

CROTON-HARMON UNION FREE SCHOOL DISTRICT
CROTON-ON-HUDSON, NEW YORK

AUDIT REPORT FOR THE YEAR ENDED
JUNE 30, 2017
INCLUDING REPORT ON
EXTRACLASSROOM ACTIVITY FUNDS

CROTON-HARMON UNION FREE SCHOOL DISTRICT
CROTON-ON-HUDSON, NEW YORK
JUNE 30, 2017
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INDEPENDENT AUDITOR'S REPORT

To the President and Members
of the Board of Education of
Croton-Harmon Union Free School District
Croton-on-Hudson, New York

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Croton-Harmon Union Free School District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of funding progress for other postemployment benefits, the District's proportionate share of the net pension liability and the District's pension contributions on pages 4 through 15 and 65 through 69 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Croton-Harmon Union Free School District's basic financial statements. The supplemental schedules on pages 70 through 72 were required by the New York State Education Department and are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental schedules on pages 70 through 72 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental schedules on pages 70 through 72 are fairly stated in all material respects in relation to the basic financial statements as a whole.

Croton-Harmon Union Free School District

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 12, 2017, on our consideration of the Croton-Harmon Union Free School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide and opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Croton-Harmon Union Free School District's internal control over financial reporting and compliance.

Nugent & Haeussler, P.C.

Montgomery, New York
September 12, 2017

CROTON-HARMON UNION FREE SCHOOL DISTRICT

Management Discussion and Analysis

Introductory Section

The following is a discussion and analysis of Croton-Harmon Union Free School District's financial performance for the fiscal year ended June 30, 2017. The section is a summary of the Croton-Harmon Union Free School District's financial activities based on currently known facts, decisions, or conditions. It is also based on both the district-wide and fund-based financial statements. The results of the current year are discussed in comparison with the prior year, with an emphasis placed on the current year. This section is only an introduction and should be read in conjunction with the District's financial statements, which immediately follow this section.

Financial Highlights

Key financial highlights for the fiscal year ended June 30, 2017 are as follows:

- The District's actual expenditures and encumbrances were less than the revised budgeted expenditures by \$3,621,522. This was due to the following key factors:
 - Savings due to the continuation of the Flexible Support Program at the secondary level as the district was able to meet the needs of more students in-house rather than having to send them to expensive out of district programs. This program saves both tuition costs and transportation expenses.
 - The costs for utilities including fuel oil and natural gas to heat our buildings, as well as diesel fuel and gasoline for the buses, remained lower than budgeted.
 - The district continues to train in-house personnel in order to avoid expensive repairs and maintenance when outside vendors are hired. Our custodial, maintenance and grounds crews have taken over much of the work that had previously been done by outside contractors.
 - Our instructional staff continues to provide staff development for the faculty thus eliminating the need to hire consultants.
 - The district belongs to the Putnam-Northern Westchester Health Insurance Consortium which helps to contain the costs of health insurance premium rate increases. The rate increase for 2016-2017 was 2.61% which was far below the average increase of other health insurance plans.
 - The Transportation Department continues to belong to a consortium of school districts which was formed to share information regarding bus runs. This sharing of information has resulted in districts partnering with neighboring districts to consolidate bus runs and reduce the costs of out of district transportation.
 - The district was able to save substantial funds by negotiating Collective Bargaining Agreements with four (4) units without employing outside legal counsel.
 - The Board of Education contracted with Balog Consulting. The district was successful in reducing the taxable assessment of the Croton-Harmon High School which will substantially reduce the annual payment for the sewer tax in years to come. The district was also able to recoup over \$300,000 in overpayments for the past several years.

CROTON-HARMON UNION FREE SCHOOL DISTRICT

**Management Discussion and Analysis
(Continued)**

Overview of the Financial Statements

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

- The first two statements are *district-wide* financial statements that provide both *short-term* and *long-term* information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District's operations in *more detail* than the district-wide statements.
- The *governmental funds statements* tell how basic services such as regular and special education were financed in the short term as well as what remains for future spending.
- *Fiduciary funds* statements provide information about the financial relationships in which the District acts solely as a *trustee* or *agent* for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year.

The following table summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of MD&A highlights the structure and contents of each of the statements.

CROTON-HARMON UNION FREE SCHOOL DISTRICT

**Management Discussion and Analysis
(Continued)**

Major Features of the District-Wide and Fund Financial Statements			
	Fund Financial Statements		
	District-Wide	Governmental Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures, and Changes in Fund Balances 	<ul style="list-style-type: none"> • Statement of Fiduciary Net Position • Statement of Changes in Fiduciary Net Position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of asset/deferred outflows of resources/liability/deferred inflows of resources information	All assets, deferred outflows of resources, liabilities and deferred inflows of resources, both financial and capital, short-term and long-term	Generally, assets and deferred outflows of resources expected to be used up and liabilities and deferred inflows of resources that come due or available during the year or soon thereafter; no capital assets or long-term liabilities are included	All assets, deferred outflows of resources (if any), liabilities, and deferred inflows of resources (if any) both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/out flow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

District-Wide Financial Statements

The district-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two district-wide statements report the District's net position and how they have changed. Net assets, the difference between the District's assets and liabilities, is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.

CROTON-HARMON UNION FREE SCHOOL DISTRICT

**Management Discussion and Analysis
(Continued)**

District-Wide Financial Statements (Continued)

- To assess the District's overall health, you need to consider additional nonfinancial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the district-wide financial statements, the District's activities are shown as *Governmental activities*: Most of the District's basic services are included here, such as regular and special education, transportation, and administration. Property taxes and State formula aid finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and by bond covenants.
- The District establishes other funds to control and to manage money for particular purposes (such as repaying its long-term debts) or to show that it is properly using certain revenues (such as Federal grants).

The District has two kinds of funds:

- **Governmental Funds:** Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, additional information provided in the notes to the financial statements explains the relationship (or differences) between them.
- **Fiduciary Funds:** The District is the trustee, or fiduciary, for assets that belong to others, such as the scholarship fund and the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the district-wide financial statements because it cannot use these assets to finance its operations.

CROTON-HARMON UNION FREE SCHOOL DISTRICT

**Management Discussion and Analysis
(Continued)**

Financial Analysis of the District as a Whole

The District's net position at June 30, 2017 is \$60,141,720. This is a \$2,781,617 increase from last year's net position of \$57,360,103. The following table provides a summary of the District's net position:

Summary of Net Position

	<u>School District Activities</u>		
	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>% Change</u>
Current Assets	\$ 21,228,061	18,204,576	16.61%
Non-Current Assets	<u>52,959,784</u>	<u>65,039,745</u>	-18.57%
Total Assets	<u>74,187,845</u>	<u>83,244,321</u>	-10.88%
Deferred Outflows of Resources	<u>12,902,525</u>	<u>5,568,693</u>	131.70%
Current Liabilities	8,284,736	7,199,642	15.07%
Long-Term Debt Outstanding	<u>17,879,889</u>	<u>20,047,638</u>	-10.81%
Total Liabilities	<u>26,164,625</u>	<u>27,247,280</u>	-3.97%
Deferred Inflows of Resources	<u>784,025</u>	<u>4,205,631</u>	-81.36%
Net Position:			
Net Investment in Capital Assets	38,692,802	37,996,906	1.83%
Restricted	22,365,862	19,958,426	12.06%
Unrestricted	<u>(916,944)</u>	<u>(595,229)</u>	54.05%
Total Net Position	<u>\$ 60,141,720</u>	<u>\$ 57,360,103</u>	4.85%

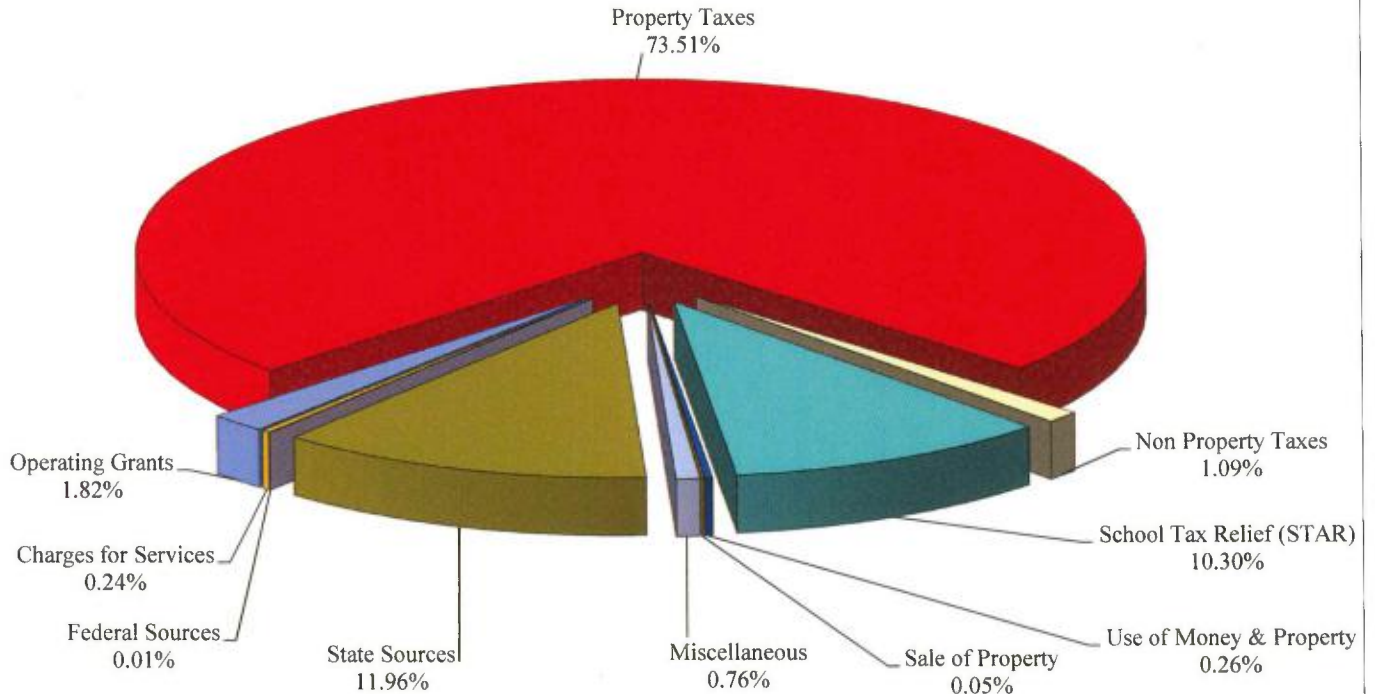
The following table and supporting graphs provides a summary of revenues, expenses and changes in net position for the year ended June 30, 2017:

CROTON-HARMON UNION FREE SCHOOL DISTRICT
CROTON-ON-HUDSON, NEW YORK
STATEMENT OF ACTIVITIES
SUMMARY OF CHANGES IN NET POSITION

	<u>JUNE 30, 2017</u>	<u>%</u>	<u>JUNE 30, 2016</u>	<u>%</u>	<u>\$ Change</u>	<u>%</u>
<u>REVENUES</u>						
PROGRAM REVENUES:						
Charges for Services	\$ 111,087	0.24%	\$ 225,017	0.50%	\$ (113,930)	-50.63%
Operating Grants	838,663	1.82%	688,772	1.54%	149,891	21.76%
GENERAL REVENUES:						
Property Taxes	33,826,743	73.51%	33,590,968	74.89%	235,775	0.70%
Non Property Taxes	501,661	1.09%	496,489	1.11%	5,172	1.04%
School Tax Relief (STAR)	4,741,672	10.30%	4,900,739	10.93%	(159,067)	-3.25%
Use of Money & Property	119,338	0.26%	91,507	0.20%	27,831	30.41%
Sale of Property	24,808	0.05%	18,824	0.04%	5,984	31.79%
Miscellaneous	348,155	0.76%	190,452	0.42%	157,703	82.80%
State Sources	5,504,727	11.96%	4,641,526	10.35%	863,201	18.60%
Federal Sources	6,855	0.01%	10,411	0.02%	(3,556)	-34.16%
TOTAL REVENUES	<u>46,023,709</u>	<u>100.00%</u>	<u>44,854,705</u>	<u>100.00%</u>	<u>1,169,004</u>	<u>2.61%</u>
<u>EXPENSES</u>						
General Support	5,807,338	13.43%	5,582,220	13.95%	225,118	4.03%
Instruction	23,522,542	54.39%	23,371,238	58.42%	151,304	0.65%
Pupil Transportation	2,368,531	5.48%	2,256,889	5.64%	111,642	4.95%
Employee Benefits	9,070,177	20.98%	6,317,588	15.79%	2,752,589	43.57%
Debt Service Interest	425,801	0.98%	507,735	1.27%	(81,934)	-16.14%
Depreciation	2,010,418	4.65%	1,958,005	4.89%	52,413	2.68%
School Lunch Program	37,285	0.09%	15,265	0.04%	22,020	144.25%
TOTAL EXPENSES	<u>43,242,092</u>	<u>100.00%</u>	<u>40,008,940</u>	<u>100.00%</u>	<u>3,233,152</u>	<u>8.08%</u>
CHANGE IN NET POSITION	<u>\$ 2,781,617</u>		<u>\$ 4,845,765</u>		<u>\$ (2,064,148)</u>	<u>-42.60%</u>

CROTON-HARMON UNION FREE SCHOOL DISTRICT
CROTON-ON-HUDSON, NEW YORK

**SOURCES OF REVENUES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**



**SOURCES OF REVENUES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

