

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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Nugent & Haeussler, P.C.

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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

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Jennifer A. Traverse, CPA
Justin B. Wood, CPA

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			
	District-Wide	Fund Financial Statements	
		Governmental Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<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%

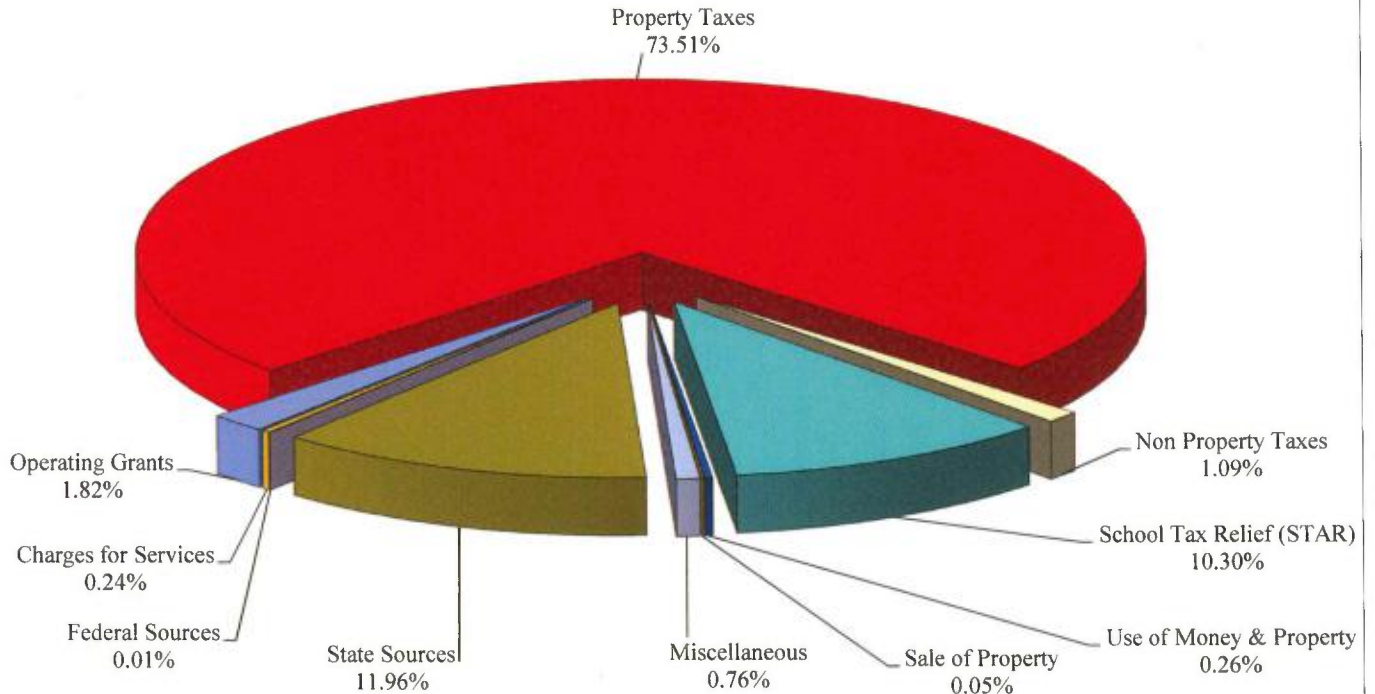
The following table and supporting graphs provides a summary of revenues, expenses and changes in net position for the year ended June 30, 2017:

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

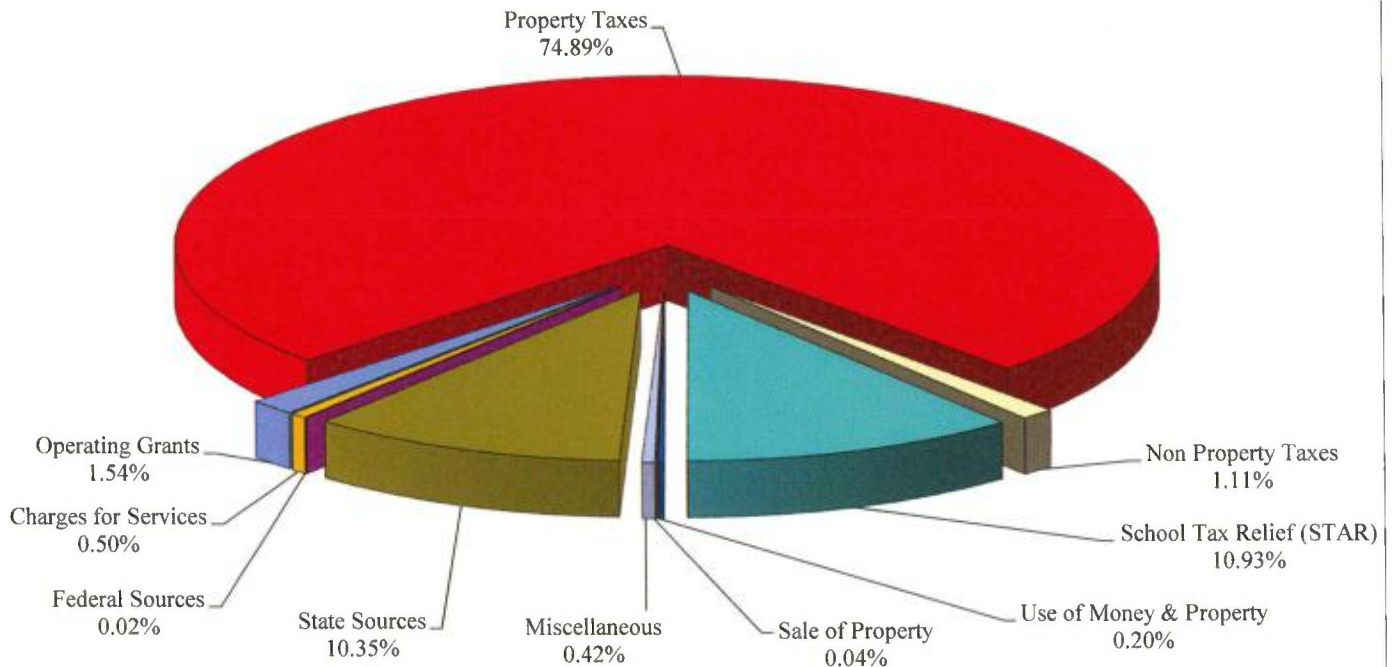
	<u>JUNE 30, 2017</u>	<u>%</u>	<u>JUNE 30, 2016</u>	<u>%</u>	<u>\$ Change</u>	<u>%</u>
<u>REVENUES</u>						
PROGRAM REVENUES:						
Charges for Services	\$ 111,087	0.24%	\$ 225,017	0.50%	\$ (113,930)	-50.63%
Operating Grants	838,663	1.82%	688,772	1.54%	149,891	21.76%
GENERAL REVENUES:						
Property 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**

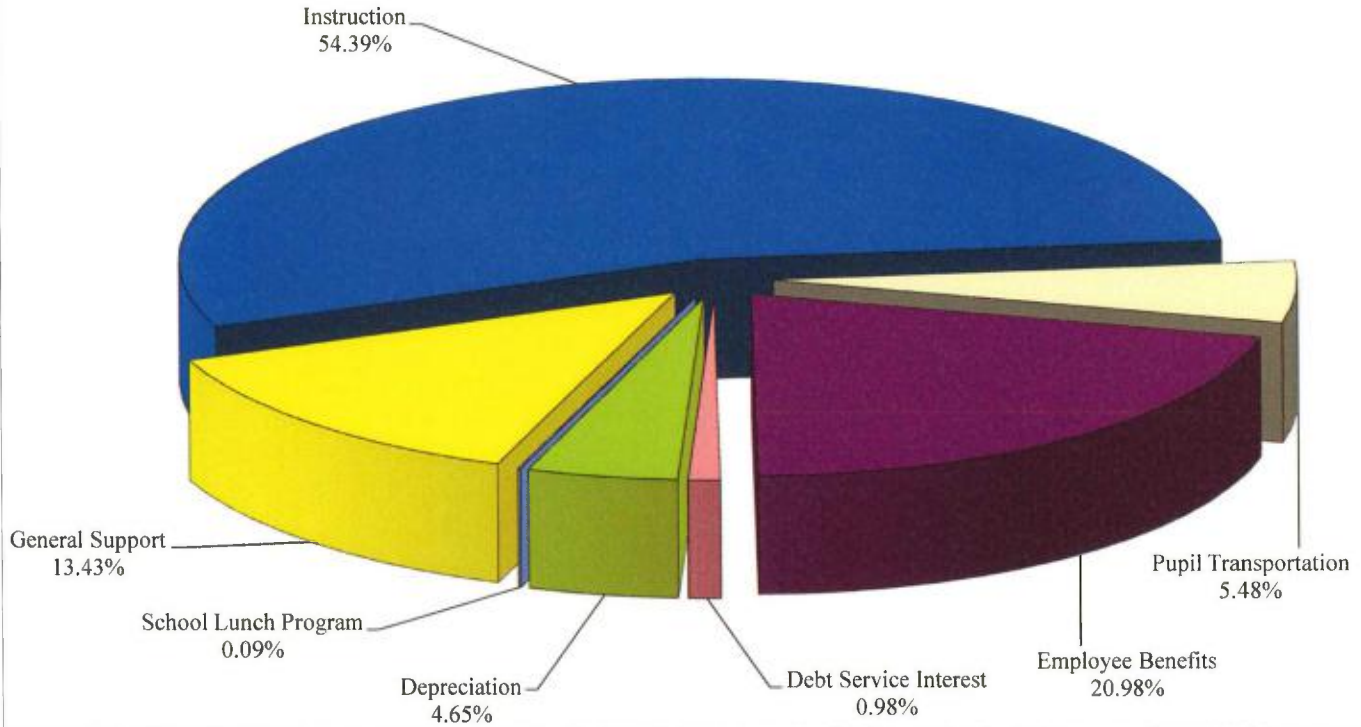


**SOURCES OF REVENUES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

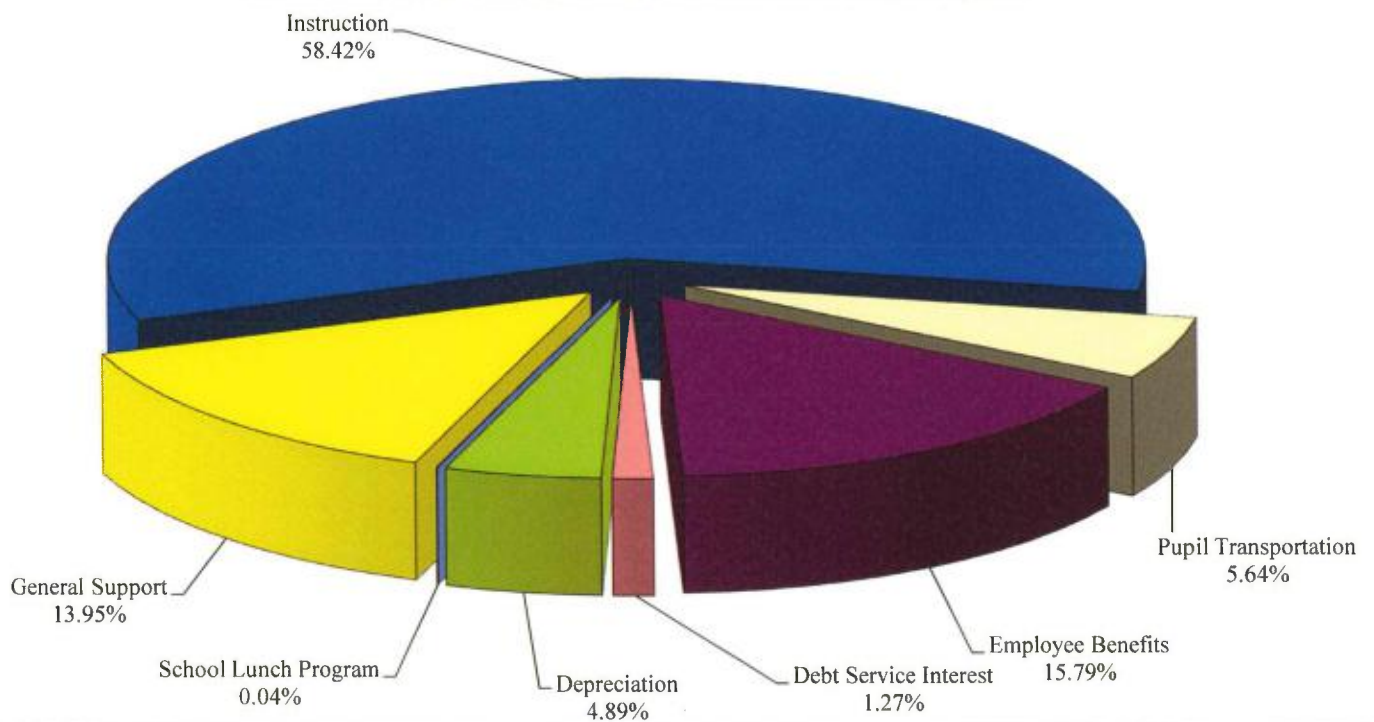


CROTON-HARMON UNION FREE SCHOOL DISTRICT
CROTON-ON-HUDSON, NEW YORK

EXPENSES FOR THE FISCAL YEAR ENDED JUNE 30, 2017



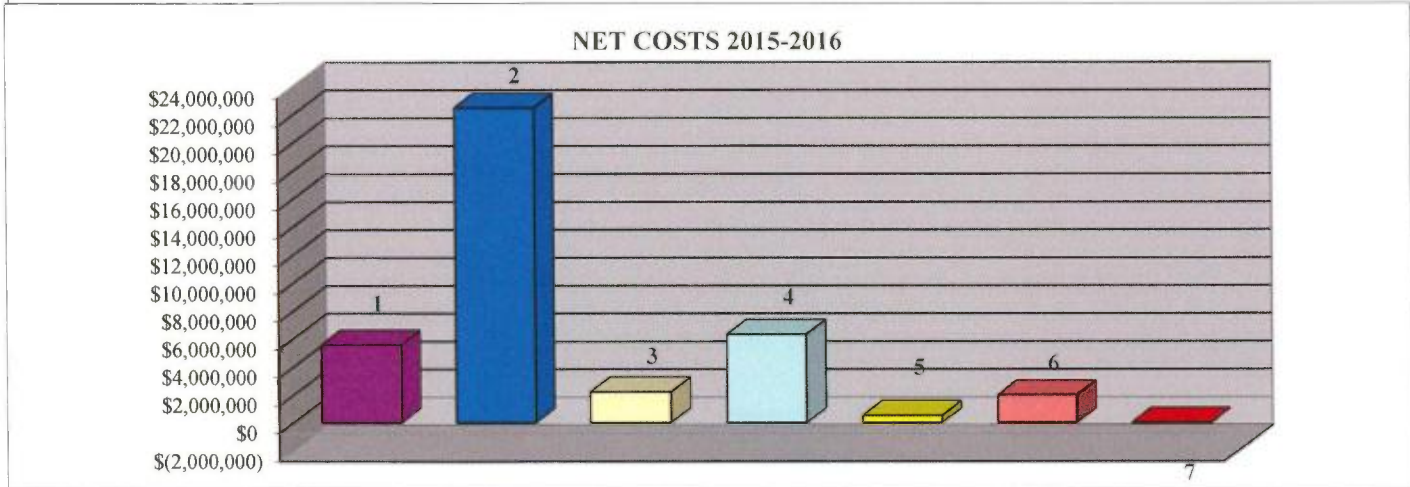
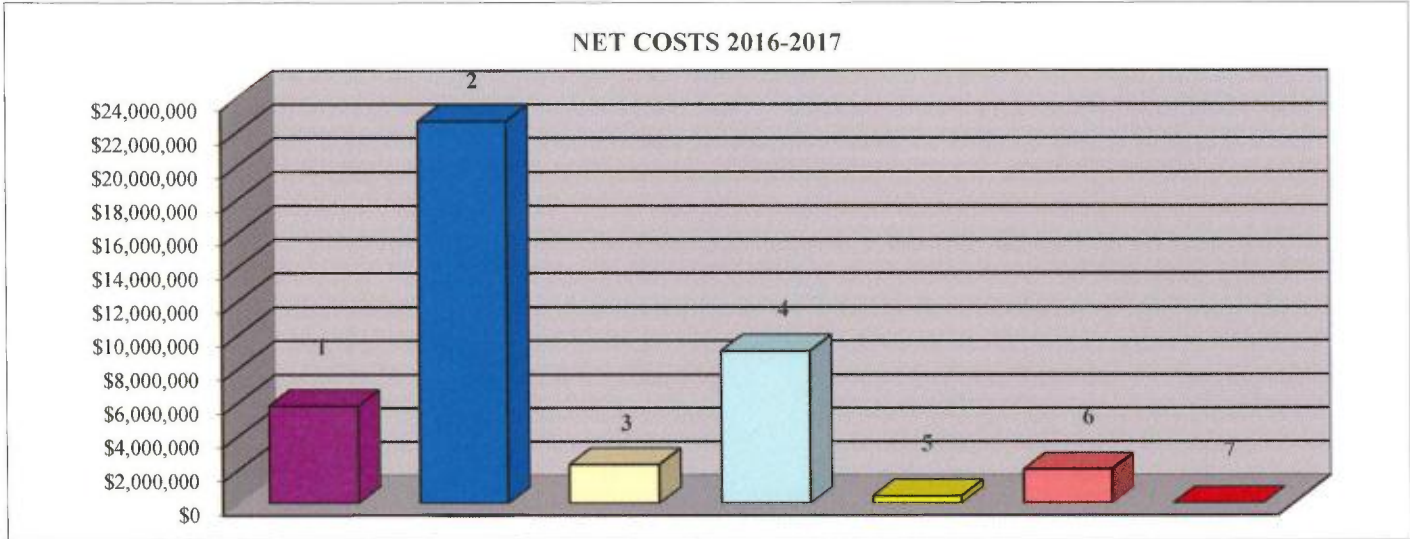
EXPENSES FOR THE FISCAL YEAR ENDED JUNE 30, 2016



CROTON-HARMON UNION FREE SCHOOL DISTRICT
CROTON-ON-HUDSON, NEW YORK
STATEMENT OF ACTIVITIES
NET COSTS

The following information is provided to disclose the net cost of governmental activities:

	TOTAL COST OF SERVICES 2016-2017	NET COST OF SERVICES 2016-2017	TOTAL COST OF SERVICES 2015-2016	NET COST OF SERVICES 2015-2016
General Support	\$ 5,807,338	\$ 5,807,338	\$ 5,582,220	\$ 5,582,220
Instruction	23,522,542	22,662,044	23,371,238	22,545,871
Pupil Transportation	2,368,531	2,309,961	2,256,889	2,200,441
Employee Benefits	9,070,177	9,070,177	6,317,588	6,317,588
Debt Service - Interest	425,801	425,801	507,735	507,735
Depreciation	2,010,418	2,010,418	1,958,005	1,958,005
School Lunch Program	37,285	6,603	15,265	(16,709)
	<u>\$ 43,242,092</u>	<u>\$ 42,292,342</u>	<u>\$ 40,008,940</u>	<u>\$ 39,095,151</u>



CROTON-HARMON UNION FREE SCHOOL DISTRICT

**Management Discussion and Analysis
(Continued)**

Financial Analysis of the District's Funds

As discussed, the District's governmental funds are reported in the fund statements with a modified accrual basis that uses a short-term, inflow and outflow of spendable resources focus. This information is useful in assessing resources available at the end of the year in comparison with upcoming financial requirements. The major governmental funds of the District consist of the General Fund, Special Aid Fund, School Lunch Fund, Debt Service Fund and Capital Projects Fund. The total fund balances allocated between nonspendable, restricted, assigned, and unassigned fund balance for each of these funds is as follows:

	June 30, 2017				
	<u>Nonspendable</u>	<u>Restricted</u>	<u>Assigned</u>	<u>Unassigned</u>	<u>Total</u>
General	\$ 0	\$ 13,419,655	\$ 1,536,428	\$ 1,850,961	\$ 16,807,044
Special Aid	0	70,838	0	0	70,838
School Lunch	0	5,821	0	0	5,821
Capital Projects	0	0	0	(845,385)	(845,385)
Debt Service	0	86,676	0	0	86,676
Total	\$ 0	\$ 13,582,990	\$ 1,536,428	\$ 1,005,576	\$ 16,124,994

	June 30, 2016				
	<u>Nonspendable</u>	<u>Restricted</u>	<u>Assigned</u>	<u>Unassigned</u>	<u>Total</u>
General	\$ 0	\$ 10,848,675	\$ 1,523,456	\$ 1,867,887	\$ 14,240,018
Special Aid	0	41,831	0	0	41,831
School Lunch	0	14,741	0	0	14,741
Capital Projects	0	0	0	(280,675)	(280,675)
Debt Service	0	86,407	0	0	86,407
Total	\$ 0	\$ 10,991,654	\$ 1,523,456	\$ 1,587,212	\$ 14,102,322

General Fund Budgetary Highlights

The original budget for the General Fund was revised by \$285,739 during the year. The supplemental appropriations consisted of appropriations from the Capital Reserve in the amount of \$59,706 for District-wide Improvements, \$73,480 from the Employee Benefit Accrued Liability Reserve for Retirement Benefits, and \$152,553 from the Tax Certiorari Reserve.

In the General Fund for the fiscal year ended June 30, 2017, actual revenues were more than revised budgeted revenues by \$669,791 (1.43%). Actual expenditures and encumbrances were less than the revised budgeted expenditures by \$3,621,522 (7.74%). Once again, the District kept fiscal restraints on purchases.

For fiscal year 2017-2018, the District has appropriated \$1,125,000 of fund balance to reduce the tax levy.

CROTON-HARMON UNION FREE SCHOOL DISTRICT

Management Discussion and Analysis (Continued)

General Fund Budgetary Highlights (Continued)

Factors that continue to affect the budget process are as follows:

- Variances between estimated revenues and amounts actually received from New York State Aid
- The tax levy cap legislation
- Low interest rates being paid on District investments
- High costs of employee benefits such as health insurance, workers compensation insurance, teachers' and employees' retirement
- The uncertainty in costs of utilities – electric, gasoline, diesel fuel and heating oil

The New York State Legislature enacted legislation, Chapter 97 of the Laws of 2011 that establishes a “property tax cap” on the amount that a school district’s property tax levy can increase each year. This legislation specifies that property taxes levied by a school district generally cannot increase by more than two percent, or the rate of inflation, whichever is less. The law does allow school districts to levy an additional amount for certain excludable expenditures. School districts can adopt a tax levy that exceeds the statutory limit, if the budget that is presented to the public is approved by sixty percent of the votes cast.

Management believes that the budget adopted for 2017-2018 is reasonably adaptable to any adverse changes that may arise based on the above factors.

Other Fund Highlights

The Special Aid Fund ended the year with a fund balance of \$70,838. These funds will be appropriated in subsequent years to offset necessary transfers from the General Fund.

The School Lunch Program Fund ended the year with a fund balance of \$5,821. Expenditures exceeded revenues by \$8,920.

The Capital Projects Fund ended the year with a fund balance deficit of (\$845,385). The deficit is due to BANS used to finance the purchase of buses and district building improvements. Funding for the buses and building improvements will be provided as the BANS are redeemed from General Fund Appropriations.

Debt Service Fund ended the year with a fund balance of \$86,676. This fund balance will be appropriated in future years to offset principal and interest payments.

Capital Asset and Debt Administration

Capital Assets

The District’s investment in capital assets, net of accumulated depreciation as of June 30, 2017, was \$52,959,784. The total change in this net investment was a decrease of 1.84% for the District as a whole (see schedule below). The District’s investment in capital assets, net of accumulated depreciation as of June 30, 2016 was \$53,950,914. The District expended 1,033,824 to acquire and construct capital assets during the fiscal year ended June 30, 2017. Assets retired from service had a net basis of \$14,536 and depreciation expense for the fiscal year was 2,010,418.

CROTON-HARMON UNION FREE SCHOOL DISTRICT

**Management Discussion and Analysis
(Continued)**

Capital Assets (Continued)

CAPITAL ASSETS
Net of Accumulated Depreciation

	<u>School District Activities</u>		
	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>% Change</u>
<u>Non-Depreciable Assets:</u>			
Land	\$ 810,100	\$ 810,100	0.00%
Construction in Progress	419,670	4,174,325	-89.95%
 <u>Depreciable Assets:</u>			
Land Improvements	459,095	521,176	-11.91%
Building and Improvements	49,753,873	46,884,226	6.12%
Furniture and Equipment	413,792	484,885	-14.66%
Vehicles	1,103,254	1,076,202	2.51%
TOTALS	<u>\$ 52,959,784</u>	<u>\$ 53,950,914</u>	-1.84%

Long-Term Debt

At the end of the fiscal year, the District had total bonded debt outstanding of \$9,650,000. This amount is backed by the full faith and credit of the Croton-Harmon Union Free School District with debt service fully funded by voter approved property taxes. Activity in bonded debt outstanding during the fiscal year was as follows:

	<u>Beginning</u>			<u>Ending</u>
	<u>Balance</u>	<u>Issued</u>	<u>Paid</u>	<u>Balance</u>
Serial Bond -2006	\$ 2,350,000	\$ 0	\$ 550,000	\$ 1,800,000
Serial Bond - 2011 Refunding	5,295,000	0	985,000	4,310,000
Serial Bond - 2013 Refunding	4,650,000	0	1,110,000	3,540,000
Total Bonded Debt Outstanding	<u>\$ 12,295,000</u>	<u>\$ 0</u>	<u>\$ 2,645,000</u>	<u>\$ 9,650,000</u>

Bond Ratings

Moody's Investors Service ("Moody's") has assigned a rating of "Aa2" to outstanding uninsured bonds of the District. This rating reflects only the view of such rating agency and an explanation of the significance of such rating should be obtained from Moody's Investors Service. There can be no assurance that such rating will not be revised or withdrawn, if in the judgment of Moody's circumstances so warrant. Any change or withdrawal of such rating may have an adverse effect on the market price of the Notes or the availability of a secondary market for the Notes.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Diane L. Chaissan, Assistant Superintendent for Business, at the District's business offices at 10 Gerstein Street, Croton-on-Hudson, New York 10520.

CROTON-HARMON UNION FREE SCHOOL DISTRICT
CROTON-ON-HUDSON, NEW YORK
STATEMENT OF NET POSITION
GOVERNMENTAL ACTIVITIES
JUNE 30, 2017

ASSETS

Unrestricted Cash	\$ 7,005,937
Restricted Cash	13,507,949
State & Federal Aid Receivable	374,966
Due from Other Governments	311,694
Due from Fiduciary Funds	5,642
Other Receivables, Net	21,873
Capital Assets, Net	52,959,784
TOTAL ASSETS	74,187,845

DEFERRED OUTFLOWS OF RESOURCES

Deferred Amount on Refunding	319,971
Pension	12,582,554
TOTAL DEFERRED OUTFLOWS OF RESOURCES	12,902,525

LIABILITIES

Accounts Payable	469,823
Accrued Liabilities	314,028
Due to Other Governments	7,382
Due to Teachers' Retirement System	2,148,250
Due to Employees' Retirement System	210,870
Deferred Revenues	32,972
Bond Anticipation Notes	2,009,942
Long-term Liabilities:	
Due and Payable Within One Year:	
Bonds Payable (Including Deferred Premium on Refunding of \$157,961)	2,892,961
Installment Purchase Debt	198,508
Due and Payable In More Than One Year:	
Bonds Payable (Including Deferred Premium on Refunding of \$269,757)	7,184,757
Installment Purchase Debt	2,300,785
Compensated Absences	431,796
Other Postemployment Benefits	4,946,894
Net Pension Liability - Proportionate Share	3,015,657
TOTAL LIABILITIES	26,164,625

DEFERRED INFLOWS OF RESOURCES

Pension	784,025
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NET POSITION

Net Investment in Capital Assets	38,692,802
Restricted	22,365,862
Unrestricted	(916,944)
TOTAL NET POSITION	\$ 60,141,720

See notes to financial statement.

CROTON-HARMON UNION FREE SCHOOL DISTRICT
CROTON-ON-HUDSON, NEW YORK
STATEMENT OF ACTIVITIES
GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

		PROGRAM REVENUES		
<u>FUNCTIONS & PROGRAMS</u>	<u>EXPENSES</u>	<u>CHARGES FOR SERVICES</u>	<u>OPERATING GRANTS</u>	<u>NET (EXPENSE) REVENUE & CHANGES IN NET POSITION</u>
General Support	\$ (7,482,224)	\$ 0	\$ 0	\$ (7,482,224)
Instruction	(31,967,948)	90,682	769,816	(31,107,450)
Pupil Transportation	(3,286,308)	0	58,570	(3,227,738)
Debt Service - Interest	(425,801)	0	0	(425,801)
School Lunch Program	(79,810)	20,405	10,277	(49,128)
TOTAL FUNCTIONS & PROGRAMS	\$ (43,242,092)	\$ 111,087	\$ 838,663	(42,292,342)
<u>GENERAL REVENUES</u>				
Real Property Taxes				33,826,743
Other Tax Items				4,741,672
Non Property Taxes				501,661
Use of Money & Property				119,338
Sale of Property & Compensation for Loss				24,808
Miscellaneous				348,155
State Sources				5,504,727
Federal Sources				6,855
TOTAL GENERAL REVENUES				45,073,959
CHANGE IN NET POSITION				2,781,617
NET POSITION, BEGINNING OF YEAR				57,360,103
NET POSITION, END OF YEAR				\$ 60,141,720

See notes to financial statement.

CROTON-HARMON UNION FREE SCHOOL DISTRICT
CROTON-ON-HUDSON, NEW YORK
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2017

	GENERAL	SPECIAL AID	SCHOOL LUNCH	CAPITAL PROJECTS	DEBT SERVICE	TOTAL GOVERNMENTAL FUNDS
<u>ASSETS</u>						
Unrestricted Cash	\$ 5,820,239	\$ 0	\$ 5,430	\$ 1,180,268	\$ 0	\$ 7,005,937
Restricted Cash	13,419,655	1,826	0	0	86,468	13,507,949
State & Federal Aid Receivable	185,264	188,903	799	0	0	374,966
Due from Other Governments	311,694	0	0	0	0	311,694
Due from Other Funds	73,109	0	0	0	208	73,317
Due from Fiduciary Funds	5,642	0	0	0	0	5,642
Other Receivables, Net	21,645	117	111	0	0	21,873
TOTAL ASSETS	<u>\$ 19,837,248</u>	<u>\$ 190,846</u>	<u>\$ 6,340</u>	<u>\$ 1,180,268</u>	<u>\$ 86,676</u>	<u>\$ 21,301,378</u>
<u>LIABILITIES & FUND BALANCES</u>						
<u>LIABILITIES</u>						
Accounts Payable	\$ 448,616	\$ 5,704	\$ 0	\$ 15,503	\$ 0	\$ 469,823
Accrued Liabilities	222,037	1,272	519	0	0	223,828
Due to Other Governments	431	6,951	0	0	0	7,382
Due to Other Funds	0	73,109	0	208	0	73,317
Due to Teachers' Retirement System	2,148,250	0	0	0	0	2,148,250
Due to Employees' Retirement System	210,870	0	0	0	0	210,870
Deferred Revenues	0	32,972	0	0	0	32,972
Bond Anticipation Notes	0	0	0	2,009,942	0	2,009,942
TOTAL LIABILITIES	<u>3,030,204</u>	<u>120,008</u>	<u>519</u>	<u>2,025,653</u>	<u>0</u>	<u>5,176,384</u>
<u>FUND BALANCES</u>						
Restricted	13,419,655	70,838	5,821	0	86,676	13,582,990
Assigned	1,536,428	0	0	0	0	1,536,428
Unassigned	1,850,961	0	0	(845,385)	0	1,005,576
TOTAL FUND BALANCES	<u>16,807,044</u>	<u>70,838</u>	<u>5,821</u>	<u>(845,385)</u>	<u>86,676</u>	<u>16,124,994</u>
TOTAL LIABILITIES & FUND BALANCES	<u>\$ 19,837,248</u>	<u>\$ 190,846</u>	<u>\$ 6,340</u>	<u>\$ 1,180,268</u>	<u>\$ 86,676</u>	<u>\$ 21,301,378</u>

See notes to financial statement.

CROTON-HARMON UNION FREE SCHOOL DISTRICT
CROTON-ON-HUDSON, NEW YORK
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2017

	TOTAL GOVERNMENTAL FUNDS	LONG-TERM ASSETS & LIABILITIES	RECLASSIFICATIONS & ELIMINATIONS	STATEMENT OF NET POSITION
ASSETS				
Unrestricted Cash	\$ 7,005,937	\$ 0	\$ 0	\$ 7,005,937
Restricted Cash	13,507,949	0	0	13,507,949
State & Federal Aid Receivable	374,966	0	0	374,966
Due from Other Governments	311,694	0	0	311,694
Due from Other Funds	73,317	0	(73,317)	0
Due from Fiduciary Funds	5,642	0	0	5,642
Other Receivables, Net	21,873	0	0	21,873
Capital Assets, Net	0	52,959,784	0	52,959,784
TOTAL ASSETS	21,301,378	52,959,784	(73,317)	74,187,845
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Amount on Refunding	0	319,971	0	319,971
Pension	0	12,582,554	0	12,582,554
TOTAL DEFERRED OUTFLOWS OF RESOURCES	0	12,902,525	0	12,902,525
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	\$ 21,301,378	\$ 65,862,309	\$ (73,317)	\$ 87,090,370
LIABILITIES				
Accounts Payable	\$ 469,823	\$ 0	\$ 0	\$ 469,823
Accrued Liabilities	223,828	90,200	0	314,028
Due to Other Governments	7,382	0	0	7,382
Due to Other Funds	73,317	0	(73,317)	0
Due to Teachers' Retirement System	2,148,250	0	0	2,148,250
Due to Employees' Retirement System	210,870	0	0	210,870
Deferred Revenues	32,972	0	0	32,972
Bond Anticipation Notes	2,009,942	0	0	2,009,942
Bonds Payable	0	10,077,718	0	10,077,718
Installment Purchase Debt	0	2,499,293	0	2,499,293
Compensated Absences	0	431,796	0	431,796
Other Postemployment Benefits	0	4,946,894	0	4,946,894
Net Pension Liability - Proportionate Share	0	3,015,657	0	3,015,657
TOTAL LIABILITIES	5,176,384	21,061,558	(73,317)	26,164,625
DEFERRED INFLOWS OF RESOURCES				
Pension	0	784,025	0	784,025
TOTAL LIABILITIES & DEFERRED INFLOWS OF RESOURCES	5,176,384	21,845,583	(73,317)	26,948,650
FUND BALANCES / NET POSITION	16,124,994	44,016,726	0	60,141,720
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES & FUND BALANCES / NET POSITION	\$ 21,301,378	\$ 65,862,309	\$ (73,317)	\$ 87,090,370

See notes to financial statement.

CROTON-HARMON UNION FREE SCHOOL DISTRICT
CROTON-ON-HUDSON, NEW YORK
STATEMENT OF REVENUES, EXPENDITURES & CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	GENERAL	SPECIAL AID	SCHOOL LUNCH	CAPITAL PROJECTS	DEBT SERVICE	TOTAL GOVERNMENTAL FUNDS
<u>REVENUES</u>						
Real Property Taxes	\$ 33,826,743	\$ 0	\$ 0	\$ 0	\$ 0	\$ 33,826,743
Other Tax Items	4,741,672	0	0	0	0	4,741,672
Non Property Taxes	501,661	0	0	0	0	501,661
Charges for Services	90,682	0	0	0	0	90,682
Use of Money & Property	119,069	0	0	0	269	119,338
Sale of Property & Compensation for Loss	24,808	0	0	0	0	24,808
Miscellaneous	348,155	0	0	0	0	348,155
State Sources	5,663,585	245,495	0	0	0	5,909,080
Federal Sources	6,855	424,033	10,277	0	0	441,165
Sales	0	0	20,405	0	0	20,405
TOTAL REVENUES	<u>45,323,230</u>	<u>669,528</u>	<u>30,682</u>	<u>0</u>	<u>269</u>	<u>46,023,709</u>
<u>EXPENDITURES</u>						
General Support	5,793,416	0	17,619	0	0	5,811,035
Instruction	22,995,840	588,919	0	0	0	23,584,759
Pupil Transportation	2,295,318	73,213	0	0	0	2,368,531
Employee Benefits	7,857,504	32,511	2,317	0	0	7,892,332
Debt Service:						
Principal	3,093,863	0	0	0	0	3,093,863
Interest	478,435	0	0	0	0	478,435
Cost of Sales	0	0	19,666	0	0	19,666
Capital Outlay	0	0	0	1,008,291	0	1,008,291
TOTAL EXPENDITURES	<u>42,514,376</u>	<u>694,643</u>	<u>39,602</u>	<u>1,008,291</u>	<u>0</u>	<u>44,256,912</u>
EXCESS (DEFICIENCY) REVENUES OVER EXPENDITURES	<u>2,808,854</u>	<u>(25,115)</u>	<u>(8,920)</u>	<u>(1,008,291)</u>	<u>269</u>	<u>1,766,797</u>
<u>OTHER SOURCES & USES</u>						
Bond Anticipation Notes Paid from Current Appropriations	0	0	0	255,875	0	255,875
Operating Transfers In	0	54,122	0	187,706	0	241,828
Operating Transfers (Out)	(241,828)	0	0	0	0	(241,828)
TOTAL OTHER SOURCES & USES	<u>(241,828)</u>	<u>54,122</u>	<u>0</u>	<u>443,581</u>	<u>0</u>	<u>255,875</u>
EXCESS (DEFICIENCY) REVENUES & OTHER SOURCES OVER EXPENDITURES & OTHER USES	<u>2,567,026</u>	<u>29,007</u>	<u>(8,920)</u>	<u>(564,710)</u>	<u>269</u>	<u>2,022,672</u>
FUND BALANCES, BEGINNING OF YEAR	<u>14,240,018</u>	<u>41,831</u>	<u>14,741</u>	<u>(280,675)</u>	<u>86,407</u>	<u>14,102,322</u>
FUND BALANCES, END OF YEAR	<u>\$ 16,807,044</u>	<u>\$ 70,838</u>	<u>\$ 5,821</u>	<u>\$ (845,385)</u>	<u>\$ 86,676</u>	<u>\$ 16,124,994</u>

See notes to financial statement.

CROTON-HARMON UNION FREE SCHOOL DISTRICT
CROTON-ON-HUDSON, NEW YORK
RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

	TOTAL GOVERNMENTAL FUNDS	LONG-TERM REVENUE & EXPENSES	CAPITAL RELATED ITEMS	LONG-TERM DEBT TRANSACTIONS	RECLASSIFICATIONS & ELIMINATIONS	STATEMENT OF ACTIVITIES
<u>REVENUES</u>						
Real Property Taxes	\$ 33,826,743	\$ 0	\$ 0	\$ 0	\$ 0	\$ 33,826,743
Other Tax Items	4,741,672	0	0	0	0	4,741,672
Non Property Taxes	501,661	0	0	0	0	501,661
Charges for Services	90,682	0	0	0	0	90,682
Use of Money & Property	119,338	0	0	0	0	119,338
Sale of Property & Compensation for Loss	24,808	0	0	0	0	24,808
Miscellaneous	348,155	0	0	0	0	348,155
State Sources	5,909,080	0	0	0	0	5,909,080
Federal Sources	441,165	0	0	0	0	441,165
Sales	20,405	0	0	0	0	20,405
TOTAL REVENUES	<u>46,023,709</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>46,023,709</u>
<u>EXPENDITURES</u>						
General Support	5,811,035	13,922	20,104	0	1,637,163	7,482,224
Instruction	23,584,759	(51,220)	1,723,391	0	6,711,018	31,967,948
Pupil Transportation	2,368,531	0	241,250	0	676,527	3,286,308
Employee Benefits	7,892,332	1,177,845	0	0	(9,070,177)	0
Debt Service:						
Principal	3,093,863	0	0	(2,837,988)	(255,875)	0
Interest	478,435	(11,239)	0	(41,395)	0	425,801
Cost of Sales	19,666	0	40,208	0	19,936	79,810
Capital Outlay	1,008,291	0	(1,033,824)	0	25,533	0
TOTAL EXPENDITURES	<u>44,256,912</u>	<u>1,129,308</u>	<u>991,130</u>	<u>(2,879,383)</u>	<u>(255,875)</u>	<u>43,242,092</u>
EXCESS (DEFICIENCY) REVENUES OVER EXPENDITURES	<u>1,766,797</u>	<u>(1,129,308)</u>	<u>(991,130)</u>	<u>2,879,383</u>	<u>255,875</u>	<u>2,781,617</u>
<u>OTHER SOURCES & USES</u>						
Bond Anticipation Notes Paid from Current Appropriations	255,875	0	0	0	(255,875)	0
Operating Transfers In	241,828	0	0	0	(241,828)	0
Operating Transfers (Out)	(241,828)	0	0	0	241,828	0
TOTAL OTHER SOURCES & USES	<u>255,875</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(255,875)</u>	<u>0</u>
NET CHANGE FOR THE YEAR	<u>\$ 2,022,672</u>	<u>\$ (1,129,308)</u>	<u>\$ (991,130)</u>	<u>\$ 2,879,383</u>	<u>\$ 0</u>	<u>\$ 2,781,617</u>

See notes to financial statement.

CROTON-HARMON UNION FREE SCHOOL DISTRICT
CROTON-ON-HUDSON, NEW YORK
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2017

	<u>PRIVATE PURPOSE TRUSTS</u>	<u>AGENCY</u>
<u>ASSETS</u>		
Cash	\$ 79,289	\$ 112,736
Other Receivables	0	1,174
	<u>0</u>	<u>1,174</u>
TOTAL ASSETS	<u>\$ 79,289</u>	<u>\$ 113,910</u>
<u>LIABILITIES & NET POSITION</u>		
<u>LIABILITIES</u>		
Due to Other Funds	\$ 0	\$ 5,642
Due to Other Governments	0	1,476
Extraclassroom Activity Balances	0	85,636
Other Liabilities	0	21,156
	<u>0</u>	<u>113,910</u>
TOTAL LIABILITIES	<u>0</u>	<u>\$ 113,910</u>
<u>NET POSITION</u>		
Held in Trust for Endowment, Scholarship and Gift Funds	<u>79,289</u>	
TOTAL LIABILITIES & NET POSITION	<u>\$ 79,289</u>	

See notes to financial statement.

CROTON-HARMON UNION FREE SCHOOL DISTRICT
CROTON-ON-HUDSON, NEW YORK
STATEMENT OF CHANGE IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	<u>PRIVATE PURPOSE TRUSTS</u>
<u>ADDITIONS</u>	
Gifts and Contributions	\$ 16,957
Investment Earnings	<u>60</u>
TOTAL ADDITIONS	17,017
<u>DEDUCTIONS</u>	
Scholarships & Awards	<u>19,500</u>
CHANGE IN NET POSITION	(2,483)
NET POSITION, BEGINNING OF YEAR	<u>81,772</u>
NET POSITION, END OF YEAR	<u><u>\$ 79,289</u></u>

See notes to financial statement.

CROTON-HARMON UNION FREE SCHOOL DISTRICT
CROTON-ON-HUDSON, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES.

The financial statements of the Croton-Harmon Union Free School District (the "District") have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. Those principles are prescribed by the Governmental Accounting Standards Board (GASB), which is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Significant accounting principles and policies utilized by the District are described below:

A. Reporting Entity

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

The reporting entity of the District is based upon criteria set forth by GASB Statement 14, The Financial Reporting Entity, as amended by GASB Statement 39, Component Units. The financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The accompanying financial statements present the activities of the District. The District is not a component unit of another reporting entity. The decision to include a potential component unit in the District's reporting entity is based on several criteria including legal standing, fiscal dependency and financial accountability. Based on the application of these criteria, the following is a brief description of certain entities included in the District's reporting entity.

1. Extraclassroom Activity Funds

The Extraclassroom Activity Funds of the District represent funds of the students of the District. The Board of Education exercises general oversight of these funds. The Extraclassroom Activity Funds are independent of the District with respect to its financial transactions and the designation of student management. Separate audited financial statements (cash basis) of the Extraclassroom Activity Funds have been included in this report. The District accounts for assets held as an agent for various student organizations in an agency fund.

B. Joint Venture

The District is a component district in the Putnam/Northern Westchester Board of Cooperative Educational Services (BOCES). A BOCES is a voluntary, cooperative association of school districts in a geographic area that shares planning, services, and programs which provide educational and support activities. There is no authority or process by which a school district can terminate its status as a BOCES component.

CROTON-HARMON UNION FREE SCHOOL DISTRICT
CROTON-ON-HUDSON, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES. (Continued)

B. Joint Venture (Continued)

BOCES are organized under §1950 of the New York State Education Law. A BOCES Board is considered a corporate body. Members of a BOCES Board are nominated and elected by their component member boards in accordance with provisions of §1950 of the New York State Education Law. All BOCES property is held by the BOCES Board as a corporation (§1950(6)). In addition, BOCES Boards also are considered municipal corporations to permit them to contract with other municipalities on a cooperative basis under §119-n (a) of the New York State General Municipal Law.

A BOCES' budget is comprised of separate budgets for administrative, program and capital costs. In the Putnam/Northern Westchester BOCES, each component district's share of administrative and capital cost may be determined by using the weighted average daily attendance for a certain percentage and the true valuation for a certain percentage, as defined in the New York State Education Law, §1950(4)(b)(7). In addition, component districts pay tuition or a service fee for programs in which its students participate.

During the year ended June 30, 2017, the Croton-Harmon Union Free School District was billed \$1,647,708 for BOCES administrative and program costs. The District's share of BOCES aid amounted to \$677,092. Financial statements for BOCES are available from the BOCES administrative office at 200 BOCES Drive, Yorktown Heights, New York 10598.

C. Basis of Presentation

1. District-Wide Statements

The Statement of Net Position and the Statement of Activities and Changes in Net Position 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 non-exchange transactions. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The Statement of Activities and Changes in Net Position presents a comparison between program expenses and 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. Indirect expenses, principally employee benefits, are allocated to functional areas in proportion to the payroll expended in those areas. Program revenues include charges paid by the recipients of goods or services offered by the programs, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

CROTON-HARMON UNION FREE SCHOOL DISTRICT
CROTON-ON-HUDSON, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES. (Continued)

C. Basis of Presentation (Continued)

2. Funds Statements

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

The District reports the following major governmental funds:

General Fund: This is the District's primary operating fund. It accounts for all financial transactions that are not required to be accounted for in another fund.

Special Aid Fund: This fund accounts for the proceeds of specific revenue sources, such as federal and state grants, that are legally restricted to expenditures for specified purposes. These legal restrictions may be imposed either by governments that provide the funds, or by outside parties.

School Lunch Fund: This fund is used to account for the school lunch operations. The school lunch operation is supported by federal and state grants and charges participants for its services.

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

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

The District reports the following fiduciary funds:

Fiduciary Fund: 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. There are two classes of fiduciary funds:

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

Agency funds: These funds are strictly custodial in nature and do not involve the measurement of results of operations. Assets are held by the District as agent for various student groups or extraclassroom activity funds and for payroll or employee withholding.

CROTON-HARMON UNION FREE SCHOOL DISTRICT
CROTON-ON-HUDSON, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES. (Continued)

D. Measurement Focus and Basis of Accounting

The District-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Nonexchange 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 90 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.

E. Property Taxes

Real property taxes are levied annually by the Board of Education no later than September 1st and became a lien on August 4, 2016. Taxes were collected by the Town of Cortlandt and the Town of Yorktown during the period September 1, 2016 through October 31, 2016.

Uncollected real property taxes are subsequently enforced by Westchester County. The County pays an amount representing uncollected real property taxes transmitted to Westchester County for enforcement to the District no later than the following April 1.

F. Restricted Resources

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

G. Interfund Transactions

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

CROTON-HARMON UNION FREE SCHOOL DISTRICT
CROTON-ON-HUDSON, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES. (Continued)

G. Interfund Transactions (Continued)

In the district-wide statements, the amounts reported on the Statement of Net Position for interfund receivables and payables represent amounts due between different fund types (governmental activities and fiduciary funds). Eliminations have been made for all interfund receivables and payables between the funds, with the exception of those due from or to the fiduciary funds.

The governmental funds report all interfund transactions as originally recorded. Interfund receivables and payables may be netted on the accompanying governmental funds balance sheet when it is the District's practice to settle these amounts at a net balance based upon the right of legal offset.

Refer to Note 9 for a detailed disclosure by individual fund for interfund receivables, payables, expenditures and revenues activity.

H. Estimates

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

I. Cash and Investments

The District's cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition.

New York State law governs the District's investment policies. Resources must be deposited in FDIC-insured commercial banks or trust companies located within the State. Permissible investments include obligations of the United States Treasury, United States Agencies, repurchase agreements and obligations of New York State or its localities.

Collateral is required for demand and time deposits and certificates of deposit not covered by FDIC insurance. Obligations that may be pledged as collateral are obligations of United States and its agencies and obligations of the State and its municipalities and Districts.

Investments are stated at fair value.

CROTON-HARMON UNION FREE SCHOOL DISTRICT
CROTON-ON-HUDSON, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES. (Continued)

J. 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 not be material.

K. Inventories and Prepaid Items

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

Prepaid items represent payments made by the District for which benefits extend beyond year-end. These payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the district-wide and fund financial statements. These items are reported as assets on the statement of net position or balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of purchase and an expense/expenditure is reported in the year the goods or services are consumed.

L. Other Assets/Restricted Assets

Certain proceeds from serial bonds and bond anticipation notes, as well as resources set aside for their repayment are classified as restricted assets in the district-wide financial statements and their use is limited by applicable bond covenants

M. Capital Assets

Capital assets are reported at cost for acquisitions. For assets acquired prior to June 30, 2002, estimated historical costs based on appraisals conducted by independent third-party professionals were used. Donated assets are reported at estimated fair market value at the time received.

Capitalization thresholds (the dollar value above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the District-wide statements are as follows:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Land Improvements	\$ 10,000	Straight Line	50 years
Buildings and Improvements	10,000	Straight Line	50 years
Furniture and Equipment	10,000	Straight Line	5 - 20 years
Vehicles	10,000	Straight Line	5 - 20 years

CROTON-HARMON UNION FREE SCHOOL DISTRICT
CROTON-ON-HUDSON, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES. (Continued)

N. Deferred Outflows and Inflows of Resources

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

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has two items that qualify for reporting in this category. The first arises under a modified accrual basis of accounting when potential revenues do not meet both the measurable and available criteria for recognition in the current period and when revenue is received that is for a future period. The second item is related to pensions reported in the district – wide Statement of Net Position. This represents the effect of the net change in the District's proportion of the collective net pension liability (ERS System) and difference during the measurement periods between the District's contributions and its proportionate share of total contributions to the pension systems not included in pension expense.

O. Unearned Revenue

Unearned revenues are reported when potential revenues do not meet both the measurable and available criteria for recognition in the current period. Unearned revenues also arise when the District receives resources before it has legal claim to them, as when grant monies are received prior to incurring qualifying expenditures. In subsequent periods, when both recognition criteria are met, or when the District has legal claim to the resources, the liability for deferred revenues is removed and revenues are recorded.

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

Unearned revenues recorded in governmental funds are typically adjusted prior to inclusion in the District-wide statements.

CROTON-HARMON UNION FREE SCHOOL DISTRICT
CROTON-ON-HUDSON, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES. (Continued)

P. Vested Employee Benefits

1. Compensated Absences

Compensated absences consist of unpaid accumulated annual sick leave, vacation, and sabbatical/personal time.

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

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 in varying time periods.

Consistent with GASB Statement 16, Accounting for Compensated Absences, the liability has been calculated using the vesting/termination method and an accrual for that liability is included in the district-wide financial statements. The compensated absences liability is calculated based on the pay rates in effect at year-end.

In the funds statements, only the amount of matured liabilities is accrued within the General Fund based upon expendable and available financial resources. These amounts are expensed on a pay-as-you go basis.

2. Other Benefits

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 post-employment health insurance coverage and survivor benefits to retired employees and their survivors in accordance with the provisions of various employment contracts in effect at the time of retirement.

Substantially all of the District's employees may become eligible for these benefits if they reach normal 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 most of the retired employees. The District recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure.

Q. Short-Term Debt

The District may issue Revenue Anticipation Notes (RAN) and Tax Anticipation Notes (TAN), in anticipation of the receipt of revenues. These notes are recorded as a liability of the fund that will actually receive the proceeds from the issuance of the notes. The RAN's and TAN's represent a liability that will be extinguished by the use of expendable, available resources of the fund.

CROTON-HARMON UNION FREE SCHOOL DISTRICT
CROTON-ON-HUDSON, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES. (Continued)

Q. Short-Term Debt (Continued)

The District may issue budget notes up to an amount not to exceed 5% of the amount of the annual budget during any fiscal year for expenditures for which there is an insufficient or no provision made in the annual budget. The budget note must be repaid no later than the close of the second fiscal year succeeding the year in which the note was issued.

The District may issue Bond Anticipation Notes (BAN), in anticipation of proceeds from the subsequent sale of bonds. These notes are recorded as current liabilities of the funds that will actually receive the proceeds from the issuance of bonds. State law requires that BAN's issued for capital purposes be converted to long-term financing within five years after the original issue date.

R. Accrued Liabilities and Long-Term Obligations

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

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

S. Equity Classifications

1. District-wide Statements

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

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

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

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

CROTON-HARMON UNION FREE SCHOOL DISTRICT
CROTON-ON-HUDSON, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES. (Continued)

S. Equity Classifications (Continued)

2. Funds Statements

In the governmental fund statements, there are five classifications of fund balance:

Nonspendable: Includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted: Constraints have been imposed on the use of these amounts either (a) externally by creditors, grantors, contributors or laws or regulations of other governments; or (b) by law through constitutional provisions or enabling legislation. All encumbrances of funds other than the General fund are classified as restricted fund balances. The District has established the following reserves that have been included in restricted fund balance:

Capital Reserve

Capital Reserve (Education Law §3651) is used to pay the cost of any object or purpose for which bonds may be issued. The creation of a capital reserve fund requires authorization by a majority of the voters establishing the purpose of the reserve; the ultimate amount, its probable term and the source of the funds. Expenditure may be made from the reserve only for a specific purpose further authorized by the voters. The form for the required legal notice for the vote on establishing and funding the reserve and the form of the proposition to be placed on the ballot are set forth in §3651 of the Education Law. This reserve is accounted for in the General Fund.

Unemployment Insurance Reserve

Unemployment Insurance Reserve (GML §6-m) is used to pay the cost of reimbursement to the State Unemployment Insurance Fund for payments made to claimants where the employer has elected to use the benefit reimbursement method. The reserve may be established by Board action and is funded by budgetary appropriations and such other funds as may be legally appropriated. Within sixty days after the end of any fiscal year, excess amounts may either be transferred to another reserve or the excess applied to the appropriations of the next succeeding fiscal year's budget. If the District elects to convert to tax (contribution) basis, excess resources in the fund over the sum sufficient to pay pending claims may be transferred to any other reserve fund. This reserve is accounted for in the General Fund.

Reserve for Debt Service

Mandatory Reserve for Debt Service (GML §6-l) is used to establish a reserve for the purpose of retiring the outstanding obligations upon the sale of District property or capital improvement that was financed by obligations that remain outstanding at the time of sale. The funding of the reserve is from the proceeds of the sale of District property or capital improvement. The reserve is accounted for in the Debt Service Fund.

CROTON-HARMON UNION FREE SCHOOL DISTRICT
CROTON-ON-HUDSON, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES. (Continued)

S. Equity Classifications (Continued)

2. Funds Statements (Continued)

Property Loss Reserve and Liability Reserve

Property Loss Reserve and Liability Reserve (Education Law §1709(8)(c)) are used to pay for property loss and liability claims incurred. Separate funds for property loss and liability claims are required, and these reserves may not in total exceed 3% of the annual budget or \$15,000, whichever is greater. This type of reserve fund may be utilized only by school districts, except city school districts with a population greater than 125,000. These reserves are accounted for in the General Fund.

Tax Certiorari Reserve

Tax Certiorari Reserve (Education Law §3651.1-a) is used to establish a reserve fund for tax certiorari and to expend from the fund without voter approval. The monies held in the reserve shall not exceed the amount that might reasonably be deemed necessary to meet anticipated judgments and claims arising out of tax certiorari proceedings. Any resources deposited to the reserve which are not expended for tax certiorari proceedings in the year such monies are deposited must be returned to the General Fund on or before the first day of the fourth fiscal year after deposit of these monies. The reserve is accounted for in the General fund.

Employee Benefit Accrued Liability Reserve

Reserve for Employee Benefit Accrued Liability (GML §6-p) is used to reserve funds for the payment of accrued employee benefit due an employee upon termination of the employee's service. This reserve may be established by a majority vote of the Board, and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated. The reserve is accounted for in the General Fund.

Retirement Contribution Reserve

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

CROTON-HARMON UNION FREE SCHOOL DISTRICT
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES. (Continued)

S. Equity Classifications (Continued)

2. Funds Statements (Continued)

Workers' Compensation Reserve

According to General Municipal Law §6-j must be 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 under Restricted Fund Balance.

Restricted fund balance at June 30, 2017 consisted of:

General Fund:

Capital Reserves	\$ 6,096,936
Workers' Compensation Reserve	200,000
Unemployment Insurance Reserve	246,969
Property Loss Reserve and Liability Reserve	198,061
Tax Certiorari Reserve	5,100,440
Employee Benefit Accrued Liability Reserve	431,796
Retirement Contribution Reserve	<u>1,145,453</u>
	13,419,655
Special Aid Fund	70,838
School Lunch Fund	5,821
Debt Service Fund	<u>86,676</u>
Total Restricted Fund Balance	<u><u>\$ 13,582,990</u></u>

Committed: Includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Board of Education. The District did not classify any of its fund balances as committed as of June 30, 2017.

Assigned: Includes amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. The purpose of the constraint must be narrower than the purpose of the general fund, and in funds other than the general fund, assigned fund balance represents the residual amount of fund balance. Assigned fund balance also includes an amount appropriated to partially fund the subsequent year's budget, as well as encumbrances not classified as restricted at the end of the fiscal year.

CROTON-HARMON UNION FREE SCHOOL DISTRICT
CROTON-ON-HUDSON, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES. (Continued)

S. Equity Classifications (Continued)

2. Funds Statements (Continued)

Unassigned: Includes fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. In other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes, negative unassigned fund balance is reported.

Order of Use of Fund Balance:

The District considers restricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. The District considers that committed amounts are reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications can be used.

Limitation on Unexpended Surplus Funds:

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

T. New Accounting Standards

The District has adopted all current Statements of the Governmental Accounting Standards Board (GASB) that are applicable. At June 30, 2017, the District implemented the following new standards issued by GASB:

- GASB Statement 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, effective for the year ending June 30, 2017.
- GASB Statement 77, *Tax Abatement Disclosures*, effective for the year ending June 30, 2017.
- GASB Statement 78, *Pensions Provided through Multiple-Employer Defined Benefit Pension Plans*, effective for the year ending June 30, 2017.
- GASB Statement 79, *Certain External Investment Pools and Pool Participants*, effective for the year ending June 30, 2017.
- GASB Statement 80, *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14*, effective for the year ending June 30, 2017.

CROTON-HARMON UNION FREE SCHOOL DISTRICT
CROTON-ON-HUDSON, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES. (Continued)

T. New Accounting Standards (Continued)

GASB has issued Statement 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which improves the usefulness of information about postemployment benefits other than pensions included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. The District has implemented Statement 74, as required.

GASB has issued Statement 77, *Tax Abatement Disclosures*, which improves financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. Disclosure of information about the nature and magnitude of tax abatements will make these transactions more transparent to financial statement users. The District has implemented Statement 77, as required.

GASB has issued Statement 78, *Pensions Provided through Multiple-Employer Defined Benefit Pension Plans*, which addresses a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. The District has implemented Statement 78, as required.

GASB has issued Statement 79, *Certain External Investment Pools and Pool Participants*, which addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. The District has implemented Statement 79, as required.

GASB has issued Statement 80, *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14*, which improves financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity, as amended*. The District has implemented Statement 80, as required.

U. Future Changes in Accounting Standards

GASB has issued Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions. It also improves the information provided by state and local governmental employers about support for OPEB that is provided by other entities. The District is currently studying the Statement and plans on adoption if and when required, which will generally be for the June 30, 2018 financial statements.

CROTON-HARMON UNION FREE SCHOOL DISTRICT
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES. (Continued)

U. Future Changes in Accounting Standards (Continued)

GASB has issued Statement 81, *Irrevocable Split-Interest Agreements*, which improves accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The District is currently studying the Statement and plans on adoption if and when required, which will generally be for the June 30, 2018 financial statements.

GASB has issued Statement 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73*, which addresses certain issues that have been raised with respect to Statements No. 67, 68, and 73. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The District is currently studying the Statement and plans on adoption if and when required, which will generally be for the June 30, 2018 financial statements.

GASB has issued Statement 83, *Certain Asset Retirement Obligations*, which will enhance comparability of governments by establishing uniform criteria for governments to recognize and measure certain asset retirement obligations' (ARO), including obligations that may not have been previously reported. An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. The District is currently studying the Statement and plans on adoption if and when required, which will be for the June 30, 2019 financial statements.

GASB has issued Statement 84, *Fiduciary Activities*, which will enhance consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report their fiduciary activities. The focus of the criteria is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. The District is currently studying the Statement and plans on adoption if and when required, which will be for the June 30, 2020 financial statements.

GASB has issued Statement 85, *Omnibus 2017*, which will enhance consistency in the application of accounting and financial reporting requirements. This statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits (OBEB)). The District is currently studying the Statement and plans on adoption if and when required, which will be for the June 30, 2018 financial statements.

CROTON-HARMON UNION FREE SCHOOL DISTRICT
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES. (Continued)

U. Future Changes in Accounting Standards (Continued)

GASB has issued Statement 86, *Certain Debt Extinguishment Issues*, which will increase consistency in accounting and financial reporting for debt extinguishments by establishing uniform guidance for derecognizing debt that is defeased in substance, regardless of how cash and other monetary assets placed in an irrevocable trust for the purpose of extinguishing that debt were acquired. The requirements of this Statement also will enhance consistency in financial reporting of prepaid insurance related to debt that has been extinguished. The District is currently studying the Statement and plans on adoption if and when required, which will be for the June 30, 2018 financial statements.

GASB has issued Statement 87, *Leases*, which will increase the usefulness of government's financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were not classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use and underlying asset. Under, this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The District is currently studying the Statement and plans on adoption if and when required, which will be for the June 30, 2021.

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

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

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

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

1. The costs of building and acquiring capital assets (land, buildings and equipment) financed from the governmental funds are reported as expenditures in the year they are incurred, and the assets do not appear on the Balance Sheet. However, the Statement of Net Position includes those capital assets among the assets of the District as a whole, with their original costs capitalized and depreciation expensed annually over their useful lives. The balances at June 30, 2017 were as follows:

Original Cost of Capital Assets	\$ 75,410,353
Accumulated Depreciation	(22,450,569)
	\$ 52,959,784

CROTON-HARMON UNION FREE SCHOOL DISTRICT
CROTON-ON-HUDSON, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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

A. Total Fund Balances of Governmental Funds vs. Net Position of Governmental Activities:(Continued)

2. In a debt refunding, the difference between the reacquisition price and the net carrying amount of the old bonds is recorded as the deferred amount on refunding and included as a deferred outflow of resources in the Statement of Net Position. However, this amount is not included on the Balance Sheet as it was recorded as an expenditure when due, and thus required the use of current financial resources. The balances at June 30, 2017 were :

Amount Due on Refunding	\$ <u>319,971</u>
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3. In the Statement of Net Position, a liability is recognized for the District's proportionate share of the net pension liability attributable to each defined benefit pension plan in which the District participates. A net pension liability is measured as the proportionate share of the portion of the actuarial present value of projected benefit payments that is attributed to past periods of employee service (proportionate share of total pension liability), net of the proportionate share of that pension plan's fiduciary net position. If a pension plan's fiduciary net position exceeds its total pension liability, the District's proportionate share of the pension plan's net pension asset is recognized. Also, deferred outflows and inflows of resources related to pensions primarily result from contributions subsequent to the measurement date, as well as changes in the components of the net pension liability or asset. However, none of these amounts are included on the Balance Sheet as they are only recognized to the extent the pension liability is normally expected to be liquidated with expendable available financial resources. These balances at June 30, 2017 were as follows:

Deferred Outflows of Resources - Pensions	\$ 12,582,554
Net Pension Liability - Proportionate Share	(3,015,657)
Deferred Inflows of Resources - Pensions	<u>(784,025)</u>
	<u>\$ 8,782,872</u>

4. Interest is accrued in the Statement of Net Position, regardless of when it is due. This liability does not appear on the Balance Sheet because interest is expended when it is due, and thus requires the use of current financial resources. This liability at June 30, 2017 was as follows:

Accrued Interest	\$ <u>90,200</u>
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5. Long-term liabilities are reported in the Statement of Net Position, but not in the Balance Sheet, because they are not due and payable in the current period. The balances at June 30, 2017 were as follows:

Bonds Payable	\$ 9,650,000
Installment Purchase Debt	2,499,293
Compensated Absences	431,796
Other Postemployment Benefits	<u>4,946,894</u>
	<u>\$ 17,527,983</u>

CROTON-HARMON UNION FREE SCHOOL DISTRICT
CROTON-ON-HUDSON, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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

A. Total Fund Balances of Governmental Funds vs. Net Position of Governmental Activities:(Continued)

6. In a debt refunding, a premium on obligation is recorded as the deferred amount on refunding and included as a deferred inflow of resources in the Statement of Net Position. The balance at June 30, 2017 was as follows:

Deferred Amount on Advanced Refunding	\$ 427,718
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B. Statement of Revenues, Expenditures and Changes in Fund Balance vs. Statement of Activities and Changes in Net Position:

Differences between the governmental funds Statement of Revenues, Expenditures and Changes in Fund Balance and the Statement of Activities and Changes in Net Position fall into one of four broad categories. The amounts shown below represent:

1. Long-Term Revenue Differences

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

2. Capital Related Differences

Capital related differences include the difference between proceeds for the sale of capital assets reported on governmental fund statements and the gain or loss on the sale of assets as reported on the Statement of Activities and Changes in Net Position, 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 and Changes in Net Position.

3. Long-Term Debt Transaction Differences

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

4. Pension Plan Transaction Differences

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

CROTON-HARMON UNION FREE SCHOOL DISTRICT
CROTON-ON-HUDSON, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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

B. Statement of Revenues, Expenditures and Changes in Fund Balance vs. Statement of Activities and Changes in Net Position (Continued):

Explanation of Differences between Governmental Funds Operating Statement and the Statement of Activities and Changes in Net Position

Total Revenues and Other Funding Sources

Total revenues and other funding sources reported in governmental funds (Schedule 5)	\$ 46,023,709
Total Revenue -(Schedule 2)	<u>\$ 46,023,709</u>

Total Expenditures & Other Uses/Expenses

Total expenditures reported in governmental funds (Schedule 5)	\$ 44,256,912
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When the purchase or construction of capital assets is financed through governmental funds, the resources expended for those assets are reported as expenditures in the years they are incurred. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation. This is the amount by which capital expenditures of \$1,033,824 were less than depreciation of \$2,010,418 in the current year and the remaining depreciation on disposed assets of \$14,536 in the current year.

991,130

In the Statement of Activities, certain operating expenses (compensated absences and special termination benefits) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amount actually paid). The amount by which compensated absences paid exceeded the amount earned during the year was \$37,298

(37,298)

In the Statement of Activities, the expense for other postemployment benefits are measured based on the actuarially determined annual required contribution (ARC) of the District. In the governmental funds, however, these expenditures are measured by the amount of financial resources used (essentially the amounts actually paid). This is the amount by which the ARC exceeded the amount of financial resources used during the year.

993,945

CROTON-HARMON UNION FREE SCHOOL DISTRICT
CROTON-ON-HUDSON, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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

B. Statement of Revenues, Expenditures and Changes in Fund Balance vs. Statement of Activities and Changes in Net Position (Continued):

Explanation of Differences between Governmental Funds Operating Statement and the Statement of Activities and Changes in Net Position (Continued)

Total Expenditures & Other Uses/Expenses (Continued)

Interest payable is recognized as an accrued liability in the entity wide statements under full accrual accounting whereas it is not in the governmental fund statements. This is the amount by which interest payable was less than the prior year.	(11,239)
In the Statement of Activities and Changes in Net Position, pension expense related to the ERS and TRS defined benefit pension plans is measured as the change in the District's proportionate shares of the net pension assets and liabilities as of the measurement dates for each plan. In the governmental funds, however; these expenditures are recognized equal to the total of (1) amounts paid by the employer to the pension plan and (2) the change between the beginning and ending balances of amounts normally expected to be liquidated with expendable available financial resources. This is the amount by which pension expense was exceeded by the amount of financial resources expended during the year.	183,900
Premiums and discounts on long-term debt issuances, bond issuance costs and deferred amounts from debt refundings are recognized in the fiscal year in which the transactions occur in the governmental fund statements. These amounts are amortized in the Statement of Activities and Changes in Net Position. This is the amount that was amortized during the fiscal year.	(41,395)
Repayment of bond and other debt principal is an expenditure in the governmental fund but reduces liabilities in the Statement of Net Position, and does not affect the Statement of Activities and Changes in Net Position.	<u>(3,093,863)</u>
Total expenses in the Statement of Activities and Changes in Net Position (Schedule 2)	<u><u>\$ 43,242,092</u></u>

CROTON-HARMON UNION FREE SCHOOL DISTRICT
CROTON-ON-HUDSON, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 3. STEWARDSHIP AND COMPLIANCE.

A. Budgets

The District administration prepares a proposed budget for approval by the Board of Education for the following governmental funds for which legal (appropriated) budgets are adopted:

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

Appropriations are adopted at the program line item level.

Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances) that may be incurred. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. Appropriations authorized for the current year are increased by the planned use of specific reserves, and budget amendments approved the Board of Education as a result of selected new revenue sources not included in the original budget (when permitted by law). These Supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need that exists which was not determined at the time the budget was adopted. Supplemental appropriations made during the current fiscal year are shown in Supplemental Schedule #5.

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

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

B. Encumbrances

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

C. Other Stewardship and Compliance Matters

The District was in compliance with all legal and contractual provisions for the fiscal year. The Capital Projects Fund had a deficit fund balance of \$845,385. This will be funded when the District obtains permanent financing for its current construction projects.

CROTON-HARMON UNION FREE SCHOOL DISTRICT
CROTON-ON-HUDSON, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 4. CASH - CUSTODIAL CREDIT, CONCENTRATION OF CREDIT, INTEREST RATE, FOREIGN CURRENCY RISKS AND INVESTMENT POOL.

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. While the District does not have a specific policy for custodial credit risk, New York State statutes govern the District's investment policies, as discussed previously in these Notes.

The District's aggregate bank balances (disclosed in the financial statements), included balances not covered by depository insurance at year-end, collateralized as follows:

Uncollateralized	\$	0.
Collateralized with securities held by the pledging financial institution, or its trust department or agent, but not in the District's name	\$	16,488,833

Restricted cash represents cash and cash equivalents where use is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes. Restricted cash as of year-end includes \$13,507,949 within the governmental funds.

The District does not typically purchase investments for a long enough duration to cause it to believe that it is exposed to any material interest rate risk. The District also does not typically purchase investments denominated in a foreign currency, and is not exposed to foreign currency risk.

The District participates in a multi-municipal cooperative investment pool agreements pursuant to New York State General Municipal Law Article 5-G, §119-O, whereby it holds a portion of the investments in cooperation with other participants. The investments are highly liquid and are considered to be cash equivalents.

Total investments of the New York Liquid Asset Fund cooperative as of year-end are \$71,739,634, which consisted of \$60,944,311 in Money Market and Cash and 10,795,323 in U. S. Treasury Securities with various interest rate and due dates.

The following amounts invested in this cooperative are included as unrestricted and restricted cash:

<u>Fund</u>	<u>Bank Balance</u>	<u>Carrying Amount</u>
General Fund	\$ 4,930,548	\$ 4,930,548

The above amounts represent the cost of the investment pool shares, and are considered to approximate market value. The investment pool is categorically exempt from the New York State collateral requirements. Additional information concerning the cooperative is presented in the annual report of New York Liquid Asset Fund.

CROTON-HARMON UNION FREE SCHOOL DISTRICT
CROTON-ON-HUDSON, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 5. CAPITAL ASSETS.

Capital asset balances and activity for the year ended June 30, 2017, were as follows:

	Beginning Balance	Additions	Retirements/ Reclassifications	Ending Balance
Governmental activities:				
Capital assets that are not depreciated:				
Land	\$ 810,100	\$ 0	\$ 0	\$ 810,100
Construction in Progress	4,174,325	419,670	(4,174,325)	419,670
Total Nondepreciable Assets	<u>4,984,425</u>	<u>419,670</u>	<u>(4,174,325)</u>	<u>1,229,770</u>
Capital assets that are depreciated:				
Land Improvements	1,245,386	0	0	1,245,386
Buildings and Improvements	64,207,884	340,388	4,174,325	68,722,597
Furniture & Equipment	1,048,189	25,474	(55,458)	1,018,205
Vehicles	2,946,103	248,292	0	3,194,395
Total Depreciable Assets	<u>69,447,562</u>	<u>614,154</u>	<u>4,118,867</u>	<u>74,180,583</u>
Less: Accumulated Depreciation	<u>(20,481,073)</u>	<u>(2,010,418)</u>	<u>40,922</u>	<u>(22,450,569)</u>
Capital Assets, Net	<u>\$ 53,950,914</u>	<u>\$ (976,594)</u>	<u>\$ (14,536)</u>	<u>\$ 52,959,784</u>

Depreciation expense was charged to governmental functions as follows:

General Support	\$ 20,104
Instruction	1,708,855
Transportation	241,250
Cost of Sales	40,208
Total Depreciation	<u>\$ 2,010,418</u>

CROTON-HARMON UNION FREE SCHOOL DISTRICT
CROTON-ON-HUDSON, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 6. SHORT-TERM DEBT.

Transactions in short-term debt for the year ended June 30, 2017 are summarized below:

	Beginning Balance	Issued	Paid/ Redeemed	June 30, 2017 Ending Balance
BAN maturing 10/20/17 at .91%	\$ 817,585	\$ 248,232	\$ 255,875	\$ 809,942
BAN maturing 2/15/18 at 1.35%	0	1,200,000	0	1,200,000
Total Short-Term Debt	<u>\$ 817,585</u>	<u>\$ 1,448,232</u>	<u>\$ 255,875</u>	<u>\$ 2,009,942</u>

Interest on short-term debt for the year was composed of:

Interest Paid	\$ 7,604
Less: Interest Accrued in the Prior Year	(5,256)
Plus: Interest Accrued in the Current Year	11,080
Interest Expense	<u>\$ 13,428</u>

NOTE 7. LONG-TERM LIABILITIES

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

	Beginning Balance	Issued	Paid/ Redeemed	June 30, 2017 Ending Balance	Amounts Due Within One Year
Governmental Activities:					
Bonds and Notes Payable					
Bonds Payable	\$ 12,295,000	\$ 0	\$ 2,645,000	\$ 9,650,000	\$ 2,735,000
Deferred Amount on Refunding	585,679	0	157,961	427,718	157,961
Installment Purchase Debt	2,692,281	0	192,988	2,499,293	198,508
Total Bonds and Notes Payable	<u>15,572,960</u>	<u>0</u>	<u>2,995,949</u>	<u>12,577,011</u>	<u>3,091,469</u>
Other Liabilities:					
Compensated Absences	469,094	13,922	51,220	431,796	0
Other Postemployment Benefits	3,952,949	1,733,166	739,221	4,946,894	0
Net Pension Liability - Proportionate Share	3,048,584	0	32,927	3,015,657	0
Total Other Liabilities	<u>7,470,627</u>	<u>1,747,088</u>	<u>823,368</u>	<u>8,394,347</u>	<u>0</u>
Total Long-Term Liabilities	<u>\$ 23,043,587</u>	<u>\$ 1,747,088</u>	<u>\$ 3,819,317</u>	<u>\$ 20,971,358</u>	<u>\$ 3,091,469</u>

The General Fund has typically been used to liquidate long-term liabilities such as compensated absences.

CROTON-HARMON UNION FREE SCHOOL DISTRICT
CROTON-ON-HUDSON, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 7. LONG-TERM LIABILITIES. (Continued)

Existing serial bond and installment purchase obligations are as follows:

<u>Description of Issue</u>	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>June 30, 2017 Balance</u>
Serial Bond - 2006	07/15/06	11/01/19	4% - 6%	1,800,000
Energy Performance Contract	12/21/10	05/15/26	2.84%	2,499,293
Serial Bond - 2011 Refunding	07/11/11	10/15/20	2% - 4%	4,310,000
Serial Bond - 2013 Refunding	02/20/13	10/15/19	2% - 4%	3,540,000
				<u>\$ 12,149,293</u>

The following is a summary of maturing debt service requirements

<u>For the Year Ended June 30,</u>	<u>Bonds and Notes Payable</u>	
	<u>Principal</u>	<u>Interest</u>
2018	\$ 2,933,508	\$ 374,486
2019	3,073,973	268,284
2020	3,210,876	155,929
2021	1,413,624	71,740
2022	286,593	41,071
2023 - 2026	<u>1,230,719</u>	<u>79,936</u>
TOTAL	<u>\$ 12,149,293</u>	<u>\$ 991,447</u>

Interest on long-term debt for the year was composed of:

Interest paid	\$ 470,831
Less: Interest accrued in the prior year	(96,183)
Plus: Interest accrued in the current year	79,120
Less: Amortization of premiums, deferred amounts on bond refunding and issuance costs.	<u>(41,395)</u>
Total interest expense	<u>\$ 412,373</u>

CROTON-HARMON UNION FREE SCHOOL DISTRICT
CROTON-ON-HUDSON, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 8. PENSION PLANS.

Employees' Retirement System Plan Description

The District participates in the New York State and Local Employees' Retirement System (ERS). ERS and the New York State and Local Police and Fire Retirement System (PFRS) are collectively referred to as New York State and Local Retirement System (the ERS System). These are cost-sharing multiple-employer defined benefit retirement systems. The net position of the ERS System is held in the New York State Common Retirement Fund (the Fund), which was established to hold all net assets and record changes in fiduciary net position allocated to the ERS System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the ERS System. The Comptroller is an elected official determined in a direct statewide election and serves a four-year term. Thomas P. DiNapoli has served as Comptroller since February 7, 2007. In November, 2014, he was elected for a new term commencing January 1, 2015. System benefits are established under the provisions of the New York State Retirement and Social Security Law (RSSL). Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The District also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The System is included in the State's financial report as a pension trust fund. That report may be found at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

Teachers' Retirement System Plan Description

The New York State Teachers Retirement System (the TRS System) was created and exists pursuant to Article 11 of the New York State Education Law. The System is the administrator of a cost-sharing, multiple-employer public employee retirement system (PERS), administered by a 10-member Board to provide pension and ancillary benefits to teachers employed by participating employers in the State of New York, excluding New York City. For additional Plan information please refer to the NYSTRS Comprehensive Annual Financial Report which can be found on the System's website located at www.nystrs.org.

ERS Benefits Provided

The ERS System provides retirement benefits as well as death and disability benefits.

Tiers 1 and 2

Eligibility: Tier 1 members, with the exception of those retiring under special retirement plans, must be at least age 55 to be eligible to collect a retirement benefit. There is no minimum service requirement for Tier 1 members. Tier 2 members, with the exception of those retiring under special retirement plans, must have five years of service and be at least age 55 to be eligible to collect a retirement benefit. The age at which full benefits may be collected for Tier 1 is 55, and the full benefit age for Tier 2 is 62.

CROTON-HARMON UNION FREE SCHOOL DISTRICT
CROTON-ON-HUDSON, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 8. PENSION PLANS. (Continued)

ERS Benefits Provided (Continued)

Tiers 1 and 2 (Continued)

Benefit Calculation: Generally, the benefit is 1.67 percent of final average salary for each year of service if the member retires with less than 20 years. If the member retires with 20 or more years of service, the benefit is 2 percent of final average salary for each year of service. Tier 2 members with five or more years of service can retire as early as age 55 with reduced benefits. Tier 2 members age 55 or older with 30 or more years of service can retire with no reduction in benefits. As a result of Article 19 of the RSSL, Tier 1 and Tier 2 members who worked continuously from April 1, 1999 through October 1, 2000 received an additional month of service credit for each year of credited service they have at retirement, up to a maximum of 24 additional months.

Final average salary is the average of the wages earned in the three highest consecutive years. For Tier 1 members who joined on or after June 17, 1971, each year of final average salary is limited to no more than 20 percent of the previous year. For Tier 2 members, each year of final average salary is limited to no more than 20 percent of the average of the previous two years.

Tiers 3, 4, and 5

Eligibility: Tier 3 and 4 members, with the exception of those retiring under special retirement plans, must have five years of service and be at least age 55 to be eligible to collect a retirement benefit. Tier 5 members, with the exception of those retiring under special retirement plans, must have 10 years of service and be at least age 55 to be eligible to collect a retirement benefit. The full benefit age for Tiers 3, 4 and 5 is 62.

Benefit Calculation: Generally, the benefit is 1.67 percent of final average salary for each year of service if the member retires with less than 20 years. If a member retires with between 20 and 30 years of service, the benefit is 2 percent of final average salary for each year of service. If a member retires with more than 30 years of service, an additional benefit of 1.5 percent of final average salary is applied for each year of service over 30 years. Tier 3 and 4 members with five or more years of service and Tier 5 members with 10 or more years of service can retire as early as age 55 with reduced benefits. Tier 3 and 4 members age 55 or older with 30 or more years of service can retire with no reduction in benefits.

Final average salary is the average of the wages earned in the three highest consecutive years. For Tier 3, 4 and 5 members, each year of final average salary is limited to no more than 10 percent of the average of the previous two years.

Tier 6

Eligibility: Tier 6 members, with the exception of those retiring under special retirement plans, must have 10 years of service and be at least age 55 to be eligible to collect a retirement benefit. The full benefit age for Tier 6 is 63 for ERS members and 62 for PFRS members.

CROTON-HARMON UNION FREE SCHOOL DISTRICT
CROTON-ON-HUDSON, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 8. PENSION PLANS. (Continued)

ERS Benefits Provided (Continued)

Tier 6 (Continued)

Benefit Calculation: Generally, the benefit is 1.67 percent of final average salary for each year of service if the member retires with less than 20 years. If a member retires with 20 years of service, the benefit is 1.75 percent of final average salary for each year of service. If a member retires with more than 20 years of service, an additional benefit of 2 percent of final average salary is applied for each year of service over 20 years. Tier 6 members with 10 or more years of service can retire as early as age 55 with reduced benefits.

Final average salary is the average of the wages earned in the five highest consecutive years. For Tier 6 members, each year of final average salary is limited to no more than 10 percent of the average of the previous four years.

Special Plans

The 25-Year Plans allow a retirement after 25 years of service with a benefit of one-half of final average salary, and the 20-Year Plans allow a retirement after 20 years of service with a benefit of one-half of final average salary. These plans are available to certain PFRS members, sheriffs, and correction officers.

Ordinary Disability Benefits

Generally, ordinary disability benefits, usually one-third of salary, are provided to eligible members after 10 years of service; in some cases, they are provided after five years of service.

Accidental Disability Benefits

For all eligible Tier 1 and Tier 2 ERS and PFRS members, the accidental disability benefit is a pension of 75 percent of final average salary, with an offset for any Workers' Compensation benefits received. The benefit for eligible Tier 3, 4, 5 and 6 members is the ordinary disability benefit with the years-of-service eligibility requirement dropped.

Ordinary Death Benefits

Death benefits are payable upon the death, before retirement, of a member who meets eligibility requirements as set forth by law. The first \$50,000 of an ordinary death benefit is paid in the form of group term life insurance. The benefit is generally three times the member's annual salary. For most members, there is also a reduced post-retirement ordinary death benefit available.

CROTON-HARMON UNION FREE SCHOOL DISTRICT
CROTON-ON-HUDSON, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 8. PENSION PLANS. (Continued)

ERS Benefits Provided (Continued)

Post-Retirement Benefit Increases

A cost-of-living adjustment is provided annually to: (i) all pensioners who have attained age 62 and have been retired for five years; (ii) all pensioners who have attained age 55 and have been retired for 10 years; (iii) all disability pensioners, regardless of age, who have been retired for five years; (iv) ERS recipients of an accidental death benefit, regardless of age, who have been receiving such benefit for five years and (v) the spouse of a deceased retiree receiving a lifetime benefit under an option elected by the retiree at retirement. An eligible spouse is entitled to one-half the cost-of-living adjustment amount that would have been paid to the retiree when the retiree would have met the eligibility criteria. This cost-of-living adjustment is a percentage of the annual retirement benefit of the eligible member as computed on a base benefit amount not to exceed \$18,000 of the annual retirement benefit. The cost-of-living percentage shall be 50 percent of the annual Consumer Price Index as published by the U.S. Bureau of Labor, but cannot be less than 1 percent or exceed 3 percent.

TRS Benefits Provided

The benefits provided to members of the TRS System are established by New York State and may be amended only by the Legislature with the Governor's approval. Benefit provisions vary depending on date of membership and are subdivided into the following six classes:

Tier 1

Members who last joined prior to July 1, 1973 are covered by the provisions of Article 11 of the Education Law.

Tier 2

Members who last joined on or after July 1, 1973 and prior to July 27, 1976 are covered by the provisions of Article 11 of the Education Law and Article 11 of the Retirement and Social Security Law (RSSL).

Tier 3

Members who last joined on or after July 27, 1976 and prior to September 1, 1983 are covered by the provisions of Article 14 and Article 15 of the RSSL.

Tier 4

Members who last joined on or after September 1, 1983 and prior to January 1, 2010 are covered by the provisions of Article 15 of the RSSL.

CROTON-HARMON UNION FREE SCHOOL DISTRICT
CROTON-ON-HUDSON, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 8. PENSION PLANS. (Continued)

TRS Benefits Provided (Continued)

Tier 5

Members who joined on or after January 1, 2010 and prior to April 1, 2012 are covered by the provisions of Article 15 of the RSSL.

Tier 6

Members who joined on or after April 1, 2012 are covered by the provisions of Article 15 of the RSSL.

Service Retirements

Tier 1 members are eligible, beginning at age 55, for a service retirement allowance of approximately 2% per year of credit service times final average salary.

Under Article 19 of the RSSL, eligible Tiers 1 and 2 members can receive additional service credit of one-twelfth of a year for each year of retirement credit as of the date of retirement or death up to a maximum of two additional years.

Tiers 2 through 5 are eligible for the same but with the following limitations: (1) Tiers 2 through 4 members receive an unreduced benefit for retirement at age 62 or retirement at ages 55 through 61 with 30 years of service or a reduced benefit for retirement at ages 55 through 61 with less than 30 years of service. (2) Tier 5 members receive an unreduced benefit for retirement at age 62 or retirement at ages 57 through 61 with 30 years of service. They receive a reduced benefit for retirement at ages 55 and 56 regardless of service credit, or ages 57 through 61 with less than 30 years of service.

Tier 6 members are eligible for a service retirement allowance of 1.75% per year of credited service years of service plus 2% per year for years of service in excess of 20 years times final average salary. Tier 6 members receive an unreduced benefit for retirement at age 63. They receive a reduced benefit at ages 55 through 62 regardless of service credit.

Vested Benefits

Retirement benefits after 5 years of credited service except for Tiers 5 and 6 where 10 years of credited service are required. Benefits are payable at age 55 or greater with the limitations noted for service requirements above.

Disability Retirement

Members are eligible for disability retirement benefits after 10 years of credited New York State service except for Tier 3 where disability retirement is permissible after 5 years of credited New York State service pursuant to the provisions of Article 14 of the RSSL. The Tier 3 benefit is integrated with Social Security.