

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

AUDIT REPORT FOR THE FISCAL YEAR ENDED  
JUNE 30, 2016  
INCLUDING REPORTS ON  
EXTRACLASSROOM ACTIVITY FUNDS

CROTON-HARMON UNION FREE SCHOOL DISTRICT  
CROTON-ON-HUDSON, NEW YORK  
JUNE 30, 2016  
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## INDEPENDENT AUDITOR'S REPORT

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Croton-Harmon Union Free School District, as of and for the year ended June 30, 2016, 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, 2016, 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 60 through 64 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 65 through 67 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 65 through 67 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 65 through 67 are fairly stated in all material respects in relation to the basic financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 15, 2016, 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 an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Croton-Harmon Union Free School District's internal control over financial reporting and compliance.

*Nugent & Haeussler, P.C.*

Montgomery, New York  
September 15, 2016

## 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, 2016. 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, 2016 are as follows:

- The District's actual expenditures and encumbrances were less than the revised budgeted expenditures by \$3,860,270. This was due to the following key factors:
  - Savings due to the implementation of the Flexible Support Program as the district was able to meet the needs of students in-house rather than having to send the students to out of district programs.
  - One unexpected retirement during the 2015-2016 school year.
  - The costs for utilities including fuel oil and natural gas, 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 also provides staff development thus eliminating the need for outside professional development.
  - 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 2015-2016 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 schools which was formed to share information regarding bus runs. This sharing of information has resulted in districts partnering with neighboring districts to consolidate runs and reduce the costs of out of district transportation.



## 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"> <li>• Statement of Net Position</li> <li>• Statement of Activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance Sheet</li> <li>• Statement of Revenues, Expenditures, and Changes in Fund Balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Fiduciary Net Position</li> <li>• Statement of Changes in Fiduciary Net Position</li> </ul>
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, 2016 is \$57,360,103. This is a \$4,845,765 increase from last year's net position of \$52,514,338. The following table provides a summary of the District's net position:

Summary of Net Position

	School District Activities		
	June 30, 2016	June 30, 2015	% Change
Current Assets	\$ 18,204,576	20,716,532	-12.13%
Non-Current Assets	65,039,745	63,446,266	2.51%
Total Assets	83,244,321	84,162,798	-1.09%
Deferred Outflows of Resources	5,568,693	3,784,639	47.14%
Total Assets and Deferred Outflows of Resources	88,813,014	87,947,437	0.98%
Current Liabilities	7,199,642	7,740,605	-6.99%
Long-Term Debt Outstanding	20,047,638	19,567,114	2.46%
Total Liabilities	27,247,280	27,307,719	-0.22%
Deferred Inflows of Resources	4,205,631	8,125,380	
Total Liabilities and Deferred Outflows of Resources	31,452,911	35,433,099	-11.23%
Net Position:			
Net Investment in Capital Assets	37,996,906	32,925,161	15.40%
Restricted	19,958,426	19,276,052	3.54%
Unrestricted	(595,229)	313,125	-290.09%
Total Net Position	\$ 57,360,103	\$ 52,514,338	9.23%

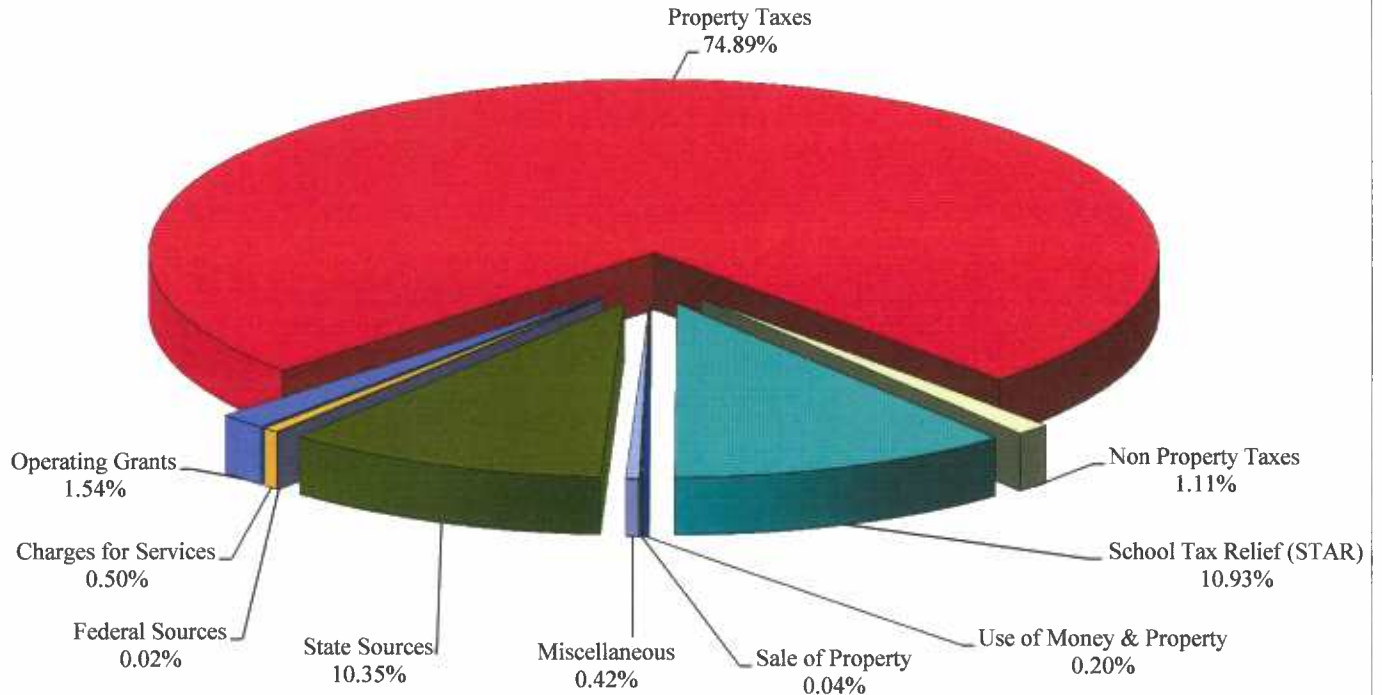
The following table and supporting graphs provides a summary of revenues, expenses and changes in net position for the year ended June 30, 2016:

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

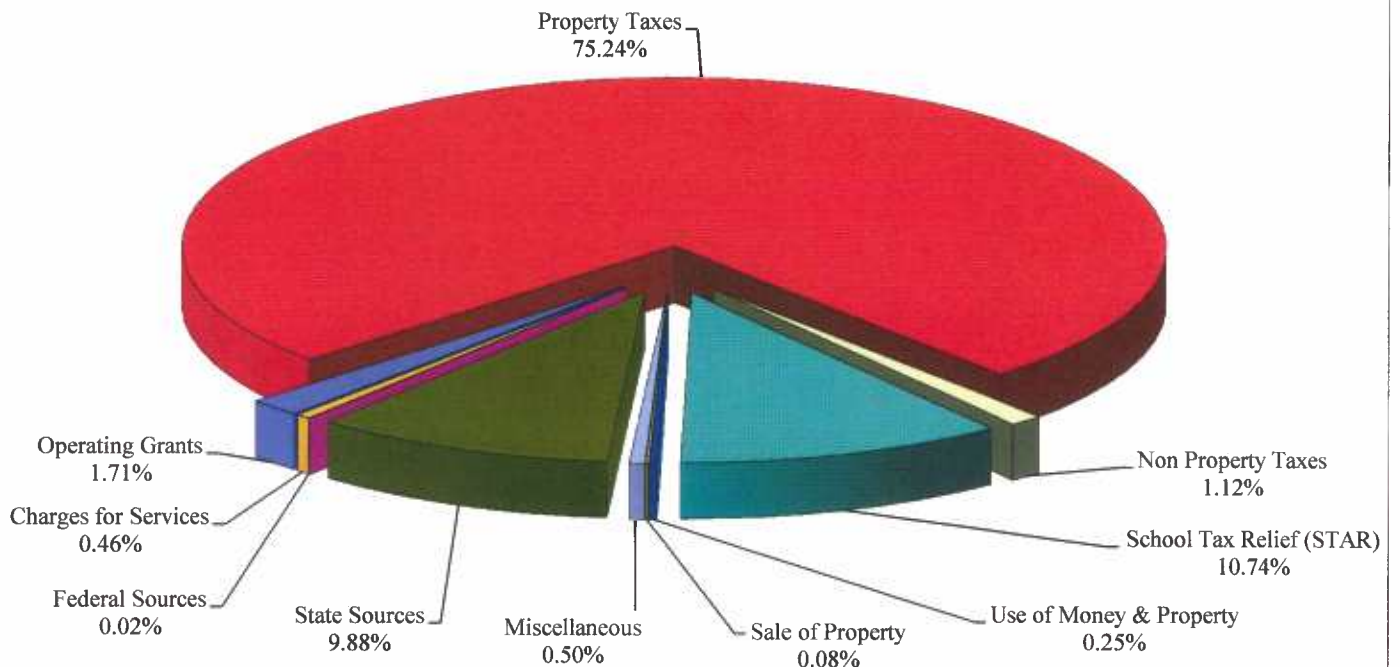
	<u>JUNE 30, 2016</u>	<u>%</u>	<u>JUNE 30, 2015</u>	<u>%</u>	<u>\$ Change</u>	<u>%</u>
<u>REVENUES</u>						
PROGRAM REVENUES:						
Charges for Services	\$ 225,017	0.50%	\$ 204,810	0.46%	\$ 20,207	9.87%
Operating Grants	688,772	1.54%	755,226	1.71%	(66,454)	-8.80%
GENERAL REVENUES:						
Property Taxes	33,590,968	74.89%	33,151,769	75.24%	439,199	1.32%
Non Property Taxes	496,489	1.11%	491,470	1.12%	5,019	1.02%
School Tax Relief (STAR)	4,900,739	10.93%	4,731,853	10.74%	168,886	3.57%
Use of Money & Property	91,507	0.20%	109,338	0.25%	(17,831)	-16.31%
Sale of Property	18,824	0.04%	35,531	0.08%	(16,707)	-47.02%
Miscellaneous	190,452	0.42%	222,014	0.50%	(31,562)	-14.22%
State Sources	4,641,526	10.35%	4,355,418	9.88%	286,108	6.57%
Federal Sources	10,411	0.02%	10,458	0.02%	(47)	-0.45%
TOTAL REVENUES	<u>44,854,705</u>	<u>100.00%</u>	<u>44,067,887</u>	<u>100.00%</u>	<u>786,818</u>	<u>1.79%</u>
<u>EXPENSES</u>						
General Support	5,582,220	13.95%	5,631,998	14.77%	(49,778)	-0.88%
Instruction	23,371,238	58.42%	22,455,801	58.91%	915,437	4.08%
Pupil Transportation	2,256,889	5.64%	2,165,735	5.68%	91,154	4.21%
Employee Benefits	6,317,588	15.79%	5,350,408	14.04%	967,180	18.08%
Debt Service Interest	507,735	1.27%	591,896	1.55%	(84,161)	-14.22%
Depreciation	1,958,005	4.89%	1,881,234	4.93%	76,771	4.08%
School Lunch Program	15,265	0.04%	44,799	0.12%	(29,534)	-65.93%
TOTAL EXPENSES	<u>40,008,940</u>	<u>100.00%</u>	<u>38,121,871</u>	<u>100.00%</u>	<u>1,887,069</u>	<u>4.95%</u>
INCREASE (DECREASE) IN NET ASSETS	<u>\$ 4,845,765</u>		<u>\$ 5,946,016</u>		<u>\$ (1,100,251)</u>	<u>-18.50%</u>

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

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

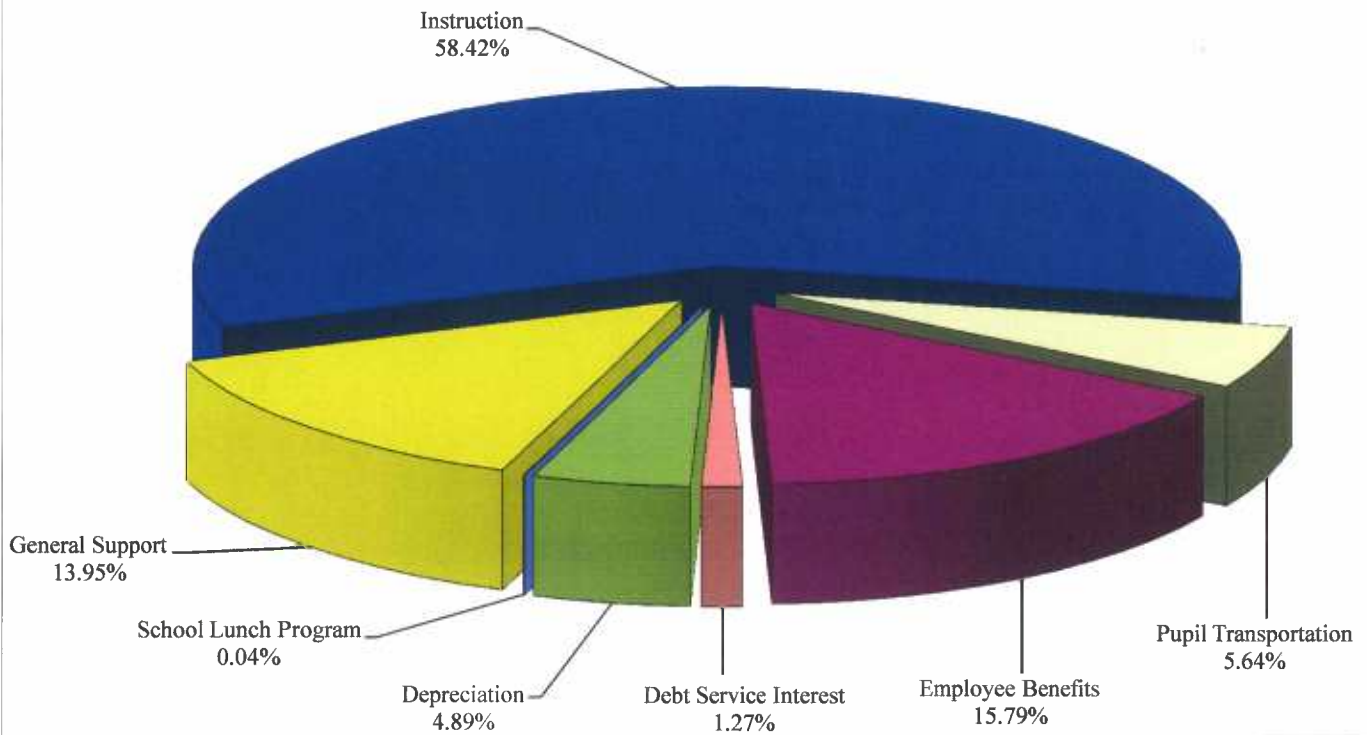


**SOURCES OF REVENUES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

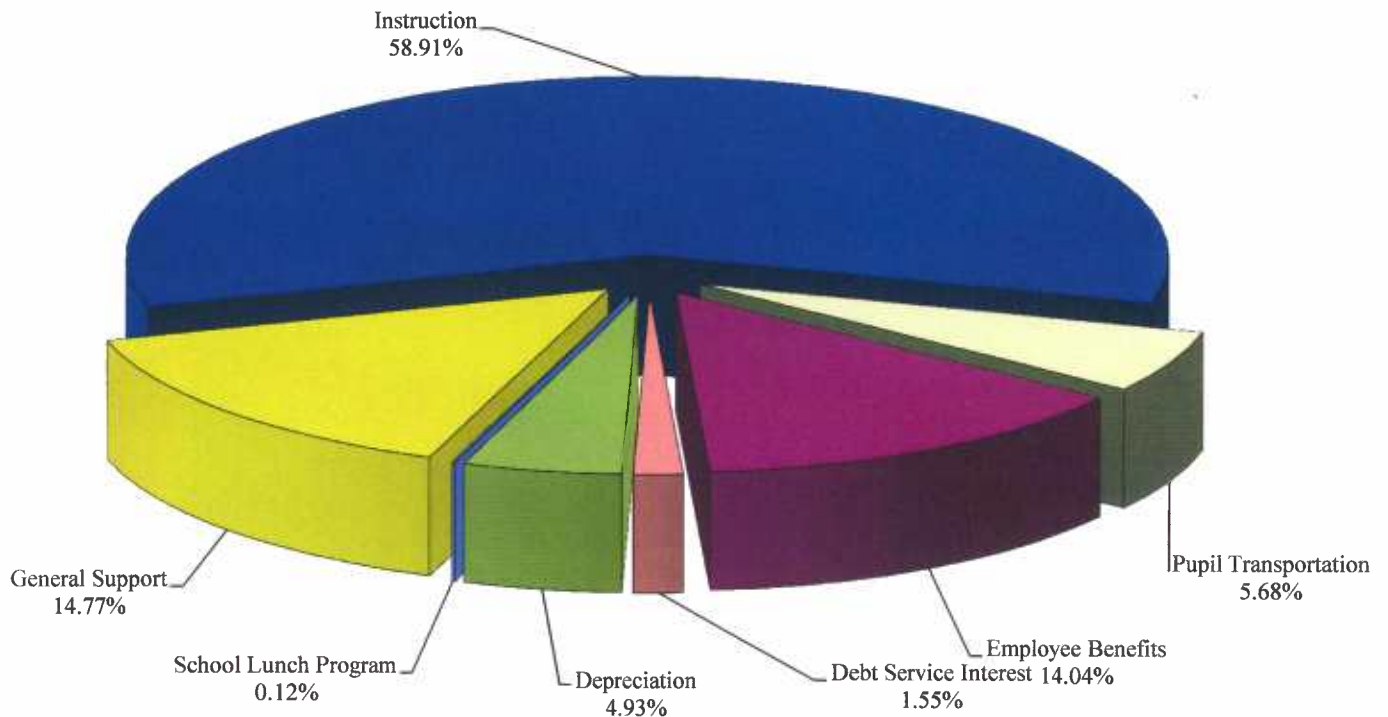


CROTON-HARMON UNION FREE SCHOOL DISTRICT  
CROTON-ON-HUDSON, NEW YORK

**EXPENSES FOR THE FISCAL YEAR ENDED JUNE 30, 2016**



**EXPENSES FOR THE FISCAL YEAR ENDED JUNE 30, 2015**



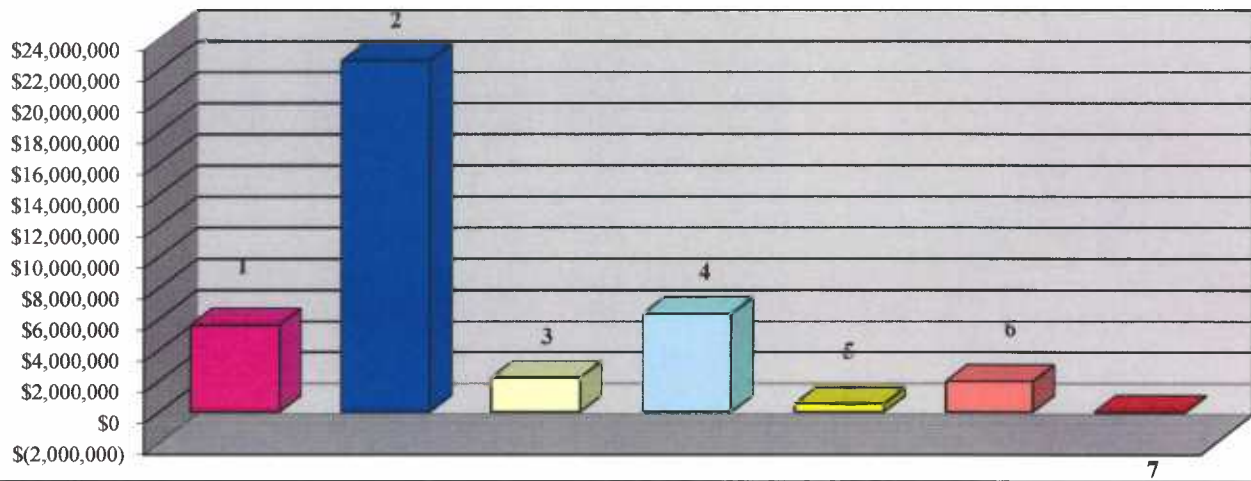


CROTON-HARMON UNION FREE SCHOOL DISTRICT  
CROTON-ON-HUDSON, NEW YORK  
STATEMENT OF ACTIVITIES  
NET COSTS

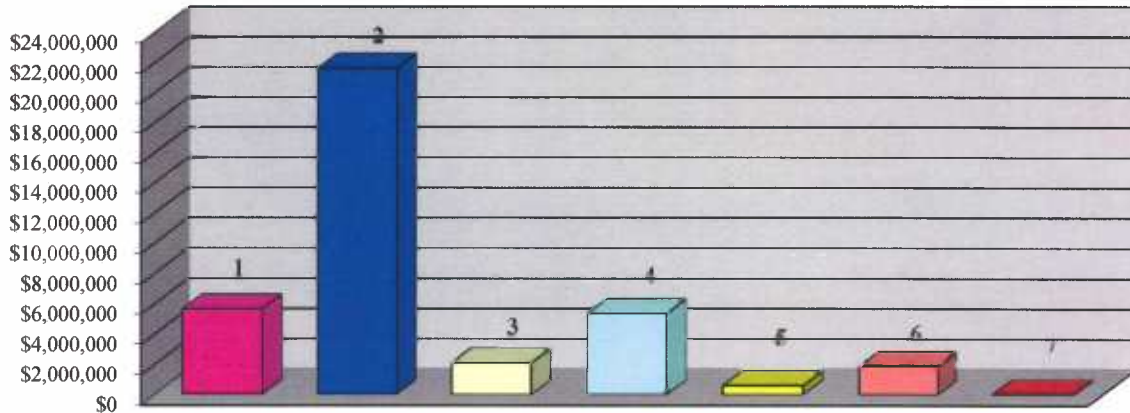
The following information is provided to disclose the net cost of governmental activities:

		TOTAL COST OF SERVICES 2015-2016	NET COST OF SERVICES 2015-2016	TOTAL COST OF SERVICES 2014-2015	NET COST OF SERVICES 2014-2015
General Support	1	\$ 5,582,220	\$ 5,582,220	\$ 5,631,998	\$ 5,631,998
Instruction	2	23,371,238	22,545,871	22,455,801	21,600,782
Pupil Transportation	3	2,256,889	2,200,441	2,165,735	2,092,014
Employee Benefits	4	6,317,588	6,317,588	5,350,408	5,350,408
Debt Service - Interest	5	507,735	507,735	591,896	591,896
Depreciation	6	1,958,005	1,958,005	1,881,234	1,881,234
School Lunch Program	7	15,265	(16,709)	44,799	13,503
		<u>\$ 40,008,940</u>	<u>\$ 39,095,151</u>	<u>\$ 38,121,871</u>	<u>\$ 37,161,835</u>

**NET COSTS 2015-2016**



**NET COSTS 2014-2015**





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, 2016				
	Nonspendable	Restricted	Assigned	Unassigned	Total
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	<u>\$ 0</u>	<u>\$ 10,991,654</u>	<u>\$ 1,523,456</u>	<u>\$ 1,587,212</u>	<u>\$ 14,102,322</u>

	June 30, 2015				
	Nonspendable	Restricted	Assigned	Unassigned	Total
General	\$ 0	\$ 12,293,625	\$ 1,928,421	\$ 1,843,040	\$ 16,065,086
Special Aid	0	41,831	0	0	41,831
School Lunch	0	0	0	(1,968)	(1,968)
Capital Projects	0	0	0	(112,698)	(112,698)
Debt Service	0	6,236	0	0	6,236
	<u>\$ 0</u>	<u>\$ 12,341,692</u>	<u>\$ 1,928,421</u>	<u>\$ 1,728,374</u>	<u>\$ 15,998,487</u>

General Fund Budgetary Highlights

The original budget for the General Fund was revised by \$3,872,890 during the year. The supplemental appropriations consisted of appropriations from the Capital Reserve in the amount of \$3,825,000 for District-wide Improvements, \$41,459 from the Employee Benefit Accrued Liability Reserve for Retirement Benefits, \$2,800 for Transportation Reimbursement, \$3,631 for Donations.

In the General Fund for the fiscal year ended June 30, 2016, actual revenues were less than revised budgeted revenues by \$87,899 (.20%). Actual expenditures and encumbrances were less than the revised budgeted expenditures by \$3,860,270 (7.63%). Once again, the District kept fiscal restraints on purchases.

For fiscal year 2016-2017, the District has appropriated \$926,016 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 new 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 2016-2017 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 \$41,831. 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 \$14,741. Revenues exceeded expenditures by \$16,709.

The Capital Projects Fund ended the year with a fund balance deficit of (\$280,675). The deficit is due to BANS used to finance the purchase of buses. Funding for the buses will be provided as the BANS are redeemed from General Fund Appropriations.

Debt Service Fund ended the year with a fund balance of \$86,407. 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 net investment in capital assets, depreciation as of June 30, 2016, was \$53,950,914. The total change in this net investment was an increase of 4.52% for the District as a whole (see schedule below). The District’s investment in capital assets, net of accumulated depreciation as of June 30, 2015 was \$51,618,062. The District expended \$4,290,857 to acquire and construct capital assets during the fiscal year ended June 30, 2016. Assets retired from service had a net basis of \$0 and depreciation expense for the fiscal year was \$1,958,005.

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, 2016</u>	<u>June 30, 2015</u>	<u>% Change</u>
<u>Non-Depreciable Assets:</u>			
Land	\$ 810,100	\$ 810,100	0.00%
Construction in Progress	4,174,325	3,627,211	15.08%
<u>Depreciable Assets:</u>			
Land Improvements	521,176	583,257	-10.64%
Building and Improvements	46,884,226	44,995,345	4.20%
Furniture and Equipment	484,885	588,004	-17.54%
Vehicles	1,076,202	1,014,145	6.12%
TOTALS	<u>\$ 53,950,914</u>	<u>\$ 51,618,062</u>	4.52%

Long-Term Debt

At the end of the fiscal year, the District had total bonded debt outstanding of \$12,295,000. 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 Balance</u>	<u>Issued</u>	<u>Paid</u>	<u>Ending Balance</u>
Serial Bond -2006	\$ 2,875,000	\$ 0	\$ 525,000	\$ 2,350,000
Serial Bond - 2011 Refunding	6,240,000	0	945,000	5,295,000
Serial Bond - 2013 Refunding	5,740,000	0	1,090,000	4,650,000
Total Bonded Debt Outstanding	<u>\$ 14,855,000</u>	<u>\$ 0</u>	<u>\$ 2,560,000</u>	<u>\$ 12,295,000</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, 2016

ASSETS

Unrestricted Cash	\$ 6,539,151
Restricted Cash	10,991,654
State & Federal Aid Receivable	387,611
Due from Other Governments	257,989
Due from Fiduciary Funds	6,006
Other Receivables, Net	22,165
Capital Assets, Net	53,950,914
Net Pension Asset - Proportionate Share	11,088,831
TOTAL ASSETS	<u>83,244,321</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred Amount on Refunding	436,537
Pension	5,132,156
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	<u>88,813,014</u>

LIABILITIES

Accounts Payable	361,762
Accrued Liabilities	297,773
Due to Other Governments	174,558
Due to Teachers' Retirement System	2,354,348
Due to Employees' Retirement System	197,667
Bond Anticipation Notes	817,585

## Long-term Liabilities:

## Due and Payable Within One Year:

Bonds Payable (Including Deferred Premium on Refunding - \$157,961)	2,802,961
Installment Purchase Debt	192,988

## Due and Payable In More Than One Year:

Bonds Payable (Including Deferred Premium on Refunding - \$427,718)	10,077,718
Installment Purchase Debt	2,499,293
Compensated Absences	469,094
Other Postemployment Benefits	3,952,949
Net Pension Liability - Proportionate Share	3,048,584

TOTAL LIABILITIES	<u>27,247,280</u>
-------------------	-------------------

DEFERRED INFLOWS OF RESOURCES

Pension	4,205,631
TOTAL LIABILITIES & DEFERRED INFLOWS OF RESOURCES	<u>31,452,911</u>

NET POSITION

Net Investment in Capital Assets	37,996,906
Restricted	19,958,426
Unrestricted	(595,229)
TOTAL NET POSITION	<u>\$ 57,360,103</u>

See notes to financial statement.

CROTON-HARMON UNION FREE SCHOOL DISTRICT  
CROTON-ON-HUDSON, NEW YORK  
STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION  
GOVERNMENTAL ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2016

		PROGRAM REVENUES		NET (EXPENSE) REVENUE & CHANGES IN NET POSITION
		EXPENSES	CHARGES FOR SERVICES	
<u>FUNCTIONS &amp; PROGRAMS</u>				
General Support	\$ (6,744,115)	\$ 0	\$ 0	\$ (6,744,115)
Instruction	(29,759,681)	203,465	621,902	(28,934,314)
Pupil Transportation	(2,950,584)	0	56,448	(2,894,136)
Debt Service - Interest	(507,735)	0	0	(507,735)
School Lunch Program	<u>(46,825)</u>	<u>21,552</u>	<u>10,422</u>	<u>(14,851)</u>
TOTAL FUNCTIONS & PROGRAMS	<u>\$ (40,008,940)</u>	<u>\$ 225,017</u>	<u>\$ 688,772</u>	<u>(39,095,151)</u>
<u>GENERAL REVENUES</u>				
Real Property Taxes				33,590,968
Other Tax Items				4,900,739
Non Property Taxes				496,489
Use of Money & Property				91,507
Sale of Property & Compensation for Loss				18,824
Miscellaneous				190,452
State Sources				4,641,526
Federal Sources				<u>10,411</u>
TOTAL GENERAL REVENUES				<u>43,940,916</u>
CHANGE IN NET POSITION				4,845,765
NET POSITION, BEGINNING OF YEAR				<u>52,514,338</u>
NET POSITION, END OF YEAR				<u>\$ 57,360,103</u>

See notes to financial statement.

CROTON-HARMON UNION FREE SCHOOL DISTRICT  
CROTON-ON-HUDSON, NEW YORK  
BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2016

ASSETS	GENERAL	SPECIAL AID	SCHOOL LUNCH	CAPITAL PROJECTS	DEBT SERVICE	TOTAL GOVERNMENTAL FUNDS
Unrestricted Cash	\$ 5,988,133	\$ 0	\$ 13,883	\$ 537,135	\$ 0	\$ 6,539,151
Restricted Cash	10,904,963	367	0	0	86,324	10,991,654
State & Federal Aid Receivable	110,174	276,685	752	0	0	387,611
Due from Other Governments	257,989	0	0	0	0	257,989
Due from Other Funds	227,360	0	0	0	83	227,443
Due from Fiduciary Funds	6,006	0	0	0	0	6,006
Other Receivables, Net	22,059	0	106	0	0	22,165
<b>TOTAL ASSETS</b>	<b>\$ 17,516,684</b>	<b>\$ 277,052</b>	<b>\$ 14,741</b>	<b>\$ 537,135</b>	<b>\$ 86,407</b>	<b>\$ 18,432,019</b>

LIABILITIES & FUND BALANCESLIABILITIES

Accounts Payable	\$ 361,114	\$ 506	\$ 0	\$ 142	\$ 0	\$ 361,762
Accrued Liabilities	188,979	7,355	0	0	0	196,334
Due to Other Governments	174,558	0	0	0	0	174,558
Due to Other Funds	0	227,360	0	83	0	227,443
Due to Teachers' Retirement System	2,354,348	0	0	0	0	2,354,348
Due to Employees' Retirement System	197,667	0	0	0	0	197,667
Bond Anticipation Notes	0	0	0	817,585	0	817,585
<b>TOTAL LIABILITIES</b>	<b>3,276,666</b>	<b>235,221</b>	<b>0</b>	<b>817,810</b>	<b>0</b>	<b>4,329,697</b>

FUND BALANCES

Restricted	10,848,675	41,831	14,741	0	86,407	10,991,654
Assigned	1,523,456	0	0	0	0	1,523,456
Unassigned	1,867,887	0	0	(280,675)	0	1,587,212
<b>TOTAL FUND BALANCES</b>	<b>14,240,018</b>	<b>41,831</b>	<b>14,741</b>	<b>(280,675)</b>	<b>86,407</b>	<b>14,102,322</b>
<b>TOTAL LIABILITIES &amp; FUND BALANCES</b>	<b>\$ 17,516,684</b>	<b>\$ 277,052</b>	<b>\$ 14,741</b>	<b>\$ 537,135</b>	<b>\$ 86,407</b>	<b>\$ 18,432,019</b>

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, 2016

	TOTAL GOVERNMENTAL FUNDS	LONG-TERM ASSETS & LIABILITIES	RECLASSIFICATIONS & ELIMINATIONS	STATEMENT OF NET POSITION
<b>ASSETS</b>				
Unrestricted Cash	\$ 6,539,151	\$ 0	\$ 0	\$ 6,539,151
Restricted Cash	10,991,654	0	0	10,991,654
State & Federal Aid Receivable	387,611	0	0	387,611
Due from Other Governments	257,989	0	0	257,989
Due from Other Funds	227,443	0	(227,443)	0
Due from Fiduciary Funds	6,006	0	0	6,006
Other Receivables, Net	22,165	0	0	22,165
Capital Assets, Net	0	53,950,914	0	53,950,914
Net Pension Asset - Proportionate Share	0	11,088,831	0	11,088,831
<b>TOTAL ASSETS</b>	<b>18,432,019</b>	<b>65,039,745</b>	<b>(227,443)</b>	<b>83,244,321</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred Amount on Refunding	0	436,537	0	436,537
Pension		5,132,156	0	5,132,156
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>0</b>	<b>5,568,693</b>	<b>0</b>	<b>5,568,693</b>
<b>TOTAL ASSETS &amp; DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 18,432,019</b>	<b>\$ 70,608,438</b>	<b>\$ (227,443)</b>	<b>\$ 88,813,014</b>
<b>LIABILITIES &amp; FUND BALANCES / NET POSITION</b>				
<b>LIABILITIES</b>				
Accounts Payable	\$ 361,762	\$ 0	\$ 0	\$ 361,762
Accrued Liabilities	196,334	101,439	0	297,773
Due to Other Governments	174,558	0	0	174,558
Due to Other Funds	227,443	0	(227,443)	0
Due to Teachers' Retirement System	2,354,348	0	0	2,354,348
Due to Employees' Retirement System	197,667	0	0	197,667
Bond Anticipation Notes	817,585	0	0	817,585
Bonds Payable	0	12,880,679	0	12,880,679
Installment Purchase Debt	0	2,692,281	0	2,692,281
Compensated Absences	0	469,094	0	469,094
Other Postemployment Benefits	0	3,952,949	0	3,952,949
Net Pension Liability - Proportionate Share	0	3,048,584	0	3,048,584
<b>TOTAL LIABILITIES</b>	<b>4,329,697</b>	<b>23,145,026</b>	<b>(227,443)</b>	<b>27,247,280</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Pension	0	4,205,631	0	4,205,631
<b>TOTAL LIABILITIES &amp; DEFERRED INFLOWS OF RESOURCES</b>	<b>4,329,697</b>	<b>27,350,657</b>	<b>(227,443)</b>	<b>31,452,911</b>
<b>FUND BALANCES / NET POSITION</b>	<b>14,102,322</b>	<b>43,257,781</b>	<b>0</b>	<b>57,360,103</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES &amp; FUND BALANCES / NET POSITION</b>	<b>\$ 18,432,019</b>	<b>\$ 70,608,438</b>	<b>\$ (227,443)</b>	<b>\$ 88,813,014</b>

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, 2016

	GENERAL	SPECIAL AID	SCHOOL LUNCH	CAPITAL PROJECTS	DEBT SERVICE	TOTAL GOVERNMENTAL FUNDS
<b>REVENUES</b>						
Real Property Taxes	\$ 33,590,968	\$ 0	0	\$ 0	0	\$ 33,590,968
Other Tax Items	4,900,739	0	0	0	0	4,900,739
Non Property Taxes	496,489	0	0	0	0	496,489
Charges for Services	203,465	0	0	0	0	203,465
Use of Money & Property	91,422	0	0	0	85	91,507
Sale of Property & Compensation for Loss	18,824	0	0	0	0	18,824
Miscellaneous	190,452	0	0	0	0	190,452
State Sources	4,791,763	182,016	0	0	0	4,973,779
Federal Sources	10,411	346,097	10,422	0	0	366,930
Sales	0	0	21,552	0	0	21,552
<b>TOTAL REVENUES</b>	<b>44,294,533</b>	<b>528,113</b>	<b>31,974</b>	<b>0</b>	<b>85</b>	<b>44,854,705</b>
<b>EXPENDITURES</b>						
General Support	5,623,679	0	15,220	0	0	5,638,899
Instruction	22,849,823	484,557	0	0	0	23,334,380
Pupil Transportation	2,186,329	70,560	0	0	0	2,256,889
Employee Benefits	7,944,100	18,500	0	0	0	7,962,600
Debt Service:						
Principal	2,952,498	0	0	0	0	2,952,498
Interest	564,668	0	0	0	0	564,668
Cost of Sales	0	0	45	0	0	45
Capital Outlay	0	0	0	4,245,767	0	4,245,767
<b>TOTAL EXPENDITURES</b>	<b>42,121,097</b>	<b>573,617</b>	<b>15,265</b>	<b>4,245,767</b>	<b>0</b>	<b>46,955,746</b>
<b>EXCESS (DEFICIENCY) REVENUES OVER EXPENDITURES</b>	<b>2,173,436</b>	<b>(45,504)</b>	<b>16,709</b>	<b>(4,245,767)</b>	<b>85</b>	<b>(2,101,041)</b>
<b>OTHER SOURCES &amp; USES</b>						
Bond Anticipation Notes Paid from Current Appropriations	0	0	0	204,876	0	204,876
Operating Transfers In	0	45,504	0	3,953,000	80,086	4,078,590
Operating Transfers (Out)	(3,998,504)	0	0	(80,086)	0	(4,078,590)
<b>TOTAL OTHER SOURCES &amp; USES</b>	<b>(3,998,504)</b>	<b>45,504</b>	<b>0</b>	<b>4,077,790</b>	<b>80,086</b>	<b>204,876</b>
<b>EXCESS (DEFICIENCY) REVENUES &amp; OTHER SOURCES OVER EXPENDITURES &amp; OTHER USES</b>	<b>(1,825,068)</b>	<b>0</b>	<b>16,709</b>	<b>(167,977)</b>	<b>80,171</b>	<b>(1,896,165)</b>
<b>FUND BALANCES, BEGINNING OF YEAR, AS RESTATED</b>	<b>16,065,086</b>	<b>41,831</b>	<b>(1,968)</b>	<b>(112,698)</b>	<b>6,236</b>	<b>15,998,487</b>
<b>FUND BALANCES, END OF YEAR</b>	<b>\$ 14,240,018</b>	<b>\$ 41,831</b>	<b>\$ 14,741</b>	<b>\$ (280,675)</b>	<b>\$ 86,407</b>	<b>\$ 14,102,322</b>

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 AND CHANGES IN NET POSITION

FOR THE YEAR ENDED JUNE 30, 2016

	TOTAL GOVERNMENTAL FUNDS	LONG-TERM REVENUE & EXPENSES	CAPITAL RELATED ITEMS	LONG-TERM DEBT TRANSACTIONS	RECLASSIFICATIONS & ELIMINATIONS	STATEMENT OF ACTIVITIES
<b>REVENUES</b>						
Real Property Taxes	\$ 33,590,968	\$ 0	\$ 0	0	0	\$ 33,590,968
Other Tax Items	4,900,739	0	0	0	0	4,900,739
Non Property Taxes	496,489	0	0	0	0	496,489
Charges for Services	203,465	0	0	0	0	203,465
Use of Money & Property	91,507	0	0	0	0	91,507
Sale of Property & Compensation for Loss	18,824	0	0	0	0	18,824
Miscellaneous	190,452	0	0	0	0	190,452
State Sources	4,973,779	0	0	0	0	4,973,779
Federal Sources	366,930	0	0	0	0	366,930
Sales	21,552	0	0	0	0	21,552
<b>TOTAL REVENUES</b>	<b>44,854,705</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>44,854,705</b>
<b>EXPENDITURES</b>						
General Support	5,638,899	(41,459)	23,719	0	1,122,956	6,744,115
Instruction	23,334,380	81,948	1,620,712	0	4,722,641	29,759,681
Pupil Transportation	2,256,889	0	236,924	0	456,771	2,950,584
Employee Benefits	7,962,600	(1,645,012)	0	0	(6,317,588)	0
Debt Service:						
Principal	2,952,498	0	0	(2,747,622)	(204,876)	0
Interest	564,668	(15,538)	0	(41,395)	0	507,735
Cost of Sales	45	0	31,560	0	15,220	46,825
Capital Outlay	4,245,767	0	(4,245,767)	0	0	0
<b>TOTAL EXPENDITURES</b>	<b>46,955,746</b>	<b>(1,620,061)</b>	<b>(2,332,852)</b>	<b>(2,789,017)</b>	<b>(204,876)</b>	<b>40,008,940</b>
<b>EXCESS (DEFICIENCY) REVENUES OVER EXPENDITURES</b>	<b>(2,101,041)</b>	<b>1,620,061</b>	<b>2,332,852</b>	<b>2,789,017</b>	<b>204,876</b>	<b>4,845,765</b>
<b>OTHER SOURCES &amp; USES</b>						
Bond Anticipation Notes Paid from Current Appropriations	204,876	0	0	0	(204,876)	0
Operating Transfers In	4,078,590	0	0	0	(4,078,590)	0
Operating Transfers (Out)	(4,078,590)	0	0	0	4,078,590	0
<b>TOTAL OTHER SOURCES &amp; USES</b>	<b>204,876</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(204,876)</b>	<b>0</b>
<b>NET CHANGE FOR THE YEAR</b>	<b>\$ (1,896,165)</b>	<b>\$ 1,620,061</b>	<b>\$ 2,332,852</b>	<b>\$ 2,789,017</b>	<b>\$ 0</b>	<b>\$ 4,845,765</b>

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, 2016

	PRIVATE PURPOSE TRUSTS	AGENCY
<u>ASSETS</u>		
Cash	\$ 81,772	\$ 127,755
Accounts Receivable	0	1,539
TOTAL ASSETS	<u>\$ 81,772</u>	<u>\$ 129,294</u>
<u>LIABILITIES &amp; NET ASSETS</u>		
<u>LIABILITIES</u>		
Due to Other Funds	\$ 0	\$ 6,006
Due to Other Governments	0	1,098
Extraclassroom Activity Balances	0	93,098
Other Liabilities	0	29,092
TOTAL LIABILITIES	<u>0</u>	<u>\$ 129,294</u>
<u>NET POSITION</u>		
Held in Trust for Endowment, Scholarship and Gift Funds	<u>81,772</u>	
TOTAL LIABILITIES & NET POSITION	<u>\$ 81,772</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, 2016

	<u>PRIVATE PURPOSE TRUSTS</u>
<u>ADDITIONS</u>	
Gifts and Contributions	\$ 14,463
Investment Earnings	<u>27</u>
TOTAL ADDITIONS	14,490
<u>DEDUCTIONS</u>	
Scholarships & Awards	<u>20,582</u>
CHANGE IN NET POSITION	(6,092)
NET POSITION, BEGINNING OF YEAR	<u>87,864</u>
NET POSITION, END OF YEAR	<u><u>\$ 81,772</u></u>

See notes to financial statement.

CROTON-HARMON UNION FREE SCHOOL DISTRICT  
CROTON-ON-HUDSON, NEW YORK  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

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, 2016

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, 2016, the Croton-Harmon Union Free School District was billed \$2,199,016 for BOCES administrative and program costs. The District's share of BOCES aid amounted to \$571,710. 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, 2016

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.

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CROTON-ON-HUDSON, NEW YORK  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

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 1<sup>st</sup> and became a lien on August 6, 2015. Taxes were collected by the Town of Cortlandt and the Town of Yorktown during the period September 1, 2015 through October 31, 2015.

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.

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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

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.



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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

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

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CROTON-ON-HUDSON, NEW YORK  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

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.



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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

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.

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NOTES TO FINANCIAL STATEMENTS  
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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.

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CROTON-ON-HUDSON, NEW YORK  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

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. 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.

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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

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.



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

S. Equity Classifications (Continued)

2. Funds Statements (Continued)

Restricted fund balance at June 30, 2016 consisted of:

General Fund:

Capital Reserves	\$ 4,186,105
Unemployment Insurance Reserve	246,969
Property Loss Reserve and Liability Reserve	198,061
Tax Certiorari Reserve	4,702,993
Employee Benefit Accrued Liability Reserve	469,094
Retirement Contribution Reserve	<u>1,045,453</u>
	10,848,675
Special Aid Fund	41,831
School Lunch Fund	14,741
Debt Service Fund	<u>86,407</u>
Total Restricted Fund Balance	<u>\$ 10,991,654</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, 2016.

Assigned: Includes amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. Assigned fund balance includes (a) all remaining amounts (except for negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed and (b) amounts in the General Fund that are intended to be used for a specific purpose. By reporting particular amounts that are not restricted or committed in the governmental funds other than the General Fund, the District has assigned those amounts to the purposes of the respective funds. Assigned fund balance in the General Fund includes \$597,440 assigned for specific purposes through the issuance of purchase orders that encumbered the budget for the year ended June 30, 2016. This assignment is made when purchase orders are approved by the Purchasing Agent who is designated each year by the Board of Education at its annual reorganizational meeting pursuant to the District's purchasing policy. Assigned fund balance in the General Fund also includes \$926,016 assigned to be used to reduce the tax levy for the year ending June 30, 2017. This assignment is made when the tax levy is set by the Board of Education pursuant to the District's annual budget policy.

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.

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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

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

S. Equity Classifications (Continued)

2. Funds Statements (Continued)

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, 2016, the District implemented the following new standards issued by GASB:

- GASB Statement 72, *Fair Value Measurement and Application*, effective for the year ending June 30, 2016.
- GASB Statement 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, effective for the year ending June 30, 2016.
- GASB Statement 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, effective for the year ending June 30, 2016.



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

T. New Accounting Standards (Continued)

GASB has issued Statement 72, *Fair Value Measurement and Application*, which addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. The Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The District has implemented Statement 72, as required.

GASB has issued Statement 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, which improves the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement also amends Statement 67, *financial Reporting for Pension Plans*.

GASB has issued Statement 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, which improves financial reporting by (1) raising the category of GASB Implementation Guides in the GAAP hierarchy, thus providing the opportunity for broader public input on implementation guidance; (2) emphasizing the importance of analogies to authoritative literature when the accounting treatment for an event is not specified in authoritative GAAP; and (3) requiring the consideration of consistency with the GASB Concepts Statements when evaluating accounting treatments specified in non-authoritative literature. The District has implemented Statement 76, as required.

U. Future Changes in Accounting Standards

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 is currently studying the Statement and plans on adoption if and when required, which will be for the June 30, 2017 financial statements.

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 be for the June 30, 2018 financial statements.

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

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

U. Future Changes in Accounting Standards (Continued)

and magnitude of tax abatements will make these transactions more transparent to financial statement users. The District is currently studying the Statement and plans on adoption if and when required, which will be for the June 30, 2017 financial statements.

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 is currently studying the Statement and plans on adoption if and when required, which will be for the June 30, 2017 financial statements.

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 is currently studying the Statement and plans on adoption if and when required, which will be for the June 30, 2017 financial statements.

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 is currently studying the Statement and plans on adoption if and when required, which will be for the June 30, 2017 financial statements.

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 be for the June 30, 2017 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, 2017 financial statements.

CROTON-HARMON UNION FREE SCHOOL DISTRICT  
CROTON-ON-HUDSON, NEW YORK  
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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, 2016 were as follows:

Original Cost of Capital Assets	\$ 74,431,987
Accumulated Depreciation	(20,481,073)
	<u>\$ 53,950,914</u>

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, 2016 were :

Amount Due on Refunding	<u>\$ 436,537</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, 2016 were as follows:

CROTON-HARMON UNION FREE SCHOOL DISTRICT  
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NOTES TO FINANCIAL STATEMENTS  
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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)

Net Pension Asset - Proportionate Share	\$ 11,088,831
Deferred Outflows of Resources - Pensions	5,132,156
Net Pension Liability - Proportionate Share	(3,048,584)
Deferred Inflows of Resources - Pensions	(4,205,631)
	<u>\$ 8,966,772</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, 2016 was as follows:

Accrued Interest	<u>\$ 101,439</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, 2016 were as follows:

Bonds Payable	\$ 12,295,000
Deferred on Advanced Refunding	585,679
Installment Purchase Debt	2,692,281
Compensated Absences	469,094
Other Postemployment Benefits	3,952,949
	<u>\$ 19,995,003</u>

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 three 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.



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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):

1. 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.

2. 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.

3. 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.

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)

\$ 44,854,705

Total Revenue -(Schedule 2)

\$ 44,854,705

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CROTON-ON-HUDSON, NEW YORK  
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JUNE 30, 2016

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

Total expenditures reported in governmental funds (Schedule 5)	\$ 46,955,746
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 \$4,290,857 were greater than depreciation of \$1,958,005 in the current year.	(2,332,852)
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 earned exceeded the amount paid during the year was (\$40,489). Judgments and claims paid exceeded the amount earned during the year in the amount of \$0.	40,489
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.	1,038,904
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.	(15,538)



CROTON-HARMON UNION FREE SCHOOL DISTRICT  
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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

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

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)

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.	(2,683,916)
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>(2,952,498)</u>
Total expenses in the Statement of Activities and Changes in Net Position (Schedule 2)	<u><u>\$ 40,008,940</u></u>

CROTON-HARMON UNION FREE SCHOOL DISTRICT  
CROTON-ON-HUDSON, NEW YORK  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

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 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.

CROTON-HARMON UNION FREE SCHOOL DISTRICT  
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NOTES TO FINANCIAL STATEMENTS  
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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	\$ 13,043,493

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 \$10,991,654 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 \$124,660,520, which consisted of \$50,810,676 in Money Market and Cash and 73,849,844 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	\$ 5,055,486	\$ 5,055,486

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  
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NOTE 5. CAPITAL ASSETS.

Capital asset balances and activity for the year ended June 30, 2016, 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	3,627,211	3,990,767	(3,443,653)	4,174,325
Total Nondepreciable Assets	4,437,311	3,990,767	(3,443,653)	4,984,425
Capital assets that are depreciated:				
Land Improvements	1,245,386	0	0	1,245,386
Buildings and Improvements	60,764,231	0	3,443,653	64,207,884
Furniture & Equipment	1,032,542	15,647	0	1,048,189
Vehicles	3,228,478	284,443	(566,818)	2,946,103
Total Depreciable Assets	66,270,637	300,090	2,876,835	69,447,562
Less: Accumulated Depreciation	(19,089,886)	(1,958,005)	566,818	(20,481,073)
Capital Assets, Net	\$ 51,618,062	\$ 2,332,852	\$ 0	\$ 53,950,914

Depreciation expense was charged to governmental functions as follows:

General Support	\$ 23,719
Instruction	1,665,802
Transportation	236,924
Cost of Sales	31,560
Total Depreciation	\$ 1,958,005

CROTON-HARMON UNION FREE SCHOOL DISTRICT  
CROTON-ON-HUDSON, NEW YORK  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 6. SHORT-TERM DEBT.

Transactions in short-term debt for the year ended June 30, 2016 are summarized below:

	Beginning Balance	Issued	Paid/ Redeemed	June 30, 2016 Ending Balance
BAN maturing 10/22/15 at .83%	\$ 767,461	\$ 0	\$ 204,876	\$ 562,585
BAN maturing 10/21/16 at .93%	0	255,000		255,000
Total Short-Term Debt	<u>\$ 767,461</u>	<u>\$ 255,000</u>	<u>\$ 204,876</u>	<u>\$ 817,585</u>

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

Interest Paid	\$ 6,370
Less: Interest Accrued in the Prior Year	(4,328)
Plus: Interest Accrued in the Current Year	5,256
Interest Expense	<u>\$ 7,298</u>

NOTE 7. LONG-TERM DEBT

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

	Beginning Balance	Issued	Paid/ Redeemed	June 30, 2016 Ending Balance	Amounts Due Within One Year
<b>Governmental Activities:</b>					
<b>Bonds and Notes Payable</b>					
Bonds Payable	\$ 14,855,000	\$ 0	\$ 2,560,000	\$ 12,295,000	\$ 2,645,000
Deferred Amount on Refunding	743,640	0	157,961	585,679	157,961
Installment Purchase Debt	2,879,903	0	187,622	2,692,281	192,988
Total Bonds and Notes Payable	<u>18,478,543</u>	<u>0</u>	<u>2,905,583</u>	<u>15,572,960</u>	<u>2,995,949</u>
<b>Other Liabilities:</b>					
Compensated Absences	428,605	81,948	41,459	469,094	0
Other Postemployment Benefits	2,914,045	1,650,688	611,784	3,952,949	0
Total Other Liabilities	<u>3,342,650</u>	<u>1,732,636</u>	<u>653,243</u>	<u>4,422,043</u>	<u>0</u>
Total Long-Term Liabilities	<u>\$ 21,821,193</u>	<u>\$ 1,732,636</u>	<u>\$ 3,558,826</u>	<u>\$ 19,995,003</u>	<u>\$ 2,995,949</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, 2016

NOTE 7. LONG-TERM DEBT. (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, 2016 Balance</u>
Serial Bond - 2006	07/15/06	11/01/19	4% - 6%	2,350,000
Energy Performance Contract	12/21/10	05/15/26	2.84%	2,692,281
Serial Bond - 2011 Refunding	07/11/11	10/15/20	2% - 4%	5,295,000
Serial Bond - 2013 Refunding	02/20/13	10/15/19	2% - 4%	4,650,000
				<u>\$ 14,987,281</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>
2017	\$ 2,837,988	\$ 470,831
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 - 2026	1,517,312	121,007
TOTAL	<u>\$ 14,987,281</u>	<u>\$ 1,462,277</u>

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

Interest paid	\$ 558,298
Less: Interest accrued in the prior year	(112,649)
Plus: Interest accrued in the current year	96,183
Less: Amortization of premiums, deferred amounts on bond refunding and issuance costs.	(41,395)
Total interest expense	<u>\$ 500,437</u>



CROTON-HARMON UNION FREE SCHOOL DISTRICT  
CROTON-ON-HUDSON, NEW YORK  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 8. PENSION PLANS.

Pension Obligations

New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems).

Plan Description and Benefits Provided

Teachers' Retirement System (TRS)

The District participates in the New York State Teachers' Retirement System (TRS). This is a cost-sharing multiple-employer retirement system. The System provides retirement benefits as well as, death and disability benefits to plan members and beneficiaries as authorized by the Education Law and the Retirement and Social Security Law of the State of New York. The System is governed by 10 member Board of Trustees. System benefits are established under New York State Law. Membership is mandatory and automatic for all full-time teachers, teaching assistance, guidance counselors and administrators employed in New York Public Schools and BOCES who elect to participate in TRS. Once a public employer elects to participate in the System, the elections 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. Additional information regarding the System, may be obtained by writing to the New York State Teachers' Retirement System, 10 Corporate Woods Drive, Albany, NY 12211-2395 or by referring to the NYSSTR Comprehensive Annual Financial report which can be found on the System's website at [www.nystrs.org](http://www.nystrs.org).

Employees' Retirement System (ERS)

The District participates in the New York State and Local Employees' Retirement System (ERS). This is a cost-sharing multiple-employer retirement system. The System provides retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund (the Fund), which was established to hold all net assets and record changes in plan net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. System benefits are established under the provisions of the New York State Retirement and Social Security Law (RSSL). Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The 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, including information with regard to benefits provided, may be found at [www.osc.state.ny.us/retire/publications/index.php](http://www.osc.state.ny.us/retire/publications/index.php) or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

CROTON-HARMON UNION FREE SCHOOL DISTRICT  
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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 8. PENSION PLANS. (Continued)

Contributions

The System is noncontributory except for employees who joined the New York State and Local Employees' Retirement System after July 27, 1976, who contribute 3 percent of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 who generally contribute 3 to 3.5 percent of their salary for their entire length of service. In addition, employee contribution rates under ERS tier VI vary based on a sliding salary computing the employers' contributions based on salaries paid during the Systems' fiscal year ending March 31. For TRS, contribution rates are established annually by the New York State Teachers' Retirement Board pursuant to Article 11 of the Education Law.

Contributions for the current year and two preceding years were equal to 100 percent of the contributions required, and were as follows:

<u>Year</u>	<u>NYSTRS</u>	<u>NYSERS</u>
2015 - 2016	\$ 2,216,682	\$ 837,997
2014 - 2015	2,808,337	986,549
2013 - 2014	2,550,311	975,049

ERS has provided additional disclosures through entities that elected to participate in Chapter 260, 57 and 105.

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

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

	<u>ERS</u>	<u>TRS</u>
Actuarial Valuation Date	March 31, 2016	June 30, 2015
Net pension asset/(liability)	\$ (3,048,584)	\$ 11,088,831
District's portion of the Plan's total net pension asset/(liability)	0.0189940%	0.106759%

At March 31, 2016, the District's proportion of the NYSERS net pension asset/ (liability) was a decrease of 0.0002913% from its proportion measured as of March 31, 2015.

At June 30, 2015, the District's proportion of the NYSTRS net pension asset/ (liability) was 0.0005750%, greater than its proportion measured as of June 30, 2014.

CROTON-HARMON UNION FREE SCHOOL DISTRICT  
CROTON-ON-HUDSON, NEW YORK  
NOTES TO FINANCIAL STATEMENTS  
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NOTE 8. PENSION PLANS. (Continued)

For the year ended June 30, 2016, the District's recognized pension expense of \$1,109,422 for ERS and (\$736,771) for TRS. At June 30, 2016 the District's reported deferred outflows of resources and deferred inflows of resources related to pensions for the following sources:

	Deferred Outflows of Resources		
	ERS	TRS	Total
Differences between expected and actual experience	\$ 15,405	\$ 0	\$ 15,405
Changes of Assumptions	812,965	0	812,965
Net difference between projected and actual earnings on pension plan investments	1,808,587	0	1,808,587
Changes in proportion and difference between the District's contributions and proportionate share of contributions	78,962	0	78,962
District's contributions subsequent to the measurement date	<u>197,667</u>	<u>2,218,570</u>	<u>2,416,237</u>
Total	<u>\$2,913,586</u>	<u>\$ 2,218,570</u>	<u>\$ 5,132,156</u>
	Deferred Inflows of Resources		
	ERS	TRS	Total
Differences between expected and actual experience	\$ 361,359	\$ 307,319	\$ 668,678
Changes of Assumptions	0	0	0
Net difference between projected and actual earnings on pension plan investments	0	3,505,237	3,505,237
Changes in proportion and difference between the District's contributions and proportionate share of contributions	6,254	25,462	31,716
District's contributions subsequent to the measurement date	<u>0</u>	<u>0</u>	<u>0</u>
Total	<u>\$ 367,613</u>	<u>\$ 3,838,018</u>	<u>\$ 4,205,631</u>

CROTON-HARMON UNION FREE SCHOOL DISTRICT  
CROTON-ON-HUDSON, NEW YORK  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 8. PENSION PLANS. (Continued)

District contributions subsequent to the measurement date which will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended:	ERS	TRS
2016	\$ 0	\$ (1,417,130)
2017	597,474	(1,417,130)
2018	597,474	(1,417,130)
2019	597,474	579,606
2020	555,884	(41,637)
Thereafter	0	(124,597)

Actuarial Assumptions

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

Significant actuarial assumptions used in the valuations were as follows:

	ERS	TRS
Measurement Date	March 31, 2016	June 30, 2015
Inflation Rate	2.5%	3.0%
Projected Salary Increases	3.8%	4.01% - 10.91%
		Rates of increase differ based on age and gender. Calculations have been based upon recent NYSTRS member experience
Age	Female	Male
25	10.35%	10.91%
35	6.26%	6.27%
45	5.39%	5.04%
55	4.42%	4.01%
Investment Rate of Return	7.00%	8.00%
	compounded annually, net of investment expense including inflation	compounded annually, net of net of investment expense including inflation

CROTON-HARMON UNION FREE SCHOOL DISTRICT  
CROTON-ON-HUDSON, NEW YORK  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 8. PENSION PLANS. (Continued)

Actuarial Assumptions (Continued)

Decrement Tables	April 1, 2010 - March 31, 2015 System's Experience	July 1, 2005 - June 30, 2010 System's Experience
Mortality Improvement	Society of Actuaries Scale MP-2014	Society of Actuaries Scale AA

The long term expected rate of return on pension plan investments was determined in accordance with Actuarial Standard of Practice (ASOP) No. 27, Selection of Economic Assumptions for Measuring Pension Obligations. ASOP No. 27 provides guidance on the selection of an appropriate assumed investment rate of return (expected returns, net of pension plan investment expense and inflation) for each major asset class as well as historical investment data and plan performance.

Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation are summarized below:

Measurement Date	ERS		Measurement Date	TRS	
	March 31, 2016			June 30, 2015	
	Target Allocation	Long-term expected real rate of return		Target Allocation	Long-term expected real rate of return
<u>Asset Class:</u>			<u>Asset Class:</u>		
Domestic Equity	38%	7.30%	Domestic Equities	37%	6.50%
International Equity	13%	8.55%	International Equities	18%	7.70%
Private Equity	10%	11.00%	Real Estate	10%	4.60%
Real Estate	8%	8.25%	Alternative investments	7%	9.90%
Absolute Return Strategies	3%	6.75%	Domestic fixed income securities	17%	2.10%
Opportunistic Portfolio	3%	8.60%	Global fixed income securities	2%	1.90%
Real Assets	3%	8.65%	Mortgages	8%	3.40%
Bonds and Mortgages	18%	4.00%	Short-term	1%	1.20%
Cash	2%	2.25%			
Inflation-indexed bonds	2%	4.00%	Total	100%	
Total	100%				

Discount Rate

The discount rate used to calculate the total pension liability was 7.0% for ERS and 8.0% for TRS. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.



CROTON-HARMON UNION FREE SCHOOL DISTRICT  
CROTON-ON-HUDSON, NEW YORK  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 8. PENSION PLANS. (Continued)

Actuarial Assumptions (Continued)

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

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

	1% Decrease 6.00%	Current Assumption 7.00%	1% Increase 8.00%
ERS			
Employer's Proportionate Share of the Net Pension Asset/(Liability)	\$ (6,874,336)	\$ (3,048,584)	\$ (184,013)
	1% Decrease 7.00%	Current Assumption 8.00%	1% Increase 9.00%
TRS			
Employer's Proportionate Share of the Net Pension Asset/(Liability)	(756,401)	11,088,831	21,190,327

Pension plan fiduciary net position

The components of the current-year net pension liability of the employers as of the measurement dates indicated below were as follows:

	(Dollars in Thousands)	
	ERS	TRS
Measurement Date	March 31, 2016	June 30, 2015
Employers' total pension asset/(liability)	\$ (172,303,544)	\$ (99,332,104)
Plan net position	156,253,265	109,718,917
Employer's net pension asset/(liability)	<u>\$ (16,050,279)</u>	<u>\$ 10,386,813</u>

Ratio of plan net position to the employers' total pension asset/(liability)	90.68%	110.46%
---	--------	---------

Payables to the Pension Plan

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31<sup>st</sup>. Accrued retirement contributions as of June 30, 2016 represent the projected employer contributions for the period of April 1, through June 30, 2016 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2016 amounted to \$197,667.

CROTON-HARMON UNION FREE SCHOOL DISTRICT  
CROTON-ON-HUDSON, NEW YORK  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 8. PENSION PLANS. (Continued)

Actuarial Assumptions (Continued)

Payables to the Pension Plan (Continued)

For TRS, employer and employee contributions for the fiscal year ended June 30, 2016 are paid to the System in September, October and November, 2016 through state aid intercept. Accrued retirement contributions as of June 30, 2016 based on paid TRS wages multiplied by the employer's contribution rate, by tier and employee contributions for the fiscal year as reported to the TRS system. Accrued retirement contributions as of June 30, 2016 amounted to \$2,354,348.

NOTE 9. INTERFUND BALANCES AND ACTIVITY.

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

	Interfund		Interfund	
	Receivable	Payable	Revenues	Expenditures
General Fund	\$ 233,366	\$ 0	\$ 0	\$ 3,998,504
Special Aid Fund	0	227,360	45,504	0
School Lunch Fund	0	0	0	0
Capital Fund	0	83	3,953,000	80,086
Debt Service Fund	83	0	80,086	0
Total Governmental Activities	233,449	227,443	4,078,590	4,078,590
Fiduciary Agency Fund	0	6,006	0	0
Totals	<u>\$ 233,449</u>	<u>\$ 233,449</u>	<u>\$ 4,078,590</u>	<u>\$ 4,078,590</u>

Interfund receivables and payables, other than between governmental activities and fiduciary funds, are eliminated on the Statement of Net Position. The District typically loans resources between funds for the purpose of mitigating the effects of transient cash flow issues. All interfund payables are expected to be repaid within one year.

The District typically transfers from the General Fund to the Special Aid Fund to fund the portion of the Summer Handicapped Program not funded by aid from New York State.

NOTE 10. POST-EMPLOYMENT BENEFITS.

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

GASB Statement #45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions* requires the District to calculate and record a net other post-employment benefit obligation at year-end. The net other post-employment benefit obligation is basically the cumulative difference between the actuarially required contribution and the actual contributions made.

CROTON-HARMON UNION FREE SCHOOL DISTRICT  
CROTON-ON-HUDSON, NEW YORK  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 10. POST-EMPLOYMENT BENEFITS. (Continued)

The District recognizes the cost of providing health insurance annually as expenditures in the General Fund of the funds financial statements as payments are made. For the year ended June 30, 2016 the District recognized \$611,784 for its share of insurance premiums for currently enrolled retirees.

The District has obtained an updated actuarial valuation report as of July 1, 2015. The total liability indicated in this report for other post-employment benefits as of June 30, 2016 made by the District is \$3,952,949, which is reflected in the Statement of Net Position.

Annual OPEB Cost and Net OPEB Obligation

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

Annual Required Contribution	\$ 1,595,748
Interest on Net OPEB Obligation	123,749
Adjustment to Annual Required Contribution	<u>(68,809)</u>
Annual OPEB Cost (Expense)	1,650,688
Contributions Made	<u>(611,784)</u>
Increase in Net OPEB Obligation	1,038,904
Net OPEB Obligation, June 30, 2015	<u>2,914,045</u>
Net OPEB Obligation, June 30, 2016	<u><u>\$ 3,952,949</u></u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2016 was as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2016	\$ 1,650,688	37.1%	\$ 3,952,949
June 30, 2015	1,240,483	60.9%	2,914,045
June 30, 2014	1,191,780	64.7%	2,474,974

CROTON-HARMON UNION FREE SCHOOL DISTRICT  
CROTON-ON-HUDSON, NEW YORK  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 10. POST-EMPLOYMENT BENEFITS. (Continued)

Funded Status and Funding Progress

The District has a full actuarial valuation performed every two years. The most recent full valuation was July 1, 2015. For the years where a full valuation is not performed, the District's actuaries provide a rolled forward valuation.

As of July 1, 2015, the most recent valuation date, the plan was not funded. The actuarial accrued liability for benefits was \$24,699,527. Because the plan was not funded, this resulted in an unfunded actuarial accrued liability (UAAL) of \$24,699,527. Because benefits are not based on payroll, covered payroll and the ratio of the UAAL to covered payroll were not provided in the actuarial valuation. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

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

In the July 1, 2015 valuation, the projected unit credit method was used. The actuarial assumptions included an annual healthcare cost trend rate of 7% initially, reduced by decrements to an ultimate rate of 4% after 6 years. Both rates included a 4.5% inflation assumption. The UAAL is being amortized as a fixed dollar closed amortization basis. The remaining amortization period for the initial UAAL at June 30, 2016, was 22 years.

NOTE 11. RISK MANAGEMENT.

General Information

The District is exposed to various risks of loss related to torts, theft, damage, injuries, errors and omissions, natural disasters, and other risks. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past two years.

CROTON-HARMON UNION FREE SCHOOL DISTRICT  
CROTON-ON-HUDSON, NEW YORK  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 11. RISK MANAGEMENT

Pool, Non-Risk Retained

The District participates in Putnam/Northern Westchester Health Consortium, a non-risk-retained public entity risk pool for its employee health and accident insurance coverage. The pool is operated for the benefit of 14 individual governmental units located within the pool's geographic area, and is considered a self-sustaining risk pool that will provide coverage for its members. The District has essentially transferred all related risk to the pool.

Self-Insurance Plan

The District participates in the Putnam Northern Westchester School Cooperative Workers Compensation Self-Insurance Plan, a risk-sharing pool, to insure Workers' Compensation claims. This is a public entity risk pool created under Article 5 of the Workers' Compensation Law, to finance liability and risks related to Workers' Compensation claims. The total undiscounted liability for the Plan as of June 30, 2016, was \$25,857,817. For June 30, 2016, the plan had assets in excess of the liability.

Other Contingencies

The District has several claims that are currently being litigated with the support of legal counsel. The results of this litigation are unknown at this time.

NOTE 12. COMMITMENTS AND CONTINGENCIES.

The District has received grants, which are subject to audit by agencies of the state and federal governments. Such audits may result in disallowances and a request for a return of funds. Based on prior years' experience, the District's administration believes disallowances, if any, will be immaterial.

Encumbrances represent contracts, purchase orders, payroll commitments, tax payables, or legal penalties that are chargeable to an account. They cease to be encumbrances when paid or when the actual liability amount is determined and recorded as an expenditure. Encumbrances of appropriations of budgets for the year ended June 30, 2016 have been included in the assigned fund balance of the General Fund in the amount of \$597,440.

NOTE 13. DONOR-RESTRICTED ENDOWMENTS.

The District administers endowment funds, which are restricted by the donor for the purpose of student scholarships and awards. The District authorizes expenditures from donor-restricted endowments in compliance with the wishes expressed by the donor, which varies among the unique endowments administered by the District.

NOTE 14. RECLASSIFICATIONS.

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation.



CROTON-HARMON UNION FREE SCHOOL DISTRICT  
CROTON-ON-HUDSON, NEW YORK  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 15. FUND BALANCE.

Portions of fund balances are reserved and not available for current expenses or expenditures, as reported in the Governmental Fund Balance Sheet.

NOTE 16. SUBSEQUENT EVENTS.

The District has evaluated subsequent events through September 15, 2016 the date that the financial statements were available to be issued. No significant subsequent events have been identified that would require adjustment of or disclosure in the accompanying financial statements.

CROTON-HARMON UNION FREE SCHOOL DISTRICT  
CROTON-ON-HUDSON, NEW YORK  
SCHEDULE OF FUNDING PROGRESS FOR OTHER POSTEMPLOYMENT BENEFITS  
FOR THE YEAR ENDED JUNE 30, 2016

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
7/1/2015	\$ 0	\$ 24,699,527	\$ 24,699,527	0.00%	\$ 23,258,087	106.20%
7/1/2013	\$ 0	\$ 19,174,561	\$ 19,174,561	0.00%	\$ 22,055,011	86.94%
7/1/2011	\$ 0	\$ 17,331,290	\$ 17,331,290	0.00%	\$ 20,708,187	83.69%

In accordance with GASB Statement 45, the District is required to have an actuarial valuation done biennially. Rolled over valuations are prepared for the years that full actuarial valuations are not completed.

See paragraph on supplementary schedules included in auditor's report.

CROTON-HARMON UNION FREE SCHOOL DISTRICT  
CROTON-ON-HUDSON, NEW YORK  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2016

	ORIGINAL BUDGET	REVISED BUDGET	CURRENT YEAR'S REVENUES	OVER (UNDER) REVISED BUDGET
<u>REVENUES</u>				
LOCAL SOURCES:				
Real Property Taxes	\$ 33,590,968	\$ 33,590,968	\$ 33,590,968	\$ 0
Other Tax Items	4,900,739	4,900,739	4,900,739	0
Non Property Taxes	480,000	480,000	496,489	16,489
Charges for Services	185,500	185,500	203,465	17,965
Use of Money & Property	94,070	94,070	91,422	(2,648)
Sale of Property & Compensation for Loss	10,000	10,000	18,824	8,824
Miscellaneous	138,996	145,428	190,452	45,024
STATE SOURCES	4,975,727	4,975,727	4,791,763	(183,964)
FEDERAL SOURCES	0	0	10,411	10,411
TOTAL REVENUES	44,376,000	44,382,432	\$ 44,294,533	\$ (87,899)
APPROPRIATED FUND BALANCE	2,328,421	6,194,879		
TOTAL REVENUES & APPROPRIATED FUND BALANCE	\$ 46,704,421	\$ 50,577,311		

See paragraph on supplementary schedules included in auditor's report.

CROTON-HARMON UNION FREE SCHOOL DISTRICT

CROTON-ON-HUDSON, NEW YORK

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2016

	ORIGINAL BUDGET	REVISED BUDGET	CURRENT YEAR'S EXPENDITURES	ENCUMBRANCES	UNENCUMBERED BALANCE
<u>EXPENDITURES</u>					
GENERAL SUPPORT:					
Board of Education	\$ 69,800	\$ 54,800	\$ 39,774	\$ 0	\$ 15,026
Central Administration	344,049	345,112	333,187	0	11,925
Finance	665,395	619,350	553,369	14,320	51,661
Staff	481,859	425,006	295,639	0	129,367
Central Services	4,212,027	4,393,556	3,842,690	365,642	185,224
Special Items	619,292	561,746	559,020	0	2,726
INSTRUCTIONAL:					
Instruction, Administration & Improvement	1,980,816	1,917,341	1,737,401	9,200	170,740
Teaching - Regular School	12,872,173	12,905,729	12,287,410	24,910	593,409
Programs for Children with Handicapping Conditions	5,166,612	5,106,278	4,554,819	32,500	518,959
Occupational Education	273,730	273,730	273,730	0	0
Teaching - Special Schools	303,645	306,545	185,208	0	121,337
Instructional Media	1,501,205	1,584,872	1,507,928	19,165	57,779
Pupil Services	2,516,378	2,521,840	2,303,327	6,047	212,466
PUPIL TRANSPORTATION	2,552,101	2,604,280	2,186,329	125,656	292,295
EMPLOYEE BENEFITS	9,420,140	9,406,927	7,944,100	0	1,462,827
DEBT SERVICE:					
Debt Service - Principal	2,952,500	2,952,500	2,952,498	0	2
Debt Service - Interest	564,699	564,699	564,668	0	31
TOTAL EXPENDITURES	46,496,421	46,544,311	42,121,097	597,440	3,825,774
OTHER USES:					
Operating Transfers Out	208,000	4,033,000	3,998,504	0	34,496
TOTAL EXPENDITURES & OTHER USES	\$ 46,704,421	\$ 50,577,311	46,119,601	\$ 597,440	\$ 3,860,270
EXCESS OF REVENUES & OTHER SOURCES OVER EXPENDITURES & OTHER USES			\$ (1,825,068)		

See paragraph on supplementary schedules included in auditor's report.

CROTON-HARMON UNION FREE SCHOOL DISTRICT  
CROTON-ON-HUDSON, NEW YORK  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE  
SHARE OF THE NET PENSION LIABILITY  
FOR THE YEAR ENDED JUNE 30, 2016

NYSERS Pension Plan  
Last 10 Fiscal Years\*

	<u>3/31/2016</u>	<u>3/31/2015</u>	<u>3/31/2014</u>
District's proportion of the net pension asset/(liability)	0.0189940%	0.0192853%	0.0192853%
District's propoortionate share of the net pension asset/(liability)	(3,048,584)	(651,504)	(871,475)
District's covered-employee payroll	5,024,641	5,406,703	5,187,625
District's proportionate share of the net pension asset/(liability) as a percentage of its covered-employee payroll	-60.67%	-12.05%	-16.80%
Plan fiduciary net position as a percentage of the total pension liability	90.68%	97.95%	97.15%

NYSTRS Pension Plan  
Last 10 Fiscal Years\*

NYSTRS Pension Plan information below is presented as of June 30, 2015, the most recent valuation date.

	<u>6/30/2015</u>	<u>6/30/2014</u>	<u>6/30/2013</u>
District's proportion of the net pension asset/(liability)	0.106759%	0.106184%	0.104744%
District's propoortionate share of the net pension asset/(liability)	11,088,831	11,828,204	689,482
District's covered-employee payroll	16,036,612	15,684,989	15,342,745
District's proportionate share of the net pension asset/(liability) as a percentage of its covered-employee payroll	69.15%	75.41%	4.49%
Plan fiduciary net position as a percentage of the total pension liability	110.46%	111.48%	100.70%

\* GASB 68 requires that the past 10 years of information be presented. Due to the fact that this is the second year of implementation prior year information is only available for 2 years. The data will be accumulated over time and presented according to GASB 68.

See paragraph on supplementary schedules included in auditor's report.



CROTON-HARMON UNION FREE SCHOOL DISTRICT  
CROTON-ON-HUDSON, NEW YORK  
SCHEDULE OF DISTRICT CONTRIBUTIONS  
FOR THE YEAR ENDED JUNE 30, 2016

NYSERS Pension Plan  
Last 10 Fiscal Years\*

	<u>3/31/2016</u>	<u>3/31/2015</u>	<u>3/31/2014</u>
Contractually required contribution	\$ 892,278	\$ 986,549	\$ 975,049
Contributions in relation to the contractually required contribution	<u>892,278</u>	<u>986,549</u>	<u>975,049</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Employee Payroll	5,024,641	5,406,703	5,187,625
Contributions as a percentage of its covered-employee payroll	17.76%	18.25%	18.80%

NYSTRS Pension Plan  
Last 10 Fiscal Years\*

NYSTRS Pension Plan information below is presented as of June 30, 2015, the most recent valuation date.

	<u>6/30/2015</u>	<u>6/30/2014</u>	<u>6/30/2013</u>
Contractually required contribution	2,811,218	\$ 2,548,811	\$ 1,816,581
Contributions in relation to the contractually required contribution	<u>2,811,218</u>	<u>2,548,811</u>	<u>1,816,581</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Employee Payroll	16,036,612	15,684,989	15,342,745
Contributions as a percentage of its covered-employee payroll	17.53%	16.25%	11.84%

\* GASB 68 requires that the past 10 years of information be presented. Due to the fact that this is the second year of implementation prior year information is only available for 2 years. The data will be accumulated over time and presented according to GASB 68.

See paragraph on supplementary schedules included in auditor's report.

CROTON-HARMON UNION FREE SCHOOL DISTRICT  
CROTON-ON-HUDSON, NEW YORK  
SCHEDULE OF CHANGE FROM ADOPTED BUDGET TO REVISED BUDGET &  
USE OF UNASSIGNED FUND BALANCE - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2016

CHANGE FROM ADOPTED TO REVISED BUDGET

ADOPTED BUDGET	\$ 46,076,000
ADDITIONS:	
Encumbrances from Prior Year	628,421
ORIGINAL BUDGET	46,704,421
BUDGET REVISIONS:	
Capital Reserve	3,825,000
Employee Benefit Accrued Liability	41,459
Transportation Reimbursement	2,800
Donations	3,631
REVISED BUDGET	\$ 50,577,311

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2016–2017 Voter-approved expenditure budget maximum allowed	
(4% of 2016–2017 budget, \$45,905,975)	\$ 1,836,239

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

Unrestricted Fund Balance:

Assigned Fund Balance	\$ 1,523,456
Unassigned Fund Balance	1,867,887
Total Unrestricted Fund Balance	\$ 3,391,343

Less:

Appropriated Fund Balance	\$ 926,016
Encumbrances Included in Assigned Fund Balance	597,440
Total Adjustments	\$ 1,523,456

General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law	\$ 1,867,887
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Actual Percentage	4.07%
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See paragraph on supplementary schedules included in auditor's report.

CROTON-HARMON UNION FREE SCHOOL DISTRICT  
CROTON-ON-HUDSON, NEW YORK  
SCHEDULE OF CAPITAL PROJECTS FUND - PROJECT EXPENDITURES AND FINANCING RESOURCES  
FOR THE YEAR ENDED JUNE 30, 2016

	ORIGINAL APPROPRIATION	REVISED APPROPRIATION	EXPENDITURES TO DATE			UNEXPENDED BALANCE	METHODS OF FINANCING			FUND BALANCE JUNE 30, 2016
			PRIOR YEARS	CURRENT YEAR	TOTAL		PROCEEDS FROM DEBT	STATE SOURCES	LOCAL SOURCES	
05/06 Bus Purchases	\$ 243,300	\$ 243,300	\$ 232,890	\$ 10,410	\$ 243,300	\$ 0	\$ 0	\$ 0	\$ 243,300	\$ 243,300
06/07 Bus Purchases	159,600	159,600	159,438	162	159,600	0	0	0	159,600	159,600
Excel Project	539,975	541,644	530,646	10,998	541,644	0	0	431,669	109,975	541,644
09/10 Bus Purchases	215,000	215,000	156,484	58,516	215,000	0	0	0	215,000	215,000
Science Labs	400,000	797,947	787,872	0	787,872	10,075	0	0	797,947	10,075
Roof Projects & Related Asbestos	3,600,000	3,212,988	3,212,988	0	3,212,988	0	0	0	3,587,142	374,154
12-13 Building Improvements	3,400,000	3,676,802	3,443,653	0	3,443,653	233,149	0	0	3,689,660	246,007
13-15 Building Improvements	34,000	4,081,000	183,558	3,990,767	4,174,325	(93,325)	0	0	4,081,000	(93,325)
11/12 Bus Purchases*	115,000	115,000	112,074	0	112,074	2,926	0	0	89,660	(22,414)
12/13 Bus Purchases*	317,063	317,063	317,063	0	317,063	0	0	0	190,236	190,236
13/14 Bus Purchases*	314,243	314,243	314,243	0	314,243	0	0	0	125,698	(188,545)
14/15 Bus Purchases*	310,000	281,000	281,000	0	281,000	0	0	0	56,200	(224,800)
15/16 Bus Purchases*	255,000	255,000	0	255,000	255,000	0	0	0	0	(255,000)
	\$ 9,903,181	\$ 14,210,587	\$ 9,731,909	\$ 4,325,853	\$14,057,762	\$ 152,825	\$ 0	\$ 431,669	\$ 13,345,418	\$ 13,777,087
										\$ (280,675)

\* Funding for these projects will be provided when bond anticipation notes are redeemed from General Fund appropriations.

\*\* Additional funding may be provided by a transfer from another project or the General Fund.

See paragraph on supplementary schedules included in auditor's report.

CROTON-HARMON UNION FREE SCHOOL DISTRICT  
CROTON-ON-HUDSON, NEW YORK  
NET INVESTMENT IN CAPITAL ASSETS  
FOR THE YEAR ENDED JUNE 30, 2016

CAPITAL ASSETS, NET		\$ 53,950,914
ADD:		
Deferred Charges Bond Related		436,537
		<u>54,387,451</u>
DEDUCT:		
Bond Anticipation Note	\$ 817,585	
Short-term Portion of Bonds Payable	2,802,961	
Long-term Portion of Bonds Payable	10,077,718	
Short-term Portion of Installment Debt	192,988	
Long-term Portion of Installment Debt	<u>2,499,293</u>	
Total Bonds Payable	16,390,545	
Related Debt		<u>(16,390,545)</u>
NET INVESTMENT IN CAPITAL ASSETS		<u><u>\$ 37,996,906</u></u>

See paragraph on supplementary schedules included in auditor's report.



**Nugent & Haeussler, P.C.**  
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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON  
AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the fiduciary funds of Croton-Harmon Union Free School District, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Croton-Harmon Union Free School District's basic financial statements and have issued our report thereon dated September 15, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Croton-Harmon Union Free School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Croton-Harmon Union Free School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Croton-Harmon Union Free School District's internal control.

*A deficiency in internal control* exists when the design or operation of control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we considered to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Julia R. Fraino, CPA  
William T. Trainor, CPA  
Mark M. Levy, CPA, CFP  
Thomas R. Busse, Jr., CPA  
Brent T. Napoleon, CPA  
Jennifer L. Capicchioni, CPA

Patrick M. Bullis, CPA  
Richard P. Capicchioni, CPA  
Walter J. Jung, CPA  
Jennifer A. Traverse, CPA  
Justin B. Wood, CPA



Compliance and Other Matters

As part of obtaining reasonable assurance about whether Croton-Harmon Union Free School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Nugent & Haeussler, P.C.*

Montgomery, New York  
September 15, 2016



**Nugent & Haeussler, P.C.**  
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## INDEPENDENT AUDITOR'S REPORT

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

### **Report on Financial Statements**

We have audited the accompanying financial statement of the Croton-Harmon Union Free School District's extraclassroom activity funds, which comprise the statement of assets, liabilities, and fund balance-cash basis as of June 30, 2016, and the related statement of receipts and disbursements-cash basis for the year then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error or fraud.

### **Auditor's Responsibility**

Our responsibility is to express an opinion 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. 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 opinion.

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### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets liabilities and fund balance-cash basis of the extraclassroom activity funds of the Croton-Harmon Union Free School District as of June 30, 2016, and its cash receipts and cash disbursements for the year then ended, on the basis of accounting described in Note #1.

### **Basis of Accounting**

We draw your attention to Note #1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to the matter.

*Nugent & Haeussler, P.C.*

Montgomery, New York  
September 15, 2016

CROTON-HARMON UNION FREE SCHOOL DISTRICT  
CROTON-ON-HUDSON, NEW YORK  
EXTRACLASROOM ACTIVITY FUND  
STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCE - CASH BASIS  
JUNE 30, 2016

ASSETS

Cash in Checking	\$ 94,196
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LIABILITIES AND FUND BALANCE

LIABILITIES

Sales Tax Payable	\$ 1,098
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FUND BALANCE

Fund Balance, Beginning of Year	68,360
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Excess of Receipts over Disbursements	24,738
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Fund Balance, End of Year	93,098
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TOTAL LIABILITIES AND FUND BALANCE	\$ 94,196
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See notes to financial statement.

CROTON-HARMON UNION FREE SCHOOL DISTRICT  
CROTON-ON-HUDSON, NEW YORK  
EXTRACLASROOM ACTIVITY FUNDS  
SUMMARY OF RECEIPTS & DISBURSEMENTS - CASH BASIS  
FOR THE YEAR ENDED JUNE 30, 2016

	FUND BALANCE JUNE 30, 2015	RECEIPTS	DISBURSEMENTS	FUND BALANCE JUNE 30, 2016
Art Club	\$ 826	\$ 90	\$ 38	\$ 878
Book Club	474	0	0	474
Cacti	50	100	0	150
Chinese Club	505	2,390	842	2,053
Chorus	108	165	0	273
Class Of 2015	1,415	0	1,415	0
Class Of 2016	1,477	16,020	16,841	656
Class Of 2017	1,537	10,891	10,883	1,545
Class Of 2018	1,246	9,821	10,345	722
Class Of 2019	0	790	0	790
Community Service & Interact	1,354	0	0	1,354
Drama Club	1,852	1,794	610	3,036
Explorer Club	2	222	0	224
Fourth Floor Literary Magazine	346	0	105	241
French Club	1,193	0	22	1,171
Green Team	622	0	0	622
GSA	383	0	0	383
Humans Rights Task Force	380	0	0	380
La Rochelle	3,324	53,820	50,275	6,869
National Honor Society	2,081	0	0	2,081
PI Squad	84	0	0	84
Teen Leadership Council	1,879	2,074	650	3,303
Shakespeare Club	2,429	1,350	1,184	2,595
Spanish Club	497	0	0	497
Spanish Exchange	2,585	0	0	2,585
Spirit Club	596	0	0	596
Spring Musical	1,563	5,165	6,699	29
Tiger Tales	5,024	7,214	0	12,238
Student Faculty Congress	6,141	747	2,243	4,645
PVC Destination Imagination	9,719	33,547	19,726	23,540
PVC Drama Club	9,030	3,160	4,724	7,466
PVC Social Action	94	299	299	94
PVC Student Council	6,332	1,387	3,520	4,199
PVC Yearbook	3,212	3,630	116	6,726
PVC School Store	0	624	102	522
PVC Math II Club	0	250	173	77
	<u>\$ 68,360</u>	<u>\$ 155,550</u>	<u>\$ 130,812</u>	<u>\$ 93,098</u>

See notes to financial statement.



CROTON-HARMON UNION FREE SCHOOL DISTRICT  
CROTON-ON-HUDSON, NEW YORK  
EXTRAClassroom Activity Funds  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.

- (a) The transactions of the Extraclassroom Activity Funds are considered part of the reporting entity of the Croton-Harmon Union Free School District. We have included the Extraclassroom Activity Fund balances within the fiduciary funds of the financial statements. The separate audit report of the Extraclassroom Activity Funds is required due to the fact that the transactions of this fund are controlled by student management.
- (b) The books and records of the Croton-Harmon Union Free School District's Extraclassroom Activity Funds are maintained on the cash basis of accounting. Under this basis of accounting, revenues are recognized when cash is received and expenditures recognized when cash is disbursed.
- (c) The Extraclassroom Activity Funds are used to record the activity of all student-related activities within the District. These funds are under the control of an appointed central treasurer who maintains cash receipts and cash disbursement books. All receipts are collected by the student activity treasurer and disbursements must be approved by the student management.