

**NEW ISSUE
REFUNDING SERIAL BONDS**

**Rating: Assured Guaranty Municipal Corp. Insured 5/15/2016 – 5/15/2023
Moody's: Aa3 (on review for possible downgrade) Underlying A1**

**Uninsured Maturities (5/15/2013- 5/15/2015)
Moody's: A1**

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. In the further opinion of Bond Counsel, interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that it is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel is also of the opinion that interest on the Bonds 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 expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. See "Tax Matters". The Bonds will be designated as "qualified tax-exempt obligations" pursuant to Section 265(b)(3) of the Code.

**TRI-VALLEY CENTRAL SCHOOL DISTRICT AT GRAHAMSVILLE,
SULLIVAN AND ULSTER COUNTIES, NEW YORK
(the "District")**

**\$8,745,000 SCHOOL DISTRICT REFUNDING (SERIAL) BONDS, 2012
[BOOK-ENTRY-ONLY BONDS]
(The "Bonds")**

Dated: Date of Delivery

SEE BOND MATURITY SCHEDULE HEREIN

The Bonds maturing in the years 2013 through 2015, inclusive, are NOT insured. The scheduled payment of principal of and interest on the Bonds maturing on May 15 of the years 2016 through 2023, inclusive, ("the "Insured Bonds") when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Insured Bonds by **ASSURED GUARANTY MUNICIPAL CORP.** (See Appendix D "Bond Insurance and Specimen Policy", herein.)



Security and Sources of Payment: The Bonds will constitute general obligations of the District and will contain a pledge of its faith and credit for the punctual payment of the principal of and interest on the Bonds, and all the taxable real property within the District will be subject to the levy of ad valorem taxes to pay principal and interest, without limitation as to rate or amount. (See "New Tax Levy Limitation Law" herein.)

Prior Redemption: The Bonds will not be subject to redemption prior to maturity.

Form and Denomination: The Bonds will be issued as registered bonds, and, when issued, will be registered in the name of Cede & Co. as nominee of The Depository Trust Company, ("DTC") New York, New York, which will act as the securities depository for the Bonds. Individual purchases of the Bonds may be made only in book-entry form in denominations of \$5,000 or integral multiples thereof. Bondholders will not receive certificates representing their ownership interest in the bonds purchased. See "Book-Entry-Only System" under "The Bonds," herein.

Payment: Payment of the principal of and interest on the Bonds to the Beneficial Owners of the Bonds will be made by DTC 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 in bearer form or registered in "street name." Payment will be the responsibility of the DTC Participant or Indirect Participant and not of DTC or the District, subject to any statutory and regulatory requirements as may be in effect from time to time. See "Book-Entry-Only System" under "The Bonds," herein.

The Bonds are offered when, as and if issued and received by the Underwriter and subject to the receipt of an approving legal opinion as to the validity of the Bonds of Orrick, Herrington & Sutcliffe LLP, Bond Counsel, of New York, New York. Certain matters will be passed upon for the Underwriter by its Counsel, Trespasz & Marquardt, LLP, Syracuse, New York. It is anticipated that the Bonds will be available for delivery through the facilities of DTC in New York, New York on or about October 23, 2012.

THIS OFFICIAL STATEMENT IS IN A FORM "DEEMED FINAL" BY THE DISTRICT FOR THE PURPOSE OF SECURITIES AND EXCHANGE COMMISSION RULE 15c2-12 (THE "RULE") EXCEPT FOR CERTAIN INFORMATION THAT WILL BE UPDATED FOLLOWING THE SALE OF THE BONDS. FOR A DESCRIPTION OF THE DISTRICT'S AGREEMENT TO PROVIDE CONTINUING DISCLOSURE FOR THE BONDS, AS DESCRIBED IN THE RULE, SEE "DISCLOSURE UNDERTAKING" HEREIN.

Dated: October 2, 2012

Jefferies

**TRI-VALLEY CENTRAL SCHOOL DISTRICT AT GRAHAMSVILLE,
SULLIVAN AND ULSTER COUNTIES, NEW YORK**

\$8,745,000 SCHOOL DISTRICT REFUNDING (SERIAL) BONDS, 2012

MATURITIES, RATES AND YIELDS (OR PRICES)

Principal Due: May 15

Interest Due: November 15, 2012 and semi-annually thereafter in each year until maturity

<u>Year</u>	<u>Amount</u>	<u>Rate</u>	<u>Yield or Price</u>	<u>CUSIP #</u>
2013	\$ 800,000	2.00%	0.45%	895730CW7
2014	695,000	2.00	0.65	895730CX5
2015	715,000	3.00	0.80	895730CY3
2016	735,000	3.00	0.92	895730CZ0
2017	760,000	3.00	1.05	895730DA4
2018	785,000	2.00	1.20	895730DB2
2019	805,000	4.00	1.47	895730DC0
2020	835,000	2.00	1.74	895730DD8
2021	855,000	2.00	1.94	895730DE6
2022	870,000	2.00	2.10	895730DF3
2023	890,000	2.00	2.23	895730DG1

Assured Guaranty Municipal Corp. ("AGM") makes no representation regarding the Insured Bonds or the advisability of investing in the Insured Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading "Appendix C Bond Insurance and Specimen Policy".

**TRI-VALLEY CENTRAL SCHOOL DISTRICT AT GRAHAMSVILLE
SULLIVAN AND ULSTER COUNTIES**

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Scott Mickelson, Vice President

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Kathy Denman
Joyce Hartman

Terry James
Gary Ter Bush
D. Jane Tingley

Thomas Palmer, Superintendent of Schools
Lisa Raymond, Assistant Superintendent for Business and Treasurer
Martha Lee Ter Bush, District Clerk

* * *

BOND COUNSEL

Orrick, Herrington & Sutcliffe LLP
New York, New York

* * *

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No dealer, broker, salesman or other person has been authorized by the District to give any information or to make any representations, other than those contained in this Official Statement and if given or made, such other information or representations must not be relied upon as having been authorized by the District. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor there any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been obtained by the District from sources which are believed to be reliable but it is not guaranteed as to accuracy or completeness. The information 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 District since the date hereof.

The Underwriter has provided the following sentence for inclusion in this Official Statement. “The Underwriter has reviewed the information in this Official Statement in accordance with, and as a part of its responsibilities under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guaranty the accuracy or completeness of such information.”

IN CONNECTION WITH THIS OFFERING THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING IF COMMENCED MAY BE DISCONTINUED AT ANYTIME.

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OFFICIAL STATEMENT

TRI-VALLEY CENTRAL SCHOOL DISTRICT AT GRAHAMSVILLE SULLIVAN AND ULSTER COUNTIES, NEW YORK

\$8,745,000 SCHOOL DISTRICT REFUNDING (SERIAL) BONDS, 2012 [BOOK-ENTRY-ONLY BONDS]

This Official Statement and appendices thereto presents certain information relating to the Tri-Valley Central School District at Grahamsville, Sullivan and Ulster Counties, in the State of New York (the "District" and "State," respectively) in connection with the sale of \$8,745,000 School District Refunding (Serial) Bonds, 2012 (the "Bonds").

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 Bonds and the proceedings of the District relating thereto are qualified in their entirety by reference to the definitive form of the Bonds and such proceedings.

The Bonds are general obligations of the District and contain a pledge of the faith and credit of the District for the punctual payment of the principal of and interest on the Bonds, as required by the Constitution and laws of the State (State Constitution, Article VIII, Section 2; Local Finance Law 100.00). For the payment of the principal of and interest on the Bonds, the District has the power to levy ad valorem taxes on all taxable real property in the District, without limitation as to rate or amount. See "Real Property Taxes" and "New Tax Levy Limitation Law" herein.

The financial condition of the District as well as the market for the Bonds could be affected by a variety of factors, some of which are beyond the District's control. See "Market Factors Affecting Financings of the State and Municipalities of the State" herein.

THE BONDS

Description of the Bonds

The Bonds will be dated date of delivery, and will mature in the principal amounts on May 15, in each of the years 2013 to 2023, inclusive, as set forth on the inside cover page.

The Bonds will be issued in fully registered form and when issued will be registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds. Individual purchases of the Bonds may be made in book-entry form only, in denominations of \$5,000 or integral multiples thereof. Purchasers will not receive certificates representing their interest in the Bonds.

Interest on the Bonds will be payable November 15, 2012 and semi-annually thereafter in each year until maturity. Principal and interest will be paid by the District to DTC, which will in turn remit such principal and interest to its Participants, for subsequent distribution to the Beneficial Owners of the Bonds, as described herein. The Bonds may be transferred in the manner described on the Bonds and as referenced in certain proceedings of the District referred to therein.

The Record Date of the Bonds will be the last business day of the month preceding each interest payment date.

Optional Redemption

The Bonds will not be subject to redemption prior to maturity.

Book-entry-only System

DTC, will act as securities depository for the Bonds. Such DTC Bonds will be issued as fully-registered securities, 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 bond certificate will be issued and deposited with DTC for each Bond bearing the same rate of interest and CUSIP number.

DTC is 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 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, National Securities Clearing Corporation 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 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“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 Bonds are to be accomplished by entries made on the books of Direct or Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interest in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds 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 the Bonds 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 Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping accounts 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 the Bonds may wish to take certain steps to augment the transmission to them or notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of the Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to the 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.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC’s MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as possible after the record date. The omnibus Proxy assigns Cede & Co.’s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Bonds 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 the 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 redemption proceeds, distributions, and dividend 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 Bonds at any time by giving reasonable notice to the District. Under such circumstances, in the event that a successor depository is not obtained, bond 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 the event, bond certificates will be printed and delivered to DTC.

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

Source: The Depository Trust Company, New York, New York.

The information contained in the above section concerning DTC and DTC's book-entry system has been obtained from sample offering document language supplied by DTC, but the District takes no responsibility for the accuracy thereof.

THE DISTRICT WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO PARTICIPANTS, TO INDIRECT PARTICIPANTS OR ANY BENEFICIAL OWNER WITH RESPECT TO (I) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY PARTICIPANTS, OR ANY INDIRECT PARTICIPANT; (II) THE PAYMENT BY DTC OR ANY PARTICIPANT OR INDIRECT PARTICIPANT OR ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OF OR INTEREST ON THE BONDS; (III) ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO HOLDERS; OR (IV) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE BONDS; OR (V) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS HOLDER.

THE DISTRICT CANNOT AND DOES NOT GIVE ANY ASSURANCES THAT DTC WILL DISTRIBUTE TO DIRECT PARTICIPANTS OR THAT DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS WILL DISTRIBUTE TO THE BENEFICIAL OWNERS OF THE BONDS (I) PAYMENTS OF THE PRINCIPAL OF OR INTEREST ON THE BONDS; (II) CONFIRMATION OF THEIR OWNERSHIP INTEREST IN THE BONDS; OR (III) REDEMPTION OR OTHER NOTICES SENT TO DTC OR CEDE & CO. AS NOMINEE, AS REGISTERED OWNER OF THE BONDS, OR THAT THEY WILL DO SO ON A TIMELY BASIS, OR THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS WILL SO SERVE AND ACT IN THE MANNER DESCRIBED IN THE OFFICIAL STATEMENT.

Certificated Bonds

DTC may discontinue providing its services with respect to the Bonds 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 transfers through DTC at any time. In the event that such book-entry-only system is discontinued, the following provisions will apply: the Bonds will be issued in registered form in denomination of \$5,000, or integral multiples thereof, principal of and interest on the Bonds when due will be payable at the principal corporate trust office of a bank or trust company located in the State to be named by the District as the fiscal agent; certificated Bonds may be transferred or exchanged at no cost to the owner of such bonds at any time prior to maturity at the corporate trust office of the fiscal agent for bonds of the same or any other authorized denomination or denominations in the same aggregate principal amount upon the terms set forth in the certificate of President of the Board of Education authorizing the sale of the Bonds and fixing the details thereof and in accordance with the Local Finance Law.

Authorization and Purpose

The Bonds are being issued pursuant to the Constitution and statutes of the State of New York, including among others, the Education Law and the Local Finance Law, and a refunding bond resolution duly adopted by the Board of Education on August 9, 2012 (the “Refunding Bond Resolution”), authorizing the refunding of all or a portion of the following:

School District (Serial) Bonds - Series 2003

<u>Maturity Date</u>	<u>Amount Outstanding</u>	<u>Interest Rate</u>	<u>Date of Redemption</u>	<u>Call Price</u>	<u>CUSIP Numbers</u>
05/15/13	\$630,000	4.000%	-	-	895730BU2
05/15/14	655,000	4.000	05/15/13	100.00	895730BV0
05/15/15	685,000	4.000	05/15/13	100.00	895730BW8
05/15/16	715,000	4.000	05/15/13	100.00	895730BX6
05/15/17	745,000	4.000	05/15/13	100.00	895730BY4
05/15/18	775,000	4.000	05/15/13	100.00	895730BZ1
05/15/19	810,000	4.000	05/15/13	100.00	895730CA5
05/15/20	840,000	4.100	05/15/13	100.00	895730CB3
05/15/21	880,000	4.125	05/15/13	100.00	895730CC1
05/15/22	915,000	4.200	05/15/13	100.00	895730CD9
05/15/23	955,000	4.250	05/15/13	100.00	895730CE7

The 2003 Bonds are referred to herein as the “Refunded Bonds”.

The Refunding Bond Resolution authorizes the issuance of the Bonds to provide the funds necessary to effect the refunding of the Refunded Bonds. All proceeds of the Refunded Bonds have been previously expended.

For further information regarding bond authorizations of the District for capital purposes and other matters relating thereto see “Indebtedness of the District.”

Refunding Financial Plan

Pursuant to the District's Refunding Financial Plan, as referred to in the Bond Resolution, the Bonds are being issued to effect the refunding of the Refunded Bonds maturing on their respective principal payments dates in the years 2013-2023. The Refunding Financial Plan will permit the District to realize, as a result of the issuance of the Bonds, cumulative dollar and present-value debt service savings.

Pursuant to the Refunding Bond Resolution and the Refunding Financial Plan, the District shall enter into an escrow contract for the Bonds (the “Escrow Contract”) with The Bank of New York Mellon, New York, New York (the “Escrow Holder”). The Refunding Financial Plan, as set forth in part by the terms and conditions of the Escrow Contract, requires that the proceeds of the Bonds be used to purchase Government Obligations or held in a non-interest bearing account (as defined in the Refunding Financial Plan). The Government Obligations are to be placed in an irrevocable escrow trust fund (the “Escrow Fund”) with the Escrow Holder. The Government Obligations or invested cash, together with the investment earnings thereon, in accordance with applicable law and the Escrow Contract, shall be sufficient to pay all costs incurred by the District in connection with the Bonds and to pay the principal and accrued interest and redemption premium on the refunding bond issue to be called for redemption on the respective redemption date, as follows: the 2003 Bonds – May 15, 2013.

The holders of the Refunded Bonds will have a first lien on all cash and securities in the Escrow Fund. Upon payment by the Escrow Holder to the fiscal agent for the Refunded Bonds of amounts from the Escrow Fund adequate for the payment, in full, of all series of Refunded Bonds to be paid from the Escrow Fund, including interest and redemption premium, if any, payable with respect thereto, and payment of all expenses incidental to the issuance of the Bonds, such Escrow Contract shall terminate.

Under the Refunding Financial Plan, the Refunded Bonds will continue to be general obligations of the District (although they may be excluded in computing the District's debt limit) and will continue to be payable from *ad valorem* taxes on all taxable real property in the District. However, inasmuch as the funds held in the Escrow Fund together with interest earnings thereon and cash held in the Escrow Fund shall be sufficient to meet all required payments of principal of, interest on the premium payable with respect to the Refunding Bonds, it is not anticipated that other sources of payment will be utilized.

Sources and Uses of Bond Proceeds

Sources:

Par Amount of Bonds	\$ 8,745,000.00
Original Issue Premium	333,783.90
Total	<u>\$ 9,078,783.90</u>

Uses:

Escrow Deposit	\$ 8,948,992.67
Underwriters' Discount	44,393.45
Costs of Issuance and Contingency	85,397.78
Total	<u>\$ 9,078,783.90</u>

Nature of Obligation

Each Bond when duly issued and paid for will constitute a contract between the District and the holder thereof.

Holders of any series of notes or bonds of the District may bring an action or commence a proceeding in accordance with the civil practice law and rules to enforce the rights of the holders of such series of notes or bonds.

The Bonds are general obligations of the District and contain a pledge of the faith and credit of the District for the punctual payment of the principal of and interest on the Bonds, as required by the Constitution and laws of the State (State Constitution, Article VIII, Section 2; Local Finance Law 100.00). For the payment of the principal of and interest on the Bonds, the District has the power to levy *ad valorem* taxes on all taxable real property in the District, without limitation as to rate or amount. See "Real Property Taxes" and "Tax Information - New Tax Levy Limitation Law" herein.

Although the State Legislature is restricted by Article VIII, Section 12 of the State Constitution from imposing limitations on the power to raise taxes to pay "interest on or principal of indebtedness theretofore contracted" prior to the effective date of any such legislation, the New York State Legislature may from time to time impose additional limitations or requirements on the ability to increase a real property tax levy or on the methodology, exclusions or other restrictions of various aspects of real property taxation (as well as on the ability to issue new indebtedness). On June 24, 2011, Chapter 97 of the Laws of 2011 was signed into law by the Governor (the "New Tax Levy Limitation Law"). The New Tax Levy Limitation Law applies to local governments and school districts in the State (with certain exceptions) and imposes additional procedural requirements on the ability of municipalities and school districts to levy certain year-to-year increases in real property taxes.

Under the Constitution of the State, the District is required to pledge its faith and credit for the payment of the principal of and interest on the Bonds and is required to raise real estate taxes, and without specification, other revenues, if such levy is necessary to repay such indebtedness. While the New Tax Levy Limitation Law imposes a statutory limitation on the District's power to increase its annual tax levy with the amount of such increase limited by the formulas set forth in the New Tax Levy Limitation Law, it also provides the procedural method to surmount that limitation. See "Tax Information - New Tax Levy Limitation Law," herein.

The Constitutionally-mandated general obligation pledge of municipalities and school districts in New York State has been interpreted by the Court of Appeals, the State's highest court, in Flushing National Bank v. Municipal Assistance Corporation for the City of New York, 40 N.Y.2d 731 (1976), as follows:

“A pledge of the city’s faith and credit is both a commitment to pay and a commitment of the city’s revenue generating powers to produce the funds to pay. Hence, an obligation containing a pledge of the City’s “faith and credit” is secured by a promise both to pay and to use in good faith the city’s general revenue powers to produce sufficient funds to pay the principal and interest of the obligation as it becomes due. That is why both words, “faith” and “credit” are used and they are not tautological. That is what the words say and this is what the courts have held they mean . . . So, too, although the Legislature is given the duty to restrict municipalities in order to prevent abuses in taxation, assessment, and in contracting of indebtedness, it may not constrict the City’s power to levy taxes on real estate for the payment of interest on or principal of indebtedness previously contracted . . . While phrased in permissive language, these provisions, when read together with the requirement of the pledge and faith and credit, express a constitutional imperative: debt obligations must be paid, even if tax limits be exceeded”.

In addition, the Court of Appeals in the Flushing National Bank (1976) case has held that the payment of debt service on outstanding general obligation bonds and notes takes precedence over fiscal emergencies and the police power of political subdivisions in New York State.

The pledge has generally been understood as a promise to levy property taxes without limitation as to rate or amount to the extent necessary to cover debt service due to language in Article VIII Section 10 of the Constitution which provides an exclusion for debt service from Constitutional limitations on the amount of a real property tax levy, insuring the availability of the levy of property tax revenues to pay debt service. As the Flushing National Bank (1976) Court noted, the term “faith and credit” in its context is “not qualified in any way”. Indeed, in Flushing National Bank v. Municipal Assistance Corp., 40 N.Y.2d 1088 (1977) the Court of Appeals described the pledge as a direct constitutional mandate. In Quirk v. Municipal Assistance Corp., 41 N.Y.2d 644 (1977), the Court of Appeals stated that, while holders of general obligation debt did not have a right to particular revenues such as sales tax, “with respect to traditional real estate tax levies, the bondholders are constitutionally protected against an attempt by the State to deprive the city of those revenues to meet its obligations.” According to the Court in Quirk, the State Constitution “requires the city to raise real estate taxes, and without specification other revenues, if such a levy be necessary to repay indebtedness.”

In addition, the Constitution of the State requires that every county, city, town, village, and school district in the State provide annually by appropriation for the payment of all interest and principal on its serial bonds and certain other obligations, and that, if at any time the respective appropriating authorities shall fail to make such appropriation, a sufficient sum shall be set apart from the first revenues thereafter received and shall be applied to such purposes. In the event that an appropriating authority were to make an appropriation for debt service and then decline to expend it for that purpose, this provision would not apply. However, the Constitution of the State does also provide that the fiscal officer of any county, city, town, village, or school district may be required to set apart and apply such first revenues at the suit of any holder of any such obligations.

In Quirk v. Municipal Assistance Corp., the Court of Appeals described this as a “first lien” on revenues, but one that does not give holders a right to any particular revenues. It should thus be noted that the pledge of the faith and credit of a political subdivision in New York State is a pledge of an issuer of a general obligation bond or note to use its general revenue powers, including, but not limited to, its property tax levy to pay debt service on such obligations, but that such pledge may not be interpreted by a court of competent jurisdiction to include a constitutional or statutory lien upon any particular revenues.

While the courts in New York State have historically been protective of the rights of holders of general obligation debt of political subdivisions, it is not possible to predict what a future court might hold.

Continuing Disclosure Undertaking

At the time of delivery of the Bonds, the District will provide an executed copy of its “Undertaking to Provide Continuing Disclosure” (the “Undertaking”). Said Undertaking will constitute a written agreement or contract of the District for the benefit of holders of and owners of beneficial interest in the Bonds, to provide, or cause to be provided to the Electronic Municipal Market Access (“EMMA”) System implemented by the Municipal Securities Rulemaking Board (“MSRB”) established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, or any successor thereto or to the functions of such Board contemplated by the Undertaking:

(1) (i) certain annual financial information, in a form generally consistent with the information contained or cross-referenced in this Official Statement under the headings “The District”, “Economic and Demographic Information”, “Indebtedness of the District”, “Finances of the District”, “Real Property Tax Information”, “Litigation” and Appendix A: Financial Information; and a copy of the audited financial statement (prepared in accordance with generally accepted accounting principles in effect at the time of the audit) for the preceding fiscal year, if any; such information, data and audit, if any, will be so provided on or prior to the later of either the end of the sixth month of each such fiscal year or, if an audited financial statement is prepared, sixty days following receipt by the District of its audited financial statement for the preceding fiscal year, but, in no event, later than the last business day of each such fiscal year:

(2) timely notice, not in excess of ten (10) business days after the occurrence of such event, of the occurrence of any of the following events:

(i) principal and interest payment delinquencies; (ii) non-payment related defaults, if material; (iii) unscheduled draws on debt service reserves reflecting financial difficulties; (iv) unscheduled draws on credit enhancements reflecting financial difficulties; (v) substitution of credit or liquidity providers, or their failure to perform; (vi) 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 of determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (vii) modifications to rights of Bondholders, if material; (viii) Bond calls, if material, and tender offers; (ix) defeasances; (x) release, substitution, or sale of property securing repayment of the Bonds, if material; (xi) rating changes; (xii) bankruptcy, insolvency, receivership or similar event of the Issuer; (xiii) the consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, 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; and (xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material.

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

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

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

(3) in a timely manner, not in excess of ten (10) business days after the occurrence of such event, notice of a failure to provide the annual financial information by the date specified.

The District’s Undertaking shall remain in full force and effect until such time as the principal of, redemption premiums, if any, and interest on the Bonds shall have been paid in full or in the event that those portions of the Rule which require the Undertaking, or such provisions, as the case may be, do not or no longer apply to the Bonds. The sole and exclusive remedy for breach or default under the Undertaking is an action to compel specific performance of the undertakings of the District, and no person or entity, including a holder of the Bonds, shall be entitled to recover monetary damages thereunder under any circumstances. Any failure by the District to comply with the Undertaking will not constitute a default with respect to the Bonds.

The District reserves the right to amend or modify the Undertaking under certain circumstances set forth therein; provided that any such amendment or modification will be done in a manner consistent with Rule 15c2-12, as amended.

The District is in compliance in all material respects with all previous undertakings made pursuant to the Rule 15c2-12 for the past five years.

SPECIAL PROVISIONS AFFECTING REMEDIES UPON DEFAULT

State Aid Intercept

In the event of a default in the payment of the principal of and/or interest on the Bonds, 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 School 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 Bonds. The covenant between the State of New York and the purchasers and the holders and owners from time to time of the notes and bonds issued by the school districts in the State for school purposes provides that it will not repeal, revoke or rescind the provisions of Section 99-b, or amend or modify the same so as to limit, impair or impede the rights and remedies granted thereby.

Said section provides that in the event a holder or owner of any bond issued by a school district for school purposes shall file with the State Comptroller a verified statement describing such bond and alleging default in the payment thereof or the interest thereon or both, it shall be the duty of the State Comptroller to immediately investigate the circumstances of the alleged default and prepare and file in his office a certificate setting forth his determinations with respect thereto and to serve a copy thereof by registered mail upon the chief fiscal officer of the school district which issued the bond. Such investigation by the State Comptroller shall cover the current status with respect to the payment of principal of and interest on all outstanding bonds of such school district issued for school purposes and the statement prepared and filed by the State Comptroller shall set forth a description of all such bonds of the school district found to be in default and the amount of principal and interest thereon past due.

Upon the filing of such a certificate in the office of the State Comptroller, he shall thereafter deduct and withhold from the next succeeding allotment, apportionment or payment of such State aid or assistance due to such school district such amount thereof as may be required to pay (a) the school district's contribution to the State teachers retirement system, and (b) the principal of and interest on such bonds of such school district then in default. In the event such State aid or assistance initially so withheld shall be insufficient to pay said amounts in full, the State Comptroller shall similarly deduct and withhold from each succeeding allotment, apportionment or payment of such State aid or assistance due such school district such amount or amounts thereof as may be required to cure such default. Allotments, apportionments and payments of such State aid so deducted or withheld by the State Comptroller for the payment of principal and interest on bonds shall be forwarded promptly to the paying agent or agents for the bonds in default of such school district for the sole purpose of the payment of defaulted principal of and interest on such bonds. If any of such successive allotments, apportionments or payments of such State Aid so deducted or withheld shall be less than the amount of all principal and interest on the bonds in default with respect to which the same was so deducted or withheld, then the State Comptroller shall promptly forward to each paying agent an amount in the proportion that the amount of such bonds in default payable to such paying agent bears to the total amount of the principal and interest then in default on such bonds of such school district. The State Comptroller shall promptly notify the chief fiscal officer of such school district of any payment or payments made to any paying agent or agents of defaulted bonds pursuant to said Section 99-b.

General Municipal Law Contract Creditors' Provision

Each Bond when duly issued and paid for will constitute a contract between the District and the holder thereof. Under current law, provision is made for contract creditors of the District to enforce payments upon such contracts, if necessary, through court action. 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 on an amount adjudged due to a creditor shall not exceed nine per centum per annum from the date due to the date of payment. This provision might be construed to have application to the holders of the Bonds in the event of a default in the payment of the principal of and interest on the Bonds.

Execution/Attachment of Municipal Property

As a general rule, property and funds of a municipal corporation serving the public welfare and interest have not been judicially subjected to execution or attachment to satisfy a judgment, although judicial mandates have been issued to officials to appropriate and pay judgments out of certain funds or the proceeds of a tax levy. 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.

Authority to File For Municipal Bankruptcy

The Federal Bankruptcy Code allows public bodies, such as cities, counties, towns and villages, 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 or its emergency control board to file a petition under any provision of Federal bankruptcy law for the composition or adjustment of municipal indebtedness. While this Local Finance Law provision does not apply to school districts, there can be no assurance that it will not be made so applicable in the future.

State Debt Moratorium Law

There are separate State law provisions regarding debt service moratoriums enacted into law in 1975.

At the Extraordinary Session of the State Legislature held in November, 1975, legislation was enacted which purported to suspend the right to commerce 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 obligations.

As a result of the Court of Appeals decision in Flushing National Bank v. Municipal Assistance Corporation for the City of New York, 40 N.Y.2d 731 (1976), 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.

Constitutional Non-Appropriation Provision

There is in the Constitution of the State, Article VIII, Section 2, the following provision relating to the annual appropriation of monies for the payment of due principal of and interest on indebtedness of every county, city, town, village and school district in the State: "If at any time the respective appropriating authorities shall fail to make such appropriations, a sufficient sum shall be set apart from the first revenues thereafter received and shall be applied to such purposes. The fiscal officer of any county, city, town, village or school district may be required to set aside and apply such revenues as aforesaid at the suit of any holder of obligations issued for any such indebtedness." This constitutes a specific non-exclusive constitutional remedy against a defaulting municipality or school district; however, it does not apply in a context in which monies have been appropriated for debt service but the appropriating authorities decline to use such monies to pay debt service. However, Article VIII, Section 2 of the Constitution of the State also provides that the fiscal officer of any county, city, town, village or school district may be required to set apart and apply such revenues at the suit of any holder of any obligations of indebtedness issued with the pledge of the faith of the credit of such political subdivision. See "General Municipal Law Contract Creditors' Provision" herein.

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

Default Litigation

In prior years, certain events and legislation affecting a holder's remedies upon default have resulted in litigation. While courts of final jurisdiction have upheld and sustained the rights of bondholders, such courts might hold that future events including financial crises as they may occur in the State and in political subdivisions of the State require the exercise by the State or its political subdivisions of emergency and police powers to assure the continuation of essential public services prior to the payment of debt service. See "Nature of Obligation" and "State Debt Moratorium Law" herein.

No Past Due Debt

No principal of or interest on District indebtedness is past due. The District has never defaulted in the payment of the principal of and interest on any indebtedness.

THE DISTRICT

Description

The Tri-Valley Central School District at Grahamsville with an area of approximately 210 square miles and an estimated population of 5,000 is located in northeastern Sullivan County and western Ulster County. The District centers around the unincorporated community of Grahamsville situated about 10 miles east of the Village of Liberty and 15 miles north of the Village of Monticello. In Sullivan County valuation wise the District comprises 97% of the Town of Neversink, 13% of the Town of Fallsburg and a minor portion of the Town of Liberty and in Ulster County the District contains 100% of the Town of Denning and minor portions of the Towns of Wawarsing and Rochester.

The District, which contains very sizeable valuations of the City of New York water properties (reservoir, dam and laboratory properties) is otherwise mainly residential and agricultural in character.

Limited commercial facilities in the District are supplemented by the major shopping centers in Monticello, Fallsburg and Liberty nearby. Sizeable agricultural operations are primarily devoted to dairying and general agriculture.

The City of New York, in addition to reservoir and dam properties, operates a central laboratory in Grahamsville for water analysis and control. The Neversink Dam unit is a highly complex operation which controls the flow of water to the Roundout Reservoir through two hydro-electric plants.

In addition to in-district employment at the New York City Water Department operations and in Town and County governmental units, the residents have easy access to employment opportunities at the New York State Correctional Institutions at Woodbourne and Napanoch and in the commercial and industrial operations in nearby Liberty, Monticello and Ellenville.

District Organization

The Board of Education, which is the policy-making body of the District, consists of nine members with overlapping three-year terms so that as nearly as possible an equal number shall be elected to the Board each year. The President and the Vice President are selected by the Board members.

The administrative officers of the District, whose duty it is to implement the policies of the Board of Education and who are appointed by the Board, include the Superintendent of Schools, the School Business Administrator, the School District Clerk and the District Treasurer.

Enrollment History

<u>Fiscal Year Ending June 30:</u>	<u>Enrollment</u>
2005	1,260
2006	1,305
2007	1,261
2008	1,250
2009	1,182
2010	1,185
2011	1,169
2012	1,169

Estimated Future District Enrollment

<u>Fiscal Year Ending June 30:</u>	<u>Enrollment</u>
2013.....	1,166
2014.....	1,164
2015.....	1,167

School Facilities

<u>Name</u>	<u>Grades</u>	<u>Capacity</u>	<u>Years Built</u>
Tri-Valley Elementary.....	UPK-6	635 (UPK-6)	1959, 1972, 1988
Tri-Valley Secondary	7-12	534 (7-12)	1950, 1963, 1996, 2006

Employees

The District has 210 full-time and six part-time employees. The collective bargaining agents, if any, which represent them and the dates of expirations of the various collective bargaining agreements are presented in the table below. The District's administrators are not unionized.

<u>Approx. No. of Employees</u>	<u>Bargaining Unit</u>	<u>Contract Expiration Date</u>
115	New York State Union of Teachers (NYSUT)/ TVTA.....	6-30-12 ¹
1	Superintendent	6-30-15
69	TESSA (Support Staff)	6-30-13

¹. In negotiation.

ECONOMIC AND DEMOGRAPHIC INFORMATION

Population

The current estimated population of the District is 5,000.

Income Data

	<u>Per Capita Money Income</u>		
	<u>1990</u>	<u>2000</u>	<u>2010*</u>
Town of:			
Denning	\$13,740	\$23,846	\$ 25,747
Fallsburgh	9,672	16,744	16,614
Liberty	11,629	17,565	22,037
Neversink	15,975	19,260	25,076
Rochester	13,216	21,065	26,051
Wawarsing	11,779	16,512	18,380
County of Sullivan	12,567	18,892	23,422
County of Ulster	14,921	20,846	28,954
State of New York	16,501	23,389	30,984

	Median Household Income		
	<u>1990</u>	<u>2000</u>	<u>2010*</u>
Town of:			
Denning	\$26,964	\$40,893	\$ 53,125
Fallsburgh	25,028	33,036	43,009
Liberty	25,919	32,022	48,730
Neversink	35,833	45,174	50,795
Rochester	27,196	43,071	56,660
Wawarsing	26,605	35,872	43,690
County of Sullivan	27,582	36,998	48,103
County of Ulster	34,033	42,551	57,584
State of New York	32,965	43,393	55,603

Source: United States Bureau of the Census

*Note: Based on American Community Survey 5-Year Estimates (2006-2010).

Large Employers

<u>Name</u>	<u>Type</u>	<u>Approx. No. of Employees</u>
Tri-Valley Central School District.....	School	214
Frost Valley YMCA	Camp	200
New York City Department of Environmental Protection	Watershed Protection	100
Maxon Company	Insurance Billing	50
New Age Health Spa	Health Spa/Resort	25
Town of Neversink	Government	30
Grey's Woodworks	Sheds, Gazebos, Garages	15

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) are the Counties of Sullivan and Ulster. The information set forth below with respect to such Counties is included for information purposes only. It should not be implied from the inclusion of such data in this Official Statement that the District is necessarily representative of the Counties or vice versa.

	<u>County of Sullivan</u>	<u>County of Ulster</u>	<u>New York State</u>
Annual Averages:			
2006	5.2%	4.2%	4.6%
2007	5.3	4.4	4.5
2008	6.4	5.4	5.3
2009	8.7	7.7	8.4
2011	8.9	8.0	8.0
2012 (6 months).....	10.1	8.8	8.8

Source: Department of Labor, State of New York

INDEBTEDNESS OF THE DISTRICT

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 otherwise contract indebtedness. Such constitutional limitations in summary form, and as generally applicable to the District and the Bonds, include the following:

Purpose and Pledge. Subject to certain enumerated exceptions, the District shall not give or loan any money or property to or in aid of any individual or private corporation 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. No installment may be more than fifty per centum in excess of the smallest prior installment unless the District provides for substantially level or declining annual debt service in the manner prescribed by the State Legislature. 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 or such required annual installments on its notes.

Debt Limit. The District has the power to contract indebtedness for any District purpose so long as the principal amount thereof shall not exceed seven per centum of the average full valuation of the taxable real estate of the District and subject to certain enumerated exclusions and deductions such as water and certain sewer facilities and cash or appropriations for current debt service. The constitutional and statutory method for determining average full valuation is by taking the assessed valuation of taxable real estate for the last completed assessment roll of the District and dividing the same by the equalization rate, or the ratio which such assessed valuation bears to the full valuation, as determined by the State Office of Real Property Services. The State Legislature is required to prescribe the manner by which such ratio shall be determined. Average full valuation is determined by taking the sum of the full valuations of such last completed assessment roll and the four preceding assessment rolls and dividing such sum by five.

Statutory Requirements and 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 and the General Municipal Law.

Pursuant to the Local Finance Law, the District authorizes the issuance of bonds by the adoption of a bond resolution, approved by at least two-thirds of the members of the District Board, the finance board of the District. Customarily, the District Board has delegated to the President of the Board of Education, as chief fiscal officer of the District, the power to authorize and sell bond anticipation notes in anticipation of authorized bonds.

Each bond resolution usually authorizes the construction, acquisition or installation of the object or purpose to be financed, sets forth the plan of financing and specifies the maximum maturity of the bonds subject to the legal (Constitution, Local Finance Law and case law) restrictions relating to the period of probable usefulness with respect thereto.

The Local Finance Law also provides that where a bond resolution is published with a statutory form of notice, the validity of the bonds authorized thereby, including bond anticipation notes issued in anticipation of the sale thereof, may be contested only if:

1) Such obligations are authorized for a purpose for which the District is not authorized to expend money, or

2) There has not been substantial compliance with the provisions of law which should have been complied with in the authorization of such obligations and an action contesting such validity is commenced within twenty days after the date of such publication,

or

3) Such obligations are authorized in violation of the provisions of the Constitution.

Except on rare occasions the District complies with this estoppels procedure. It is a procedure that is recommended by Bond Counsel, but it is not an absolute legal requirement.

Principal installments are made in reduction of the total amount of such notes outstanding, commencing no later than two years from the date of the first of such notes and provided that such renewals do not extend five years beyond the original date of borrowing. (See "Payment and Maturity" under "Constitutional Requirements" herein, and "Details of Outstanding Indebtedness" herein).

In general, the Local Finance Law contains provisions providing the District with power to issue certain other short-term general obligation indebtedness including revenue and tax anticipation notes and budget notes (see "Details of Outstanding Indebtedness" herein).

The following pages present certain details with respect to the indebtedness of the District as of the date of the Debt Statement prepared in connection with the issuance of the Bonds.

Computation of Debt Limit and Debt Contracting Margin
(As of September 21, 2012)

	<u>Full Valuation</u>
2011-2012 ¹	\$1,132,178,101
Debt Limit: 10% of Full Valuation	\$113,217,810

Calculation of Total Net Indebtedness

Inclusions: ²	
Outstanding bonds	\$10,353,000
Outstanding Bond Anticipation Notes	<u>0</u>
Gross Indebtedness Outstanding	\$10,353,000
Exclusions:	
Estimated Building Aid	<u>5,479,275</u> ³
Net Indebtedness	\$ <u>4,873,725</u> ⁴
Net Debt Contracting Margin	<u>\$108,344,085</u>

1. Represents most recent assessed valuation for which Equalization Rate has been established.

2. The State Constitution does not provide for the inclusion of tax anticipation or revenue anticipation notes in the computation of the statutory debt limit of the District.

3. Represents estimate of moneys receivable by the District from the State as an apportionment from debt service for school building purposes, based on most recent information received by the District from the State Department of Education. The amount shown is not necessarily the amount the District will ultimately receive. The District has not applied for a building aid exclusion certificate from the Commissioner of Education and therefore may not exclude such amount from its total indebtedness on the Debt Statement form required to be filed with the Office of the State Comptroller when bonds are to be issued.

4. Represents 4.30% of the Debt Limit.

Details of Short-Term Indebtedness Outstanding

As of the date of this Official Statement the District has no short-term indebtedness outstanding.

Other Short-Term Indebtedness

As of the date of this Official Statement, the District does not have any tax anticipation notes, or revenue notes outstanding, and does not anticipate the need to authorize such borrowings.

Debt Service Requirements – Outstanding Bonds and Refunding Bonds

<u>Fiscal Year Ending June 30:</u>	<u>Outstanding Debt Service</u>	<u>Refunding Debt Service</u>	<u>Sub-Total</u>	<u>Less: Debt Service to be Refunded</u>	<u>Net After Issuance of Refunding Bonds</u>
2013	\$ 1,387,123	\$ 919,573	\$ 2,306,696	\$ 980,358	\$ 1,326,338
2014	1,384,176	892,100	2,276,276	980,158	1,296,118
2015	1,089,458	898,200	1,987,658	983,958	1,003,701
2016	1,089,996	896,750	1,986,746	986,557	1,000,189
2017	1,114,333	899,700	2,014,033	987,957	1,026,076
2018	1,111,783	901,900	2,013,683	988,158	1,025,525
2019	1,113,033	906,200	2,019,233	992,157	1,027,076
2020	1,107,883	904,000	2,011,883	989,758	1,022,125
2021	1,110,443	907,300	2,017,743	995,317	1,022,426
2022	1,106,143	905,200	2,011,343	994,018	1,017,325
2023	1,104,713	907,800	2,012,513	995,587	1,016,926
2024	106,125	0	106,125	0	106,125
2025	103,125	0	103,125	0	103,125
Totals	<u>\$ 12,928,334</u>	<u>\$ 9,938,723</u>	<u>\$ 22,867,057</u>	<u>\$ 10,873,983</u>	<u>\$ 11,993,075</u>

Trend of District Indebtedness

	<u>Fiscal Year Ending June 30:</u>				
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Bonds	\$12,372,000	\$11,618,000	\$10,833,000	\$11,287,000	\$10,353,000

Calculation of Estimated Overlapping and Underlying Indebtedness

<u>Overlapping Units</u>	<u>Date of Report</u>	<u>Percentage Applicable</u>	<u>Applicable Total Indebtedness</u>	<u>Applicable Net Indebtedness</u>
County of: Sullivan	05-02-12	8.70%	\$6,719,010	\$5,422,275
Ulster	05-15-12	1.050	1,214,222	1,095,364
Town of: Fallsburgh	12-31-10	12.920	1,451,161	1,451,161
Liberty	12-31-10	0.280	15,903	15,903
Neversink	12-31-10	96.840	-	-
Denning	12-31-10	100.000	-	-
Rochester	12-31-10	0.250	125	125
Wawarsing	12-31-10	1.000	87,392	87,392
Fire Districts (Estimated)	12-31-10	Var.	1,187,000	1,187,000
Totals			<u>\$10,674,813</u>	<u>\$9,259,220</u>

Sources: Annual Reports of the respective units for the most recently completed fiscal year published by the Office of the State Comptroller or more recently published Official Statements.

Debt Ratios
(As of September 21, 2012)

	<u>Amount</u>	<u>Per Capita^b</u>	<u>Percentage Of Full Value^c</u>
Total Direct Debt ^a	\$10,353,000	\$2,071	0.914%
Net Direct Debt	4,873,725	975	0.430
Total Direct & Applicable Total Overlapping Debt	21,027,813	4,206	1.857
Net Direct & Applicable Net Overlapping Debt.....	14,132,945	2,827	1.248

a. Exclusive of refunded bonds.

b. The current estimated population of the district is 5,000.

c. The full valuation of taxable real property in the District for 2011-12 is \$1,132,178,101.

Authorized But Unissued Debt

The District has numerous pending tax certiorari claims filed for the current year and prior years that could reduce the District's tax base and require tax refunds. If the refunds are a substantial amount the District has the authority to increase its authorized but unissued debt in anticipation of issuing bonds for payment of judgments and settled claims resulting from tax certiorari proceedings pursuant to Article 7 of the New York Real Property Tax Law.

FINANCES OF THE DISTRICT

Independent Audit Procedures

The financial affairs of the District are subject to periodic compliance review by the Office of the State Comptroller to ascertain whether the District has complied with the requirements of various state and federal statutes. The financial statements of the District are audited each year by an independent public accountant. The last such audit covers the fiscal year ended June 30, 2011. A copy of such report is included herein as Appendix B.

Investment Policy

Pursuant to State law, including Sections 10 and 11 of the GML, the District is generally permitted to deposit moneys in banks or trust companies located and authorized to do business in the State. All such deposits, including special time deposit accounts and certificates of deposit, in excess of the amount insured under the Federal Deposit Insurance Act, are required to be secured in accordance with the provisions of and subject to the limitations of Section 10 of the GML.

The District may also temporarily invest moneys in: (1) obligations of the United States of America; (2) obligations guaranteed by agencies of the United States of America where the payment of principal and interest are guaranteed by the United States of America; (3) obligations of the State of New York; (4) with the approval of the New York State Comptroller, in tax anticipation notes or revenue anticipation notes issued by any municipality, school district, or district corporation, other than those notes issued by the District, itself; (5) certificates of participation issued in connection with installment purchase agreements entered into by political subdivisions of the State pursuant to Section 109-b(10) of the GML; (6) obligations of a New York public benefit corporation which are made lawful investments for municipalities pursuant to the enabling statute of such public benefit corporation; or (7) in the case of moneys held in certain reserve funds established by the District pursuant to law, in obligations of the District.

All of the foregoing investments are required to be payable or redeemable at the option of the owner within such times as the proceeds will be needed to meet expenditures for purposes for which the moneys were provided and, in the case of obligations purchased with the proceeds of bonds or notes, shall be payable or redeemable in any event, at the option of the owner, within two years of the date of purchase. Unless registered or inscribed in the name of the District, such instruments and investments must be purchased through, delivered to and held in custody of a bank or trust company in the State pursuant to a written custodial agreement as provided by Section 10 of the GML.

The Board of Education of the District has adopted an investment policy and such policy conforms with applicable laws of the State governing the deposit and investment of public moneys. All deposits and investments of the District are made in accordance with such policy.

Fund Structure and Accounts

The General Fund is the general operating fund for the District and is used to account for substantially all revenues and expenditures of the District. The District also maintains a special aid fund and school lunch fund. In addition, a capital projects fund is used to record capital facility projects, while a trust and agency fund accounts for assets received by the District in a fiduciary capacity.

Basis of Accounting

The district-wide and fiduciary fund financial statements are reported on the accrual basis of accounting using the economic resources measurement focus. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Nonexchange transaction, in which the District gives or receives value without directly receiving or giving equal value in exchange, include real property taxes, grants and donations. On an accrual basis, revenue from real 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 and the related expenditures are incurred.

The fund statements are reported on the modified accrual basis of accounting using the current financial resources measurement focus. Revenues are recognized when measurable and available. The District considers all revenue reported in the governmental funds to be available if the revenues are collected within 180 days after the end of the fiscal year, except for real property taxes, which are considered to be available if they are collected within 60 days after the end of the fiscal year.

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

Source: Audited Financials of the District.

Budget Process

The District's fiscal year begins on July 1 and ends on June 30. Starting in the fall or winter of each year, the District's financial plan and enrollment projection are reviewed and updated and the first draft of the next year's proposed budget is developed by the central office staff. During the winter and early spring, the budget is developed and refined in conjunction with school building principals and department supervisors, and by law must be submitted to voter referendum on the third Tuesday of May each year. The District's budget for fiscal year 2012-2013 was subject to the provisions of Chapter 97 of the Laws of 2011, which imposes a limitation on the amount of real property taxes that a school district may levy in a given year. See "Tax Information - The New Tax Levy Limit Law," herein. The 2012-2013 budget was approved by District voters on May 15, 2012 and a summary is included in Appendix A – Financial Information.

Revenues

The District receives most of its revenue from a real property tax on all non-exempt real property situated within the District and State aid. A summary of such revenues for the five most recently completed fiscal years may be found in Appendix A. On June 24, 2011, the Chapter 97 of the Laws of 2011 was enacted, which imposes a tax levy limitation upon the municipalities, school districts and fire districts in the State, including the District. See "Tax Information – The New Tax Levy Limit Law," herein.

Real Property Taxes

See "Tax Information", herein.

State Aid

In addition to the amount of State Aid budgeted by the District, the State is expected to make STAR payments representing tax savings provided by school districts to their taxpayers under the STAR Program (see “STAR - School Tax Exemption”).

The District is dependent in significant part on financial assistance from the State in the form of State Aid for both operating and capital purposes. The District received approximately 27.25% of its total General Fund Revenue operating from State aid in 2012 and expects to receive approximately 27.36% in 2013. Should the District in the current fiscal year or in future fiscal years fail to receive State aid expected from the State in the amounts and at the times expected, occasioned by a delay in the payment of such monies and not by a cut in State aid, the District is authorized by the Local Finance Law to provide operating funds by borrowing in anticipation of the receipt of uncollected State aid. (see “Recent Events Affecting State Aid to New York State School Districts”)

The State is not constitutionally obligated to maintain or continue State aid to the School District. There can be no assurance that the State appropriation for State aid to school districts will be continued in future years, either pursuant to existing formulas or in any form whatsoever. The availability of such monies and the timeliness of such payment could be affected by a delay in the adoption of the State budget and other circumstances including State fiscal stress. State aid appropriated and apportioned to the District can be paid only if the State has such monies available therefor. State budgetary restrictions, which eliminate or substantially reduce State aid could have a material adverse effect upon the School District requiring either a counterbalancing increase in revenues from other sources to the extent available, or a curtailment of expenditures.

Recent Events Affecting State Aid to New York School Districts

State aid to school districts in the State has declined in some recent years.

School district fiscal year 2009-2010: Total State aid for the 2009-2010 fiscal year was maintained at the 2008-2009 levels in part due to the use of Federal aid made available as part of the American Reinvestment and Recovery Act of 2009 (“ARRA”). During said fiscal year, the District’s receipt of State aid was delayed as a result of several initiatives adopted by then Governor Paterson in response to the State’s ongoing and worsening fiscal crisis. Despite such delays, the District did receive all of the State aid due to it for the fiscal year ended June 30, 2010.

School district fiscal year 2010-2011: The total reduction in State aid for the 2010-2011 fiscal year was approximately \$2.1 billion; however, this amount was partially offset by \$726,000,000 in Federal aid for education, including funding from ARRA and other federal initiatives. As a result, the net State aid reduction totaled approximately \$1.4 billion.

School district fiscal year 2011-2012: The total reduction in State aid for the 2011-2012 fiscal year was \$1.3 billion or 6.1 percent from the previous year, and all aid is expected to be received on time.

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

The District cannot predict at this time whether there will be any reductions in and/or delays in the receipt of State aid during the District’s 2012-2013 fiscal year. The District believes that it would mitigate the impact of any delays or the reduction in State aid by reducing expenditures, increasing revenues, appropriating other available funds on hand, and/or by any combination of the foregoing. (See also “*Market Factors Affecting Financing of the State and School Districts of the State*” herein).

The following table sets forth General Fund revenues and State aid revenues during the last five fiscal years and the amount budgeted for the fiscal years ending June 30, 2012 and 2013.

<u>Year Ended June 30:</u>	<u>Total General Fund Revenue</u>	<u>State Aid</u>	<u>State Aid To Revenues (%)</u>
2007	\$25,848,974	\$7,235,554	27.99%
2008	27,852,198	8,384,944	30.11
2009	28,920,780	9,267,503	32.04
2010	29,173,406	8,419,909	28.86
2011	28,204,627	7,936,359	28.14
2012 (Budgeted)	29,638,888	8,076,852	27.25
2013 (Budgeted)	29,380,682	8,038,359	27.36

Expenditures

The major categories of expenditure for the District are General Support, Instruction, Employee Benefits, Pupil Transportation and Debt Service. A summary of the expenditures for the five most recently completed fiscal years may be found in Appendix A.

Employee Pension System

New York State Certified (teachers and administrators) are members of the New York State Teachers Retirement System ("TRS"). Payments to the TRS are generally deducted from State aid payments. All non-certified employees of the District eligible for pension or retirement benefits under the Retirement and Social Security Law of the State of New York are members of the New York State and Local Employee's Retirement System ("ERS"). Both the TRS and ERS (the "State Retirement System" or "SRS") are noncontributory with respect to members hired prior to July 1, 1976. All members of the respective systems that were hired on or after July 1, 1976 and before December 31, 2009, with less than 10 year's full-time service, contribute 3% of their gross annual salary toward the cost of retirement programs.

On December 10, 2009, then Governor Paterson signed into law a new Tier 5. The law was effective for new ERS and TRS employees hired after January 1, 2010. New ERS employees will now contribute 3% of their salaries and new TRS employees will contribute 3.5% of their salaries. There is no provision for these contributions to cease after a certain period of service.

On March 16, 2012, Governor Cuomo signed into law the new Tier 6 pension program, effective for new ERS and TRS employees hired after April 1, 2012. The Tier 6 legislation provides for increased employee contribution rates of between 3% and 6%, 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 final average salary calculation from 3 years to 5 years. Tier 6 employees will vest in the system after ten years of employment and will continue to make employee contributions throughout employment.

Pension reform legislation enacted in 2003 and 2004 changed the cycle of ERS billing to match budget cycles of the District. Under the previous method, the District was unsure of how much it paid to the system until after its budget was implemented. Under the current method the contribution for a given fiscal year will be based on the value of the pension fund on the prior April 1 instead of the following April 1 so that the District will be able to more accurately include the cost of the contribution into its budget. The reform legislation also (i) required the District to make a minimum contribution of 4.5% of payroll every year, including years in which the investment performance of the fund would make a lower contribution possible and (ii) moved the annual payment date for contributions from December 15th to February 1st, effective December 15, 2004.

On September 10, 2010, Comptroller Thomas P. DiNapoli announced increases over the previous year in the 2011-2012 employer contribution rates for the New York State Common Retirement Fund (the "Fund"). The average contribution rate for ERS increased from 11.9% of salaries to 16.3% of salaries for the fiscal year 2011-2012. On August 24, 2011 the Comptroller announced the average contribution rate for the ERS will increase

from 16.3% of salaries to 18.9% of salaries for fiscal year 2012-2013. The TRS rate for the 2010-2011 fiscal year was 8.62% (up from 6.9 percent in 2010). The TRS rate for the 2011-2012 fiscal year is 11.11%. The TRS recommended estimated employer contribution rate for 2012-2013 is 11.84%

While the School District is aware of the potential negative impact on its budget and will take the appropriate steps to budget accordingly for the increase, there can be no assurance that its financial position will not be negatively impacted.

Due to poor performance of the investment portfolio of the State Retirement System, New York State Comptroller Thomas DiNapoli has announced that the employer contribution rates for required pension contributions to the SRS will continue to increase. To help mitigate the impact of their ERS increases, legislation has been enacted that permits local governments and school districts to amortize a portion of such contributions. Under such legislation, local governments and school district that choose to amortize a portion of their ERS contributions will be required to set aside and reserve funds with the SRS for certain future rate increases. The District does not anticipate amortizing any pension payments.

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 following table sets forth the ERS and TRS contributions for each fiscal year from 2007-2012.

The following chart represents the TRS and ERS contributions.

<u>Fiscal Year Ending June 30:</u>	<u>Employees Retirement System</u>	<u>Teachers Retirement System</u>	<u>Total</u>
2007	\$ 268,024	\$ 803,639	\$1,071,663
2008	224,024	882,003	1,106,027
2009	261,092	741,408	1,002,500
2010	205,851	741,736	947,597
2011	291,597	970,470	1,262,067
2012 (Budgeted)	462,562	518,073	980,635
2013 (Budgeted)	1,102,508	1,278,781	2,381,289

Other Post Employment Benefits

School Districts and Boards of Cooperative Education Services, unlike other municipal units of the government in the State, have been prohibited from reducing retiree health benefits or increasing health care contributions received or paid by retirees below the level of benefits or contributions afforded to or required from active employees. This protection from unilateral reduction of benefits had been extended annually by the New York State Legislature until recently when legislation was enacted to make permanent these health insurance benefit protections for retirees. Legislative attempts to provide similar protection to retirees of other local units of government in the State have not succeeded as of the date hereof. Nevertheless, many such retirees of all varieties of municipalities in the State do presently receive such benefits.

The District provides post-retirement healthcare benefits to various categories of former employees. These costs may be expected to rise substantially in the future. GASB Statement No. 45 ("GASB 45") of the Government Accounting Standards Board ("GASB") requires governmental entities, such as the District, to account for the cost of certain non-pension post-employment benefits as it accounts for vested pension benefits.

OPEB refers to "other post-employment benefits", meaning benefits 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 in the same manner as they already account for pension liabilities. It requires them to adopt 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.

Unlike GASB 45, based on actuarial valuation, an annual 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 the current employees) plus (b) amortization of the unfunded accrued liability (benefits already earned by current and former employees but not 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.

As of July 1, 2010, the actuarial accrued liability ("AAL"), the portion of the actuarial present value of the total future benefits based on the employees' service rendered to the measurement date, is \$31.4 million. The actuarial value of the Plan's assets was \$0, resulting in an unfunded actuarial accrued liability ("UAAL") of \$31.4 million. The District's annual OPEB cost was \$11.2 million and the ARC was \$3.4 million. The District is on a pay-as-you-go funding basis and paid \$.75 million for the fiscal year ending June 30, 2011 resulting in a projected year-end Net OPEB obligation of \$8.1 million.

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. There is no authority in New York State to establish a reserve fund for the liability at this time.

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

TAX INFORMATION

Real Property Taxes

The District derives its power to levy an ad valorem real property tax from the State Constitution; methods and procedures to levy, collect and enforce this tax are governed by the Real Property Tax Law. Real property assessment rolls used by the District are prepared by the Towns of Fallsburgh, Liberty, Neversink, Denning, Rochester and Wawarsing. Assessment valuations are determined by the Town assessor and the State Board of Real Property Services, which is responsible for certain utility and railroad property. In addition, the State Board of Real Property Services annually establishes State Equalization Rates for all localities in the State, which are determined by statistical sampling of market sales/assessment studies. The equalization rates are used in the calculation and distribution of certain State aids and are used by many localities in the calculation of debt contracting and real property taxing limitations. The District is not subject to constitutional real property taxing limitations.

The following table sets forth real property taxes as a percentage of the District's General Fund revenue (excluding other financing sources) for each of the fiscal years 2007 through 2011 inclusive and for the 2011-2012 and 2012-2013 fiscal years, based upon the District's adopted budgets for such years.

<u>Year Ended June 30:</u>	<u>Total Revenue</u>	<u>Real Property Taxes</u>	<u>Real Property Taxes to Revenues (%)</u>
2007	\$25,848,974	\$15,894,300	61.49%
2008	27,852,198	16,543,211	59.40
2009	28,920,780	17,141,734	59.27
2010	29,173,406	17,446,318	59.80
2011	28,204,627	17,893,987	63.44
2012 (Budgeted)	29,638,888	18,160,670	61.29
2013 (Budgeted)	29,380,682	18,655,354	63.50

Tax Collection Procedure

Real Property taxes are levied annually by the Board of Education no later than September 1, and become a lien on September 1. Taxes are collected during the period commencing September 1 and ending November 4. Uncollected real property taxes are subsequently enforced by the Counties of Sullivan and Ulster. An amount representing uncollected real property taxes transmitted to the counties for enforcement is paid by the Counties to the School District no later than the forthcoming April 1; thereby assuring 100% collection of the annual levy.

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 in full by the State for real property taxes exempted pursuant to the STAR program on or about the first business day of January in each year.

Valuations, Rates, Levies and Collections

A summary of valuations, rates, levies and collections is contained in Appendix A.

Selected Listing of Large Taxable Properties
(Based on 2011-2012 Assessment Roll)

<u>Name</u>	<u>Type</u>	<u>Full Valuation</u>
New York City	Vacant forestlands, and reservoirs	\$616,614,000 ¹
New York State Lands	State Lands	157,444,000
Foxcroft Mobil Home Park	Mobile Homes	8,370,438
Central Hudson.....	Utility	6,366,800
Howard Pack	Residential and vacant lands	6,122,556
Verizon	Utility	4,290,100
NYSEG.....	Utility	2,738,130
Town & Country Estate LLC	Residential and vacant lands	4,760,714
Eight Blue Eyes LTD	Property	2,240,591
Stagedoor Manor	Art Camp	1,821,429
		<u>\$810,768,758</u>

Note: The total estimated full valuation of the larger taxpayers listed above represents approximately 71.61% of the tax base of the District.

1. The City of New York currently has outstanding tax appeals with respect to the Neversink Reservoir properties (see below). The District holds reserves in its General Fund against potential tax certiorari settlements. The settlement could be substantial and in such case, the District may need to authorize and issue bonds to pay such a cost.

City of New York Certiorari Proceeding – Neversink Reservoir Property

The District has been provided notice of the commencement of proceedings against the Town of Neversink (“Town”) by the City of New York (“City”) challenging the real property assessments of certain property (land and improvements constituting what is known commonly as the Neversink Reservoir) owned by the City within the Town and the District. The proceedings, brought pursuant to Article 7 of the New York Real Property Tax Law, challenge the assessments of the Neversink Reservoir on the 2008, 2009, 2010, 2011 and 2012 assessment rolls of the Town. Although the District is not a party to the proceedings, it may be bound by any assessment reductions ordered by the Court and face a consequent obligation to pay refunds of any real property taxes levied on the portions of the assessments deemed excessive.

In each of the years at issue (2008-2012), the Town assessed the Neversink Reservoir at \$18,326,350. These assessments are presumptively correct under New York Law. As alleged in the petitions, the City claims that such assessment implies a fair market value of the Neversink Reservoir for each of the years as follows:

2012	\$1,832,635,000
2011	1,832,635,000
2010	1,666,032,000
2009	1,466,108,000
2008	916,317,500

In its petitions for the years 2009-2012, the City claimed the fair market value of the Neversink Reservoir to be \$150,000,000, and for 2008 the claimed value was \$50,000,000. The City has alleged that these values should be found by the Court, and that the assessments should be reduced to \$1,500,000 for the years 2010 through 2012, to \$1,865,000 for 2009, and to \$10,000,000 for 2008.

The District has not been provided notice whether these proceedings are yet subject to a scheduling order from the Court. As a condition of the 2010 Water Supply Permit issued to the City by the New York State Department of Environmental Conservation, however, the City committed to fund and to participate in a program, known as the Tax Litigation Avoidance Program (“TLAP”). TLAP establishes a process in which the values of certain properties, including those that are the subject of the above petitions, can be determined without litigations by reference to generic valuation templates. A requirement of TLAP is that the City must participate should a town or other assessing authority so request. It is the District’s understanding that the form of the generic template through which the value of properties such as the Neversink Reservoir may be determined has been agreed to by the City, in which case the Town may now make a determination whether to participate in the TLAP program. If the Town determines to participate in the program, the proceedings may be resolved without litigation.

New Tax Levy Limitation Law

On June 24, 2011, Chapter 97 of the Laws of 2011 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, the counties comprising New York City and the school districts in New York City Buffalo, Rochester, Syracuse, and Yonkers, the latter four of which are affected indirectly by applicability to their respective city.)

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 has 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 now 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. It expires on June 15, 2016 unless other legislation is extended. 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 would be permitted for taxable real property full valuation increases due to changes in physical or quantity growth in the real property base as defined in Section 1220 of the Real Property Tax Law. A school district could 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 a 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 this is an exclusion from the tax levy limitation, which includes refinancings such as the Bonds.

LITIGATION

In common with other School Districts, the District from time to time receives notices of claim and is party to litigation. In the opinion of the District attorney, unless otherwise set forth herein and apart from matters provided for by applicable insurance coverage, there are no significant claims or actions pending in which the District has not asserted a substantial and adequate defense, nor which, if determined against the District, would have an adverse material effect on the financial condition of the District.

There is no action, suite, proceedings or investigation, a 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 Bonds or any proceedings or authority of the District taken with respect to the authorization, issuance or sale of the Bonds or contesting the corporate existence or boundaries of the District.

There are numerous pending tax certiorari claims filed for the current year and prior years that could reduce the District’s tax base and require tax refunds including a substantial claim by New York City. Absent extensive discovery, analysis and settlements, it is not possible to provide a firm estimate of the District’s realistic potential exposure with respect to pending tax certiorari claims. The Towns and Villages within the District are the assessing jurisdiction responsible for determining real property tax assessments for the District, and are the primary party respondent in these actions. The District maintains a tax certiorari reserve to fund outstanding tax challenges. The reserve is approximately \$7.8 million as of June 30, 2012.

RISK FACTORS

AND

MARKET FACTORS AFFECTING FINANCINGS OF THE STATE AND MUNICIPALITIES OF THE STATE

There are various forms of risk associated with investing in the Bonds. The following is a discussion of certain events that could affect the risk of investing in the Bonds. In addition to the events cited herein, there are other potential risk factors that an investor must consider. In order to make an informed investment decision, an investor should be thoroughly familiar with the entire Official Statement, including its appendices, as well as all areas of potential investment risk.

The financial and economic condition of the District as well as the market for the Bonds 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, 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 Bonds. If a significant default or other financial crisis should occur in the affairs of the State or another 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 Bonds 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 and revenues 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 some 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 “State Aid”).

There are a number of general factors which could have a detrimental effect on the ability of the District to continue to generate revenues, particularly property taxes. For instance, the termination of a major commercial enterprise or an unexpected increase in tax certiorari proceedings could result in a significant reduction in the assessed valuation of taxable real property in the District. Unforeseen developments could also result in substantial increases in District expenditures, thus placing strain on the District's financial condition. These factors may have an effect on the market price of the Bonds.

If a holder elects to sell his investment prior to its scheduled maturity date, market access or price risk may be incurred. If and when a holder of any of the Bonds should elect to sell a Bond prior to its maturity, there can be no assurance that a market shall have been established, maintained and be in existence for the purchase and sale of any of the Bonds. Recent global financial crises have included limited periods of significant disruption. In addition, the price and principal value of the Bonds is dependent on the prevailing level of interest rates; if interest rates rise, the price of a bond or note will decline, causing the bondholder or noteholder to incur a potential capital loss if such bond or note is sold prior to its maturity.

Amendments to U.S. Internal Revenue Code could reduce or eliminate the favorable tax treatment granted to municipal debt, including the Bonds and other debt issued by the District. Any such future legislation would have an adverse effect on the market value of the Bonds (See "Tax Exemption" herein).

The New Tax Levy Limitation Law, which imposes a tax levy limitation upon municipalities, school districts and fire districts in the State, including the District and continuing technical and constitutional issues raised by its enactment and implementation could have an impact upon the finances and operations of the District and hence upon the market price of the Bonds. See "TAX INFORMATION" – New Tax Levy Limitation Law" herein.

TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings, and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code") and 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 is of the further opinion that interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix B hereto.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. The District has covenanted to comply with certain restrictions designed to insure that interest on the Bonds will not be included in federal gross income. Failure to comply with these covenants will result in interest on the Bonds being included in gross income for federal income tax purposes as well as for purposes of personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York), from the date of original issuance of the Bonds. The opinion of Bond Counsel assumes compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Bonds may adversely affect the value of, or the tax status of interest on, the Bonds. Further, no assurance can be given that pending or future legislation or amendments to the Code, if enacted into law, or any proposed legislation or amendments to the Code, will not adversely affect the value of, or the tax status of interest on, the Bonds.

Certain requirements and procedures contained or referred to in the Arbitrage Certificate, and other relevant documents may be changed and certain actions (including, without limitation, economic defeasance of the Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. Bond Counsel expresses no opinion as to any Bonds or the interest thereon if any such change occurs or action is taken or omitted upon.

Although Bond Counsel is of the opinion that interest on the Bonds is excluded from gross income for federal income tax purposes and is exempt from income taxes imposed by the State of New York or political subdivision thereof (including The City of New York), the ownership or disposition of, or the accrual or receipt of interest on, the Bonds may otherwise affect a Owner's federal or state tax liability. The nature and extent of these other tax consequences will depend upon the particular tax status of the Owners or the Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. As one example, the Obama Administration announced a legislative

proposal which for tax years beginning on or after January 1, 2013, generally would limit the exclusion from gross income of interest on obligations like the Bonds to some extent for taxpayers who are individuals and whose income is subject to higher marginal income tax rates. Other proposals have also been made in recent months. The introduction or enactment of any such legislative proposals, clarification of the Code or court decisions may also affect the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisers regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

LEGAL MATTERS

Legal matters incident to the authorization, issuance and sale of the Bonds are subject to the approving legal opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel. Bond Counsel's opinion will be in substantially the form attached hereto as Appendix B.

RATING

The Bonds maturing in the years 2016 through 2023, inclusive, are rated "A1" by Moody's Investors Service ("Moody's"). The Bonds maturing in the years 2013 through 2015, inclusive, are NOT insured by AGM.

Moody's is expected to assign a bond rating of "Aa3" (on review for possible downgrade) respectively, the Insured Bonds with the understanding that upon delivery of the Insured Bonds, a policy insuring the payment when due of the principal of and interest on the Insured Bonds will be issued by AGM. Moody's has assigned an underlying rating of "A1" to the Insured Bonds.

This rating will reflect only the view of such rating agency, and any desired explanation of the significance of such rating should be obtained from such rating agency. Generally, a rating agency bases its ratings on the information and materials furnished to it and on investigation, studies and assumptions by the 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 such rating could have an adverse affect on the market price of the Bonds or the availability of a secondary market for such Bonds. Such rating should not be taken as a recommendation to put or hold the Bonds.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

The accuracy of the mathematical computations (a) regarding the adequacy of the maturing principal of and interest earned on the Government Obligations together with the uninvested cash, to pay, when due, the principal of and interest on and redemption premium, if any, with regard to the Refunded Bonds on the applicable payment dates and (b) relating to the determination by Bond Counsel of compliance with the regulations and rulings promulgated under Section 148 of the Code, as amended, will be verified by Causey Demgen & Moore Inc. Such verification of the accuracy of the mathematical computations will be based, in part, upon factual information supplied by the District and the Underwriter (as defined below).

UNDERWRITING

Jefferies & Company, Inc. (the "Underwriter") has agreed, subject to certain conditions, to purchase the Bonds from the District. The Underwriter's obligations are subject to certain conditions precedent, and the Underwriter will be obligated to purchase all the Bonds if any of the Bonds are delivered at a purchase price of \$9,034,390.45 which represents the aggregate par amount of the Bonds, plus an original premium of \$333,783.90, less an underwriting discount of \$44,393.45. The Bonds may be offered and sold to certain dealers (including dealers depositing such Bonds into unit investment trusts) at prices lower than the public offering prices as set forth on the inside cover page hereof. The initial public offering prices may be changed from time to time by the Underwriter.

FINANCIAL ADVISOR

Munistat Services, Inc. has acted as the financial advisor to the District in connection with the sale of the Bonds.

OTHER MATTERS

The statutory authority for the power to spend money for the objects or purposes, or to accomplish the objects or purposes, for which the Bonds are to be issued is the Local Finance Law.

The procedure for the validation of the Bonds provided in Title 6 of Article 2 of the Local Finance Law has been complied with.

There is no bond or note principal or interest past due.

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

This Official Statement does not include the financial data of any political subdivision of the State of New York having power to levy taxes within the District, except as expressed in the "Calculation of Estimated Overlapping and Underlying Indebtedness."

ADDITIONAL INFORMATION

Additional information may be obtained from the office of the Assistant Superintendent of Schools, Lisa Raymond, Tri-Valley Central School District at Grahamsville, 34 Moore Hill Road, Grahamsville, New York 12740, telephone number 845/985-2296, email: lraymond@tvcs.k12.ny.us, or from Munistat Services, Inc., 12 Roosevelt Avenue, Port Jefferson Station, New York 11776, telephone number 631/331-8888.

Munistat Services, Inc. may place a copy of this Official Statement on its website at www.munistat.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. Munistat Services, 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 Munistat Services, Inc. assumes any liability or responsibility for errors or omissions on such website. Further, Munistat Services, 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. Munistat Services, Inc. and the District also assumes no liability or responsibility for any errors or omissions for any unauthorized edits or for any updates to dated website information.

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 such opinions or estimates will be realized. Neither this Official Statement nor any statement which may have been made orally or in writing with regard to the Bonds is to be construed as a contract with the holders of the Notes.

Orrick, Herrington & Sutcliffe LLP expresses no opinion as to the accuracy or completeness of any documents prepared by or on behalf of the District for use in connection with the offer and sale of the Bonds, including but not limited to, the financial or statistical information in this Official Statement.

The preparation and distribution of this Official Statement have been approved by the President of the Board of Education of the District pursuant to the power delegated to him by the authorizing tax anticipation resolution to sell and deliver the Bonds.

This Official Statement has been duly executed and delivered by the President of the Board of Education of the Tri-Valley Central School District at Grahamsville.

By: s/s _____

President of the Board of Education
Tri-Valley Central School District at Grahamsville

Dated: October 2, 2012

APPENDIX A

FINANCIAL INFORMATION

Statement of Revenues, Expenditures and Fund Balances

General Fund

	Fiscal Year Ending June 30:				
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Revenues:					
Real Property Taxes	\$ 15,894,300	\$ 16,543,211	\$ 17,141,734	\$ 17,446,318	\$ 17,893,987
Other Tax Items	1,395,124	1,631,368	1,349,590	1,253,635	1,143,703
Charges for Services	112,565	62,511	154,206	183,426	172,663
Use of Money and Property	491,569	412,450	290,273	178,564	118,663
Sale of Property and Compensation for Loss	3,650	980	2,963	10,750	3,668
Interfund Revenues	27,560	16,694	10,129	7,710	0
Miscellaneous	644,868	776,383	639,568	637,471	450,715
State Sources	7,235,554	8,384,944	9,267,503	8,419,909	7,936,359
Federal Sources	<u>43,784</u>	<u>23,657</u>	<u>64,814</u>	<u>1,035,623</u>	<u>484,869</u>
Total Revenues	<u>25,848,974</u>	<u>27,852,198</u>	<u>28,920,780</u>	<u>29,173,406</u>	<u>28,204,627</u>
Expenditures:					
General Support	3,110,384	3,744,804	3,523,230	3,229,628	3,556,577
Instruction	13,515,799	14,222,229	14,514,460	13,408,812	13,123,598
Pupil Transportation	1,833,997	1,889,710	2,182,546	2,335,314	2,362,703
Community Services	16,686	17,113	17,072	17,379	16,114
Employee Benefits	4,879,213	5,108,160	5,522,662	4,688,026	5,540,220
Debt Service	<u>1,424,000</u>	<u>1,433,212</u>	<u>1,333,964</u>	<u>1,271,950</u>	<u>1,386,968</u>
Total Expenditures	<u>24,780,079</u>	<u>26,415,228</u>	<u>27,093,934</u>	<u>24,951,109</u>	<u>25,986,180</u>
Excess (Deficit) of Revenues Over Expenditures	1,068,895	1,436,970	1,826,846	4,222,297	2,218,447
Other Sources and Uses:					
Operating Transfers (In)	15,000	0	171,832	0	464,175
Interfund Transfers (Out)	<u>(214,375)</u>	<u>(113,233)</u>	<u>(326,426)</u>	<u>(1,080,000)</u>	<u>(999,861)</u>
Total Other Sources and Uses	<u>(199,375)</u>	<u>(113,233)</u>	<u>(154,594)</u>	<u>(1,080,000)</u>	<u>(535,686)</u>
Fund Balance - Beg. of Year	4,049,968	4,919,488	6,243,225	7,915,477	11,057,774
Adjustments	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance - End of Year	<u>\$ 4,919,488</u>	<u>\$ 6,243,225</u>	<u>\$ 7,915,477</u>	<u>\$ 11,057,774</u>	<u>\$ 12,740,535</u>

Sources: Audited Financial Statements of the District

NOTE: This table NOT audited

Comparative Balance Sheet - General Fund

	Fiscal Year Ending June 30:	
	<u>2010</u>	<u>2011</u>
Assets:		
Current Assests:		
Cash and Cash Equivalents	\$ 12,101,422	\$ 14,045,184
Accounts Recievable	1,471	3,832
State and Federal Aid Receivable	1,320,347	820,770
Due From Other Governments	236,625	152,387
Due From Other Funds	<u>742,499</u>	<u>72,092</u>
Total Assets	<u>14,402,364</u>	<u>15,094,265</u>
Liabilities and Fund Balance:		
Liabilities:		
Accounts Payable	\$ 189,382	\$ 103,196
Accrued Liabilities	620,651	135,698
Due to Other Governments	151,100	85,376
Due to Other Funds	1,617,291	958,588
Due to Teachers' Retirement System	665,795	930,600
Due to Employees' Retirement System	<u>100,371</u>	<u>140,272</u>
Total Liabilites	\$ <u>3,344,590</u>	\$ <u>2,353,730</u>
Fund Equity:		
Reserve for Encumbrances	1,069,246	200,088
Reserve for Tax Certiorari	1,996,923	7,222,027
Reserve for Unemployment Insurance	226,515	227,885
Reserve for Workers' Compensation	326,511	328,795
Reserve for Capital Projects	464,684	96,282
	1,552,140	1,521,745
Unreserved:		
Designated	1,564,531	1,959,158
Undesignated	<u>3,857,224</u>	<u>1,184,555</u>
Total Fund Equity	<u>11,057,774</u>	<u>12,740,535</u>
Total Liabilities and Fund Equity	\$ <u><u>14,402,364</u></u>	\$ <u><u>15,094,265</u></u>

Sources: Audited Financial Statement for the Fiscal Years Ending 2010 and 2011

NOTE: This table NOT audited

Budget Summaries
Fiscal Year Ending June 30:

	<u>2012</u> ¹	<u>2013</u> ²
Real Property Taxes	\$ 18,160,670	\$ 18,655,354
STAR Reimbursement	967,769	967,769
Payments in Lieu of Taxes	65,000	65,000
Charges for Services	35,775	50,775
Use of Money and Property	145,000	145,000
State Sources	8,076,852	8,038,359
Miscellaneous	406,650	16,650
Refunds of Prior Year Expenses	200,000	250,000
Interfund Revenues	2,000	2,000
Medicaid Reimbursement - Health Services	10,000	10,000
Appropriation of Fund Balance		
from Prior Fiscal Year	1,544,158	1,154,775
Capital Reserve Levy	<u>25,000</u>	<u>25,000</u>
 Total Revenues	 <u>\$ 29,638,874</u>	 <u>\$ 29,380,682</u>
 Expenditures:		
General Support	\$ 3,606,646	\$ 3,527,468
Instruction	13,865,807	13,951,406
Pupil Personnel Services	1,167,104	1,066,040
Pupil Transportation	2,258,913	2,304,613
Community Services	20,776	21,526
Employee Benefits	6,726,543	6,791,245
Debt Service	1,388,085	1,413,384
Interfund Transfers	580,000	280,000
Capital Reserve Levy	<u>25,000</u>	<u>25,000</u>
	 <u>\$ 29,638,874</u>	 <u>\$ 29,380,682</u>

(1) Approval by the voters of the District on May 17, 2011

(2) Approval by the voters of the District on May 15, 2012

FINANCIAL INFORMATION

Valuations and Tax Levies

ASSESSED VALUATIONS	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Towns of:					
Fallsburgh	\$ 83,963,608	\$ 85,740,631	\$ 85,642,468	\$ 85,725,689	\$ 86,026,431
Liberty	2,220,449	2,374,176	2,364,031	2,379,626	2,408,500
Neversink	29,457,829	29,757,998	29,941,295	29,956,774	30,009,902
Denning	26,754,940	26,809,097	26,857,524	27,103,659	27,195,906
Rochester	2,017,982	1,978,834	1,996,274	1,977,084	2,005,912
Wawarsing	250,662	251,243	254,634	254,796	254,601

STATE EQUALIZATION RATES

Towns of:					
Fallsburgh	49.00%	49.00%	49.00%	50.00%	56.00%
Liberty	62.75%	63.09%	63.91%	67.96%	72.61%
Neversink	4.00%	3.90%	3.56%	3.65%	3.72%
Denning	18.00%	17.00%	17.25%	18.00%	18.00%
Rochester	90.00%	84.00%	87.00%	96.00%	100.00%
Wawarsing	1.75%	1.55%	1.57%	1.65%	1.65%

FULL VALUATIONS

Towns of:					
Fallsburgh	171,354,302	174,980,880	174,780,547	171,451,378	153,618,627
Liberty	3,538,564	3,763,157	3,699,000	3,501,510	3,317,036
Neversink	736,445,725	763,025,590	841,047,612	820,733,534	806,717,796
Denning	148,638,556	157,700,571	155,695,791	150,575,883	151,088,367
Rochester	2,242,202	2,355,755	2,294,568	2,059,463	2,005,912
Wawarsing	14,323,543	16,209,226	16,218,726	15,442,182	15,430,364
Total Full Valuation	1,076,542,892	1,118,035,178	1,193,736,244	1,163,763,950	1,132,178,101

Years Ending June 30:

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Total Tax Levy	16,543,211	17,141,734	17,446,318	17,893,987	18,160,670

APPENDIX B

FORM OF BOND COUNSEL'S OPINION

DRAFT

October 11, 2012

Tri-Valley Central School District at Grahamsville
Counties of Sullivan and Ulster,
State of New York

Re: Tri-Valley Central School District at Grahamsville, Sullivan and Ulster Counties, New York
\$8,055,000 School District Refunding (Serial) Bonds, 2012

Ladies and Gentlemen:

We have been requested to render our opinion as to the validity of an issue of \$8,055,000 School District Refunding (Serial) Bonds, 2012 (the "Obligation"), of the Tri-Valley Central School District at Grahamsville, Sullivan and Ulster Counties, New York (the "Obligor"), dated the date of delivery, initially issued in registered form in denominations such that one bond shall be issued for each maturity of bonds in such amounts as hereinafter set forth, bearing interest at the rate of _____ and _____ hundredths per centum (_____ %) per annum as to bonds maturing in each of the years 20_____ to 20_____, both inclusive, and at the rate of _____ per centum (_____ %) per annum as to bonds maturing in each of the years 20_____ to 20_____, both inclusive, payable on November 15, 2012 and semi-annually thereafter in each year until maturity in the amounts of \$685,000 on May 15, 2013, \$605,000 on May 15, 2014, \$630,000 on May 15, 2015; \$650,000 on May 15, 2016, \$675,000 on May 15, 2017, \$705,000 on May 15, 2018, \$745,000 on May 15, 2019, \$775,000 on May 15, 2020, \$820,000 on May 15, 2021, \$860,000 on May 15, 2022 and \$905,000 on May 15, 2023.

We have examined:

- (1) the Constitution and statutes of the State of New York;
- (2) the Internal Revenue Code of 1986, including particularly Sections 103 and 141 through 150 thereof, and the applicable regulations of the United States Treasury Department promulgated thereunder (collectively, the "Code");

(3) an arbitrage certificate executed on behalf of the Obligor which includes, among other things, covenants, relating to compliance with the Code, with the owners of the Obligation that the Obligor will, among other things, (i) take all actions on its part necessary to cause interest on the Obligation not to be includable in the gross income of the owners thereof for Federal income tax purposes, including, without limitation, restricting, to the extent necessary, the yield on investments made with the proceeds of the Obligation and investment earnings thereon, making required payments to the Federal government, if any, and maintaining books and records in a specified manner, where appropriate, and (ii) refrain from taking any action which would cause interest on the Obligation to be includable in the gross income of the owners thereof for Federal income tax purposes, including, without limitation, refraining from spending the proceeds of the Obligation and investment earnings thereon on certain specified purposes (the "Arbitrage Certificate"); and

(4) a certificate executed on behalf of the Obligor which includes, among other things, a statement that compliance with such covenants is not prohibited by, or violative of, any provision of local or special law, regulation or resolution applicable to the Obligor.

We also have examined a certified copy of proceedings of the finance board of the Obligor and other proofs authorizing and relating to the issuance of the Obligations, including the form of the Obligations. In rendering the opinions expressed herein we have assumed the accuracy and truthfulness of all public records, documents and proceedings, including factual information, expectations and statements contained therein, examined by us which have been executed or certified by public officials acting within the scope of their official capacities, and have not verified the accuracy or truthfulness thereof. We also have assumed the genuineness of the signatures appearing upon such public records, documents and proceedings and the certifications thereof.

In our opinion:

- (a) The Obligation has been authorized and issued in accordance with the Constitution and statutes of the State of New York and constitutes a valid and legally binding general obligation of the Obligor, all the taxable real property within which is subject to the levy of ad valorem taxes to pay the Obligation and interest thereon, without limitation as to rate or amount limitations; provided, however, that the enforceability (but not the validity) of the Obligation: (i) may be limited by any applicable bankruptcy, insolvency or other law now existing or hereafter enacted by said State or the Federal government affecting the enforcement of creditors' rights, and (ii) may be subject to the exercise of judicial discretion in appropriate cases.
- (b) The Obligor has the power to comply with its covenants with respect to compliance with the Code as such covenants relate to the Obligation; provided, however, that the enforceability (but not the validity) of such covenants may be limited by any applicable bankruptcy, insolvency or other law now existing or hereafter enacted by said State or the Federal government affecting the enforcement of creditors' rights.
- (c) Interest on the Obligations is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, and is exempt from personal income taxes imposed by the State of New York and any political subdivision thereof (including The City of New York). Interest on the Obligations is not a specific preference

item for purposes of the federal individual or corporate alternative minimum taxes, although it is included in adjusted current earnings in calculating corporate alternative minimum taxable income. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Obligations.

Certain agreements, requirements and procedures contained or referred to in the Arbitrage Certificate and other relevant documents may be changed and certain actions (including, without limitation, economic defeasance of the Obligations) may be taken or omitted.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. Accordingly, this opinion is not intended to, and may not, be relied upon in connection with any such actions, events or matters. Our engagement with respect to the Obligations has concluded with their issuance, and we disclaim any obligation to update this opinion. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents. Furthermore, we have assumed compliance with all covenants and agreements contained in the Arbitrage Certificate, including without limitation covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Obligations to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Obligations and the Arbitrage Certificate and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium or other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against municipal corporations such as the Obligor in the State of New York. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum, choice of venue, or waiver provisions contained in the foregoing documents.

The scope of our engagement in relation to the issuance of the Obligations has extended solely to the examination of the facts and law incident to rendering the opinions expressed herein. Such opinions are not intended and should not be construed to express or imply any conclusion that the amount of revenues or moneys of the Obligor legally available will be sufficient to enable the Obligor to pay the principal of or interest on the Obligations as the same respectively become due and payable. Reference should be made to the Official Statement prepared by the Obligor in relation to the Obligations for factual information which, in the judgment of the Obligor, could materially affect the ability of the Obligor to pay such principal and interest. While we have participated in the preparation of such Official Statement, we have not verified the accuracy, completeness or fairness of the factual information contained therein and, accordingly, we express no opinion as to whether the Obligor, in connection with the sale of the Obligations, 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.

Very truly yours,

APPENDIX C

**AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE: SUCH FINANCIAL REPORT AND OPINIONS WERE PREPARED
AS OF THE DATE THEREOF AND HAVE NOT BEEN REVIEWED AND/OR
UPDATED IN CONNECTION WITH THE PREPARATION AND DISSEMINATION
OF THIS OFFICIAL STATEMENT

COOPER, NIEMANN & CO., LLP

Certified Public Accountants



Reaching new heights,
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tomorrow

September 28, 2011

To the Board of Education
Of the Tri-Valley Central School District
P.O. Box 420
Grahamsville, New York 12740

In planning and performing our audit of the financial statements of the Tri-Valley Central School District as of and for the year ended June 30, 2011, in accordance with auditing standards generally accepted in the United States of America, we considered the Tri-Valley Central School District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements in accordance with *Government Auditing Standards* and Office of Management and Budget (OMB) Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

The management of the Tri-Valley Central School District is responsible for establishing and maintaining an internal control structure. An internal control system consists of five elements: the control environment, risk assessment, information and communication, monitoring, and control activities. Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, during our audit, we noted certain matters involving the internal control and other operational matters that are presented for your consideration. This letter does not affect our report dated September 28, 2011 on the financial statements of the Tri-Valley Central School District. We will review the status of these comments during our next audit engagement. Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the internal control or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience, perform any additional study of these matters, or assist you in implementing the recommendations. Certain matters involving the internal control structure and its operation, of a more routine nature, have been discussed with the appropriate administrative personnel. Our comments are summarized as follows:

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COMPLIANCE

During our review of the training for Board members, we noted one Board member who did not have the six hours of training required by NYS for all school board members. NYS requires all newly elected school board members to receive six hours of training within the first year of being elected. We recommend that the District inform all of its Board members of this requirement and make sure the education certifications are kept on file.

Management's Response - The Board of Education is aware of this matter and is taking the necessary steps to correct this issue.

PREVIOUS RECOMMENDATIONS

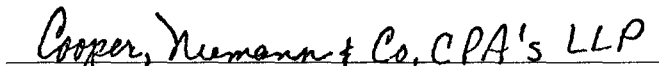
During our review of the District's scholarships, we noted that there was limited documentation to support the awarding of the scholarships. In addition, the District was not able to locate the original agreements to determine the criteria required for various scholarships. Although the amount disbursed in scholarships is insignificant in relation to the District's financial statements, we recommend that the District review its policies and procedures related to the scholarships to insure that all awards are being paid out as originally intended.

Management's Response - The District is aware of this issue and has sought the assistance of its District counsel to rectify the situation.

Management has addressed our other previous recommendations.

Overall the accounting records of the District are accurate and complete which enabled us to provide the District with its audited financial statements in a timely manner. In conclusion, we would like to thank the Staff who assisted us during our examination, and provided us with all the necessary records.

Very truly yours,


COOPER, NIEMANN & CO., CPAs, LLP

COOPER, NIEMANN & CO., LLP

Certified Public Accountants



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September 28, 2011

To the Superintendent and School Board
Members of the Tri-Valley Central School District
Grahamsville, NY

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Tri-Valley Central School District for the year ended June 30, 2011, and have issued our report thereon dated September 28, 2011. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and OMB Circular A-133), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated March 21, 2009. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Tri-Valley Central School District are described in Note 1 to the financial statements. The District adopted Governmental Accounting Standards Board Statement No. 54 (GASB 54) during the year ended June 30, 2011. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were fixed assets, depreciation expense and the District's liability related to post employment health insurance benefits.

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Management's estimate of fixed assets is based on a capitalization threshold of \$5,000. Therefore, all fixed assets with a cost of less than \$5,000 are expensed and not included in the balance of fixed assets in the statement of net assets. Fixed assets are depreciated in the statement of activities on a straight line basis over the estimated useful life of each asset. The estimate of the District's liability for post employment health insurance benefits was calculated by an actuary using various assumptions detailed in Note 11 to the financial statements.

We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

Note 1 – Disclosure of the District's accounting policies, which includes the implementation of GASB 54 and a description of the new equity classifications.

Note 9 - Disclosure of the District's outstanding liabilities as of June 30, 2011.

Note 11 – Information related to the District's liability for post employment health insurance benefits.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 28, 2011.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Education and management of the Tri-Valley Central School District and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Cooper, Niemann & Co. CPA's LLP

Cooper, Niemann & Co., CPA's, LLP

TRI-VALLEY CENTRAL SCHOOL DISTRICT

***GENERAL PURPOSE
FINANCIAL STATEMENTS***

JUNE 30, 2011

TRI-VALLEY CENTRAL SCHOOL DISTRICT
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INDEPENDENT AUDITORS' REPORT

To The Board of Education of the
Tri-Valley Central School District
Grahamsville, New York

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Tri-Valley Central School District, as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Tri-Valley Central School District's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the District's June 30, 2010 financial statements and, in our report dated September 9, 2010, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Tri-Valley Central School District as of June 30, 2011, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2011 on our consideration of the Tri-Valley Central School District, New York'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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 11 and 43 through 44 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Tri-Valley Central School District, New York's financial statements as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the US Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Cooper, Neumann & Co. CPA's LLP

Mongaup Valley, New York
September 28, 2011

Tri-Valley Central School District

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2011 (Unaudited)

The discussion and analysis of the Tri-Valley Central School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2011. The intent of this discussion and analysis is to look at the School District's financial statements and notes to enhance one's understanding of the School District's financial statements.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2011 school year are as follows:

District-Wide Statements

- * In total, net assets increased \$16,578.
- * Total governmental revenues and other sources totaled \$29,750,462.
Program specific revenues, in the form of charges for services, grants and contributions that are earmarked for a specific program, accounted for \$2,196,823 total revenues.
- * The School District had general expenditures of \$29,733,884 of which \$2,196,823 were offset by program specific charges for services, sales, grants and contributions. Revenues from property taxes, STAR, state aid and federal aid, etc. were adequate to provide for the rest of the School District's programs.

Fund Financial Statements

- * Total assets of governmental funds amounted to \$17,550,443.
- * Among governmental funds, the General Fund had \$28,668,802 in revenues and \$26,986,041 in actual expenditures. Fund balance increased \$1,682,761 from the previous school year.
- * The Capital Fund had revenues from the proceeds of a bond of \$1,358,000 and interfund revenues of \$896,719. The expenditures were \$2,054,164. Overall, fund balance increased by \$200,555.

Tri-Valley Central School District

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2011 (Unaudited)

Using this General Purpose Financial Statement

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Tri-Valley Central School District as a financial whole, or as an entire entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

Reporting the District as a Whole

The Statement of Net Assets and Statement of Activities

The view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during the fiscal year ending June 2011?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, and some not. Non-financial factors include the School District's property tax base, facility conditions, required educational programs and other factors.

In the Statement of Net Assets and the Statement of Activities, the School District is described as the following activity:

Governmental Activities - Most of the School District's programs and services are reported here. This includes instruction, support services, operations and maintenance of plant, pupil transportation, debt service and extracurricular activities.

Reporting the School District's Most Significant Funds

Fund Financial Statements

Fund financial statements provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund, Special Aid Fund, and School Lunch Fund. The Capital Projects Fund and Debt Service Fund are reported as non-major funds.

Tri-Valley Central School District

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
(Unaudited)

Governmental Funds

Most of the School District's activities are reported in governmental funds, which focus on how monies flow into and out of these funds and the balances left at fiscal year end for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent in the near future to finance educational programs. The relationship, or differences, between governmental activities reported in the Statement of Net Assets, and the Statement of Activities and the governmental funds is reconciled in the financial statements.

The School District as a Whole

The perspective of the Statement of Net Assets is to show the School District as a whole. Table 1 provides a summary of the School District's net assets for the fiscal years ending June 30, 2011 and 2010:

Table 1
Statement of Net Assets
June 30,

Assets	<u>2011</u>	<u>2010</u>
Current and Other Assets	15,416,258	14,342,514
Capital Assets, net	21,227,117	19,790,235
Total Assets	<u>36,643,375</u>	<u>34,132,749</u>
Liabilities		
Current and Other Obligations	1,485,019	1,880,478
Long-Term Liabilities		
Due within One Year	1,685,000	1,827,315
Due in More than One Year	18,362,456	15,330,634
Total Liabilities	<u>21,532,475</u>	<u>19,038,427</u>
Net Assets		
Invested in Capital Assets, Net of Related Debt	\$ 9,940,117	8,957,235
Restricted		
Debt Service	6,343	393,159
Capital Projects	96,282	464,684
Unrestricted	5,068,158	5,279,244
Total Net Assets	<u>15,110,900</u>	<u>15,094,322</u>

Tri-Valley Central School District

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
(Unaudited)

Table 2
Change in Net Assets from Operating Results
Year Ending June 30,

Revenues

	<u>2011</u>	<u>2010</u>
Program Revenues		
Charges for Services	384,390	416,020
Operating Grants	1,812,433	2,182,991
Total Program Revenues	<u>2,196,823</u>	<u>2,599,011</u>
General Revenues		
Real Property Taxes	17,893,987	17,446,318
STAR Reimbursement and PILOTS	1,143,703	1,253,635
State Aid	7,936,359	8,419,909
Federal Aid	1,264	6,874
Interest Earnings	122,400	182,067
Miscellaneous	455,926	650,264
Total General Revenues	<u>27,553,639</u>	<u>27,959,067</u>
Total Revenues	<u>29,750,462</u>	<u>30,558,078</u>

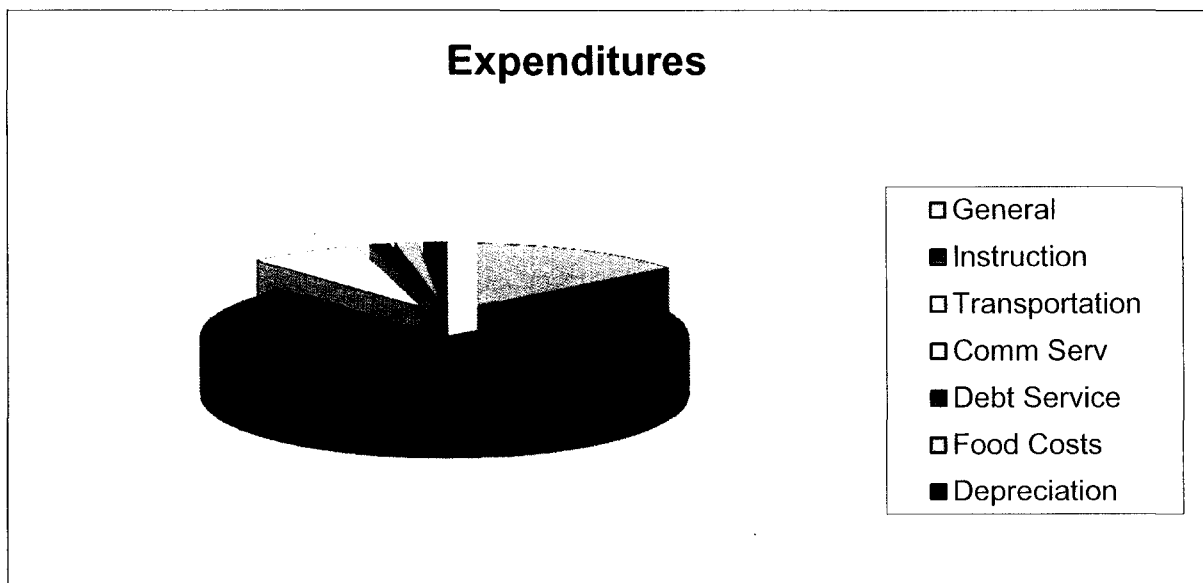
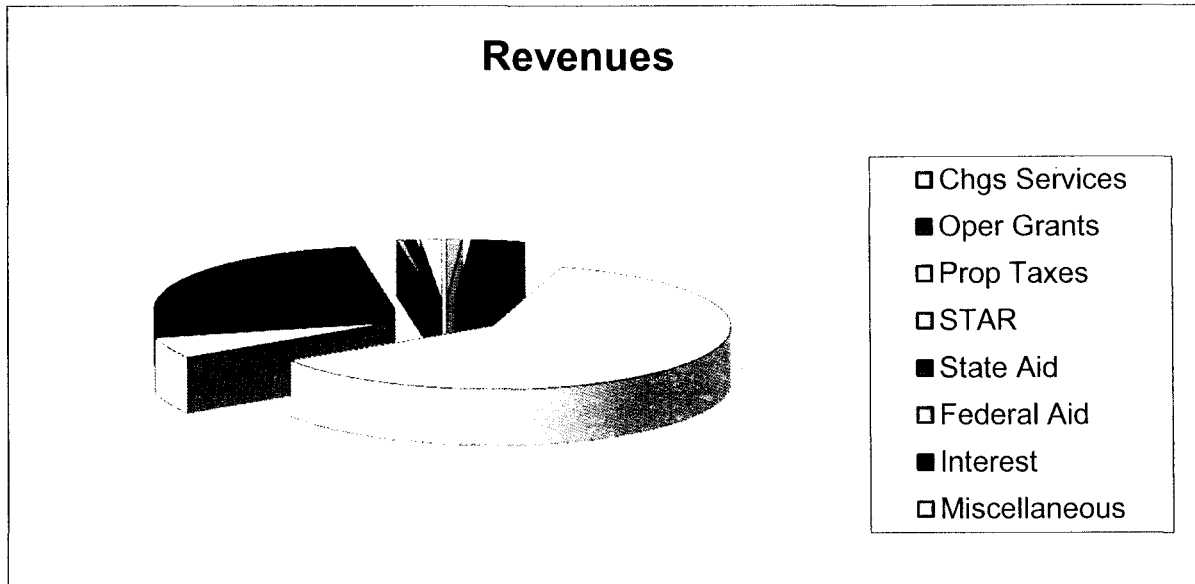
Expenditures

General Support	4,591,737	4,196,982
Instruction	20,595,064	20,735,444
Transportation	2,633,159	2,534,782
Community Service	19,457	21,234
Debt Service	754,319	483,200
Depreciation and Amortization	568,500	505,898
School Lunch Program	571,648	508,819
Total Expenditures	<u>29,733,884</u>	<u>28,986,359</u>
Increase (Decrease) in Net Assets	<u>16,578</u>	<u>1,571,719</u>

Tri-Valley Central School District

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
(Unaudited)

The following graphs represents the revenue and expenditures.



Instruction comprises 69% of governmental program expenditures.

Tri-Valley Central School District

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
(Unaudited)

Governmental Activities

The Statement of Activities reflects the cost of program services and charges for services and sales, grants and contributions offsetting those services. Table 3, for governmental activities, indicates the total cost of services and the net cost (total cost less fees generated by activities and grants). The net cost shows the financial burden that was placed on the District's taxpayers.

Table 3
Governmental Activities
June 30,

Functions/Programs	<u>Total Cost of</u> <u>Services</u>		<u>Net Cost of</u> <u>Services</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
General Support	\$ 4,591,737	\$ 4,196,982	\$ 4,591,737	\$ 4,196,982
Instruction	\$ 20,595,064	\$ 20,735,444	\$ 18,848,130	\$ 18,589,697
Pupil Transportation	\$ 2,633,159	\$ 2,534,782	\$ 2,623,147	\$ 2,534,782
Community Service	\$ 19,457	\$ 21,234	\$ 19,457	\$ 21,234
Debt Service	\$ 754,319	\$ 483,200	\$ 754,319	\$ 483,200
School Lunch Program	\$ 571,648	\$ 508,819	\$ 131,771	\$ 55,555
Unallocated Depreciation	\$ 568,500	\$ 505,898	\$ 568,500	\$ 505,898
Total Expenses	\$ 29,733,884	\$ 28,986,359	\$ 27,537,061	\$ 26,387,348

General Support includes Board of Education, Administration and Business Office expenses associated with administrative and financial supervision of the District. It also includes operations and maintenance of plant activities which involves keeping the school grounds, and buildings and equipment in effective working conditions.

Instruction expenditures include activities directly dealing with the teaching of pupils and the interaction between teacher and pupil. It also involves assisting staff with the content and process of teaching students. Also included under instruction is extracurricular activities. These include expenses related to student activities provided by the School District which are designed to provide opportunities for students to participate in school events for the purposes of motivation, enjoyment and skill improvement.

Pupil transportation includes activities involved with the transporting of students to and from school and school activities.

Tri-Valley Central School District

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2011 (Unaudited)

Community service includes support for the youth commission and the school district census enumerator.

Debt service is principal and interest payments on the \$12.8 million bond, the \$5 million refinanced bond and the boiler project bond.

The net cost to run the District for the year ended June 30, 2011 was \$27.54 million. However, the dependence upon real property tax revenue is evident. The amount that our taxpayers paid for these activities through real property taxes was \$17.9 million. The community as a whole, is the primary support for the Tri-Valley Central School District students. The remaining revenue was made of STAR reimbursement, interest earnings, state aid, federal aid, etc.

The school lunch program is the expenditure required to operate the breakfast and lunch program to the District's students.

The School District's Funds

The School District's governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$32,572,498 and expenditures of \$31,104,152, which includes \$1,464,036 of interfund transactions. The net increase in fund balance for the year was significant at \$1,468,346.

General Fund Budget Highlights

The School District's budget is prepared according to New York State Education law and is based on accounting for transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund.

During the course of the fiscal year, the School District adjusted its General Fund budget by carrying forward encumbrances from the previous school year. These are commitments for expenditures made but not received by the District by June 30, 2011. The District uses shared decision making in the schools that emphasizes the involvement and meaningful participation of the Board of Education, Administration and Teachers in the decision making process.

Tri-Valley Central School District

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
(Unaudited)

For the General Fund, the budgeted revenues were \$28,239,664. The School District budgeted \$18,914,062 for real property taxes. The School District levied \$17,893,987 in property taxes and received \$1,031,979 in STAR reimbursement, and \$65,000 in payments from Frost Valley YMCA and Sullivan County IDA in lieu of taxes for an overall favorable variance.

Capital Assets

Table 4
Capital Assets (Net of Depreciation)
at June 30, 2011

Land	\$	93,000
Construction in Progress		342,926
Buildings and Improvements		20,195,550
Furniture, Equipment and Vehicles		535,038
Total Capital Assets (Net of Depreciation)	\$	<u>21,166,514</u>

Debt Administration

Table 4
Outstanding Debt
at June 30, 2011

The District had \$11,287,000 in outstanding bonds as of June 30, 2011. For the year ended June 30, 2011, the District paid \$904,000 in principal payments and \$482,968 in interest payments.

Tri-Valley Central School District

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2011 (Unaudited)

Current Financial Issues and Concerns

The Tri-Valley Central School District is maintaining financial stability despite the decline in the economy and the uncertainty of future State funding. The District continues to uphold its dedication to the achievement of higher standards for all students. Our district funds the necessary academic intervention services and instruction strategies to help students in need and also addresses the new requirements of the No Child Left Behind legislation. We also provide extensive extracurricular opportunities for our students because of the limitations due to our rural setting.

A concern that remains in the forefront of the minds of the Board of Education, the staff and the community members is the continual decline of state aid and the increase in property taxes. In addition, the newly enacted 2% property tax cap legislation is yet another challenge that all New York State school districts must deal with in these already challenging times. The District is working hard to maintain the above average standards in our educational expectation while remaining fiscally responsible to our citizens and keeping the tax levy to a minimum. Our community has shown their support of every budget proposed by this District since its inception. We accept the responsibility of maintaining an effective balance between the best educational programs and practices and the costs necessary to support them.

In light of our recent economy and lack of State funding, administrators must plan carefully and prudently to provide the resources to meet student needs and mandated requirements over the next several years. Administration anticipates a significant increase in administrative and capital expenditures of the District. Insurance costs have escalated and the employer's contributions to the state retirement systems are expected to increase in the future. In comparison to other school districts in the state, Tri-Valley Central School District is not suffering with low wealth. Therefore, the Tri-Valley Central School has not, and does not, anticipate any meaningful growth in State revenues.

The School District plans to continue its sound fiscal management to meet the challenges of the future.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Lisa Raymond, Assistant Superintendent for Business at Tri-Valley Central School District, 34 Moore Hill Road, Grahamsville, New York 12740, (845) 982-2296 or e-mail lraymond@tvcs.k12.ny.us.

TRI-VALLEY CENTRAL SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30,

	<u>2011</u>	<u>2010</u>
ASSETS		
Current Assets:		
Cash and Equivalents	\$ 14,081,203	\$ 12,206,772
Accounts Receivable	14,173	3,766
State and Federal Aid Receivable	1,090,407	1,800,354
Due From Other Governments	152,387	236,625
Due From Fiduciary Funds	69,410	78,130
Inventory	<u>8,678</u>	<u>16,867</u>
Total Current Assets	<u>15,416,258</u>	<u>14,342,514</u>
Non-Current Assets		
Deferred Bond Costs, net	60,603	67,573
Capital Assets	30,088,518	27,993,777
Less: Accumulated Depreciation	<u>(8,922,004)</u>	<u>(8,271,115)</u>
Total Non-Current Assets	<u>21,227,117</u>	<u>19,790,235</u>
TOTAL ASSETS	<u>36,643,375</u>	<u>34,132,749</u>
LIABILITIES		
Accounts Payable	127,230	257,338
Accrued Liabilities	192,668	679,091
Retainage Payable	-	21,511
Due To Other Governments	85,700	151,426
Due To TRS	930,600	665,795
Due To ERS	140,272	100,371
Deferred Revenues	8,549	4,946
Non-Current Liabilities:		
Due Within One Year	1,685,000	1,827,315
Due Beyond One Year	<u>18,362,456</u>	<u>15,330,634</u>
TOTAL LIABILITIES	<u>21,532,475</u>	<u>19,038,427</u>
NET ASSETS		
Invested In Capital Assets, Net of Related Debt	9,940,117	8,957,235
Restricted For:		
Debt Service	6,343	393,159
Capital Projects	96,282	464,684
Unrestricted	<u>5,068,158</u>	<u>5,279,244</u>
TOTAL NET ASSETS	<u>\$ 15,110,900</u>	<u>\$ 15,094,322</u>

SEE ACCOMPANYING NOTES AND AUDITORS' OPINION

TRI-VALLEY CENTRAL SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2011
(WITH COMPARATIVE NET FIGURES FOR THE YEAR ENDED JUNE 30, 2010)

		<u>PROGRAM REVENUES</u>			
	<u>EXPENSES</u>	<u>CHARGES FOR SERVICES</u>	<u>OPERATING GRANTS</u>	<u>NET (EXPENSE) REVENUE AND CHANGE IN NET ASSETS</u>	<u>2010 TOTALS</u>
FUNCTIONS/PROGRAMS					
General Support	\$ 4,591,737	\$ -	\$ -	\$ (4,591,737)	\$ (4,196,982)
Instruction	20,595,064	172,663	1,574,271	(18,848,130)	(18,589,697)
Pupil Transportation	2,633,159	-	10,012	(2,623,147)	(2,534,782)
Community Service	19,457	-	-	(19,457)	(21,234)
Debt Service	754,319	-	-	(754,319)	(483,200)
School Lunch Program	571,648	211,727	228,150	(131,771)	(55,555)
Unallocated Depreciation and Amortization	<u>568,500</u>	<u>-</u>	<u>-</u>	<u>(568,500)</u>	<u>(505,898)</u>
TOTAL FUNCTIONS AND PROGRAMS	<u>29,733,884</u>	<u>384,390</u>	<u>1,812,433</u>	<u>(27,537,061)</u>	<u>(26,387,348)</u>
GENERAL REVENUES					
Real Property Taxes				17,893,987	17,446,318
Other Tax Items				1,143,703	1,253,635
Use of Money and Property				122,400	182,067
Sale of Property and Compensation For Loss				3,668	10,750
Miscellaneous Local Sources				452,258	639,514
State Sources				7,936,359	8,419,909
Federal Sources				<u>1,264</u>	<u>6,874</u>
TOTAL GENERAL REVENUES				<u>27,553,639</u>	<u>27,959,067</u>
CHANGE IN NET ASSETS				16,578	1,571,719
TOTAL NET ASSETS – Beginning of Year				<u>15,094,322</u>	<u>13,522,603</u>
TOTAL NET ASSETS - End of Year				<u>\$ 15,110,900</u>	<u>\$ 15,094,322</u>

SEE ACCOMPANYING NOTES AND AUDITORS' OPINION

TRI-VALLEY CENTRAL SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2010)

	<u>I NON-MAJOR FUNDS I</u>					TOTAL GOVERNMENTAL FUNDS	2010 TOTALS
	<u>GENERAL</u>	<u>SPECIAL AID</u>	<u>SCHOOL LUNCH</u>	<u>CAPITAL PROJECTS</u>	<u>DEBT SERVICE</u>		
ASSETS							
Cash and Cash Equivalents	\$ 14,045,184	\$ 3,618	\$ 19,984	\$ 12,417	\$ -	\$ 14,081,203	\$ 12,206,772
Accounts Receivable	3,832	-	10,341	-	-	14,173	3,766
State And Federal Aid Receivable	820,770	252,553	17,084	-	-	1,090,407	1,800,354
Due From Other Governments	152,387	-	-	-	-	152,387	236,625
Due From Other Funds	72,092	7,493	-	2,117,667	6,343	2,203,595	2,359,790
Inventories	-	-	8,678	-	-	8,678	16,867
TOTAL ASSETS	<u>\$ 15,094,265</u>	<u>\$ 263,664</u>	<u>\$ 56,087</u>	<u>\$ 2,130,084</u>	<u>\$ 6,343</u>	<u>\$ 17,550,443</u>	<u>\$ 16,624,174</u>

SEE ACCOMPANYING NOTES AND AUDITORS' OPINION

TRI-VALLEY CENTRAL SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2010)

	I NON-MAJOR FUNDS I					TOTAL	
	GENERAL	SPECIAL AID	SCHOOL LUNCH	CAPITAL PROJECTS	DEBT SERVICE	GOVERNMENTAL FUNDS	2010 TOTALS
LIABILITIES AND FUND BALANCES							
LIABILITIES							
Accounts Payable	\$ 103,196	\$ -	\$ 7,678	\$ 16,356	\$ -	\$ 127,230	\$ 257,338
Accrued Liabilities	135,698	2,018	1,372	-	-	139,088	624,654
Retainage Payable		-	-	-	-	-	21,511
Due To Other Governments	85,376	-	324	-	-	85,700	151,426
Due To Other Funds	958,588	257,063	33,454	885,080	-	2,134,185	2,281,660
Due To Teachers' Retirement System	930,600	-	-	-	-	930,600	665,795
Due To Employee's Retirement System	140,272	-	-	-	-	140,272	100,371
Deferred Revenues	-	4,583	3,966	-	-	8,549	4,946
TOTAL LIABILITIES	<u>2,353,730</u>	<u>263,664</u>	<u>46,794</u>	<u>901,436</u>	<u>-</u>	<u>3,565,624</u>	<u>4,107,701</u>
FUND BALANCES							
Nonspendable:							
Inventory	-	-	8,678	-	-	8,678	16,867
Restricted:							
Tax Certiorari	7,222,027	-	-	-	-	7,222,027	1,996,923
Unemployment Insurance	227,885	-	-	-	-	227,885	226,515
Workers' Compensation	328,795	-	-	-	-	328,795	326,511
Debt	-	-	-	-	6,343	6,343	393,159
Capital Projects	96,282	-	-	-	-	96,282	464,684
Employee Benefit Accrued Liability	1,521,745	-	-	-	-	1,521,745	1,552,140
Assigned:							
Encumbrances	200,088	-	-	-	-	200,088	1,069,246
Designated	1,959,158	-	-	-	-	1,959,158	1,564,531
Undesignated	-	-	615	1,615,414	-	1,616,029	1,478,920
Unassigned	<u>1,184,555</u>	<u>-</u>	<u>-</u>	<u>(386,766)</u>	<u>-</u>	<u>797,789</u>	<u>3,426,977</u>
TOTAL FUND BALANCES	<u>12,740,535</u>	<u>-</u>	<u>9,293</u>	<u>1,228,648</u>	<u>6,343</u>	<u>13,984,819</u>	<u>12,516,473</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 15,094,265</u>	<u>\$ 263,664</u>	<u>\$ 56,087</u>	<u>\$ 2,130,084</u>	<u>\$ 6,343</u>	<u>\$ 17,550,443</u>	<u>\$ 16,624,174</u>

SEE ACCOMPANYING NOTES AND AUDITORS' OPINION

TRI-VALLEY CENTRAL SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE
SHEET TO THE STATEMENT OF NET ASSETS
JUNE 30, 2011
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2010)

	<u>2011</u>	<u>2010</u>
Total Governmental Fund Balances	\$ 13,984,819	\$ 12,516,473
Amounts reported for governmental activities in the statement of net assets are different because:		
The costs associated with the issue of various bonds are expenses in the governmental funds in the year the bonds are issued but are capitalized on the statement of net assets and amortized over the life of the bond. The bond issuance costs and accumulated amortization at June 30, 2011 are \$161,707 and \$101,104, respectively.	60,603	67,573
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. The cost of capital assets and accumulated depreciation at June 30, 2011 are \$30,088,518 and \$8,922,004, respectively.	21,166,514	19,722,662
Long-term liabilities, including bonds payable, compensated absences, OPEB obligations, and other liabilities, are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(20,047,456)	(17,157,949)
Accrued interest on debt is reported in the statement of net assets, regardless of when due. In the governmental funds, interest is not reported until it is due.	<u>(53,580)</u>	<u>(54,437)</u>
Net Assets of Governmental Activities	<u>\$ 15,110,900</u>	<u>\$ 15,094,322</u>

TRI-VALLEY CENTRAL SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2011
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2010)

I NON-MAJOR FUNDS I

	<u>GENERAL</u>	<u>SPECIAL AID</u>	<u>SCHOOL LUNCH</u>	<u>CAPITAL PROJECTS</u>	<u>DEBT SERVICE</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>	<u>2010 TOTALS</u>
REVENUES							
Real Property Taxes	\$ 17,893,987	\$ -	\$ -	\$ -	\$ -	\$ 17,893,987	\$ 17,446,318
Other Tax Items	1,143,703	-	-	-	-	1,143,703	1,253,635
Charges For Services	172,663	-	-	-	-	172,663	183,426
Use of Money and Property	118,663	-	553	-	3,184	122,400	182,067
Sale of Property and Compensation for Loss	3,668	-	-	-	-	3,668	10,750
Miscellaneous Local Sources	450,715	-	1,543	-	-	452,258	639,514
Interfund Revenues	-	-	-	-	-	-	7,710
State Sources	7,936,359	304,369	11,187	-	-	8,251,915	8,615,704
Federal Sources	484,869	796,309	216,963	-	-	1,498,141	1,994,070
Sales	-	-	211,727	-	-	211,727	232,594
TOTAL REVENUES	28,204,627	1,100,678	441,973	-	3,184	29,750,462	30,565,788
OTHER SOURCES							
Interfund Transfers In	464,175	951	102,191	896,719	-	1,464,036	1,459,239
Proceeds of Long-Term Debt	-	-	-	1,358,000	-	1,358,000	-
TOTAL REVENUES AND OTHER SOURCES	28,668,802	1,101,629	544,164	2,254,719	3,184	32,572,498	32,025,027
EXPENDITURES							
General Support	3,556,577	-	-	-	-	3,556,577	3,237,338
Instruction	13,123,598	976,084	-	-	-	14,099,682	14,211,082
Pupil Transportation	2,362,703	10,012	-	-	-	2,372,715	2,335,314
Community Services	16,114	-	-	-	-	16,114	17,379
Employees Benefits	5,540,220	41,358	74,468	-	-	5,656,046	4,886,341
Debt Services	1,386,968	-	-	-	-	1,386,968	1,271,950
Cost of Sales	-	-	497,850	-	-	497,850	435,198
Capital Outlay	-	-	-	2,054,164	-	2,054,164	551,725
TOTAL EXPENDITURES	25,986,180	1,027,454	572,318	2,054,164	-	29,640,116	26,946,327
OTHER USES							
Interfund Transfers Out	999,861	74,175	-	-	390,000	1,464,036	1,459,239
TOTAL EXPENDITURES AND OTHER USES	26,986,041	1,101,629	572,318	2,054,164	390,000	31,104,152	28,405,566
NET CHANGE IN FUND BALANCES	1,682,761	-	(28,154)	200,555	(386,816)	1,468,346	3,619,461
FUND BALANCE - Beginning of Year	11,057,774	-	37,447	1,028,093	393,159	12,516,473	8,897,012
FUND BALANCE - End of Year	\$ 12,740,535	\$ -	\$ 9,293	\$ 1,228,648	\$ 6,343	\$ 13,984,819	\$ 12,516,473

SEE ACCOMPANYING NOTES AND AUDITORS' OPINION

TRI-VALLEY CENTRAL SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2011
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2010)

	<u>2011</u>	<u>2010</u>
Total Net Change in Fund Balances – Governmental Funds	\$ 1,468,346	\$ 3,619,461
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported in governmental funds as expenditures. However, on the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current fiscal year.		
Depreciation Expenses	(650,889)	
Capital Outlay	<u>2,094,741</u>	1,443,852
		103,174
Repayment of principal on bonds and are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets and is not reported in the statement of activities.		
		904,000
		785,000
Bond issuance costs are reported in the governmental funds as expenditures in the year the bonds are issued. However, on the statement of activities, the costs are amortized over the life of the bonds.		
Amortization Expense	(6,970)	(6,970)
In the statement of activities, certain operating expenses, such as compensated absences (vacations & sick pay) and OPEB obligations are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is a reduction in the reconciliation; when paid amount exceeds the earned amount, the difference is an addition to the reconciliation.		
	(2,435,507)	(2,932,696)
Proceeds of long term debt are reported as revenues in the governmental funds. However, the proceeds simply increase the liability in the statement of net assets and no revenue is reported in the statement of activities.		
	(1,358,000)	-

SEE ACCOMPANYING NOTES AND AUDITORS' OPINION

TRI-VALLEY CENTRAL SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2011
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2010)

(Continued)

		<u>2011</u>	<u>2010</u>
In the statement of activities, interest on debt is accrued, regardless of when due. In the governmental funds, interest is reported when due.			
Current Year Accrued Interest	(53,580)		
Prior Year Accrued Interest	<u>54,437</u>	<u>857</u>	<u>\$ 3,750</u>
Change in Net Assets of Governmental Activities		<u>\$ 16,578</u>	<u>\$ 1,571,719</u>

SEE ACCOMPANYING NOTES AND AUDITORS' OPINION

TRI-VALLEY CENTRAL SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2011

	PRIVATE PURPOSE TRUST FUND	AGENCY FUND
ASSETS		
Cash and Cash Equivalents	\$ 46,941	\$ 147,337
Accounts Receivable	<u>-</u>	<u>1,600</u>
TOTAL ASSETS	<u>46,941</u>	<u>\$ 148,937</u>
LIABILITIES		
Due To Governmental Funds	-	\$ 69,410
Extraclassroom Activity Balances	<u>-</u>	<u>79,527</u>
TOTAL LIABILITIES	<u>-</u>	<u>\$ 148,937</u>
Reserved For Scholarships	<u>\$ 46,941</u>	

SEE ACCOMPANYING NOTES AND AUDITORS' OPINION

TRI-VALLEY CENTRAL SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2011

	PRIVATE PURPOSE <u>TRUST FUND</u>
ADDITIONS	
Investment Earnings	\$ 355
Donations	406
Miscellaneous Local Sources	<u>587</u>
TOTAL ADDITIONS	<u>1,348</u>
DEDUCTIONS	
Scholarships Awarded	<u>5,369</u>
TOTAL DEDUCTIONS	<u>5,369</u>
Change in Net Assets	(4,021)
NET ASSETS – Beginning of the Year	<u>50,962</u>
NET ASSETS – End of Year	<u>\$ 46,941</u>

SEE ACCOMPANYING NOTES AND AUDITORS' OPINION

TRI-VALLEY CENTRAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Tri-Valley Central School District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

A. **Financial Reporting Entity**

The Tri-Valley Central School District is governed by the Education Law and other laws of the State of New York. The governing body is the Board of Education. The scope of activities included within the accompanying financial statements are those transactions which comprise School District operations, and are governed by, or significantly influenced by, the Board of Education.

Essentially, the primary function of the School District is to provide education for pupils. Services such as transportation of pupils, administration, finance, and plant maintenance support the primary function.

The financial reporting entity includes all funds, account groups, functions and organizations over which the School District officials exercise oversight responsibility. Oversight responsibility is determined on the basis of the financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters.

1. Included in the Reporting Entity

Based on the foregoing criteria and the significant factors presented below, the following organizations, functions or activities are included in the reporting entity:

a. The Extraclassroom Activity Funds

The Extraclassroom Activity Funds of the Tri-Valley Central School District represent funds of the students of the School District. The Board of Education exercises general oversight of these funds. The Extraclassroom Activity Funds are independent of the School District with respect to its financial transactions, and the designation of student management. The cash balances are reported in the Agency Fund of the School District. Separate audited general purpose financial statements (cash basis) of the extraclassroom activity funds can be found at the School District's business office.

TRI-VALLEY CENTRAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Joint Venture

The Tri-Valley Central School District is one of the eight component school districts in the Sullivan County Board of Cooperative Educational Services (BOCES). A BOCES is a voluntary, cooperative association of School Districts in a geographic area that share planning, services, and programs which provide educational and support activities.

BOCES are organized under Section 1950 of the Education Law. A BOCES Board is considered a corporate body. All BOCES property is held by the BOCES Board as a corporation (Section 1950(6)). In addition, BOCES Boards also are considered municipal corporations to permit them to contract with other municipalities on a cooperative basis under 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 administrative and capital costs is determined by resident public school district's 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.

C. Basis of Presentation

1. District-wide statements:

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

TRI-VALLEY CENTRAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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 operation 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:

a. General Fund

The General Fund is the principal operating fund of the School District and is used to account for all financial resources except those required to be accounted for in another fund.

b. Special Revenue Fund

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts, or major capital projects) that are legally restricted to expenditure for specified purposes. Special revenue funds include the following funds:

1. Special Aid Fund – used to account for special operating projects or programs supported in whole, or in part, with federal funds or state or local grants.
2. School Lunch Fund – used to account for transactions of the School District lunch, breakfast, and milk programs.

TRI-VALLEY CENTRAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The District reports the following non-major governmental funds:

a. Debt Service Fund

The Debt Service Fund accounts for the accumulation of resources and the payment of principal and interest on long-term general obligation debt of governmental activities.

b. Capital Projects Fund

The Capital Projects Fund is used to account for and report financial resources to be used for the acquisition, construction or renovation of major capital facilities or equipment.

Additionally, the District reports the following fund type:

a. Fiduciary Fund

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.

D. Basis of Accounting/Measurement Focus

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 one year after the end of the fiscal year.

TRI-VALLEY CENTRAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

E. Property Taxes

1. Calendar

Real property taxes are levied annually by the Board of Education no later than September 1st, and became a lien on September 1st. Taxes are collected during the period commencing September 1st and ending November 4th.

2. Enforcement

Uncollected real property taxes are subsequently enforced by the Counties of Sullivan and Ulster. An amount representing uncollected real property taxes transmitted to the Counties for enforcement is paid by the Counties to the School District no later than the forthcoming April 1st.

F. 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 following governmental fund types:

I. General Fund

- b. The proposed appropriation budget for the General Fund is approved by the voters within the District.
- c. Appropriations are adopted at the program level.

TRI-VALLEY CENTRAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING 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 approves them because of a need which exists which was not determined at the time the budget was adopted. No supplemental appropriations occurred during the year.

2. Encumbrances

Encumbrances accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded for budgetary control purposes to reserve that portion of the applicable appropriations, is employed as a control in preventing over-expenditure of established appropriations. Open encumbrances are reported as restricted fund balance in all funds other than the General Fund, since they do not constitute expenditures or liabilities and will be honored through budget appropriations in the subsequent year. Encumbrances are reported as assigned fund balance in the General Fund.

3. Budget Basis of Accounting

Budgets are adopted annually on a basis consistent with generally accepted accounting principles. Appropriations authorized for the current year are increased by the amount of encumbrances carried forward from the prior year.

G. Cash and Cash Equivalents

For financial statement purposes, the District considers all highly liquid investments of three months or less as cash equivalents.

H. Inventory

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

TRI-VALLEY CENTRAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Accounts Receivable

Accounts receivable are shown gross, with uncollectible amounts recognized under the direct write-off method. No allowance for uncollectible accounts has been provided since it is believed that such allowance would be immaterial.

J. Capital Assets

The District has established a formal system of accounting for its capital assets. Purchased or constructed capital assets are reported at cost. Donated capital assets are valued at their estimated fair market value on the date received. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. The School District does not possess any infrastructure. The capitalization threshold used by the District is \$5,000.

All reported capital assets except for land and construction in progress are depreciated. Depreciation is computed using the straight-line method over the following estimated useful lives:

<u>ASSET CLASS</u>	<u>ESTIMATED USEFUL LIVES</u>
School Buildings	50
Site Improvements	20
Furniture & Equipment	10-20
Vehicles	10

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets are not capitalized and related depreciation is not reported in the fund financial statements.

K. Deferred Revenue

Deferred revenues arise when potential revenues do not meet both the measurable and available criteria for recognition in the current period. Deferred revenues also arise when sources are received by the School 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 School District has legal claim to the resources, the liability for deferred revenues is removed and revenues are recognized.

TRI-VALLEY CENTRAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. **Vested Employee Benefits**

The District employees are granted vacation in varying amounts, based primarily on length of service and service position. Some earned benefits may be forfeited if not taken within varying time periods. Sick leave eligibility and accumulation is specified in negotiated labor contracts, and in individual employment contracts. Upon retirement, employees may receive a payment based on unused accumulated sick leave, based on contractual provisions.

Consistent with GASB Statement 16, Accounting for Compensated Absences, an accrual for accumulated sick leave is included in the compensated absences liability at year-end. The compensated absences liability is calculated on the pay rates in effect at year-end.

For the District-wide Statements, the current portion is the amount estimated to be used in the following year, in accordance with GAAP. For the governmental funds, in the Fund Financial Statements, all of the compensated absences are considered long-term and therefore, are not a fund liability and represents a reconciling item between the fund level and District-wide presentations.

District employees participate in the New York State Employees' Retirement System and the New York State Teachers' Retirement System. In addition to providing pension benefits, the District provides health insurance coverage and survivor benefits for retired employees and their survivors. Substantially all of the District's employees may become eligible for these benefits if they reach retirement age while working for the District. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. The cost of providing post-retirement benefits is shared between the District and the retired employee. The District recognizes the cost of providing health insurance in the fund financial statements by recording its share of insurance premiums as an expenditure in the year paid. In the District-wide statements, the liability is reported at actuarially calculated amounts (See Note 11).

M. **Interfund Activity**

The amounts reported on the Statement of Net Assets for due to and due from other funds represents amounts due between different fund types (governmental activities, and fiduciary funds). Eliminations have been made for amounts due to and due from within the same fund type. A detailed description of the individual fund balances at year-end is provided subsequently in these Notes.

TRI-VALLEY CENTRAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Equity Classifications

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

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

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

Unrestricted net assets – reports all other net assets that do not meet the definition of the above two classifications and are deemed to be available for general use by the District.

In the fund basis statements there are five classifications of fund balance:

Non-spendable – includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Non-spendable fund balance includes the inventory recorded in the School Lunch Fund of \$8,678.

Restricted – includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. All encumbrances of funds other than the General Fund are classified as restricted fund balance. The District has established the following restricted fund balances:

Capital

Used to pay the cost of any object or purpose for which bonds may be issued. Voter authorization is required for both establishment of the reserve and payments from the reserve. This reserve is accounted for in the General Fund.

Debt Service

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 monies must be used to pay the debt service of the obligations from which they originated. This reserve is accounted for in the Debt Service Fund.

TRI-VALLEY CENTRAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Unemployment Insurance

Used to pay the cost of reimbursement to the State Unemployment Insurance Fund for payments made to claimants where the employer has elected to use the benefit reimbursement method. The reserve may be established by Board action and is funded by budgetary appropriations and such other funds as may be legally appropriated. This reserve is accounted for in the General Fund.

Tax Certiorari

This reserve is used to accumulate funds to pay judgements and claims anticipated from tax certiorari proceedings. Any excess monies must be returned to the General Fund on or before the first day of the fourth fiscal year after the deposit of the monies. This reserve is accounted for in the General Fund.

Workers' Compensation Reserve

Workers' Compensation Reserve is used to pay for compensation benefits and other expenses authorized by Article 2 of the Workers' Compensation Law, and for payment of expenses of administering this self-insurance program. The reserve may be established by Board action, and is funded by budgetary appropriations and such other funds as may be legally appropriated. Within sixty days after the end of any fiscal year, excess amounts may either be transferred to another reserve or the excess applied to the appropriations of the next succeeding fiscal year's budget. The reserve is accounted for in the General Fund.

Employee Benefit Accrued Liability

Used to reserve funds for the payment of any accrued employee benefit due an employee upon termination. The reserve is established by a majority vote of the Board of Education and is funded by budgetary appropriations and such other funds that may be legally appropriated. This reserve is accounted for in the General Fund.

Committed – includes amounts that can only be used for the specific purposes pursuant to constraints imposed by formal action of the District's highest level of decision making authority, i.e., the Board of Education. The District has no committed fund balances as of June 30, 2011.

Assigned – includes amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. All encumbrances of the General Fund are classified as assigned fund balance in the General Fund. Encumbrances reported in the General Fund amounted to \$200,088.

TRI-VALLEY CENTRAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Unassigned – includes all other General Fund net assets that do not meet the definition of the above four classifications and are deemed to be available for general use by the District.

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

Order of Use of Fund Balance:

The District's policy is to apply expenditures against non-spendable fund balance, restricted fund balance, committed fund balance, assigned fund balance and unassigned fund balance at the end of the fiscal year. For all funds, non-spendable fund balances are determined first and then restricted fund balances for specific purposes are determined. Any remaining fund balance amounts for funds other than the General Fund are classified as assigned fund balance. In the General Fund, committed fund balance is determined next and then assigned. The remaining amounts are reported as unassigned. Assignments of fund balance cannot cause a negative unassigned fund balance.

O. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

P. New Accounting Standards

The District has adopted all current Statements of the Governmental Accounting Standards Board (GASB) that are applicable. At June 30, 2011, the District implemented the following new standard:

GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied, and by clarifying the existing governmental fund type definitions.

Due to the implementation of GASB 54, fund balances at June 30, 2010 have been reclassified to conform to the presentation at June 30, 2011. The reclassifications have no effect on the changes in fund balance for the year ended June 30, 2010.

TRI-VALLEY CENTRAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 2 – EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL
FUND STATEMENTS AND DISTRICT-WIDE STATEMENT

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 differences result primarily from the economic focus of the Statement of Activities, compared with the current financial resources focus of the governmental funds. These differences are reconciled in the financial statements.

1. Total fund balances of governmental funds vs. net assets of governmental activities:

Total fund balances of the District's governmental funds differs from "net assets" of governmental activities reported in the Statement of Net Assets. The difference primarily results from the additional long-term economic focus of the Statement of Net Assets versus the solely current financial resources focus of the governmental fund balance sheet.

2. 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:

- a) 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 report revenues when earned. Differences in long-term expenses arise because governmental funds report on a modified accrual basis, whereas the accrual basis of accounting is used on the Statement of Activities.

- b) Capital related differences:

Capital related differences include the differences 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.

TRI-VALLEY CENTRAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 2 – EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL
FUND STATEMENTS AND DISTRICT-WIDE STATEMENT (Continued)

c) Long-term debt transaction differences:

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

NOTE 3 – PARTICIPATION IN BOCES

During the year ended June 30, 2011, the Tri-Valley Central School District was billed \$2,842,690 for BOCES administrative and program costs. General purpose financial statements for Sullivan County are available from the BOCES administrative office at 85 Ferndale-Loomis Road, Liberty, NY 12754.

The School District's share of BOCES income amounted to \$697,837.

NOTE 4 – CASH AND INVESTMENTS

The Tri-Valley Central School District investment policies are governed by State statutes. In addition the District has its own written investment policy. Tri-Valley Central School District monies must be deposited in FDIC-Insured commercial banks or trust companies located within the State. The treasurer is authorized to use demand accounts and certificates of deposit. 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 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 New York State and states other than New York and their municipalities and school districts.

The District's aggregate cash balances include balances not covered by depository insurance at year end, collateralized as follows:

Collateralized with securities held by the pledging financial
institution, or its trust department, but not in the District's name. \$ 13,681,788

TRI-VALLEY CENTRAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 5 – CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2011 were as follows:

	<u>BEGINNING BALANCE</u>	<u>ADDITIONS</u>	<u>RETIREMENTS/ RECLASSIFICATIONS</u>	<u>ENDING BALANCE</u>
Governmental Activities:				
Capital assets that are not depreciated:				
Land	\$ 93,000	\$ -	\$ -	\$ 93,000
Construction In Progress	<u>430,247</u>	<u>342,926</u>	<u>430,247</u>	<u>342,926</u>
Total non-depreciable historical cost	<u>523,247</u>	<u>342,926</u>	<u>430,247</u>	<u>435,926</u>
Capital assets that are depreciated:				
Building and Improvements	25,945,209	2,141,485	-	28,086,694
Vehicles, Machinery and Equipment	<u>1,525,321</u>	<u>40,577</u>	<u>-</u>	<u>1,565,898</u>
Total depreciable historical cost	<u>27,470,530</u>	<u>2,182,062</u>	<u>-</u>	<u>29,652,592</u>
Less accumulated depreciation:				
Building and Improvements	7,329,614	561,530	-	7,891,144
Vehicles, Machinery and Equipment	<u>941,501</u>	<u>89,359</u>	<u>-</u>	<u>1,030,860</u>
Total Accumulated Depreciation	<u>8,271,115</u>	<u>650,889</u>	<u>-</u>	<u>8,922,004</u>
Total historical cost, net	<u>\$ 19,722,662</u>	<u>\$ 1,874,099</u>	<u>\$ 430,247</u>	<u>\$ 21,166,514</u>
Depreciation expense was charged to Governmental functions as follows:				
General Support		\$ 21,370		
Instruction		34,695		
Pupil Transportation		33,294		
Unallocated		<u>561,530</u>		
		<u>\$ 650,889</u>		

NOTE 6 – INTERFUND TRANSACTIONS

Interfund balances at June 30, 2011 are as follows:

	<u>INTERFUND RECEIVABLE</u>	<u>INTERFUND PAYABLE</u>	<u>INTERFUND REVENUES</u>	<u>INTERFUND EXPENDITURES</u>
General Fund	\$ 72,092	\$ 958,588	\$ 464,175	\$ 999,861
Special Aid Fund	7,493	257,063	951	74,175
School Lunch Fund	-	33,454	102,191	-
Capital Fund	2,117,667	885,080	896,719	-
Debt Service Fund	<u>6,343</u>	<u>-</u>	<u>-</u>	<u>390,000</u>
Total Governmental Activities	<u>2,203,595</u>	<u>2,134,185</u>	<u>1,464,036</u>	<u>1,464,036</u>
Agency Fund	-	69,410	-	-
Expendable Trust	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Fiduciary Funds	<u>-</u>	<u>69,410</u>	<u>-</u>	<u>-</u>
TOTALS	<u>\$ 2,203,595</u>	<u>\$ 2,203,595</u>	<u>\$ 1,464,036</u>	<u>\$ 1,464,036</u>

TRI-VALLEY CENTRAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 6 – INTERFUND TRANSACTIONS (Continued)

Interfund receivables and payables, other than between governmental activities and fiduciary funds, are eliminated on the Statement of Net Assets.

The District typically transfers funds from the General Fund to the School Lunch Fund to cover the shortfall in the annual budget and to the Special Aid Fund to cover expenses that are not reimbursed by Federal or State Grants.

The District transfers investment income earned in the Capital Projects Fund to the Debt Service Fund for the purpose of making future debt service payments.

The District typically loans resources between funds for the purpose of relieving cash flow issues.

NOTE 7 – DEFERRED BOND COSTS

In the governmental funds, debt issuance costs are recognized in the period they are paid. For the District-wide financial statements, debt issuance costs are capitalized and amortized over the life of the bond on a straight line basis. The costs associated with the issues of various bonds amounted to \$161,707 at June 30, 2011. Amortization expense for the year ended June 30, 2011 and accumulated amortization at June 30, 2011 amounted to \$6,970 and \$101,104, respectively.

NOTE 8 – INVENTORY

Inventory in the School Lunch Fund at June 30, 2011 consisted of the following:

Food	\$ 6,921
Supplies	<u>1,757</u>
	<u>\$ 8,678</u>

NOTE 9 - LIABILITIES

A. Pension Plans and Post-Employment Benefits

1. General Information

The Tri-Valley Central School District participates in New York State and Local Employee's Retirement System (ERS), and the New York State Teachers' Retirement System (TRS). These Systems 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.

TRI-VALLEY CENTRAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 9 – LIABILITIES (Continued)

2. Plan Descriptions

a. Teachers' Retirement System (TRS)

As an employer, you make contributions to the New York State Teachers' Retirement System, a cost sharing, multiple employer defined benefit pension plan 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 Retirement and Social Security Law of the State of New York. The New York State TRS issued 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 (NYRSSL).

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, New York 12244.

3. Funding Policy

Plan members who joined the Systems before July 27, 1976 are not required to make contributions. For those joining after July 27, 1976 and prior to January 1, 2010, employees contribute 3% of their salary, except that employees in the Systems more than ten years are no longer required to contribute. For employees who joined after January 1, 2010, employees in the NYSERS contribute 3% of their salary throughout their active membership and those in the NYSTRS contribute 3.5% throughout their active membership.

TRI-VALLEY CENTRAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 9 – LIABILITIES (Continued)

For the NYSTRS, employers are required to contribute at an actuarially determined rate, currently 8.62% of the annually covered payroll for the fiscal year ended June 30, 2011. Rates applicable to the fiscal years ended June 30, 2010 and 2009, were respectively 6.19% and 7.63%. For the NYSERS, 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. Pursuant to Article II of the Education Law, rates are established annually for TRS by the NYS Teachers' Retirement Board.

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

	<u>ERS</u>	<u>TRS</u>
2011	\$ 338,865	\$ 868,831
2010	223,677	613,171
2009	261,092	741,408

B. Indebtedness

1. Long-Term Debt

a. Long-Term Debt Interest

Interest Expense on long-term debt consisted of the following:

Interest Paid	\$ 482,968
Less: Interest Accrued in the Prior Year	(54,437)
Plus: Interest Accrued in the Current Year	53,580
Interest On OPEB Obligation	<u>272,208</u>
Total Expense	<u>\$ 754,319</u>

b. Changes

The changes in the School District's indebtedness during the year ended June 30, 2010 are summarized as follows:

	<u>BALANCE</u> <u>07/01/10</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE</u> <u>06/30/11</u>	<u>AMOUNTS</u> <u>DUE WITHIN</u> <u>ONE YEAR</u>
Serial Bonds	\$ 10,833,000	\$ 1,358,000	\$ 904,000	\$ 11,287,000	\$ 935,000
Compensated Absences	624,468	34,125	-	658,593	-
Net OPEB Obligation	5,444,166	3,404,897	747,200	8,101,863	750,000
Due To TRS	<u>256,315</u>	<u>-</u>	<u>256,315</u>	<u>-</u>	<u>-</u>
TOTAL	<u>\$ 17,157,949</u>	<u>\$ 4,797,022</u>	<u>\$ 1,907,515</u>	<u>\$ 20,047,456</u>	<u>\$ 1,685,000</u>

TRI-VALLEY CENTRAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 9 – LIABILITIES (Continued)

Additions and deletions to compensated absences are shown net since it is impractical to determine those amounts separately.

c. Maturity

The following is a summary of maturity of indebtedness:

<u>PURPOSE</u>	<u>ISSUE DATE</u>	<u>FINAL MATURITY</u>	<u>INTEREST RATE</u>	<u>OUTSTANDING 06/30/11</u>
Serial Bonds	2003	2014	3.0% - 5.5%	\$ 802,000
Serial Bonds	2003	2023	3.375% - 4.25%	9,210,000
Serial Bonds	2010	2025	2.50%-3.125%	<u>1,275,000</u>
				<u>\$ 11,287,000</u>

<u>YEAR</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2012	\$ 934,000	\$ 454,086	\$ 1,388,086
2013	972,000	415,122	1,387,122
2014	1,011,000	373,176	1,384,176
2015	760,000	329,457	1,089,457
2016	790,000	299,995	1,089,995
2017-2021	4,550,000	1,007,472	5,557,472
2022-2025	<u>2,270,000</u>	<u>150,105</u>	<u>2,420,105</u>
TOTAL	<u>\$ 11,287,000</u>	<u>\$ 3,029,413</u>	<u>\$ 14,316,413</u>

NOTE 10 – COMMITMENTS AND CONTINGENCIES

A. Risk Financing and Related Insurance

The Tri-Valley Central School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; errors and omissions; natural disasters, etc. These risks are covered by commercial insurance purchased from independent third parties.

B. Other Items

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

TRI-VALLEY CENTRAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 11 – POST EMPLOYMENT HEALTH INSURANCE BENEFITS

The District provides post employment coverage to retired employees in accordance with the provisions of various employment contracts. The benefit levels, employee contributions and employer contributions are governed by the District's contractual agreements.

The District implemented GASB Statement #45, Accounting and Financial Reporting by employers for Postemployment Benefits Other than Pensions, in the school year ended June 30, 2009. This required the District to calculate and record a net other post-employment benefit obligation at year-end. The net other post-employment benefit obligation is basically the cumulative difference between the actuarially required contribution and the actual contributions made.

The District recognizes the cost of providing health insurance annually as expenditures in the General Fund of the funds financial statements as payments are made. For the year ended June 30, 2011 the District recognized \$747,200 for its share of insurance premiums for currently enrolled retirees.

The District has obtained an actuarial valuation report as of July 1, 2010 which indicates that the total liability for other post employment benefits is \$31,423,268.

Plan Description: The healthcare plan (HP) is a single-employer defined benefit healthcare plan administered by the District. HP provides medical insurance benefits to eligible retirees and their spouses. The Board of Education of the District has the authority to establish and amend benefit provisions.

Funding Policy: The contribution requirements of Plan members and the District are established by the Board of Education. The required contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2011, the District contributed \$747,200 to the plan for current premiums and \$0 to prefund benefits. Plan members receiving benefits contributed \$21,400, or approximately 3% of the total premiums, through their required contribution.

Annual OPEB Cost and Net OPEB Obligation: The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

TRI-VALLEY CENTRAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 11 – POST EMPLOYMENT HEALTH INSURANCE BENEFITS (Continued)

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

Annual required contribution	\$ 3,486,840
Interest on net OPEB obligation	272,208
Adjustment to annual required contribution	<u>(354,151)</u>
Annual OPEB cost (expense)	3,404,897
Contributions made	<u>(747,200)</u>
Increase in net OPEB obligation	2,657,697
Net OPEB obligation—beginning of year	<u>5,444,166</u>
Net OPEB obligation—end of year	<u><u>\$ 8,101,863</u></u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2011 and the preceding two years were as follows:

Fiscal Year Ended	Beginning Net OPEB obligation (a)	Annual OPEB Cost (b)	Contributions (c)	Percentage of Annual OPEB Cost Contributed (c/b)	Ending Net OPEB Obligation (a+b-c)
6/30/2011	\$ 5,444,166	\$ 3,404,897	\$ 747,200	21.94%	\$ 8,101,863
6/30/2010	2,663,112	3,339,594	558,540	16.72%	5,444,166
6/30/2009	-	3,138,731	475,619	15.15%	2,663,112

Funded Status and Funding Progress: As of July 1, 2010, the most recent actuarial valuation date, the plan was 0 % funded. The actuarial accrued liability for benefits was \$31,423,268, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$31,423,268. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$11.2 million, and the ratio of the UAAL to the covered payroll was approximately 281%. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

TRI-VALLEY CENTRAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 11 – POST EMPLOYMENT HEALTH INSURANCE BENEFITS (Continued)

Actuarial Methods and Assumptions: Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2010, actuarial valuation, the Projected Unit Credit Cost Method was used. The actuarial assumptions included an annual healthcare cost trend rate of 6.00%-7.00% initially, reduced by decrements to an ultimate rate of 5.00% after 2 years, and a discount rate of 5.00%. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2011, was 27 years.

NOTE 12 – EVENTS OCCURRING AFTER REPORTING DATE

The District has evaluated events and transactions that occurred between June 30, 2011 and September 28, 2011, which is the date the financial statements were available to be issued, for possible disclosure and recognition in the financial statements.

TRI-VALLEY CENTRAL SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, OTHER SOURCES, EXPENDITURES,
OTHER USES AND CHANGES IN FUND BALANCE-BUDGET AND ACTUAL – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2011
(WITH COMPARATIVE ACTUALS FOR THE YEAR ENDED JUNE 30, 2010)

	ORIGINAL BUDGET	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	2010 ACTUAL
REVENUES					
Local Resources:					
Real Property Taxes	\$ 18,914,062	\$ 17,893,987	\$ 17,893,987	\$ -	\$ 17,446,318
Other Tax Items	100,000	1,143,703	1,143,703	-	1,253,635
Charges For Services	35,775	189,940	172,663	(17,277)	183,426
Use Of Money And Property	200,000	200,000	118,663	(81,337)	178,564
Sale Of Property And Compensation For Loss	1,650	3,668	3,668	-	10,750
Miscellaneous Local Sources	200,000	378,660	450,715	72,055	637,471
Interfund Revenues	2,000	2,000	-	(2,000)	7,710
State Sources:					
Basic Formula	8,736,177	6,129,352	6,129,352	-	6,569,226
Lottery Aid	-	905,662	905,662	-	851,591
BOCES	-	697,837	697,837	-	729,241
Other	-	209,986	203,508	(6,478)	269,851
Federal Sources	<u>50,000</u>	<u>484,869</u>	<u>484,869</u>	<u>-</u>	<u>1,035,623</u>
TOTAL REVENUES	28,239,664	28,239,664	28,204,627	(35,037)	29,173,406
OTHER SOURCES					
Interfund Transfers	<u>-</u>	<u>-</u>	<u>464,175</u>	<u>464,175</u>	<u>-</u>
TOTAL REVENUES AND OTHER SOURCES	<u>28,239,664</u>	<u>28,239,664</u>	<u>28,668,802</u>	<u>\$ 429,138</u>	<u>\$ 29,173,406</u>

SEE ACCOMPANYING NOTES AND AUDITORS' OPINION

TRI-VALLEY CENTRAL SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, OTHER SOURCES, EXPENDITURES,
OTHER USES AND CHANGES IN FUND BALANCE-BUDGET AND ACTUAL-GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2011
(WITH COMPARATIVE ACTUALS FOR THE YEAR ENDED JUNE 30, 2010)

EXPENDITURES	ORIGINAL BUDGET	REVISED BUDGET	ACTUAL	ENCUMBRANCES	UNENCUMBERED BALANCES	2010 ACTUAL
General Support:						
Board of Education	\$ 24,442	\$ 28,092	\$ 24,782	\$ 580	\$ 2,730	\$ 26,890
Central Administration	236,185	249,132	242,867	-	6,265	222,173
Finance	391,377	443,686	395,762	-	47,924	365,673
Staff	105,000	179,329	73,525	52,653	53,151	115,950
Central Services	2,633,319	3,013,333	2,321,058	51,606	640,669	1,883,590
Special Items	572,159	582,802	498,583	-	84,219	615,352
Instructional:						
Instruction, Administration And Improvement	835,943	867,631	839,804	785	27,042	796,129
Teaching:						
Regular School	8,019,257	7,408,993	6,548,697	32,943	827,353	6,907,410
Programs For Children With Handicapped Conditions	3,657,686	4,095,495	3,090,050	3,594	1,001,851	2,905,623
Occupational Education	763,126	781,546	749,548	-	31,998	722,970
Special Schools	12,900	22,784	14,558	-	8,226	8,556
Instructional Media	877,623	1,264,278	1,058,209	39,811	166,258	1,106,990
Pupil Services	1,100,391	1,106,253	822,732	18,116	265,405	961,134
Pupil Transportation	2,598,605	2,656,729	2,362,703	-	294,026	2,335,314
Community Services	20,484	20,919	16,114	-	4,805	17,379
Employee Benefits	5,918,323	6,091,922	5,540,220	-	551,702	4,688,026
Debt Service:						
Principal	921,000	921,000	904,000	-	17,000	785,000
Interest	<u>536,375</u>	<u>536,375</u>	<u>482,968</u>	<u>-</u>	<u>53,407</u>	<u>486,950</u>
TOTAL EXPENDITURES	29,224,195	30,270,299	25,986,180	200,088	4,084,031	24,951,109
OTHER USES						
Interfund Transfers Out	<u>580,000</u>	<u>999,861</u>	<u>999,861</u>	<u>-</u>	<u>-</u>	<u>1,080,000</u>
TOTAL EXPENDITURES AND OTHER USES	<u>29,804,195</u>	<u>31,270,160</u>	<u>26,986,041</u>	<u>\$ 200,088</u>	<u>\$ 4,084,031</u>	<u>26,031,109</u>
NET CHANGE IN FUND BALANCE	(1,564,531)	(3,030,496)	1,682,761			3,142,297
FUND BALANCE – Beginning of Year	<u>1,564,531</u>	<u>3,030,496</u>	<u>11,057,774</u>			<u>7,915,477</u>
FUND BALANCE – End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,740,535</u>			<u>\$ 11,057,774</u>

SEE ACCOMPANYING NOTES AND AUDITORS' OPINION

TRI-VALLEY CENTRAL SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
OTHER POST EMPLOYMENT BENEFITS
JUNE 30, 2011

<u>Fiscal Year Beginning</u>	<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Estimated Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
7/1/2008	7/1/2008	\$ -	27,433,622	27,433,622	0%	\$ 11,789,574	232.7%
7/1/2009	7/1/2009	-	27,433,622	27,433,622	0%	12,000,000	228.6%
7/1/2010	7/1/2010	-	31,423,268	31,423,268	0%	11,200,341	280.6%

SEE ACCOMPANYING NOTES AND AUDITORS' OPINION

TRI-VALLEY CENTRAL SCHOOL DISTRICT
SCHEDULE OF CHANGE FROM ORIGINAL BUDGET TO REVISED BUDGET
GENERAL FUND
YEAR ENDED JUNE 30, 2011

ORIGINAL BUDGET	\$ 29,804,195
ADDITIONS:	
Encumbrances From Prior Year	1,069,246
Appropriated Reserves	<u>396,719</u>
REVISED BUDGET	<u>\$ 31,270,160</u>

SEE ACCOMPANYING NOTES AND AUDITORS' OPINION

TRI-VALLEY CENTRAL SCHOOL DISTRICT
SCHEDULE OF USE OF FUND BALANCE AS OF BEGINNING OF YEAR
GENERAL FUND
YEAR ENDED JUNE 30, 2011

FUND BALANCE AS OF BEGINNING OF YEAR (UNRESERVED)	\$ 5,421,755
LESS:	
Unreserved Fund Balance Designated For Subsequent Year's Expenditures	<u>(1,564,531)</u>
TOTAL UNRESERVED UNDESIGNATED FUND BALANCE	<u>\$ 3,857,224</u>

SEE ACCOMPANYING NOTES AND AUDITORS' OPINION

TRI-VALLEY CENTRAL SCHOOL DISTRICT
SCHEDULE OF PROJECT EXPENDITURES
CAPITAL PROJECTS FUND
YEAR ENDED JUNE 30, 2011

<u>PROJECT TITLE</u>	<u>ORIGINAL APPROPRIATIONS</u>	<u>REVISED APPROPRIATIONS</u>	<u>EXPENDITURES TO DATE</u>		<u>TOTAL EXPENDITURES</u>	<u>UNEXPENDED BALANCE</u>
			<u>PRIOR YEARS</u>	<u>CURRENT YEARS</u>		
High School Roof Reconstruction	\$ 205,500	\$ 205,500	\$ 121,478	\$ -	\$ 121,478	\$ 84,022
Elementary School Reconstruction	700,000	700,000	-	342,926	342,926	357,074
HVAC	2,146,000	2,146,000	430,247	<u>1,711,238</u>	2,141,485	4,515
TOTAL				<u>\$ 2,054,164</u>		

SEE ACCOMPANYING NOTES AND AUDITORS' OPINION

TRI-VALLEY CENTRAL SCHOOL DISTRICT
SCHEDULE OF CERTAIN REVENUES AND EXPENDITURES COMPARED TO ST-3 DATA
FOR THE YEAR ENDED JUNE 30, 2011

REVENUES	<u>ACCOUNT CODE</u>	<u>ST-3 AMOUNT</u>	<u>AUDIT AMOUNT</u>
Property Taxes	A-1001	\$ 17,893,987	\$ 17,893,987
Other Tax Items	AT-1099	1,143,703	1,143,703
Miscellaneous Local Sources	AT-2799	450,714	450,715
State Aid	AT-3999	7,936,359	7,936,359
Federal Aid	AT-4999	484,869	484,869
Total Revenues	AT-5999	28,668,802	28,668,802
EXPENDITURES			
General Support	AT-1999	3,556,577	3,556,577
Instruction	AT-2999	13,123,599	13,123,598
Pupil Transportation	AT-5599	2,362,704	2,362,703
Employee Benefits	AT-9098	5,283,905	5,540,220*
Debt Service – Principal	AT-9798.6	904,000	904,000
Debt Service – Interest	AT-9798.7	482,968	482,968
Total Expenditures	AT-9999	26,729,726	26,986,041*

*Variance due to District reporting retirement incentive expenditure of \$256,315 in 2009-2010 ST-3, while audit report reported the amount as a long term liability. Therefore, District ST-3 expenditures were overstated by \$256,315 in 2009-2010 and understated by \$256,315 in 2010-2011.

SEE ACCOMPANYING NOTES AND AUDITORS' REPORT

TRI-VALLEY CENTRAL SCHOOL DISTRICT
INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT
JUNE 30, 2011

Capital Assets, Net	\$ 21,227,117
Less: Outstanding Bonds	<u>(11,287,000)</u>
Invested Capital Assets, Net of Related Debt	<u>\$ 9,940,117</u>

SEE ACCOMPANYING NOTES AND AUDITORS' REPORT

TRI-VALLEY CENTRAL SCHOOL DISTRICT
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
YEAR ENDED JUNE 30, 2011

<u>GRANTOR AGENCY</u>	<u>CFDA NUMBER</u>	<u>PASS-THROUGH GRANTORS NUMBER</u>	<u>EXPENDITURES CURRENT YEAR</u>
U.S. DEPARTMENT OF AGRICULTURE:			
Passed Through State Dept. of Education:			
National School Lunch Program	10.555	N/A	\$ 155,808
School Breakfast Program	10.553	N/A	40,960
Passed Through State Dept. of Health and Human Services:			
Commodity Supplement Food Program (Non-cash)	10.565	N/A	<u>20,195</u>
TOTAL U.S. DEPT. OF AGRICULTURE			<u>216,963</u>
U.S. DEPARTMENT OF EDUCATION			
Passed Through State Department of Education			
ESEA, Title I	84.010A	021-11-3305	180,059
ESEA, Title I	84.010A	021-10-3305	35,977
IDEA, Part B	84.027A	032-11-0966	314,873
IDEA, Part B	84.027A	032-10-0966	2,238
IDEA, Pre-School	84.173A	033-11-0966	8,535
IDEA, Pre-School	84.173A	033-10-0966	1
Drug Free Schools	84.186A	180-11-3305	1,382
Drug Free Schools	84.186A	180-10-3305	4,933
Title IIA	84-367A	147-11-3305	54,290
ARRA – ESEA, Title I	84.389A	5021-11-3305	54,400
ARRA – IDEA, Part B	84.391A	5032-10-0966	276
ARRA – IDEA, Part B	84.391A	032-11-0966	138,453
ARRA – IDEA, Pre-School	84.392A	5033-11-0966	892
ARRA - ESF	84.394	5000-10-3305	<u>483,605</u>
TOTAL DEPARTMENT OF EDUCATION			<u>1,279,914</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE			<u>\$ 1,496,877</u>

TRI-VALLEY CENTRAL SCHOOL DISTRICT
NOTES TO SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
JUNE 30, 2011

1. GENERAL

The accompanying Schedule of Federal Financial Assistance presents the activity of all federal financial assistance programs of the Tri-Valley Central School District. The Tri-Valley Central School District's reporting entity is defined in Note 1 to the District's financial statements. All federal financial assistance passed through other governmental agencies are included on the schedule.

2. BASIS OF ACCOUNTING

The accompanying Schedule of Federal Financial Assistance is presented using the modified accrual basis of accounting, which is described in Note 1 to the District's financial statements.

3. RELATIONSHIP TO GENERAL PUPOSE FINANCIAL STATEMENTS

Federal financial assistance revenues are reported in the District's financial statements as follows:

Governmental Funds:	
General Fund	\$ 483,605
Special Aid Fund	796,309
School Lunch Fund	<u>216,963</u>
TOTAL	<u>\$ 1,496,877</u>

COOPER, NIEMANN & CO., LLP

Certified Public Accountants



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INDEPENDENT AUDITORS' 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 Board of Education of the
Tri-Valley Central School District
Grahamsville, New York

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Tri-Valley Central School District, New York as of and for the year ended June 30, 2011, which collectively comprise the Tri-Valley Central School District, New York's basic financial statements, and have issued our report thereon dated September 28, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Tri-Valley Central School District, New York's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Tri-Valley Central School District, New York's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Tri-Valley Central School District, New York's internal control over financial reporting.

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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Tri-Valley Central School District, New York'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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted other matters that we reported to the management of the Tri-Valley Central School District in a separate letter dated September 28, 2011.

This report is intended solely for the information and use of the Board of Education, management, others within the entity and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Cooper, Neumann & Co. CPA's LLP
Montgaup Valley, New York
September 28, 2011



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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL
EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH
OMB CIRCULAR A-133

To the Board of Education of the
Tri-Valley Central School District
Grahamsville, New York

Compliance

We have audited Tri-Valley Central School District, New York's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. Tri-Valley Central School District, New York's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Tri-Valley Central School District, New York's management. Our responsibility is to express an opinion on Tri-Valley Central School District, New York's compliance based on our audit.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 Tri-Valley Central School District, New York'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 a legal determination on Tri-Valley Central School District, New York's compliance with those requirements.

In our opinion, Tri-Valley Central School District, New York 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, 2011.

Internal Control Over Compliance

Management of Tri-Valley Central School District, New York is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Tri-Valley Central School District, New York's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Tri-Valley Central School District, New York's internal control over compliance.

A deficiency in internal control over compliance 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, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that a material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

This report is intended solely for the information and use of the Board of Education, management, others within the entity, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Cooper, Neumann & Co. CPA's LLP

Mongaup Valley, New York
September 28, 2011

TRI-VALLEY CENTRAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2011

Summary of Auditors' Results:

1. The auditors' report expresses an unqualified opinion on the financial statements of the Tri-Valley Central School District.
2. There were no significant deficiencies disclosed during the audit of the financial statements of the Tri-Valley Central School District.
3. No instances of non-compliance material to the financial statements of the Tri-Valley Central School District, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. There were no significant deficiencies disclosed during the audit of internal control over major federal award programs.
5. The auditors' report on compliance for the major federal award programs for the Tri-Valley Central School District expresses an unqualified opinion on all major federal programs.
6. Audit findings that are required to be reported in accordance with Section 510 (a) of OMB Circular A-133 are reported in this schedule.
7. The programs tested as major programs included:

IDEA, Pre-School	84.173A
IDEA, Part B	84.027A
IDEA, Part B – ARRA	84.391A
IDEA, Pre-School – ARRA	84.392A
ESF - ARRA	84.394
8. The threshold for distinguishing Type A and B programs was \$300,000.
9. The Tri-Valley Central School District was determined to be a high-risk auditee.

Findings – Financial Statements Audit

None

Findings and Questioned Costs – Major Federal Awards Program Audit

None

TRI-VALLEY CENTRAL SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2011

Department of Education

Finding 2010-1: State Fiscal Stabilization Fund – Education State Grants, Recovery Act

Condition: This finding was a significant deficiency stating that the District did not create separate account codes in its accounting records to track program expenditures.

Recommendation: The District should create separate account codes in its accounting records and begin posting all program expenditures to the proper account codes.

Current Status: The required account codes were created in the accounting records. No similar findings were noted in the June 30, 2011 audit.



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INDEPENDENT AUDITORS' REPORT

To The President and Board Members of
The Board of Education
Tri-Valley Central School District
Grahamsville, New York

We have audited the accompanying statement of assets and liabilities arising from cash transactions of the High School Extraclassroom Activity Fund of Tri-Valley Central School District as of June 30, 2011, and the related statement of cash receipts and disbursements for the year then ended. This financial statement is the responsibility of the school district's management. Our responsibility is to express an opinion of these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 2, these financial statements were prepared on the cash basis of accounting which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above presents fairly, in all material respects, the assets and liabilities arising from cash transactions of the High School Extraclassroom Activity Fund of Tri-Valley Central School District as of June 30, 2011, and the cash collected and disbursements paid for the year then ended, on the basis of accounting described in Note 2.

This report is intended solely for the information and use of the school board governing body and management of the High School Extraclassroom Activity Fund of Tri-Valley Central School District, and for filing with the various offices and agencies of the State of New York. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

Cooper, Nemann & Co. CPA's LLP

Mongaup Valley, New York

September 28, 2011

TRI-VALLEY CENTRAL SCHOOL DISTRICT
HIGH SCHOOL EXTRACLASSROOM ACTIVITY FUND
STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCE
JUNE 30, 2011

ASSETS	
Cash	<u>\$ 79,527</u>
 TOTAL ASSETS	 <u>\$ 79,527</u>
 FUND BALANCE	 <u>\$ 79,527</u>

SEE ACCOMPANYING NOTES AND AUDITORS' OPINION

TRI-VALLEY CENTRAL SCHOOL DISTRICT
HIGH SCHOOL EXTRACURRICULAR ACTIVITY FUND
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2011

<u>ACTIVITY</u>	<u>CASH & FUND BALANCE 07/01/10</u>	<u>RECEIPTS</u>	<u>DISBURSEMENTS</u>	<u>CASH & FUND BALANCE 06/30/11</u>
Class of 2014	\$ -	\$ 351	\$ 185	\$ 166
Class of 2013	1,566	4,821	2,870	3,517
Class of 2012	1,580	12,662	10,115	4,127
Class of 2011	5,233	14,757	19,533	457
Class of 2010	68	-	-	68
Animal Lovers Club	68	2,940	2,932	76
Art Club	2,274	16	589	1,701
Athletic	427	1,329	1,027	729
Baseball	370	230	185	415
Bear Cub Basketball	647	4,023	2,323	2,347
Cheerleaders	476	81	557	-
Drama Club	3,910	8,006	7,136	4,780
FBLA	4,240	26,270	27,092	3,418
FCCLA	2,318	2,297	1,259	3,356
FFA	4,065	48,717	46,256	6,526
Field Lights	349	3	-	352
Football	490	3	-	493
Frost Valley (Grade 6)	3,019	8,336	9,019	2,336
Girls Basketball	158	101	-	259
Girls Soccer	2,648	15	769	1,894
Girls Softball	5,224	400	9	5,615
Golf Team	-	379	356	23
H.S.S.C.	6,768	2,057	1,915	6,910
I.S.S.C.	1,137	2,079	1,702	1,514
Jr. FBLA	208	7,580	7,165	623
Jr. National H.S.	165	1	33	133
Music	29,854	29,950	34,969	24,835
National Honor Society	707	65	-	772
Running Fund	285	2,362	2,281	366
Senior Seminar	-	441	332	109
Ski Team	197	1	-	198
Yearbook	<u>3,856</u>	<u>21,678</u>	<u>24,122</u>	<u>1,412</u>
TOTALS	<u>\$ 82,307</u>	<u>\$ 201,951</u>	<u>\$ 204,731</u>	<u>\$ 79,527</u>

SEE ACCOMPANYING NOTES AND AUDITORS' OPINION

TRI-VALLEY CENTRAL SCHOOL DISTRICT
HIGH SCHOOL EXTRACLASROOM ACTIVITY FUND
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1 - DESCRIPTION OF OPERATIONS

Student activity funds are defined by the New York State Education Department as “funds raised other than by taxation, or through charges of a Board of Education, for, by or in the name of a school, student body or any subdivision thereof.”

Activity funds are raised and expended by student bodies to promote the general welfare, education, and morale of all pupils, and to finance the normal, legitimate extracurricular activities of the student body organization.

The Superintendent of the District has responsibility and authority to implement all policies and rules pertaining to the supervision and administration of school activity funds in accordance with established policies and rules of the District’s Board of Education.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The books and records of the High School Extraclassroom Activity Fund of Tri-Valley Central School District are maintained on the cash basis of accounting. Consequently, receipts and related assets are recognized when received rather than when earned, and disbursements are recognized when paid rather than when the obligation is incurred.

Interest Income

Interest income earned on the bank account during the year has been allocated among the individual clubs.

Bank Charges

All bank service charges have been charged to the respective activity fund.

Inactive Accounts

The District’s policy is to transfer account balance of inactive clubs to the Student Council Fund.

APPENDIX D

BOND INSURANCE AND SPECIMEN POLICY

BOND INSURANCE

BOND INSURANCE POLICY

Concurrently with the issuance of the Bonds, Assured Guaranty Municipal Corp. ("AGM") will issue its Municipal Bond Insurance Policy (the "Policy") for the Bonds maturing on May 15 of the years 2016 through 2023, inclusive (the "Insured Bonds"). The Policy guarantees the scheduled payment of principal of and interest on the Insured Bonds when due as set forth in the form of the Policy included hereto to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

ASSURED GUARANTY MUNICIPAL CORP.

AGM is a New York domiciled financial guaranty insurance company and a wholly owned subsidiary of Assured Guaranty Municipal Holdings Inc. ("Holdings"). Holdings is an indirect subsidiary of Assured Guaranty Ltd. ("AGL"), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol "AGO". AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and global public finance, infrastructure and structured finance markets. No shareholder of AGL, Holdings or AGM is liable for the obligations of AGM.

AGM's financial strength is rated "AA-" (stable outlook) by Standard and Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P") and "Aa3" (on review for possible downgrade) by Moody's Investors Service, Inc. ("Moody's"). An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. In addition, the rating agencies may at any time change AGM's long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AGM. AGM only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AGM on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

Current Financial Strength Ratings

On March 20, 2012, Moody's issued a press release stating that it had placed AGM's "Aa3" insurance financial strength rating on review for possible downgrade. AGM can give no assurance as to any further ratings action that Moody's may take. Reference is made to the press release, a copy of which is available at www.moody.com, for the complete text of Moody's comments.

On November 30, 2011, S&P published a Research Update in which it downgraded AGM's financial strength rating from "AA+" to "AA-". At the same time, S&P removed the financial strength rating from CreditWatch negative and changed the outlook to stable. AGM can give no assurance as to any further ratings action that S&P may take. Reference is made to the Research Update, a copy of which is available at www.standardandpoors.com, for the complete text of S&P's comments.

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2011, its Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2012, and its Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2012.

Capitalization of AGM

At June 30, 2012, AGM's consolidated policyholders' surplus and contingency reserves were approximately \$3,169,404,271 and its total net unearned premium reserve was approximately \$2,204,572,593, in each case, in accordance with statutory accounting principles.

AGM's statutory financial statements for the fiscal year ended December 31, 2011, for the quarterly period ended March 31, 2012, and for the quarterly period ended June 30, 2012, which have been filed with the New York State Department of Financial Services and posted on AGL's website at <http://www.assuredguaranty.com>, are incorporated by reference into this Official Statement and shall be deemed to be a part hereof.

Incorporation of Certain Documents by Reference

Portions of the following documents filed by AGL with the Securities and Exchange Commission (the "SEC") that relate to AGM are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

- (i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2011 (filed by AGL with the SEC on February 29, 2012);
- (ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2012 (filed by AGL with the SEC on May 10, 2012); and
- (iii) the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2012 (filed by AGL with the SEC on August 9, 2012).

All information relating to AGM included in, or as exhibits to, documents filed by AGL pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, after the filing of the last document referred to above and before the termination of the offering of the Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at <http://www.sec.gov>, at AGL's website at <http://www.assuredguaranty.com>, or will be provided upon request to Assured Guaranty Municipal Corp.: 31 West 52nd Street, New York, New York 10019, Attention: Communications Department (telephone (212) 826-0100).

Any information regarding AGM included herein under the caption "APPENDIX C - BOND INSURANCE AND SPECIMEN POLICY – Assured Guaranty Municipal Corp." or included in a document incorporated by reference herein (collectively, the "AGM Information") shall be modified or superseded to the extent that any subsequently included AGM Information (either directly or through incorporation by reference) modifies or supersedes such previously included AGM Information. Any AGM Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

Miscellaneous Matters

AGM or one of its affiliates may purchase a portion of the Bonds or any uninsured bonds offered under this Official Statement and may hold such Bonds or uninsured bonds for investment or may sell or otherwise dispose of such Bonds or uninsured bonds at any time or from time to time.

AGM makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading "APPENDIX C - BOND INSURANCE AND SPECIMEN POLICY".



MUNICIPAL BOND INSURANCE POLICY

ISSUER:

BONDS: \$ in aggregate principal amount of

Policy No: -N

Effective Date:

Premium: \$

ASSURED GUARANTY MUNICIPAL CORP. ("AGM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of AGM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AGM shall have received Notice of Nonpayment, AGM will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AGM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AGM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AGM shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AGM hereunder. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless AGM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AGM which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

AGM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to AGM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to AGM and shall not be deemed received until received by both and (b) all payments required to be made by AGM under this Policy may be made directly by AGM or by the Insurer's Fiscal Agent on behalf of AGM. The Insurer's Fiscal Agent is the agent of AGM only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of AGM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, AGM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to AGM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of AGM, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY MUNICIPAL CORP. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY MUNICIPAL CORP.

By _____
Authorized Officer