market value received and disbursed.

Note 3 – Indirect Cost Rate

The District has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance in the current year.

CASSADAGA VALLEY CENTRAL SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016

Schedule SS4C

Page 42

Federal Program Title	Federal CFDA Number	Agency or Pass-through Number	Program or Award Amount	Revenue	Expenditures
US Department of Education:					
<i>Passed through NYS</i>					
<i>Department of Education:</i>					
Title I	84.010A	0021-16-0325	\$ 304,693	\$ 304,906	\$ 304,906
Title I, School Improvement	84.010A	0011-16-2528	45,000	9,515	9,515
Title II, Part A	84.367A	0147-16-0325	91,590	91,590	91,590
Title VI - Part B - Rural Schools	84.358B	0006-16-0325	19,420	19,420	19,420
IDEA, Part B Public Law 94-142 **	84.027A	0032-16-0098	250,913	250,913	250,913
IDEA, Pre-school Public Law 99-457 **	84.173A	0033-16-0098	8,394	8,394	8,394
Total U.S. Department of Education			720,010	684,738	684,738
US Department of Agriculture:					
<i>Passed through NYS</i>					
<i>Department of Education:</i>					
National School Lunch Program ***	10.555	N/A	N/A	204,141	204,141
National School Breakfast Program ***	10.553	N/A	N/A	49,019	49,019
Passed through NYS Office of General Services					
Noncash assistance (Donated Commodities) ***	10.555	N/A	N/A	35,598	35,598
Total U.S. Department of Agriculture				288,758	288,758
Total expenditures and revenue				\$ 973,496	\$ 973,496

** Special Education Cluster which had total revenue and expenditures of \$ 259,307

*** Child Nutrition Cluster which had total revenue and expenditures in the amount of \$ 288,758

CASSADAGA VALLEY CENTRAL SCHOOL DISTRICT
SCHEDULE OF MAJOR PROGRAMS TESTED
FOR THE YEAR ENDED JUNE 30, 2016

Schedule SS4D

Page 43

<u>Federal Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount</u>
Total expenditures of Federal Awards		<u>\$ 973,496</u>
Major Programs Tested (Type B):		
U.S. Department of Education - Title I	84.010A	<u>\$ 314,421</u>
Total major programs tested		<u>\$ 314,421</u>
% of Federal programs tested		<u>32%</u>

CASSADAGA VALLEY CENTRAL SCHOOL DISTRICT
SCHEDULE OF CERTAIN REVENUE AND EXPENDITURES
COMPARED TO ST-3 DATA – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2016

Schedule SS5

Page 44

	Account Code	ST-3 Amount	Audited Amount
Revenues			
Property taxes	A-1001	\$ 5,055,656	\$ 5,055,656
State aid	AT-3999	14,363,547	14,363,547
Federal aid	AT-4999	67,907	67,907
Interfund transfer	AT-5059	-	-
Total revenue	AT-5999	20,015,545	20,015,545
Expenditures			
General support	AT-1999	1,958,115	1,958,115
Pupil transportation	AT-5599	955,059	955,059
Debt service - principal	AT-9798.6	881,377	881,377
Debt service - interest	AT-9798.7	246,552	246,552
Total expenditures	AT-9999	\$ 19,766,447	\$ 19,766,447

CASSADAGA VALLEY CENTRAL SCHOOL DISTRICT
SCHEDULE OF THE NET INVESTMENT IN CAPITAL ASSETS
AS OF JUNE 30, 2016

Schedule SS6

Page 45

Capital Assets	\$	13,488,378
Less:		
Serial bonds		(6,243,174)
Bond anticipation notes		(950,972)
Plus:		
BAN proceeds less capital expenditures		<u>900,198</u>
Net Investment in Capital Assets	\$	<u><u>7,194,430</u></u>

CASSADAGA VALLEY CENTRAL SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability ("AAL")	Unfunded Actuarial Accrued Liability ("UAAL")	Funded Ratio	Budgeted Covered Payroll	Ratio of UAAL to Budgeted Covered Payroll
June 30, 2014	\$ -	\$ 21,169,036	\$ 21,169,036	0%	\$ 7,499,922	282.3%
June 30, 2013	\$ -	\$ 19,037,052	\$ 19,037,052	0%	\$ 8,266,871	230.3%
June 30, 2012	\$ -	\$ 17,456,606	\$ 17,456,606	0%	\$ 10,383,386	168.1%
June 30, 2011	\$ -	\$ 14,933,431	\$ 14,933,431	0%	\$ 9,799,863	152.4%

CASSADAGA VALLEY CENTRAL SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS – NYSTRS AND NYSLERS
FOR THE YEARS ENDED JUNE 30, 2013 THROUGH JUNE 30, 2016

Schedule SS8

Page 47

New York State Teachers' Retirement System

For the year ended June 30,	2016	2015	2014	2013
Contractually required contributions	\$ 978,743	\$ 1,263,363	\$ 1,152,620	\$ 888,843
Contributions in relation to the contractually required contribution	\$ (978,743)	\$ (1,263,363)	\$ (1,152,620)	\$ (888,843)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 7,381,169	\$ 7,206,863	\$ 7,093,046	\$ 7,507,120
Contributions as a percentage of District's covered-employee payroll	13.26%	17.53%	16.25%	11.84%

New York State Local Employees' Retirement System

For the year ended March 31,	2016	2015	2014	2013
Contractually required contributions	\$ 422,690	\$ 361,751	\$ 459,811	\$ 455,492
Contributions in relation to the contractually required contribution	(422,690)	(361,751)	(459,811)	(455,492)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 2,140,783	\$ 2,009,698	\$ 2,253,385	\$ 2,411,618
Contributions as a percentage of District's covered-employee payroll	19.74%	18.00%	20.41%	18.89%

CASSADAGA VALLEY CENTRAL SCHOOL DISTRICT
SCHEDULE OF DISTRICTS PROPORTIONATE SHARE OF THE
NET PENSION ASSET – NYSTRS AND PROPORTIONATE SHARE OF
NET PENSION LIABILITY – NYSLERS
FOR THE YEARS ENDED JUNE 30, 2013 THROUGH JUNE 30, 2016

Schedule SS9

Page 48

New York State Teachers' Retirement System - Net Pension Asset

As of the measurement date of June 30,	2016	2015	2014	2013
District's proportion of the net pension asset	n/a	0.047977%	0.048018%	0.051246%
District's proportionate share of the net pension asset	n/a	\$ 4,983,326	\$ 5,348,937	\$ 337,325
District's covered-employee payroll	n/a	\$ 7,206,863	\$ 7,093,046	\$ 7,507,120
District's proportionate share of the net pension asset as a percentage of its covered employee payroll	n/a	69.15%	75.41%	4.49%
Plan fiduciary net position as a percentage of the total pension liability	n/a	110.46%	111.48%	100.70%

New York State Local Employees' Retirement System - Net Pension Liability

As of the measurement date of March 31,	2016	2015	2014	2013
District's proportion of the net pension liability	0.0075040%	0.0070931%	n/a	n/a
District's proportionate share of the net pension liability	\$ 1,204,412	\$ 239,624	\$ 231,341	n/a
District's covered-employee payroll	\$ 2,140,783	\$ 2,009,698	\$ 2,253,385	n/a
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	6.51%	12.62%	17.33%	n/a
Plan fiduciary net position as a percentage of the total pension liability	90.70%	97.90%	n/a	n/a

**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"**

**To the President and
Members of the Board of Education
Cassadaga Valley Central School District
Sinclairville, New York**

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 and each major fund of *Cassadaga Valley Central School District* as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise *Cassadaga Valley Central School District's* basic financial statements and have issued our report thereon dated September 29, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered *Cassadaga 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 *Cassadaga Valley Central School District's* internal control. Accordingly, we do not express an opinion on the effectiveness of *Cassadaga 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 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given those 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. We did identify a certain deficiency in internal control as described in the accompanying schedule of findings and questioned costs, that we consider to be a significant deficiency as described in the accompanying schedule of findings and questioned costs as item II.A.2016-001.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether *Cassadaga Valley Central School District's* financial statements are free of 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 one instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings and questioned costs as item II.B.2016-002.

Cassadaga Valley Central School District's Responses to Findings

Cassadaga Valley Central School District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. *Cassadaga Valley Central School District's* responses were not subjected to auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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

Buffamante Whipple Buttafaro PC

BUFFAMANTE WHIPPLE BUTTAFARO, P.C.

**Olean, New York
September 29, 2016**

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

**To the President and
Members of the Board of Education
Cassadaga Valley Central School District**
Sinclairville, New York

Report on Compliance for Each Major Federal Program

We have audited **Cassadaga 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 **Cassadaga Valley Central School District's** major federal programs for the year ended June 30, 2016. **Cassadaga Valley Central School District's** major federal programs are identified in the Summary of Audit Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, 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 **Cassadaga 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 **Cassadaga 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. Our audit does not provide legal determination on **Cassadaga Valley Central School District's** compliance with those requirements.

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

Management of **Cassadaga 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 **Cassadaga 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 the internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the 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 award 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 the 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 the internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance and its operation that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

We noted other matters involving that we have reported to management of [Cassadaga Valley Central School District](#) in a separate letter dated September 29, 2016.

Purpose of this Report

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.

Buffamante Whipple Buttafaro PC

BUFFAMANTE WHIPPLE BUTTAFARO, P.C.

**Olean, New York
September 29, 2016**

**CASSADAGA VALLEY CENTRAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016**

I. SUMMARY OF AUDIT RESULTS

1. The independent auditor's report expresses an unqualified opinion on the financial statements of **Cassadaga Valley Central School District**.
2. One significant deficiency relating to the audit of the financial statements is reported in the Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with "Governmental Auditing Standards". This significant deficiency is described in the accompanying schedule of findings and questioned costs as item II.A.2016-001.
3. There was one instance of noncompliance material to the financial statements of **Cassadaga Valley Central School District** reported in the 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". This instance of noncompliance is reported within the accompanying schedule of findings and questioned costs as item II.B.2016-002.
4. No significant deficiencies relating to the audit of the major federal assistance programs of the **Cassadaga Valley Central School District** are reported in the Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with the Uniform Guidance.
5. The auditor's report on compliance for the major federal assistance programs for the **Cassadaga Valley Central School District** expresses an unmodified opinion.
6. Audit findings that are required to be reported in accordance with 2 CFR Section 200.516(a) are reported in this schedule.
7. The programs tested as major programs include:

Name	CFDA#	Program Type	Expenditures Amounts
Title I	84.010A	Type B	\$ 314,421
Total tested			<u>\$ 314,421</u>
Percentage of total programs tested			<u>32%</u>

8. The threshold for distinguishing between Types A and B programs was \$750,000.
9. **Cassadaga Valley Central School District** qualifies as a low-risk auditee.

**CASSADAGA VALLEY CENTRAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016**

II. FINANCIAL STATEMENTS AUDIT - FINDINGS

A. INTERNAL CONTROL OVER FINANCIAL REPORTING

Year ended June 30, 2016

2016-001 Adjusting Journal Entries and Required Disclosures to the Financial Statements

Condition and Criteria: During the current year, adjusting journal entries, along with footnote disclosures were proposed by the auditors and accepted by the District to properly reflect the financial statements in accordance with generally accepted accounting principles. Some of the adjustments and footnotes were related to recording compensated absences, receivables, capital project funds and converting to the full accrual method for GASB 34 purposes. In addition, a draft of the financial statements was prepared by the auditors.

Effect: AU-C Section 265 entitled Communicating Internal Control Related Matters Identified in an Audit, issued by the American Institute of Certified Public Accountants (AICPA) considers the need for significant adjusting journal entries and assistance when preparing the financial statements to be indicative of an internal control deficiency. Without this assistance, the potential risk exists of the District's financial statements not conforming to GAAP.

Auditor's Recommendation: Although auditors may continue to provide such assistance both now and in the future, under the new pronouncement, the District should continue to review and accept both proposed adjusting journal entries and footnote disclosures, along with the draft financial statements.

District's Response: The District has received, reviewed and approved all journal entries, footnote disclosures and draft financial statements proposed for the current year audit and will continue to review similar information in future years. Further, the District believes it has a thorough understanding of these financial statements and has the ability to make informed judgments based on these financial statements.

Year ended June 30, 2015

A similar finding related to internal control over financial was reported on during the fiscal year ended June 30, 2015.

B. COMPLIANCE AND OTHER MATTERS

2016-002 Unassigned Fund Balance

Year ended June 30, 2016

Conditions and criteria: *Cassadaga Valley Central School District's* unassigned fund balance in the general fund as of June 30, 2016 amounted to approximately \$2,165,000. This amount constitutes approximately 10.7% of the 2016-2017 school budget.

Effect: The District's unassigned fund balance violated New York State Education Law, which limits school districts from retaining an unassigned fund balance not greater than 4% of the subsequent year's budget.

Auditor's Recommendation: *Cassadaga Valley Central School District* should continue to monitor fund balance throughout the year and continue to review its options with regards to reservation and designation of fund balance.

School District's Response: The District has and will continue to closely monitor fund equity in the future and will review all options with regards to reservation and designation of fund balance. Additional funds were added in 2015-16 due to the sale of Cassadaga Elementary School. In addition, the District plans to use \$1.3 million of unassigned fund balance in order to pay for upfront costs related to the Smart Schools Bond Act.

Year ended June 30, 2015

A similar finding related to compliance and other matters was reported on during the fiscal year ended June 30, 2015.

III. MAJOR FEDERAL AWARD PROGRAMS AUDIT - FINDINGS AND QUESTIONED COSTS

A. COMPLIANCE

Year ended June 30, 2016

No compliance findings were reported upon during the fiscal year ended June 30, 2016.

Year ended June 30, 2015

No compliance findings were reported upon during the fiscal year ended June 30, 2015.

B. INTERNAL CONTROL OVER COMPLIANCE

Year ended June 30, 2016

No findings related to internal control over compliance were reported on during the fiscal year ended June 30, 2016

Year ended June 30, 2015

No findings related to internal control over compliance were reported on during the fiscal year ended June 30, 2015.

**To the President and Members of the
Board of Education
and School Administration
Cassadaga Valley Central School District
Sinclairville, New York**

Ladies and Gentlemen:

We have completed our audit for the year ended June 30, 2016 of the District's financial statements and have issued our reports thereon dated September 29, 2016. Our audit report expressed an unqualified opinion which states that the District's financial statements are in accordance with generally accepted accounting principles for governments and school districts located in New York State. In addition, we have issued a separate report on internal controls over financial reporting and compliance with laws and regulations as required by *Government Auditing Standards*.

In planning and performing our audit of the financial statements of the *Cassadaga Valley Central School District* for the year ended June 30, 2016, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure and its operation. Except as noted within the body of such reports, the District generally was in compliance with laws and regulations and maintains a reasonable system of accounting internal controls.

Attached to this letter is a schedule of revenue and expense comparisons (modified accrual basis) and analysis of fund equity for the school years ended June 30, 2012 through June 30, 2016. In addition, we have also presented a summary of additional comments which we desire to bring to the board and administration's attention involving various matters. Although such matters were not of sufficient nature to be disclosed in the previously mentioned reports, we do feel the comments should be reviewed and acted upon primarily by the business staff. *Cassadaga Valley Central School District's* has provided responses to the additional comments, however, we did not audit these responses and, accordingly, we express no opinion on them.

Very truly yours,

Buffamante Whipple Buttafaro PC

BUFFAMANTE WHIPPLE BUTTAFARO, P.C.

**Olean, New York
September 29, 2016**

CASSADAGA VALLEY CENTRAL SCHOOL DISTRICT
REVENUE AND EXPENDITURES COMPARISON AND ANALYSIS OF FUND
EQUITY - GENERAL FUND (AMOUNTS IN \$1,000)

	06/30/16	06/30/15	06/30/14	06/30/13	06/30/12
Revenue and other sources					
Property taxes	\$ 5,056	\$ 5,026	\$ 5,112	\$ 5,006	\$ 4,852
State aid	14,364	14,257	13,819	13,539	13,126
Federal aid	68	53	45	71	19
All other	527	168	137	213	203
	<u>20,015</u>	<u>19,504</u>	<u>19,113</u>	<u>18,829</u>	<u>18,200</u>
Expenditures and other uses					
General support	1,958	1,930	1,918	1,704	1,731
Instruction	10,406	9,994	9,590	9,855	9,656
Transportation	955	992	992	1,068	1,128
Benefits	4,419	4,503	4,559	4,400	4,209
Debt	1,128	1,698	1,789	1,739	1,705
Transfers	900	-	122	-	1
	<u>19,766</u>	<u>19,117</u>	<u>18,970</u>	<u>18,766</u>	<u>18,430</u>
Excess (deficiency) of revenue over expenditures	249	387	143	63	(230)
Fund equity					
Beginning of year	4,296	3,909	3,766	3,703	3,933
End of year	<u>\$ 4,545</u>	<u>\$ 4,296</u>	<u>\$ 3,909</u>	<u>\$ 3,766</u>	<u>\$ 3,703</u>
Analysis of fund equity					
Restricted					
Reserve for employee benefits	\$ 934	\$ 709	\$ 812	\$ 986	\$ 984
Reserve for retirement contributions	1,106	1,106	1,107	455	453
Reserve for unemployment insurance	186	193	200	242	242
Reserve for capital	-	800	500	-	-
Assigned					
Reserve for encumbrances	-	57	13	-	6
Next year's budget	154	154	154	591	958
Unassigned	2,165	1,277	1,123	1,492	1,060
	<u>\$ 4,545</u>	<u>\$ 4,296</u>	<u>\$ 3,909</u>	<u>\$ 3,766</u>	<u>\$ 3,703</u>

**CASSADAGA VALLEY CENTRAL SCHOOL DISTRICT
SUMMARY OF ADDITIONAL COMMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

Page 58

Fund Balance – General Fund

As of June 30, 2016, the District has certain fund balance reserves. The New York State Comptroller's Office in its audits of school districts has increased its scrutiny of fund balance reserves established by districts. We recommend that the District ensure that as reserves are established and utilized, New York State required procedures are closely followed. Further, for existing and future reserves we recommend that the District document its rationale to support the purpose and dollar level of reserves. Lastly, the District should consider forming a long-term plan with regard to the funding and use of its reserves.

District's response: The District will evaluate fund balance reserves and funds will be used when needed in accordance with guidelines established by the NY State Comptroller's Office. Under current law, EBALR reserves are only allowed to fund current obligations so the use of this reserve is very limited at this time.

Technology

In an ever changing technological society the District should continue to monitor the risks associated with technology so that key operational and financial data are safeguarded. Some of the general and application IT controls that should continue to be considered include the following:

- Procedures for developing, testing, documenting, reviewing, and approving systems or program changes and subsequent modification.
- Controls over access to computer equipment, software and data contained therein.
- Disaster/recovery plans, including backup procedures, off-site storage, and contingency planning.
- Developing formal procedures and guidelines for tasks performed by IT staff.
- Formal documentation of IT policies and processes.
- Identifying those individuals who have access within accounting systems and routinely monitoring such access.

We recommend that the District continue to consider its technology risks and how such risks are mitigated.

District's response: The District will continue with the safeguarding procedures that we have in place regarding technology. Moving forward, the District will act on any recommendations the auditors bring forward.

Uniform Guidance

The Federal Office of Management and Budget (OMB) has issued new regulations titled the Uniform Guidance which takes effect for recipients of Federal grants for awards received after December 26, 2014. The new regulations attempt to combine and codify the requirements of eight circulars previously maintained by OMB and to streamline the Federal grant administrative, cost accounting, and audit policies in the Federal register. The new regulations do not affect grants awarded prior to that date, but rather, will affect future reporting of Federal grants for the District. The Uniform Guidance has a focus on improving overall performance and outcome of grants and to reduce administrative burdens for grant applicants and recipients, while reducing the risk of waste, fraud and abuse. Included in the new guidance is subpart D, Post-Federal Award Requirements, which outlines guidelines that pertain once a Federal grant is obtained. Some of the items outlined in this area are: internal controls, procurement standards, subrecipient monitoring, grant closeout, etc. We recommend individuals involved with the oversight of Federal grants at the District familiarize themselves with the new Uniform Guidance, which may include continuing education, webinars and further training.

District response: District staff will familiarize ourselves with the new requirements set forth in the Uniform Guidance document and follow procedures accordingly.

GASB 75- Accounting and Financial Reporting for Postemployment Benefits other than Pension Plans

In June 2015, the Government Accounting Standards Board issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions Plans – an amendment of GASB Statement No. 45. Statement No. 75 which will be effective for the fiscal year ending June 30, 2018. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (OPEB).

The new accounting standard will require the District to report its actuarial accrued liability related to OPEB in the statement of net position within the government-wide financial statements. Although the majority of this information is currently presented within the District's financial statement disclosures, the OPEB liability within the statement of net position is only a portion of total actuarial accrued liability, as the current accounting standard for OPEB, GASB 45, allows governmental entities to amortize the liability over a period of up to thirty years. We recommend that the District begin to educate its users of the financial statements, as to the impact of this change in future years.

District response: District staff will familiarize ourselves with this new GASB Statement and educate users of the financial statements.

CASSADAGA VALLEY CENTRAL SCHOOL DISTRICT

**EXTRACLASSROOM ACTIVITY FUND
FINANCIAL STATEMENT**

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**WITH
REPORT OF CERTIFIED PUBLIC ACCOUNTANTS**

INDEPENDENT AUDITOR'S REPORT

**To the President and
Members of the Board of Education
Cassadaga Valley Central School District
Sinclairville, New York**

We have audited the accompanying statement of cash receipts and disbursements of the Extraclassroom Activity Fund of the **Cassadaga Valley Central School District** for the year ended June 30, 2016, and the related notes to the financial statement.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the cash basis of accounting described in Note 1; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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 an opinion on this financial statement 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 the *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 statement is free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash transactions of the Extraclassroom Activity Fund of the **Cassadaga Valley Central School District** for the year ended June 30, 2016 on the basis of accounting described in Note 1.

Buffamante Whipple Buttafaro PC

BUFFAMANTE WHIPPLE BUTTAFARO, P.C.

**Olean, New York
September 29, 2016**

CASSADAGA VALLEY CENTRAL SCHOOL DISTRICT
ANNUAL FINANCIAL STATEMENT ON EXTRACLASROOM ACTIVITY FUND
JULY 1, 2015 THROUGH JUNE 30, 2016

Extracurricular activities:	Balances June 30, 2015	Total Receipts	Total Receipts & Balances	Total Payments	Balances June 30, 2016
Class of 2016	\$ 4,974	\$ 18,656	\$ 23,630	\$ 23,630	\$ -
Class of 2017	4,018	18,268	22,286	12,641	9,645
Class of 2018	2,051	5,373	7,424	4,541	2,883
Class of 2019	381	1,871	2,252	903	1,349
Class of 2020	-	377	377	-	377
Concert Band	713	9,949	10,662	9,498	1,164
Cheerleaders	168	150	318	-	318
Chorus	2,791	2,273	5,064	3,045	2,019
Drama Club	9,141	21,474	30,615	23,737	6,878
FFA	3,012	5,934	8,946	6,246	2,700
History Club	23	872	895	813	82
Key Club	2,114	2,822	4,936	2,738	2,198
Student Council - M.S.	3,452	10,513	13,965	10,105	3,860
Photography Club	524	185	709	339	370
SADD	211	-	211	-	211
Science Club - Sr. High	30	11	41	-	41
Student Council - Sr. High	838	1,929	2,767	2,245	522
Student Supply Center	127	-	127	76	51
Technology Club	877	-	877	-	877
Thespian Club	19	-	19	19	-
Valley Minstrels	3,335	647	3,982	1,654	2,328
Valley Yearbook	5,023	8,985	14,008	7,205	6,803
Wellness Club	588	440	1,028	414	614
Interest	345	42	387	191	196
Total activity fund	\$ 44,755	\$ 110,771	\$ 155,526	\$ 110,040	\$ 45,486

**CASSADAGA VALLEY CENTRAL SCHOOL DISTRICT
EXTRACLASSROOM ACTIVITY FUND
NOTE TO FINANCIAL STATEMENT
FOR THE YEAR ENDED JUNE 30, 2016**

Page 61

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The transactions of the Extraclassroom Activity Fund are not considered part of the reporting entity of **Cassadaga Valley Central School District**. Consequently, such transactions are not included in the financial statements of the School District. However, cash balances of \$45,486 are included in the Trust and Agency Fund as restricted cash, with a corresponding amount recorded as a liability in the Fund.

The accounts of the Extraclassroom Activity Fund of **Cassadaga Valley Central School District** are maintained on a cash basis, and the statement of cash receipts and disbursements reflects only cash received and disbursed. Therefore, receivables and payables, inventories, long-lived assets, and accrued income and expenses, which would be recognized under generally accepted accounting principles, and which may be material in amount, are not recognized in the accompanying financial statement.

**CASSADAGA VALLEY CENTRAL SCHOOL DISTRICT
EXTRACLASSROOM ACTIVITY FUND
SUMMARY OF ADDITIONAL COMMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

Page 62

Point of Sale Records

During the audit, we noted that during the current year there were significant improvements related to the documentation of point of sale records to substantiate cash receipts for certain fundraisers. Each cash receipt received by the central treasurer should be accompanied by supporting documentation which reconciles cash received to participation times rates/fees and this documentation should be reviewed and filed for future reference. We recommend the District continues to emphasize the importance of completing these point of sale records accurately and timely and that a process is implemented to file all records for future reference.

District response: The District will continue to place emphasis with advisors and student treasurers to maintain proper point of sale records.