

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

AUDIT REPORT FOR THE FISCAL YEAR ENDED  
JUNE 30, 2012  
INCLUDING REPORTS ON FEDERAL AWARDS  
AND EXTRACLASSROOM ACTIVITY FUNDS

CROTON-HARMON UNION FREE SCHOOL DISTRICT  
CROTON-ON-HUDSON, NEW YORK  
JUNE 30, 2012  
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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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the fiduciary funds of the Croton-Harmon Union Free School District, as of and for the year ended June 30, 2012, which collectively comprise the Croton-Harmon Union Free School District's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Croton-Harmon Union Free School District's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 fiduciary funds of the Croton-Harmon Union Free School District, as of June 30, 2012, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated October 1, 2012 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 13 and 50 through 52 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Croton-Harmon Union Free School District's financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The schedule of expenditures of federal awards is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The supplemental schedules on pages 53 through 56 were required by the New York State Education Department. All of the supplemental schedules have been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Respectfully submitted,



October 1, 2012

## 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, 2012. 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 government-wide and fund-based financial statements. The results of the current year are discussed in comparison with the prior year, with an emphasis placed on the current year. This section is only an introduction and should be read in conjunction with the District's financial statements, which immediately follow this section.

#### **Financial Highlights**

Key financial highlights for the fiscal year ended June 30, 2012 are as follows:

- The District's actual expenditures and encumbrances were less than the revised budgeted expenditures by \$4,530,527. This was due to the following key factors:
  - A conservative approach to budgeting which took into account the worst case scenario in all cases. Utility costs remained lower than anticipated and were kept low due to the savings from the Energy Performance Contract.
  - The use of \$417,635 of grant money to pay salaries and benefits. This includes \$233,761 that the District received from Education Jobs Fund under the American Recovery and Reinvestment Act (ARRA).
  - MTA tax reimbursement of over \$65,441.
- The voters approved a second Capital Reserve Fund on May 17, 2011. In January 2012, the District received voter approval to spend up to \$3.4M in bus loop reconfiguration, masonry repointing and repair/upgrades to alarm systems and emergency lighting. Due to SED delay, the work has been set back until the summer of 2013. All of the work will be done without any bonding.
- The Croton-Harmon School District belongs to a health insurance consortium which helps to contain costs of premium rate increases. The rates have increased 3% each of the last two years which is far below many other plan.
- The District also belongs to a Workers' Compensation consortium which has helped to mitigate increases by averaging the increases in premium costs among the 19 participating districts. The consortium has helped the district save over \$500,000 over the state plan since 1984.
- Serial Bonds originally issued in 2003 were advanced refunded in July 2011. This transaction will save the district over \$300,000 over the next 10 years.

#### **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.

CROTON-HARMON UNION FREE SCHOOL DISTRICT

**Management Discussion and Analysis  
(Continued)**

**Overview of the Financial Statements (Continued)**

- *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.

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 Assets</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 Assets</li> <li>• Statement of Changes in Fiduciary Net Assets</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/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/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

## CROTON-HARMON UNION FREE SCHOOL DISTRICT

### **Management Discussion and Analysis (Continued)**

#### **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 assets 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 assets 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 assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the District's overall health, you need to consider additional 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 assets at June 30, 2012 are \$39,014,014. This is a \$3,304,822 increase from last year's net assets of \$35,709,192, as adjusted. The following table provides a summary of the District's net assets:

Summary of Net Assets

	<u>School District Activities</u>	
	<u>June 30, 2012</u>	<u>June 30, 2011</u>
Current Assets	\$ 18,584,538	20,221,225
Capital Assets, Net	51,895,937	48,729,631
Total Assets	<u>70,480,475</u>	<u>68,950,856</u>
Current Liabilities	5,940,474	6,006,111
Long-Term Debt Outstanding	25,525,987	27,235,553
Total Liabilities	<u>31,466,461</u>	<u>33,241,664</u>
Net Assets:		
Invested in Capital Assets, Net of Related Debt	25,929,695	19,677,656
Restricted	10,402,912	6,502,558
Unrestricted	2,681,407	9,528,978
Total Net Assets	<u>\$ 39,014,014</u>	<u>\$ 35,709,192</u>

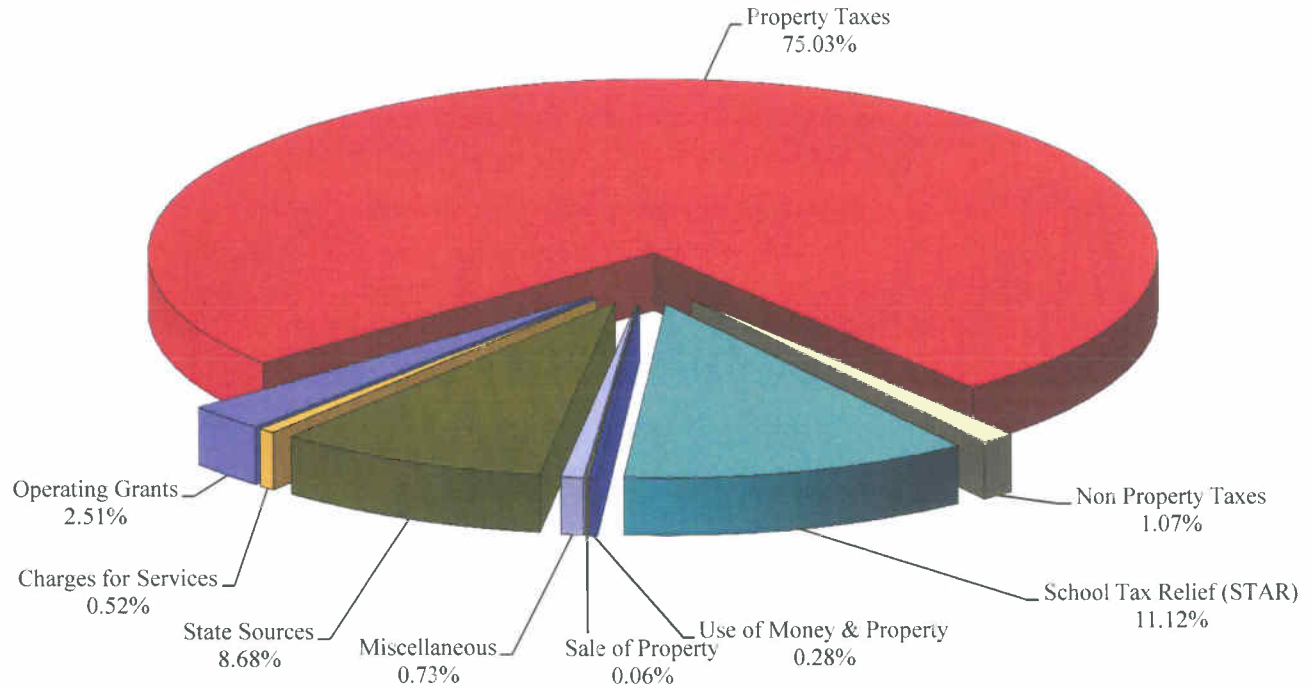
The following table and supporting graphs provides a summary of revenues, expenses and changes in net assets for the year ended June 30, 2012:

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

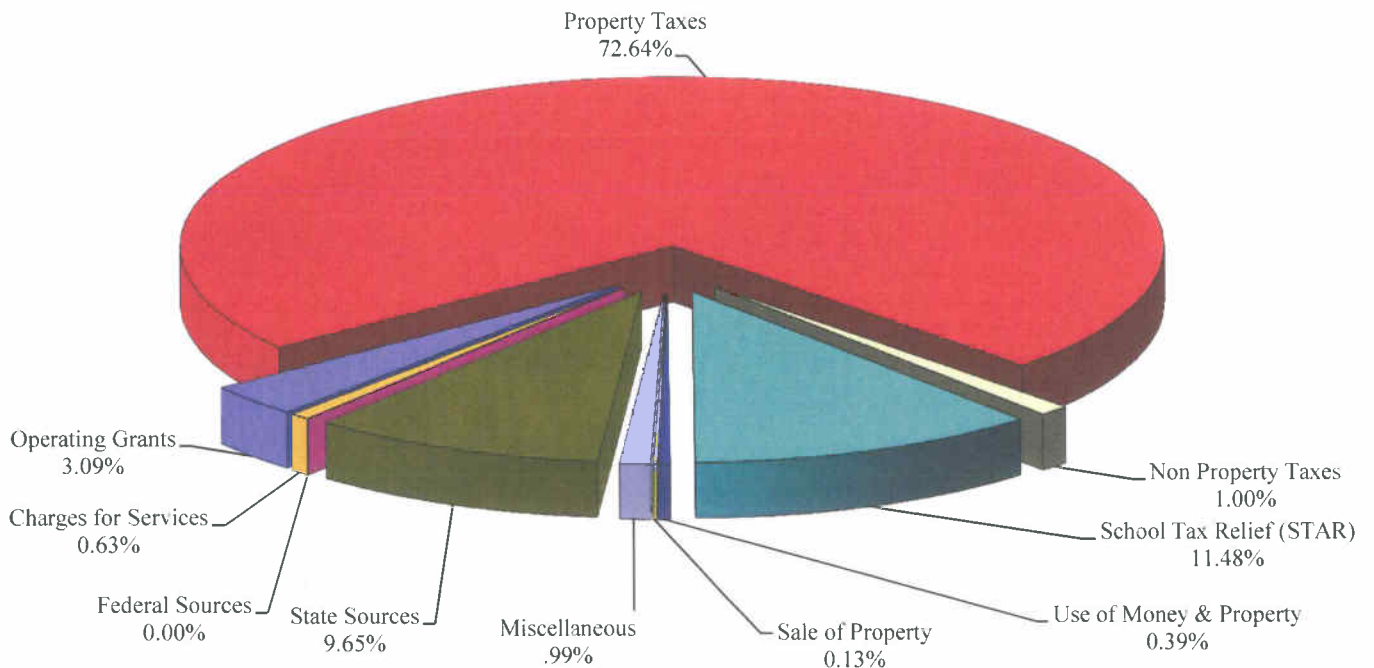
	<u>JUNE 30, 2012</u>	<u>%</u>	<u>JUNE 30, 2011</u>	<u>%</u>
<u>REVENUES</u>				
PROGRAM REVENUES:				
Charges for Services	\$ 216,712	0.52%	\$ 266,623	0.63%
Operating Grants	1,052,847	2.51%	1,306,613	3.09%
GENERAL REVENUES:				
Property Taxes	31,516,745	75.00%	30,701,194	72.63%
Non Property Taxes	450,566	1.07%	420,719	1.00%
School Tax Relief (STAR)	4,670,165	11.11%	4,850,841	11.48%
Use of Money & Property	116,695	0.28%	165,758	0.39%
Sale of Property	26,559	0.06%	54,154	0.13%
Miscellaneous	305,813	0.73%	428,038	1.01%
State Sources	3,647,832	8.68%	4,076,856	9.64%
Federal Sources	18,578	0.04%	0	0.00%
TOTAL REVENUES	<u>42,022,512</u>	100.00%	<u>42,270,796</u>	100.00%
<u>EXPENSES</u>				
General Support	4,583,475	11.84%	5,061,020	13.29%
Instruction	22,043,367	56.92%	21,672,179	56.88%
Pupil Transportation	2,201,607	5.69%	2,072,208	5.44%
Employee Benefits	7,567,887	19.55%	6,800,762	17.85%
Debt Service Interest	913,246	2.36%	988,682	2.60%
Depreciation	1,366,473	3.53%	1,459,731	3.83%
School Lunch Program	41,635	0.11%	40,402	0.11%
TOTAL EXPENSES	<u>38,717,690</u>	100.00%	<u>38,094,984</u>	100.00%
INCREASE (DECREASE) IN NET ASSETS	<u>\$ 3,304,822</u>		<u>\$ 4,175,812</u>	

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

**SOURCES OF REVENUES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

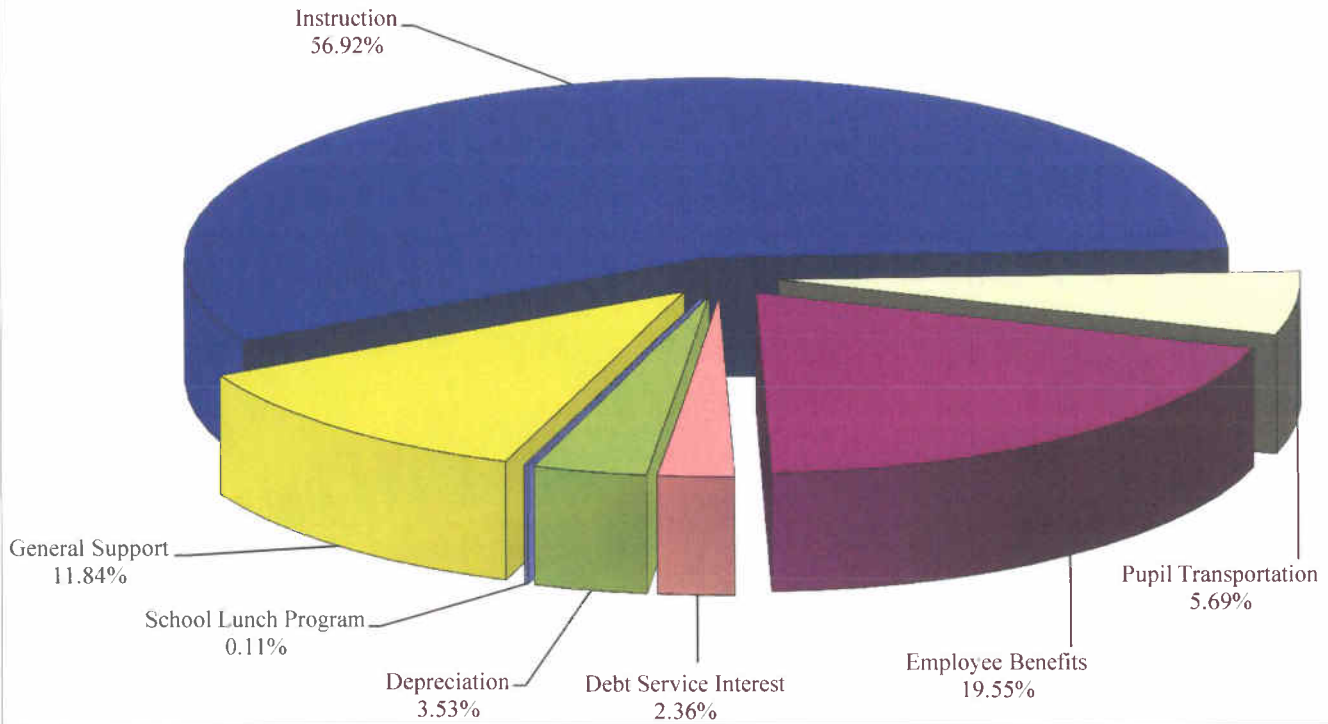


**SOURCES OF REVENUES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

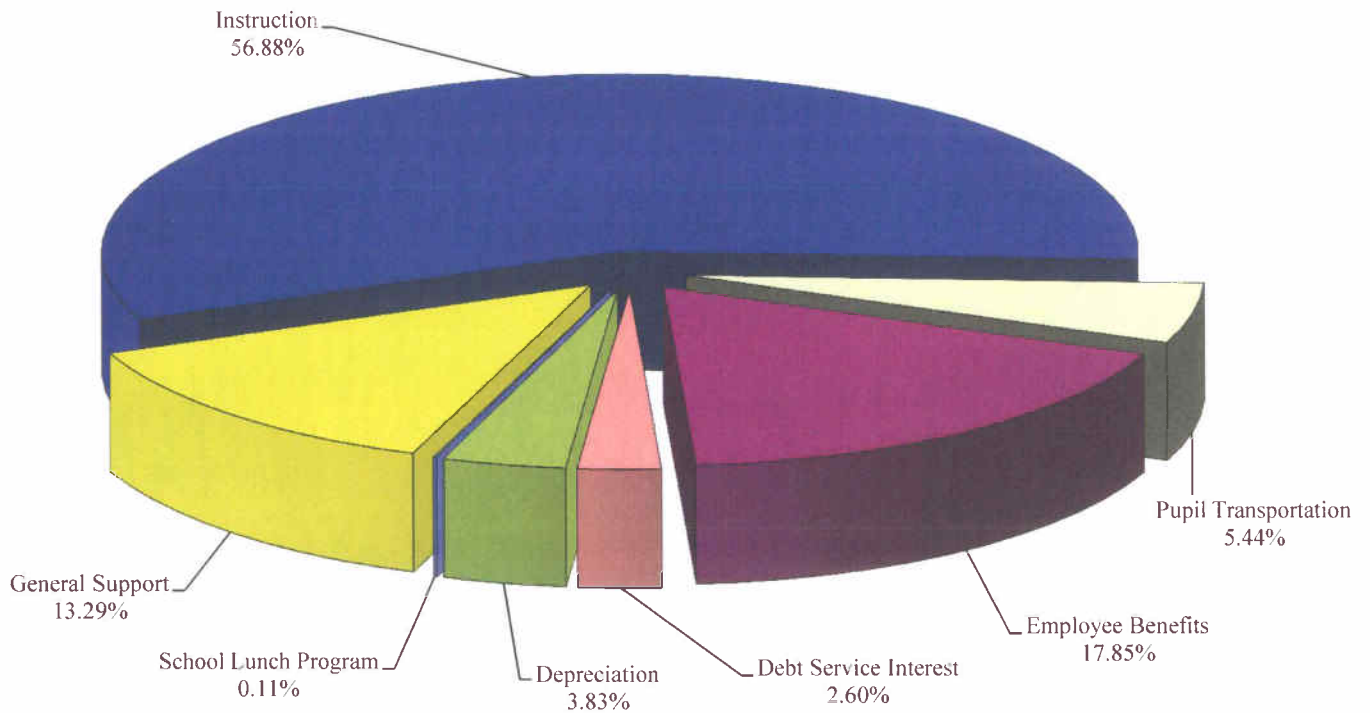


CROTON-HARMON UNION FREE SCHOOL DISTRICT  
CROTON-ON-HUDSON, NEW YORK

**EXPENSES FOR THE FISCAL YEAR ENDED JUNE 30, 2012**



**EXPENSES FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

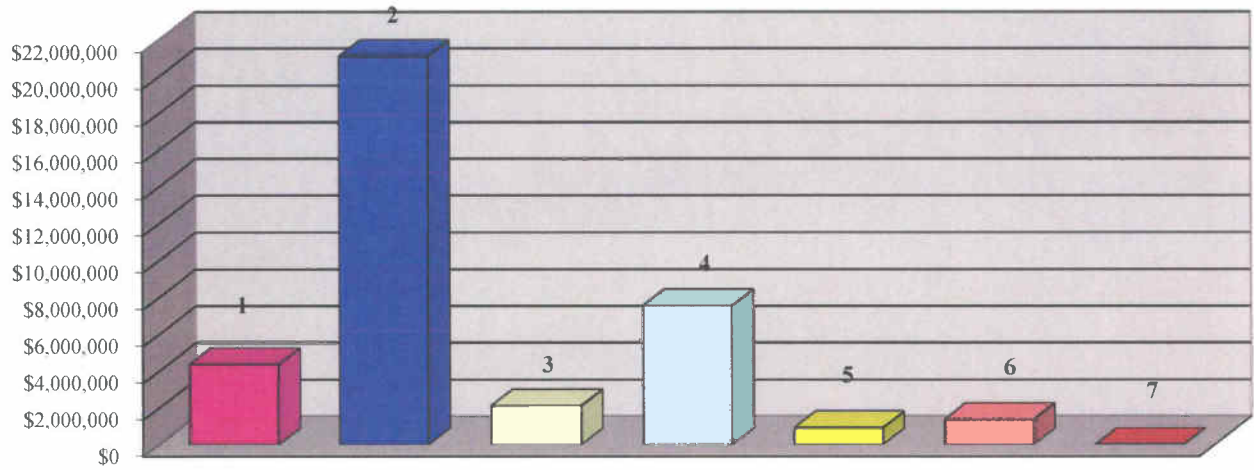


CROTON-HARMON UNION FREE SCHOOL DISTRICT  
CROTON-ON-HUDSON, NEW YORK  
STATEMENT OF ACTIVITIES  
NET COSTS

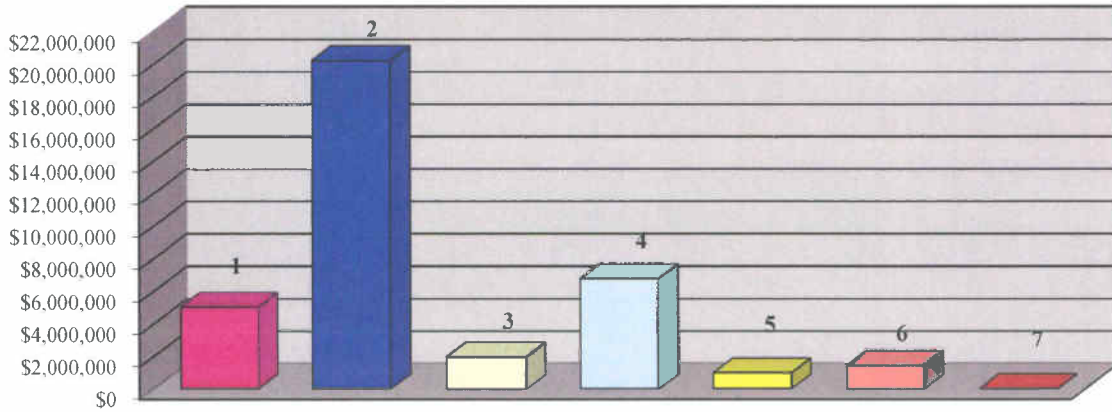
The following information is provided to disclose the net cost of governmental activities:

		TOTAL COST OF SERVICES 2011-2012	NET COST OF SERVICES 2011-2012	TOTAL COST OF SERVICES 2010-2011	NET COST OF SERVICES 2010-2011
General Support	1	\$ 4,583,475	\$ 4,357,295	\$ 5,061,020	\$ 5,033,007
Instruction	2	22,043,367	21,124,937	21,672,179	20,236,613
Pupil Transportation	3	2,201,607	2,114,570	2,072,208	1,999,302
Employee Benefits	4	7,567,887	7,567,887	6,800,762	6,800,762
Debt Service - Interest	5	913,246	913,246	988,682	988,682
Depreciation	6	1,366,473	1,366,473	1,459,731	1,459,731
School Lunch Program	7	41,635	3,723	40,402	3,651
		<u>\$ 38,717,690</u>	<u>\$ 37,448,131</u>	<u>\$ 38,094,984</u>	<u>\$ 36,521,748</u>

**NET COSTS 2011-2012**



**NET COSTS 2010-2011**



## 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, 2012			
	<u>Nonspendable</u>	<u>Restricted</u>	<u>Assigned</u>	<u>Unassigned</u>
General	\$ 0	\$ 9,800,842	\$ 2,327,062	\$ 1,983,393
Special Aid	0	0	41,831	0
School Lunch	0	0	59,065	0
Capital Projects	0	0	0	(3,855)
Debt Service	0	602,070	0	0

	June 30, 2011			
	<u>Nonspendable</u>	<u>Restricted</u>	<u>Assigned</u>	<u>Unassigned</u>
General	\$ 211,373	\$ 5,920,783	\$ 2,484,425	\$ 3,394,424
Special Aid	0	0	41,831	0
School Lunch	0	0	65,848	0
Capital Projects	0	0	4,008,231	0
Debt Service	0	581,775		0

#### General Fund Budgetary Highlights

The original budget for the General Fund was revised by \$162,180 during the year. The supplemental appropriations consisted of appropriations for employee benefits and a debt service payment.

In the General Fund for the fiscal year ended June 30, 2012, actual revenues were greater than revised budgeted revenues by \$282,980 (0.69%). Revenue sources significantly over budget included a larger than expected Westchester County sales tax payment of \$450,566, day school tuition of \$29,940 received from out-of-district students attending Croton-Harmon High School, additional refund from BOCES in the amount of \$98,655. Actual expenditures and encumbrances were less than the revised budgeted expenditures by \$4,530,527 (10.18%). Once again, the District kept fiscal restraints on purchases.

For fiscal year 2012-2013, the District has appropriated \$1,800,000 of fund balance to reduce the tax levy.

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 continued threat of mid-year state aid cuts
- Low interest rates being paid on District investments
- Rising costs of employee benefits such as health insurance, teachers' and employees' retirement
- The uncertainty in costs of utilities – electric, gasoline, diesel fuel and heating oil

CROTON-HARMON UNION FREE SCHOOL DISTRICT

**Management Discussion and Analysis  
(Continued)**

General Fund Budgetary Highlights (Continued)

During the 2010-2011 school year, 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. The legislation will take effect beginning with the 2012-2013 school year.

Management believes that the budget adopted for 2012-2013 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 fund expenditures from the Hudson River Estuary Grant and to cover uncertainty related to future state aid.

The School Lunch Program Fund ended the year with a fund balance of \$59,065. Expenditures exceeded revenues and other sources by \$6,783. The District plans to use fund balance to fund future purchases of necessary cafeteria tables and/or equipment.

The Capital Projects Fund ended the year with a fund balance of (\$3,855). During the year, the District closed past capital projects with remaining fund balances of \$19,203. \$8,328 was transferred to the General Fund and \$10,875 was transferred to the Debt Service Fund. During the 2011-2012 school year, the District completed work on the two High School Science Labs. The District also repaired and or replaced roofs on all five district buildings, replaced the façade on the modular building at CET, and repaired the cupola at PVC using funds from the Capital Reserve Fund. Once Final Costs Reports are filed with the State Education Department, any remaining funds will be used to repair and/or replace curbing and paving throughout the District. The District continues to work on the Energy Performance Contract with an anticipated completion date of October 2012. The District has upgraded the wireless network throughout the district with only the old section of PVC remaining to be completed. This will ensure that all students and staff members are able to log onto the network for one-to-one computing in the future.

Debt Service Fund ended the year with a fund balance of \$602,070. This fund balance will be appropriated in future years to offset principal and interest payments.

Capital Asset and Debt Administration

Capital Assets

The District's investment in capital assets, net of accumulated depreciation as of June 30, 2012, was \$51,895,937. The total increase in this net investment was 6.50% for the District as a whole (see schedule below). The District's investment in capital assets, net of accumulated depreciation as of June 30, 2011 was \$48,729,631, as adjusted. The District expended \$4,545,045 to acquire and construct capital assets during the fiscal year ended June 30, 2012. Assets retired from service had a net basis of \$12,266 and depreciation expense for the fiscal year was \$1,366,473.

CROTON-HARMON UNION FREE SCHOOL DISTRICT

**Management Discussion and Analysis  
(Continued)**

Capital Assets (Continued)

CAPITAL ASSETS  
Net of Accumulated Depreciation

	School District Activities		
	June 30, 2012	June 30, 2011	% Change
		Restated	
<u>Non-Depreciable Assets:</u>			
Land	\$ 810,100	\$ 810,100	0.00%
Construction in Progress	7,545,339	3,292,030	129.20%
<u>Depreciable Assets:</u>			
Land Improvements	749,903	810,797	-7.51%
Building and Improvements	41,580,811	42,622,585	-2.44%
Furniture and Equipment	412,235	368,171	11.97%
Vehicles	797,549	825,948	-3.44%
TOTALS	<u>\$ 51,895,937</u>	<u>\$ 48,729,631</u>	6.50%

Long-Term Debt

At the end of the fiscal year, the District had total bonded debt outstanding of \$22,185,000. 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	\$ 9,765,000	\$ 0	\$ 8,925,000	\$ 840,000
Serial Bond	9,880,000	0	945,000	8,935,000
Serial Bond	4,800,000	0	450,000	4,350,000
Serial Bond	0	8,150,000	90,000	8,060,000
Total Bonded Debt Outstanding	<u>\$ 24,445,000</u>	<u>\$ 8,150,000</u>	<u>\$ 10,410,000</u>	<u>\$ 22,185,000</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 ASSETS  
GOVERNMENTAL ACTIVITIES  
JUNE 30, 2012

ASSETS

Unrestricted Cash	\$ 9,168,968
Restricted Cash	8,006,174
State & Federal Aid Receivable	646,914
Due from Other Governments	172,459
Due from Fiduciary Funds	2,123
Other Receivables, Net	27,051
Deferred Charges	560,849
Inventories	0
Capital Assets, Net	51,895,937
	<hr/>
TOTAL ASSETS	70,480,475
	<hr/>

LIABILITIES

Accounts Payable	384,492
Accrued Liabilities	405,189
Due to Teachers' Retirement System	1,899,195
Due to Employees' Retirement System	228,557
Retained Percentages	88,115
Bond Anticipation Notes	385,049
Deferred Revenues	1,746
Long-term Liabilities:	
Due and Payable Within One Year:	
Bonds Payable	2,310,000
Deferred Amount on Refunding	65,729
Installment Purchase Debt	172,402
Due and Payable In More Than One Year:	
Bonds Payable	19,875,000
Deferred Amount on Refunding	479,270
Installment Purchase Debt	3,239,641
Compensated Absences	266,751
Other Postemployment Benefits	1,590,712
Judgements and Claims	74,613
	<hr/>
TOTAL LIABILITIES	31,466,461
	<hr/>

NET ASSETS

Investment in Capital Assets, Net of Related Debt	25,929,695
Restricted	10,402,912
Unrestricted	2,681,407
	<hr/>
TOTAL NET ASSETS	\$ 39,014,014
	<hr/>

See notes to financial statement.

CROTON-HARMON UNION FREE SCHOOL DISTRICT  
CROTON-ON-HUDSON, NEW YORK  
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
GOVERNMENTAL ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2012

		PROGRAM REVENUES		NET (EXPENSE) REVENUE & CHANGES IN NET ASSETS
		CHARGES FOR SERVICES	OPERATING GRANTS	
<u>FUNCTIONS &amp; PROGRAMS</u>	<u>EXPENSES</u>			
General Support	\$ (5,810,731)	\$ 0	\$ 226,180	\$ (5,584,551)
Instruction	(28,950,566)	190,283	728,147	(28,032,136)
Pupil Transportation	(2,966,892)	0	87,037	(2,879,855)
Community Services	0	0	0	0
Debt Service - Interest	(913,246)	0	0	(913,246)
School Lunch Program	(76,255)	26,429	11,483	(38,343)
 TOTAL FUNCTIONS & PROGRAMS	 \$ (38,717,690)	 \$ 216,712	 \$ 1,052,847	 (37,448,131)
 <u>GENERAL REVENUES</u>				
Real Property Taxes				31,516,745
Other Tax Items				4,670,165
Non Property Taxes				450,566
Use of Money & Property				116,695
Sale of Property & Compensation for Loss				26,559
Miscellaneous				305,813
State Sources				3,647,832
Federal Sources				18,578
 TOTAL GENERAL REVENUES				 40,752,953
 CHANGE IN NET ASSETS				 3,304,822
 NET ASSETS, BEGINNING OF YEAR-AS RESTATED				 35,709,192
 NET ASSETS, END OF YEAR				 \$ 39,014,014

See notes to financial statement.

CROTON-HARMON UNION FREE SCHOOL DISTRICT  
CROTON-ON-HUDSON, NEW YORK  
BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2012

	GENERAL	SPECIAL AID	SCHOOL LUNCH	CAPITAL PROJECTS	DEBT SERVICE	TOTAL GOVERNMENTAL FUNDS
Unrestricted Cash	\$ 9,077,433	\$ 32,191	\$ 59,344	\$ 0	\$ 0	\$ 9,168,968
Restricted Cash	6,629,044	0	0	644,982	732,148	8,006,174
State & Federal Aid Receivable	136,946	509,186	782	0	0	646,914
Due from Other Governments	172,459	0	0	0	0	172,459
Due from Other Funds	606,686	0	0	32,078	0	638,764
Due from Fiduciary Funds	2,123	0	0	0	0	2,123
Other Receivables, Net	5,181	21,870	0	0	0	27,051
<b>TOTAL ASSETS</b>	<b>\$ 16,629,872</b>	<b>\$ 563,247</b>	<b>\$ 60,126</b>	<b>\$ 677,060</b>	<b>\$ 732,148</b>	<b>\$ 18,662,453</b>

LIABILITIES & FUND BALANCESLIABILITIES

Accounts Payable	\$ 178,624	\$ 4,869	\$ 0	\$ 200,999	\$ 0	\$ 384,492
Accrued Liabilities	212,719	12,867	541	0	0	226,127
Due to Other Funds	0	501,934	0	6,752	130,078	638,764
Due to Teachers' Retirement System	1,899,195	0	0	0	0	1,899,195
Due to Employees' Retirement System	228,037	0	520	0	0	228,557
Retained Percentages	0	0	0	88,115	0	88,115
Bond Anticipation Notes	0	0	0	385,049	0	385,049
Deferred Revenues	0	1,746	0	0	0	1,746
<b>TOTAL LIABILITIES</b>	<b>2,518,575</b>	<b>521,416</b>	<b>1,061</b>	<b>680,915</b>	<b>130,078</b>	<b>3,852,045</b>

FUND BALANCES

Restricted	9,800,842	0	0	0	602,070	10,402,912
Assigned	2,327,062	41,831	59,065	0	0	2,427,958
Unassigned	1,983,393	0	0	(3,855)	0	1,979,538
<b>TOTAL FUND BALANCES</b>	<b>14,111,297</b>	<b>41,831</b>	<b>59,065</b>	<b>(3,855)</b>	<b>602,070</b>	<b>14,810,408</b>
<b>TOTAL LIABILITIES &amp; FUND BALANCES</b>	<b>\$ 16,629,872</b>	<b>\$ 563,247</b>	<b>\$ 60,126</b>	<b>\$ 677,060</b>	<b>\$ 732,148</b>	<b>\$ 18,662,453</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 ASSETS  
JUNE 30, 2012

ASSETS	TOTAL GOVERNMENTAL FUNDS	LONG-TERM ASSETS & LIABILITIES	RECLASSIFICATIONS & ELIMINATIONS	STATEMENT OF NET ASSETS
Unrestricted Cash	\$ 9,168,968			\$ 9,168,968
Restricted Cash	8,006,174			8,006,174
State & Federal Aid Receivable	646,914			646,914
Due from Other Governments	172,459			172,459
Due from Other Funds	638,764		(638,764)	0
Due from Fiduciary Funds	2,123			2,123
Other Receivables, Net	27,051			27,051
Deferred Charges	0	560,849		560,849
Capital Assets, Net	0	51,895,937		51,895,937
<b>TOTAL ASSETS</b>	<b>\$ 18,662,453</b>	<b>\$ 52,456,786</b>	<b>\$ (638,764)</b>	<b>\$ 70,480,475</b>
<b>LIABILITIES &amp; FUND BALANCES / NET ASSETS</b>				
<b>LIABILITIES</b>				
Accounts Payable	\$ 384,492			\$ 384,492
Accrued Liabilities	226,127	179,062		405,189
Due to Other Funds	638,764		(638,764)	0
Due to Fiduciary Funds	0			0
Due to Teachers' Retirement System	1,899,195			1,899,195
Due to Employees' Retirement System	228,557			228,557
Retained Percentages	88,115			88,115
Bond Anticipation Notes	385,049			385,049
Deferred Revenues	1,746	0		1,746
Bonds Payable	0	22,185,000		22,185,000
Deferred on Advanced Refunding		544,999		544,999
Installment Purchase Debt	0	3,412,043		3,412,043
Compensated Absences	0	266,751		266,751
Other Postemployment Benefits	0	1,590,712		1,590,712
Judgements and Claims	0	74,613		74,613
<b>TOTAL LIABILITIES</b>	<b>3,852,045</b>	<b>28,253,180</b>	<b>(638,764)</b>	<b>31,466,461</b>
<b>FUND BALANCES / NET ASSETS</b>	<b>14,810,408</b>	<b>24,203,606</b>	<b>0</b>	<b>39,014,014</b>
<b>TOTAL LIABILITIES &amp; FUND BALANCES / NET ASSETS</b>	<b>\$ 18,662,453</b>	<b>\$ 52,456,786</b>	<b>\$ (638,764)</b>	<b>\$ 70,480,475</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, 2012

	GENERAL	SPECIAL AID	SCHOOL LUNCH	CAPITAL PROJECTS	DEBT SERVICE	TOTAL GOVERNMENTAL FUNDS
<b>REVENUES</b>						
Real Property Taxes	\$ 31,516,745	\$ 0	\$ 0	\$ 0	\$ 0	\$ 31,516,745
Other Tax Items	4,670,165	0	0	0	0	4,670,165
Non Property Taxes	450,566	0	0	0	0	450,566
Charges for Services	190,283	0	0	0	0	190,283
Use of Money & Property	115,491	0	0	0	1,204	116,695
Sale of Property & Compensation for Loss	38,825	0	0	0	0	38,825
Miscellaneous	320,209	21,870	0	2,000	0	344,079
State Sources	3,692,946	226,180	0	98,977	0	4,018,103
Federal Sources	18,578	649,223	11,483	0	0	679,284
Sales	0	0	26,429	0	0	26,429
<b>TOTAL REVENUES</b>	<b>41,013,808</b>	<b>897,273</b>	<b>37,912</b>	<b>100,977</b>	<b>1,204</b>	<b>42,051,174</b>
<b>EXPENDITURES</b>						
General Support						
Instruction	4,620,753	0	18,610	0	0	4,639,363
Pupil Transportation	21,300,965	845,022	0	0	0	22,145,987
Employee Benefits	2,092,811	108,796	0	0	0	2,201,607
Debt Service:	7,124,525	0	3,060	0	0	7,127,585
Principal	3,206,957	0	0	0	0	3,206,957
Interest	919,288	0	0	0	0	919,288
Cost of Sales	0	0	23,025	0	0	23,025
Capital Outlay	0	0	0	4,486,883	0	4,486,883
<b>TOTAL EXPENDITURES</b>	<b>39,265,299</b>	<b>953,818</b>	<b>44,695</b>	<b>4,486,883</b>	<b>0</b>	<b>44,750,695</b>
<b>EXCESS (DEFICIENCY) REVENUES OVER EXPENDITURES</b>	<b>1,748,509</b>	<b>(56,545)</b>	<b>(6,783)</b>	<b>(4,385,906)</b>	<b>1,204</b>	<b>(2,699,521)</b>
<b>OTHER SOURCES &amp; USES</b>						
Bond Anticipation Notes Paid from Current Appropriations	0	0	0	794,000	0	794,000
Premium on Obligation	0	0	0	0	7,239	7,239
Proceeds from Advanced Refunding Bonds	0	0	0	0	8,760,728	8,760,728
Payments to Escrow Agent ( Advanced Refunding Bonds)	0	0	0	0	(8,760,728)	(8,760,728)
Operating Transfers In	528,000	56,545	0	128,000	98,977	811,522
Operating Transfers (Out)	(184,545)	0	0	(528,977)	(98,000)	(811,522)
<b>TOTAL OTHER SOURCES &amp; USES</b>	<b>343,455</b>	<b>56,545</b>	<b>0</b>	<b>393,023</b>	<b>8,216</b>	<b>801,239</b>
<b>EXCESS (DEFICIENCY) REVENUES &amp; OTHER SOURCES OVER EXPENDITURES &amp; OTHER USES</b>	<b>2,091,964</b>	<b>0</b>	<b>(6,783)</b>	<b>(3,992,883)</b>	<b>9,420</b>	<b>(1,898,282)</b>
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<b>12,011,005</b>	<b>41,831</b>	<b>65,848</b>	<b>4,008,231</b>	<b>581,775</b>	<b>16,708,690</b>
<b>OTHER CHANGES IN FUND BALANCES</b>						
Increases	8,328	0	0	0	10,875	19,203
Decreases	0	0	0	(19,203)	0	(19,203)
<b>TOTAL OTHER CHANGES IN FUND BALANCES</b>	<b>8,328</b>	<b>0</b>	<b>0</b>	<b>(19,203)</b>	<b>10,875</b>	<b>0</b>
<b>FUND BALANCES, END OF YEAR</b>	<b>\$ 14,111,297</b>	<b>\$ 41,831</b>	<b>\$ 59,065</b>	<b>\$ (3,855)</b>	<b>\$ 602,070</b>	<b>\$ 14,810,408</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 ASSETS  
FOR THE YEAR ENDED JUNE 30, 2012

	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	\$ 31,516,745	\$ 0	\$ 0	\$ 0	\$ 0	\$ 31,516,745
Other Tax Items	4,670,165	0	0	0	0	4,670,165
Non Property Taxes	450,566	0	0	0	0	450,566
Charges for Services	190,283	0	0	0	0	190,283
Use of Money & Property	116,695	0	0	0	0	116,695
Sale of Property & Compensation for Loss	38,825	0	(12,266)	0	0	26,559
Miscellaneous	344,079	(23,635)	0	0	0	320,444
State Sources	4,018,103	0	0	0	0	4,018,103
Federal Sources	679,284	0	0	0	0	679,284
Sales	26,429	0	0	0	0	26,429
<b>TOTAL REVENUES</b>	<b>42,051,174</b>	<b>(23,635)</b>	<b>(12,266)</b>	<b>0</b>	<b>0</b>	<b>42,015,273</b>
<b>EXPENDITURES</b>						
General Support	4,639,363	20,884	(37,575)	0	1,188,059	5,810,731
Instruction	22,145,987	(102,620)	1,123,971	0	5,783,228	28,950,566
Pupil Transportation	2,201,607	0	190,355	0	574,930	2,966,892
Employee Benefits	7,127,585	440,302	0	0	(7,567,887)	0
Debt Service:						
Principal	3,206,957	0	0	(2,412,957)	(794,000)	0
Interest	919,288	(15,192)	0	9,150	0	913,246
Cost of Sales	23,025	0	31,560	0	21,670	76,255
Capital Outlay	4,486,883	0	(4,486,883)	0	0	0
<b>TOTAL EXPENDITURES</b>	<b>44,750,695</b>	<b>343,374</b>	<b>(3,178,572)</b>	<b>(2,403,807)</b>	<b>(794,000)</b>	<b>38,717,690</b>
<b>EXCESS (DEFICIENCY) REVENUES OVER EXPENDITURES</b>	<b>(2,699,521)</b>	<b>(367,009)</b>	<b>3,166,306</b>	<b>2,403,807</b>	<b>794,000</b>	<b>3,297,583</b>
<b>OTHER SOURCES &amp; USES</b>						
Bond Anticipation Notes Paid from Current Appropriations	794,000	0	0	0	(794,000)	0
Premium on Obligation	7,239	0	0	0	0	7,239
Proceeds from Advanced Refunding Bonds	8,760,728	0	0	(8,760,728)	0	0
Payments to Escrow Agent (Advanced Refunding Bonds)	(8,760,728)	0	0	8,760,728	0	0
Operating Transfers In	811,522	0	0	0	(811,522)	0
Operating Transfers (Out)	(811,522)	0	0	0	811,522	0
<b>TOTAL OTHER SOURCES &amp; USES</b>	<b>801,239</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(794,000)</b>	<b>7,239</b>
<b>NET CHANGE FOR THE YEAR</b>	<b>\$ (1,898,282)</b>	<b>\$ (367,009)</b>	<b>\$ 3,166,306</b>	<b>\$ 2,403,807</b>	<b>\$ 0</b>	<b>\$ 3,304,822</b>

See notes to financial statement.

CROTON-HARMON UNION FREE SCHOOL DISTRICT  
CROTON-ON-HUDSON, NEW YORK  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2012

	<u>PRIVATE PURPOSE TRUSTS</u>	<u>AGENCY</u>
<u>ASSETS</u>		
Cash	\$ 97,883	\$ 116,437
Due from Other Funds	<u>0</u>	<u>0</u>
TOTAL ASSETS	<u>\$ 97,883</u>	<u>\$ 116,437</u>
<u>LIABILITIES &amp; NET ASSETS</u>		
<u>LIABILITIES</u>		
Due to Other Funds	\$ 0	\$ 2,123
Extraclassroom Activity Balances	0	75,080
Other Liabilities	<u>0</u>	<u>39,234</u>
TOTAL LIABILITIES	<u>0</u>	<u>\$ 116,437</u>
<u>NET ASSETS</u>		
Reserved for Endowment, Scholarship and Gift Funds	<u>97,883</u>	
TOTAL LIABILITIES & NET ASSETS	<u>\$ 97,883</u>	

See notes to financial statement.

CROTON-HARMON UNION FREE SCHOOL DISTRICT  
CROTON-ON-HUDSON, NEW YORK  
STATEMENT OF CHANGE IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2012

	<u>PRIVATE PURPOSE TRUSTS</u>
<u>ADDITIONS</u>	
Gifts and Contributions	\$ 23,574
Investment Earnings	<u>56</u>
TOTAL ADDITIONS	23,630
<u>DEDUCTIONS</u>	
Scholarships & Awards	<u>13,600</u>
CHANGE IN NET ASSETS	10,030
NET ASSETS, BEGINNING OF YEAR	<u>87,853</u>
NET ASSETS, END OF YEAR	<u><u>\$ 97,883</u></u>

See notes to financial statement.

CROTON-HARMON UNION FREE SCHOOL DISTRICT  
CROTON-ON-HUDSON, NEW YORK  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

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, 2012

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. Each component district's share of administrative and capital cost is determined by resident public school district enrollment, 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, 2012, the Croton-Harmon Union Free School District was billed \$2,001,333 for BOCES administrative and program costs. The District's share of BOCES aid amounted to \$380,042. 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 Assets and the Statement of Activities and Changes in Net Assets 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 Assets 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, 2012

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

C. Basis of Presentation (Continued)

2. Funds Statements

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

The District reports the following major governmental funds:

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

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

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

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

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

The District reports the following fiduciary funds:

Fiduciary Fund: Fiduciary activities are those in which the District acts as trustee or agent for resources that belong to others. These activities are not included in the District-wide financial statements, because their resources do not belong to the District, and are not available to be used. There are two classes of fiduciary funds:

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

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

CROTON-HARMON UNION FREE SCHOOL DISTRICT  
CROTON-ON-HUDSON, NEW YORK  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

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 4, 2011. Taxes were collected by the Town of Cortlandt and the Town of Yorktown during the period September 1, 2011 through October 31, 2011.

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 assets are available, the District's policy concerning which to apply first varies with the intended use, and with associated legal requirements, many of which are described elsewhere in these Notes.

G. Interfund Transactions

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

CROTON-HARMON UNION FREE SCHOOL DISTRICT  
CROTON-ON-HUDSON, NEW YORK  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

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 Assets 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.

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.

CROTON-HARMON UNION FREE SCHOOL DISTRICT  
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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

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

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 assets 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

N. Deferred Revenue

Deferred revenues are reported when potential revenues do not meet both the measurable and available criteria for recognition in the current period. Deferred 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.

CROTON-HARMON UNION FREE SCHOOL DISTRICT  
CROTON-ON-HUDSON, NEW YORK  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

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

N. Deferred Revenue (Continued)

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.

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

O. 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.

CROTON-HARMON UNION FREE SCHOOL DISTRICT  
CROTON-ON-HUDSON, NEW YORK  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

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

P. 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.

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.

Q. 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 Assets.

R. Equity Classifications

1. District-wide Statements

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

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

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

CROTON-HARMON UNION FREE SCHOOL DISTRICT  
CROTON-ON-HUDSON, NEW YORK  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

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

R. Equity Classifications (Continued)

1. District-wide Statements (Continued)

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

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, it's 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.

CROTON-HARMON UNION FREE SCHOOL DISTRICT  
CROTON-ON-HUDSON, NEW YORK  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

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

R. Equity Classifications (Continued)

2. Funds Statements (Continued)

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.

Property Loss Reserve and Liability Reserve

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

Tax Certiorari Reserve

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

Employee Benefit Accrued Liability Reserve

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

Retirement Contribution Reserve

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

CROTON-HARMON UNION FREE SCHOOL DISTRICT  
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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

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

R. Equity Classifications (Continued)

2. Funds Statements (Continued)

Restricted fund balance at June 30, 2012 consisted of:

General Fund:	
Capital Reserves	\$ 5,416,526
Unemployment Insurance Reserve	246,777
Property Loss Reserve and Liability Reserve	196,604
Tax Certiorari Reserve	2,629,190
Employee Benefit Accrued Liability Reserve	266,715
Retirement Contribution Reserve	<u>1,045,030</u>
	9,800,842
Debt Service Fund:	
Reserve for Debt Service	<u>602,070</u>
Total Restricted Fund Balance	<u>\$ 10,402,912</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, 2012.

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 \$527,062 assigned for specific purposes through the issuance of purchase orders that encumbered the budget for the year ended June 30, 2012. 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 \$1,800,000 assigned to be used to reduce the tax levy for the year ending June 30, 2013. 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.

CROTON-HARMON UNION FREE SCHOOL DISTRICT  
CROTON-ON-HUDSON, NEW YORK  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

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

R. 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.

S. Future Changes in Accounting Standards

GASB has issued Statement 60, *Accounting and Financial Reporting for Service Concession Arrangements*, which improves financial reporting by addressing issues related to service concession arrangements, which are a type of public-private or public-public partnership. The District is currently studying the statement and plans on adoption if and when required, which will be for the June 30, 2013 financial statements.

GASB has issued Statement 61, *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements 14 and 34*, which improves financial reporting for a governmental financial reporting entity. The requirements of Statement 14 and the related financial reporting requirements of Statement 34 were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those Statements. The District is currently studying the statement and plans on adoption if and when required, which will be for the June 30, 2013 financial statements.

GASB has issued Statement 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in certain pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. These pronouncements collectively will be referred to as the "FASB and AICPA pronouncements." The District is currently studying the statement and plans on adoption if and when required, which will be for the June 30, 2013 financial statements.

GASB has issued Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. The District is currently studying the statement and plans on adoption if and when required, which will be for the June 30, 2013 financial statements.

CROTON-HARMON UNION FREE SCHOOL DISTRICT  
CROTON-ON-HUDSON, NEW YORK  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

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

S. Future Changes in Accounting Standards (Continued)

GASB has issued Statement 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions—an amendment of GASB Statement No. 53*, which clarifies whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This Statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. The District is currently studying the statement and plans on adoption if and when required, which will be for the June 30, 2013 financial statements.

GASB has issued Statement 65, *Items Previously Reported as Assets and Liabilities*, which amends the financial statement classification of certain items previously reported as assets and liabilities to be consistent with the definitions in Concepts Statement 4. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term deferred in financial statement presentations. The District is currently studying the statement and plans on adoption if and when required, which will be for the June 30, 2014 financial statements.

GASB has issued Statement 66, *Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62*, which improves financial reporting by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, and No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 20, 1989 FASB and AICPA Pronouncements. The District is currently studying the statement and plans on adoption if and when required, which will be for the June 30, 2014 financial statements.

GASB has issued Statement 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25*, which improves financial reporting by state and local governmental pension plans. This Statement replaces the requirements of Statements No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, and No. 50, Pension Disclosures, as they relate to pension plans that are administered through trusts or equivalent arrangements that meet certain criteria. The requirements of Statements 25 and 50 remain applicable to pension plans that are not administered through trusts cover by the scope of this Statement and to defined contribution plans that provide postemployment benefits other than pensions. The District is currently studying the statement and plans on adoption if and when required, which will be for the June 30, 2014 financial statements.

GASB has issued Statement 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, which improves financial reporting by state and local governments for pensions. This Statement and Statement 67 establish a definition of a pension plan that reflects the primary activities associated with the pension arrangement – determining pensions, accumulating and managing assets dedicated for pensions, and paying benefits to plan members as they come due. The District is currently studying the statement and plans on adoption if and when required, which will be for the June 30, 2015 financial statements.

CROTON-HARMON UNION FREE SCHOOL DISTRICT  
CROTON-ON-HUDSON, NEW YORK  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

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 Assets of Governmental Activities:

Total fund balances of the District's governmental funds differ from "net assets" of governmental activities reported in the Statement of Net Assets. This difference primarily results from the additional long-term economic focus of the Statement of Net Assets versus the solely current financial resources focus of the governmental fund Balance 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 Assets 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, 2012 were as follows:

Original Cost of Capital Assets	\$ 66,229,277
Accumulated Depreciation	(14,333,340)
	<u>\$ 51,895,937</u>

2. Interest is accrued in the Statement of Net Assets, regardless of when it is due. This liability does not appear on the Balance Sheet because interest is expensed when it is due, and thus requires the use of current financial resources. This liability at June 30, 2012 was as follows:

Accrued Interest	\$ 179,062
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3. Long-term liabilities are reported in the Statement of Net Assets, but not in the Balance Sheet, because they are not due and payable in the current period. The balances at June 30, 2012 were as follows:

Bonds Payable	\$ 22,185,000
Deferred on Advanced Refunding	544,999
Installment Purchase Debt	3,412,043
Compensated Absences	266,751
Other Postemployment Benefits	1,590,712
Judgements and Claims	74,613
	<u>\$ 28,074,118</u>

CROTON-HARMON UNION FREE SCHOOL DISTRICT  
CROTON-ON-HUDSON, NEW YORK  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

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 Assets:

Differences between the governmental funds Statement of Revenues, Expenditures and Changes in Fund Balance and the Statement of Activities and Changes in Net Assets 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 Assets 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 Assets.

2. Capital Related Differences

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

3. Long-Term Debt Transaction Differences

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

CROTON-HARMON UNION FREE SCHOOL DISTRICT  
CROTON-ON-HUDSON, NEW YORK  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

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 Assets (Continued):

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

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

Total Revenues and Other Funding Sources

Total revenues and other funding sources reported in governmental funds (Schedule 5)	42,058,413
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Because some revenue will not be collected for several months after the District's fiscal year-end, they are not considered as "available" revenues in the governmental funds. However, they are considered to be earned in the Statement of Activities.	(23,635)
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Loss on the retirement of fixed assets is recognized in the entity wide statements under full accrual accounting whereas it is not in the governmental funds.	<u>(12,266)</u>
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Total revenues in the Statement of Activities and Changes in Net Assets (Schedule 2)	<u>\$ 42,022,512</u>
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CROTON-HARMON UNION FREE SCHOOL DISTRICT  
CROTON-ON-HUDSON, NEW YORK  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

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 Assets

Total Expenditures & Other Uses/Expenses

Total expenditures reported in governmental funds (Schedule 5) \$ 44,750,695

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 \$4,545,045 were greater than depreciation of \$1,366,473 in the current year. (3,178,572)

In the Statement of Activities, certain operating expenses (compensated absences and special termination benefits) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amount actually paid). The amount by which compensated absences paid exceeded the amount earned during the year was \$81,736. Judgments and claims paid exceeded the amount earned during the year in the amount of \$10,277. (92,013)

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. 450,579

Interest payable is recognized as an accrued liability in the entity wide statements under full accrual accounting whereas it is not under the governmental fund statements. This is the amount by which interest payable last year exceeds the the interest payable this year. (15,192)

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 Assets. This is the amount that was amortized during the fiscal year. 9,150

Repayment of bond and other debt principal is an expenditure in the governmental funds but reduces liabilities in the Statement of Net Assets, and does not affect the the Statement of Activities and Changes in Net Assets (3,206,957)

Total expenses in the Statement of Activities and Changes in Net Assets (Schedule 2) \$ 38,717,690

CROTON-HARMON UNION FREE SCHOOL DISTRICT  
CROTON-ON-HUDSON, NEW YORK  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

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 that occurred during the fiscal year are shown on Supplemental Schedule #3.

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.

C. Other Stewardship and Compliance Matters

The District's fund balance subject to New York State Real Property Tax Law §1318 limit, which restricts it to an amount not greater than 4% of the District's budget for the upcoming school year, was in excess of the 4% limitation. Among the actions the District may consider is continuing to fund the capital reserve established during the fiscal year.

CROTON-HARMON UNION FREE SCHOOL DISTRICT  
CROTON-ON-HUDSON, NEW YORK  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

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 or its trust department or agent, but not in the District's name	\$	1,649,874.

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 \$8,006,174 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 two 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 cooperative as of year-end are \$218,514,350, which consisted of \$123,620,189 in repurchase agreements, \$4,500,216 in Government Securities, \$40,393,945 in U. S. Treasury Securities, and \$50,000,000 in collateralized bank deposits, 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	\$ 104,531	\$ 104,531

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 Cooperative Liquid Assets Securities System – New York (CLASS).

Total investments of the New York Liquid Asset Fund cooperative as of year-end are \$90,444,691, which consisted of \$43,145,000 in repurchase agreements, \$17,001,393 in U. S. Treasury Securities, and \$30,298,298 in collateralized bank deposits, with various interest rate and due dates.

CROTON-HARMON UNION FREE SCHOOL DISTRICT  
CROTON-ON-HUDSON, NEW YORK  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

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

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	\$ 6,524,513	\$ 6,524,513
Capital Projects Fund	231,013	231,013

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.

NOTE 5. CAPITAL ASSETS.

Capital asset balances and activity for the year ended June 30, 2012, were as follows:

	<u>Beginning Balance</u> <u>Restated</u>	<u>Additions</u>	<u>Retirements/ Reclassifications</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets that are not depreciated:				
Land	\$ 810,100	\$ 0	\$ 0	\$ 810,100
Construction in Progress	3,292,030	4,253,309	0	7,545,339
Total Nondepreciable Assets	4,102,130	4,253,309	0	8,355,439
Capital assets that are depreciated:				
Land Improvements	1,227,571	0	0	1,227,571
Buildings and Improvements	53,299,114	0	0	53,299,114
Furniture & Equipment	606,080	143,946	(101,141)	648,885
Vehicles	2,550,478	147,790	0	2,698,268
Total Depreciable Assets	57,683,243	291,736	(101,141)	57,873,838
Less: Accumulated Depreciation	(13,055,742)	(1,366,473)	88,875	(14,333,340)
Capital Assets, Net	\$ 48,729,631	\$ 3,178,572	\$ (12,266)	\$ 51,895,937

CROTON-HARMON UNION FREE SCHOOL DISTRICT  
CROTON-ON-HUDSON, NEW YORK  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

NOTE 5. CAPITAL ASSETS. (continued)

Depreciation expense was charged to governmental functions as follows:

General Support	\$ 20,587
Instruction	1,123,971
Transportation	190,355
Cost of Sales	<u>31,560</u>
 Total Depreciation	 <u><u>\$ 1,366,473</u></u>

NOTE 6. SHORT-TERM DEBT.

Transactions in short-term debt for the year are summarized below:

	Beginning Balance	Issued	Paid/ Redeemed	Ending Balance
BAN maturing 08/03/12 at 1.02%	\$ 839,975	\$ 0	\$ 696,000	\$ 143,975
BAN maturing 10/25/12 at 1.44%	227,000	112,074	98,000	241,074
Total Short-Term Debt	<u><u>\$1,066,975</u></u>	<u><u>\$ 112,074</u></u>	<u><u>\$ 794,000</u></u>	<u><u>\$ 385,049</u></u>

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

Interest Paid	\$ 8,910
Less: Interest Accrued in the Prior Year	(7,653)
Plus: Interest Accrued in the Current Year	<u>3,694</u>
 Interest Expense	 <u><u>\$ 4,951</u></u>

CROTON-HARMON UNION FREE SCHOOL DISTRICT  
CROTON-ON-HUDSON, NEW YORK  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

NOTE 7. LONG-TERM DEBT.

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

	Beginning Balance	Issued	Paid/ Redeemed	Ending Balance	Amounts Due Within One Year
Governmental Activities:					
Bonds and Notes					
Payable:					
Bonds Payable	\$25,073,489	7,521,511	10,410,000	\$22,185,000	\$2,310,000
Deferred Amount on Refunding	610,728	0	65,729	544,999	65,729
Installment Purchase Debt	3,540,000	0	127,957	3,412,043	172,402
Total Bonds and Notes Payable	29,224,217	7,521,511	10,603,686	26,142,042	2,548,131
Other Liabilities:					
Compensated Absences	348,487	0	81,736	266,751	0
Other Postemployment Benefits	1,140,133	1,151,438	700,859	1,590,712	0
Judgements and Claims	84,890	0	10,277	74,613	0
Total Other Liabilities	1,573,510	1,151,438	792,872	1,932,076	0
Total Long-Term Liabilities	\$30,797,727	\$8,672,949	\$11,396,558	\$28,074,118	\$2,548,131

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

Existing serial bond and installment purchase obligations are as follows:

Description of Issue	Issue Date	Final Maturity	Interest Rate	Balance
Serial Bond	02/15/03	10/15/20	3.5% - 4.5%	\$ 840,000
Serial Bond	02/15/04	10/15/19	3% - 4%	8,935,000
Serial Bond	07/15/06	11/01/19	4% - 6%	4,350,000
Energy Performance Contract	12/21/10	05/15/26	2.84%	3,412,043
Serial Bond	07/11/11	10/15/20	2% - 4%	8,060,000
				<u>\$25,597,043</u>

CROTON-HARMON UNION FREE SCHOOL DISTRICT  
CROTON-ON-HUDSON, NEW YORK  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

NOTE 7. LONG-TERM DEBT. (Continued)

The following is a summary of maturing debt service requirements:

For the Year Ended June 30,	Bonds and Notes Payable	
	Principal	Interest
2013	\$ 2,482,402	\$ 860,581
2014	2,577,333	775,462
2015	2,662,405	692,484
2016	2,747,622	599,973
2017	2,857,988	495,656
2018 - 2022	11,038,574	924,785
2023 - 2026	1,230,719	79,936
TOTAL	<u>\$25,597,043</u>	<u>\$ 4,428,877</u>

On July 20, 2011, the District issued \$8,150,000 in general obligation bonds with an average interest rate of approximately 3.51% to advance refund \$8,125,000 of outstanding bonds with an average interest rate of 4.22%. The net proceeds of \$8,616,033 (after payment of \$137,456 in underwriting fees and other issuance costs) were used to purchase state and local government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the bonds. As a result, the bonds are considered to be defeased, and the liability for those bonds has been removed from the District's financial statements. The district advance refunded the bonds to reduce future debt service requirements. The economic gain (loss) on the transaction (the difference between the present values of the debt service payments on the old and new debt) is approximately \$394,061.

The District defeased certain general obligations and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. At June 30, 2012 \$8,125,000 of bonds outstanding are considered defeased.

NOTE 8. PENSION PLANS.

General Information

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

Provisions and Administration

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

CROTON-HARMON UNION FREE SCHOOL DISTRICT  
CROTON-ON-HUDSON, NEW YORK  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

NOTE 8. PENSION PLANS.

Provisions and Administration (continued)

NYSERS provides retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees are governed by the NYSRSSL. As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as sole trustee and administrative head of the NYSERS. The Comptroller may adopt and may amend rules and regulations for the administration and transaction of the business of the NYSERS and for the custody and control of its funds. The NYSERS issues a publicly available financial report that includes financial statements and required supplementary information. That report 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 NYSERS, Office of the State Comptroller, 110 State Street, Albany, New York 12244.

Funding Policies

The Systems are noncontributory, except for employees who joined the Systems after July 27, 1976 and prior to January 1, 2010, who contribute 3% of their salary for the first ten years of membership. For employees who joined after January 1, 2010, employees in NYSERS contribute 3% of their salary throughout their active membership and those in NYSTRS contribute 3.5% of their salary throughout their active membership. For NYSERS, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the NYSERS fiscal year ending March 31. Pursuant to Article 11 of the Education Law, the New York State Teachers' Retirement Board established rates annually for NYSTRS. The District's contributions for the current year and two preceding years were equal to 100% of the contributions required, and were as follows:

<u>Year</u>	<u>NYSTRS</u>	<u>NYSERS</u>
2011 - 2012	\$ 1,725,670	\$ 759,665
2010 - 2011	1,323,991	548,918
2009 - 2010	916,717	369,654

NOTE 9. INTERFUND BALANCES AND ACTIVITY.

Interfund balances and activity for the year ended June 30, 2012, were as follows:

	<u>Interfund</u>		<u>Interfund</u>	
	<u>Receivable</u>	<u>Payable</u>	<u>Revenues</u>	<u>Expenditures</u>
General Fund	\$ 608,809	\$ 0	\$ 528,000	\$ 184,545
Special Aid Fund	0	501,934	56,545	0
School Lunch Fund	0	0	0	0
Capital Fund	32,078	6,752	128,000	528,977
Debt Service Fund	0	130,078	98,977	98,000
Total Governmental Activities	640,887	638,764	811,522	811,522
Fiduciary Agency Fund	0	2,123	0	0
Totals	<u>\$ 640,887</u>	<u>\$ 640,887</u>	<u>\$ 811,522</u>	<u>\$ 811,522</u>

CROTON-HARMON UNION FREE SCHOOL DISTRICT  
CROTON-ON-HUDSON, NEW YORK  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

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

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, 2012 the District recognized \$700,859 for its share of insurance premiums for currently enrolled retirees.

The District has obtained an updated actuarial valuation report as of July 1, 2011. The total liability indicated in this report for other post-employment benefits as of June 30, 2012 made by the District is \$1,590,712, which is reflected in the Statement of Net Assets.

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	\$ 1,216,211
Interest on Net OPEB Obligation	47,475
Adjustment to Annual Required Contribution	<u>(112,248)</u>
Annual OPEB Cost (Expense)	1,151,438
Contributions Made	<u>(700,859)</u>
Increase in Net OPEB Obligation	450,579
Net OPEB Obligation, June 30, 2011	<u>1,140,133</u>
Net OPEB Obligation, June 30, 2012	<u><u>\$ 1,590,712</u></u>

CROTON-HARMON UNION FREE SCHOOL DISTRICT  
CROTON-ON-HUDSON, NEW YORK  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

NOTE 10. POST-EMPLOYMENT BENEFITS. (Continued)

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, 2012 was 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, 2012	\$ 1,151,438	60.9%	\$ 1,590,712
June 30, 2011	989,250	64.7%	1,140,133
June 30, 2010	932,393	64.1%	791,245

Funded Status and Funding Progress

As of July 1, 2011, the most recent updated actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits was \$16,586,954. Because the plan was not funded, this resulted in an unfunded actuarial accrued liability (UAAL) of \$16,586,954. The covered payroll (annual payroll of active employees covered by the plan) was \$20,708,187, and the ratio of the UAAL to the covered payroll was 80.10%. (Because benefits are 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, 2011 actuarial valuation, the projected unit credit method was used. The actuarial assumptions included an annual healthcare cost trend rate of 8% initially, reduced by decrements to an ultimate rate of 5% after 3 years. Both rates included a 5% inflation assumption. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2012, was 26 years.

CROTON-HARMON UNION FREE SCHOOL DISTRICT  
CROTON-ON-HUDSON, NEW YORK  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

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.

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, 2012 was \$31,186,258. Fund balance available to offset this liability was \$27,086,665, leaving an unfunded liability of \$4,099,593. The District's share of this unfunded liability was \$74,613. As of June 30, 2011, the District's share of this unfunded liability was \$84,890.

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, 2012 have been included in the assigned fund balances of the following funds as of June 30, 2012:

General Fund	\$ 527,062
Special Aid Fund	<u>42,267</u>
Total Encumbrances	<u><u>\$ 569,329</u></u>

CROTON-HARMON UNION FREE SCHOOL DISTRICT  
CROTON-ON-HUDSON, NEW YORK  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

NOTE 12. COMMITMENTS AND CONTINGENCIES. (continued)

An audit of budgeting practices in the District was conducted by the New York State Comptroller's Office. An exit interview was done in January 2012, followed by the submission of a response from the District on February 7, 2012.

NOTE 13. OPERATING LEASES.

The District leases certain office equipment under the terms of various non-cancelable leases. Rental expense for the year was \$9,815. Minimum annual rentals for each of the remaining years of the lease are:

<u>For the Year Ended June 30,</u>	<u>Minimum Rental</u>
2013	\$ 4,089

NOTE 14. 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 15. PRIOR PERIOD ADJUSTMENT.

A prior period adjustment was recorded in the District-wide financial statements to restate the fixed assets and related depreciation. The effect of these adjustments resulted in a decrease to the District-wide net assets of \$791,190. The information reported in the Management Discussion and Analysis and Notes 5 and 7 have also been restated to reflect these changes.

NOTE 16. RECLASSIFICATIONS.

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

NOTE 17. SUBSEQUENT EVENTS.

Management has evaluated subsequent events through October 1, 2012, the date the financial statements were available to be issued. The following subsequent events have been identified:

A BAN in the amount of \$107,981 was issued in August 2012 which was a rollover of the balance of EXCEL Aid (\$82,481) and a Bus Purchase BAN (\$25,500).

CROTON-HARMON UNION FREE SCHOOL DISTRICT  
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SCHEDULE OF FUNDING PROGRESS FOR OTHER POSTEMPLOYMENT BENEFITS  
FOR THE YEAR ENDED JUNE 30, 2012

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)
7/1/2011	\$ 0	\$ 16,586,954	\$ 16,586,954	0.00%	\$ 20,708,187	80.10%
7/1/2010	\$ 0	\$ 15,503,247	\$ 15,503,247	0.00%	\$ 20,681,881	74.96%
7/1/2009	\$ 0	\$ 14,814,722	\$ 14,814,722	0.00%	\$ 20,910,354	70.85%
7/1/2008	\$ 0	\$ 15,777,358	\$ 15,777,358	0.00%	\$ 19,468,999	81.04%

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, 2012

REVENUES	ORIGINAL BUDGET	REVISED BUDGET	CURRENT YEAR'S REVENUES	OVER (UNDER) REVISED BUDGET
LOCAL SOURCES:				
Real Property Taxes	\$ 36,184,739	\$ 31,514,574	\$ 31,516,745	\$ 2,171
Other Tax Items	0	4,670,165	4,670,165	0
Non Property Taxes	350,000	350,000	450,566	100,566
Charges for Services	165,000	165,000	190,283	25,283
Use of Money & Property	115,450	115,450	115,491	41
Sale of Property & Compensation for Loss	10,000	10,000	38,825	28,825
Miscellaneous	230,000	230,000	320,209	90,209
STATE SOURCES	4,085,639	4,085,639	3,692,946	(392,693)
FEDERAL SOURCES	20,000	20,000	18,578	(1,422)
OTHER SOURCES:				
Operating Transfers In	0	98,000	528,000	430,000
TOTAL REVENUES	41,160,828	41,258,828	\$ 41,541,808	\$ 282,980
APPROPRIATED FUND BALANCE	3,184,425	3,248,605		
TOTAL REVENUES & APPROPRIATED FUND BALANCE	\$ 44,345,253	\$ 44,507,433		

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, 2012

	ORIGINAL BUDGET	REVISED BUDGET	CURRENT YEARS EXPENDITURES	ENCUMBRANCES	UNENCUMBERED BALANCE
<b>EXPENDITURES</b>					
GENERAL SUPPORT:					
Board of Education	\$ 67,451	\$ 67,451	\$ 30,406	\$ 0	\$ 37,045
Central Administration	321,655	337,287	327,698	333	9,256
Finance	673,393	666,290	522,189	21,184	122,917
Staff	426,409	431,844	292,925	0	138,919
Central Services	3,525,078	3,666,115	2,964,623	393,105	308,387
Special Items	665,922	682,922	482,912	0	200,010
INSTRUCTIONAL:					
Instruction, Administration & Improvement	1,393,261	1,532,440	1,393,210	3,825	135,405
Teaching - Regular School	12,171,027	12,207,266	11,488,520	10,945	707,801
Programs for Children with Handicapping Conditions	5,836,666	5,719,652	4,183,902	2,917	1,532,833
Occupational Education	214,573	214,573	214,573	0	0
Teaching - Special Schools	228,500	229,974	173,148	0	56,826
Instructional Media	1,749,036	1,899,517	1,579,539	61,869	258,109
Pupil Services	2,361,905	2,412,462	2,268,073	18,089	126,300
PUPIL TRANSPORTATION	2,279,266	2,310,371	2,092,811	14,795	202,765
EMPLOYEE BENEFITS	8,592,241	7,763,399	7,124,525	0	638,874
DEBT SERVICE:					
Debt Service - Principal	2,588,957	3,206,957	3,206,957	0	0
Debt Service - Interest	1,051,913	960,913	919,288	0	41,625
TOTAL EXPENDITURES	44,147,253	44,309,433	39,265,299	527,062	4,517,072
OTHER USES:					
Operating Transfers Out	198,000	198,000	184,545	0	13,455
TOTAL EXPENDITURES & OTHER USES	\$ 44,345,253	\$ 44,507,433	\$ 39,449,844	\$ 527,062	\$ 4,530,527
EXCESS OF REVENUES & OTHER SOURCES OVER EXPENDITURES & OTHER USES			\$ 2,091,964		

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, 2012

CHANGE FROM ADOPTED TO REVISED BUDGET

ADOPTED BUDGET	\$ 43,860,828
ADDITIONS:	
Encumbrances from Prior Year	<u>484,425</u>
ORIGINAL BUDGET	44,345,253
BUDGET REVISIONS:	
Budget Amendments for:	
Debt Service	98,000
EBALR Reserve	<u>64,180</u>
REVISED BUDGET	<u><u>\$ 44,507,433</u></u>

USE OF UNASSIGNED FUND BALANCE

Unassigned Fund Balance Before Assignments as of the Beginning of the Year	\$ 5,394,424
LESS: Unassigned Fund Balance Used for the Levy of Taxes - Adopted Budget	<u>(2,000,000)</u>
Unassigned Fund Balance Remaining from the Beginning of the Year	<u><u>\$ 3,394,424</u></u>

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, 2012

	ORIGINAL APPROPRIATION	REVISED APPROPRIATION	EXPENDITURES TO DATE		UNEXPENDED BALANCE	METHODS OF FINANCING			FUND BALANCE JUNE 30, 2012
			PRIOR YEARS	CURRENT YEAR		PROCEEDS FROM DEBT	STATE SOURCES	LOCAL SOURCES	
					TOTAL				TOTAL
05/06 Bus Purchases*	\$ 243,300	\$ 243,300	\$ 232,890	\$ 0	\$ 232,890	\$ 0	\$ 0	\$ 243,300	\$ 243,300
06/07 Bus Purchases*	159,600	159,600	159,438	0	159,438	0	0	159,600	159,600
Excel Project	539,975	539,975	530,646	0	530,646	0	431,669	0	431,669
09/10 Bus Purchases*	215,000	215,000	156,484	0	156,484	0	0	86,000	86,000
Asbestos Abatement	86,900	78,572	78,572	0	78,572	0	0	78,572	78,572
Science Labs	400,000	797,947	24,058	763,814	787,872	0	0	797,947	797,947
10/11 Bus Purchases*	300,000	289,125	289,125	0	289,125	0	0	255,125	255,125
Energy Performance	3,540,000	3,570,000	3,009,000	576,758	3,585,758	3,540,000	0	30,000	3,570,000
Roof Projects & Related Asbestos	3,600,000	3,207,909	258,972	2,829,946	3,088,918	0	0	3,600,000	3,600,000
12-13 Building Improvements	3,400,000	3,400,000	0	204,291	204,291	0	0	0	0
11/12 Bus Purchases*	115,000	115,000	0	112,074	112,074	0	0	0	0
	\$ 12,599,775	\$ 12,616,428	\$ 4,739,185	\$ 4,486,883	\$ 9,226,068	\$ 3,540,000	\$ 431,669	\$ 5,250,544	\$ 9,222,213
					\$ 3,390,360				\$ (3,855)

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

See paragraph on supplementary schedules included in auditor's report

CROTON-HARMON UNION FREE SCHOOL DISTRICTCROTON-ON-HUDSON, NEW YORKGENERAL FUNDSCHEDULE OF CERTAIN REVENUES & EXPENDITURES COMPARED TO ST-3 DATA  
FOR THE YEAR ENDED JUNE 30, 2012

	<u>ACCOUNT CODE</u>	<u>ST-3 AMOUNT</u>	<u>AUDITED AMOUNT</u>
<u>REVENUES</u>			
Property Taxes	A -1001	\$ 31,516,745	\$ 31,516,745
Non Property Taxes	AT-1199	450,566	450,566
State Aid	AT-3999	3,692,946	3,692,946
Federal Aid	AT-4999	18,578	18,578
Total Revenues	AT-5999	41,541,808	41,541,808
<u>EXPENDITURES</u>			
General Support	AT-1999	4,620,753	4,620,753
Pupil Transportation	AT-5599	2,092,811	2,092,811
Debt Service - Principal	AT-9798.6	3,206,957	3,206,957
Debt Service - Interest	AT-9798.7	919,288	919,288
Total Expenditures	AT-9999	39,449,844	39,449,844

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

SUPPLEMENTAL SCHEDULE #6

CROTON-HARMON UNION FREE SCHOOL DISTRICT  
CROTON-ON-HUDSON, NEW YORK  
INVESTMENT IN CAPITAL ASSETS, NET OF RELATED DEBT  
FOR THE YEAR ENDED JUNE 30, 2012

CAPITAL ASSETS, NET		\$ 51,895,937
DEDUCT:		
Bond Anticipation Note	\$ 385,049	
Short-term Portion of Bonds Payable	2,310,000	
Long-term Portion of Bonds Payable	19,875,000	
Short-term Portion of Deferred Premium on Refunding	65,729	
Long-term Portion of Deferred Premium on Refunding	479,270	
Short-term Portion of Installment Debt	172,402	
Long-term Portion of Installment Debt	<u>3,239,641</u>	
Total Bonds Payable	26,527,091	
Less: Unspent Bond Proceeds	0	
Less: Deferred Charges Bond Related	<u>(560,849)</u>	
Related Debt		<u>(25,966,242)</u>
INVESTMENT IN CAPITAL ASSETS, NET OF RELATED DEBT		<u><u>\$ 25,929,695</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 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, 2012, which collectively comprise the Croton-Harmon Union Free School District's basic financial statements and have issued our report thereon dated October 1, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

Management of Croton-Harmon Union Free School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Croton-Harmon Union Free School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Croton-Harmon Union Free School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Croton-Harmon Union Free School District's internal control over financial reporting.

*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.

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

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Norman M. Sassi, CPA  
Christopher E. Melley, CPA  
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Walter J. Jung, CPA  
Brent T. Napoleon, 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.

We noted certain matters that we reported to management of Croton-Harmon Union Free School District, in a separate letter dated October 1, 2012.

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

Respectfully submitted,

*Nugent & Haeussler, P.C.*

October 1, 2012



**Nugent & Haeussler, P.C.**  
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH  
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL  
EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Peter J. Bullis, CPA, FACFEI, DABFA  
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To the President and Members  
of the Board of Education of the  
Croton-Harmon Union Free School District  
Croton-on-Hudson, New York

Compliance

We have audited Croton-Harmon Union Free School District's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of Croton-Harmon Union Free School District's major federal programs for the year ended June 30, 2012. Croton-Harmon Union Free School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Croton-Harmon Union Free School District's management. Our responsibility is to express an opinion on Croton-Harmon Union Free School District's compliance based on our audit.

We conducted our audit of the compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Croton-Harmon Union Free School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Croton-Harmon Union Free School District's compliance with those requirements.

In our opinion, Croton-Harmon Union Free School District complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control over Compliance

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

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

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

Respectfully submitted,

*Nugent & Haeussler, P.C.*

October 1, 2012

CROTON-HARMON UNION FREE SCHOOL DISTRICT  
CROTON-ON-HUDSON, NEW YORK  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2012

<u>FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM OR CLUSTER TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>PASS-THROUGH ENTITY IDENTIFYING NUMBER</u>	<u>EXPENDITURES</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Passed-through NYS Education Department:			
Special Education Cluster:			
IDEA - Part B, Section 611	84.027	0032-12-1045	\$ 329,305
IDEA - Part B, Section 619	84.173	0033-12-1045	7,346
IDEA - Part B, Section 619, Recovery Act	84.392	5033-11-1045	<u>1,134</u>
Total Special Education Cluster			337,785
Title I Parts A&D, Basic Program	84.010	0021-12-3610	49,937
Title II Part A, Teacher & Principal Training & Recruiting	84.367	0147-11-3610	1,960
Title II Part A, Teacher & Principal Training & Recruiting	85.367	0147-12-3610	20,600
Race to the Top, Recovery Act	84.395	5500-12-3610	5,180
Education Jobs Fund, Recovery Act	84.410	5400-12-3610	<u>233,761</u>
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>649,223</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Passed-through NYS Education Department:			
Special Milk Program for Children	10.556	N/A	<u>11,483</u>
TOTAL FEDERAL AWARDS EXPENDED			<u>\$ 660,706</u>

The accompanying notes are an integral part of the schedule.

CROTON-HARMON UNION FREE SCHOOL DISTRICT  
CROTON-ON-HUDSON, NEW YORK  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2012

NOTE 1. BASIS OF PRESENTATION.

The accompanying schedule of expenditures of federal awards presents the activity of federal award programs administered by the District, which is described in Note 1 to the District's accompanying financial statements, using the modified accrual basis of accounting. Federal awards that are included in the schedule may be received directly from federal agencies, as well as federal awards that are passed through from other government agencies. The information is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Certain of the District's federal award programs have been charged with indirect costs, based upon an established rate applied to overall expenditures. There is no other indirect cost allocation plan in effect.

The basis of accounting varies by federal program consistent with the underlying regulations pertaining to each program.

The amounts reported as federal expenditures were obtained from the federal financial reports for the applicable program and periods. The amounts reported in these reports are prepared from records maintained for each program, which are reconciled with the District's financial reporting system.

NOTE 2. OTHER DISCLOSURES.

No insurance is carried specifically to cover equipment purchased with federal funds. Any equipment purchased with federal funds has only a nominal value, and is covered by the District's casualty insurance policies.

There were no loans or loan guarantees outstanding at year-end.

CROTON-HARMON UNION FREE SCHOOL DISTRICT  
CROTON-ON-HUDSON, NEW YORK  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2012

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of Auditor's Opinion Issued: Unqualified

Internal Control over Financial Reporting:

Material weakness(es) identified? \_\_\_\_\_ Yes X No

Significant deficiencies identified that are  
not considered to be material weaknesses \_\_\_\_\_ Yes X None Reported

Noncompliance material to financial statements noted? \_\_\_\_\_ Yes X No

FEDERAL AWARDS

Internal Control over Major Programs:

Material weakness(es) identified? \_\_\_\_\_ Yes X No

Significant deficiencies identified that are  
not considered to be material weaknesses \_\_\_\_\_ Yes X None Reported

Type of Auditor's Opinion Issued on Compliance for  
Major Programs: Unqualified

Any audit findings disclosed that are required to be reported  
in accordance with Section 510(a) of Circular A-133? \_\_\_\_\_ Yes X No

IDENTIFICATION OF MAJOR PROGRAMS:

<u>CFDA NUMBERS</u>	<u>NAME OF FEDERAL PROGRAM OR CLUSTER</u>
84.027, 84.173, 84.392	Special Education Cluster
84.410	Education Jobs Fund

Dollar threshold used to distinguish between Type A and Type B programs: \$ 300,000.00

Auditee qualified as low-risk auditee? \_\_\_\_\_ Yes X No

SECTION II - FINANCIAL STATEMENT FINDINGS

There were no findings relating to the financial statements which were required to be reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

A. Significant Deficiencies in Internal Control

There were no findings relating to the major federal awards as required to be reported in accordance with Section 510(a) of Circular A-133.

B. Compliance Findings

There were no findings relating to the major federal awards as required to be reported in accordance with Section 510(a) of Circular A-133.



# 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

We have audited the statement of assets, liabilities, and fund balance-cash basis of the extraclassroom activity funds of the Croton-Harmon Union Free School District as of June 30, 2012, and the related statement of receipts and disbursements-cash basis for the year then ended. These financial statements are the responsibility of the District's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note #1, these financial statements were prepared on the cash basis of accounting and are not intended to be presented in conformity with generally accepted accounting principles.

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 Croton-Harmon Union Free School District as of June 30, 2012, and its cash receipts and cash disbursements for the year then ended, on the basis of accounting described in Note #1.

Respectfully submitted,

*Nugent & Haeussler, P.C.*

October 1, 2012

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, 2012

ASSETS

Cash in Checking	\$ 75,080
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LIABILITIES AND FUND BALANCE

LIABILITIES

Sales Tax Payable	<u>\$ 429</u>
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FUND BALANCE

Fund Balance, Beginning of Year	78,140
Excess of Disbursements over Receipts	<u>(3,489)</u>

Fund Balance, End of Year	<u>74,651</u>
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TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 75,080</u></u>
------------------------------------	-------------------------

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, 2012

	FUND BALANCE JUNE 30, 2011	RECEIPTS	DISBURSEMENTS	FUND BALANCE JUNE 30, 2012
AFS Fund	\$ 1,165	\$ 0	\$ 62	\$ 1,103
Alliance For Equality	0	0	0	0
Art Club	598	915	366	1,147
Book Club	474	0	0	474
Cacti	0	0	0	0
Cheerleading	2,311	44,326	39,502	7,135
Chorus	358	0	0	358
Class Of 2011	3,662	0	3,662	0
Class Of 2012	437	18,292	15,524	3,205
Class Of 2013	89	6,739	6,775	53
Class Of 2014	1,300	10,484	10,907	877
Class Of 2015	0	820	53	767
Community Service	106	553	415	244
Drama Club	7,831	6,034	10,476	3,389
The Fourth Floor	269	353	166	456
Girl's Soccer	100	0	0	100
Green Team	303	367	18	652
GSA	197	682	31	848
Humans Rights Task Force	229	0	0	229
La Rochelle	3,702	55,250	50,872	8,080
National Honor Society	7,660	0	2,184	5,476
Photo Club	47	0	0	47
PI Squad	0	332	332	0
SADD	0	550	0	550
Spanish Exchange 2004	2,967	0	0	2,967
Spirit Club	1,211	0	28	1,183
TAP Fund	294	0	0	294
Tiger Tales	10,885	7,332	11,414	6,803
Student Faculty Congress	2,298	1,111	1,125	2,284
PVC Destination Imagination	4,572	16,169	16,226	4,515
PVC Drama Club	12,791	2,201	1,808	13,184
PVC Social Action	36	405	441	0
PVC Student Council	6,788	8,404	10,748	4,444
PVC Yearbook	5,460	3,706	5,379	3,787
	<u>\$ 78,140</u>	<u>\$ 185,025</u>	<u>\$ 188,514</u>	<u>\$ 74,651</u>

3.00

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, 2012

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.