

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

AUDIT REPORT FOR THE FISCAL YEAR ENDED
JUNE 30, 2004
INCLUDING REPORT ON
EXTRACLASSROOM ACTIVITY FUNDS

CROTON-HARMON UNION FREE SCHOOL DISTRICT
CROTON-ON-HUDSON, NEW YORK
JUNE 30, 2004
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OPINION ON DISTRICT-WIDE FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS
GOVERNMENTAL ENTITY

INDEPENDENT AUDITOR'S REPORT

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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 10520

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, 2004, 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 opinion.

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, 2004, 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 August 31, 2004, on our consideration of the Croton-Harmon Union Free School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with government auditing standards and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis on pages 3 through 12 and 36 through 41 are not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Respectfully submitted,


NUGENT & HAEUSSLER, P.C.

August 31, 2004

CROTON-HARMON UNION FREE SCHOOL DISTRICT

Management Discussion and Analysis

Within this section of the Croton-Harmon Union Free School District's annual financial report, the District's management provides narrative discussion and analysis of the financial activities of the District for the fiscal year ended June 30, 2004. The District's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosure following this section. Additional information is available in the auditor's opinion letter which precedes management's discussion and analysis.

Overview of the Financial Statements

Management's discussion and analysis introduces the District's basic financial statements. The basic financial statements include: (1) district-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements.

District-Wide Financial Statements

The District's annual report includes two district-wide financial statements. These statements provide both long-term and short-term information about the District's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The first of these district-wide statements is the Statement of Net Assets. This is a District-wide statement of position presenting information that includes all of the District's assets and liabilities, with the difference reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District taken as a whole is improving or deteriorating. Evaluation of the overall health of the District would extend to other nonfinancial factors such as diversification of the taxpayer base, the continued financial support of the State and Federal governments and the condition of the District's infrastructure in addition to the financial information provided in this report.

The second district-wide statement is the Statement of Activities which reports how the District's net assets changed during the current fiscal year. All current revenues and expenditures are included regardless of when cash is received or paid. An important purpose of the design of the statement of activities is to show the financial reliance of the School's distinct activities or functions on revenues provided by the District's taxpayers.

Both district-wide financial statements distinguish the governmental activities of the District that are principally supported by taxes, State and Federal sources and intergovernmental revenues, such as operating grants. Fiduciary activities, such as the trust and agency fund, are not included in the government-wide statements since these assets are not available to fund the District programs.

The district-wide financial statements are presented on pages 13 and 14 of this report.

CROTON-HARMON UNION FREE SCHOOL DISTRICT

Management Discussion and Analysis (Continued)

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The District uses funds to ensure and demonstrate compliance with finance-related law and regulations. Within the basic financial statements, fund financial statements focus on the District's most significant funds rather than the District as a whole. All funds were considered to be major funds for purposes of this report.

The District has two kinds of funds:

Governmental Funds are reported in the fund financial statements and encompass essentially the same functions reported as governmental activities in the district-wide financial statements. However, the focus is very different with fund statements providing a distinctive view of the District's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of spendable resources available at the end of the year. They are useful in evaluating annual financial requirements of governmental programs and the commitment of spendable resources for the near -term.

Since the district-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the government fund balance sheet and the government fund statement of revenues, expenditures, and changes in fund balances have been reconciled in the notes to the financial statements to assist in understanding the differences between these two perspectives.

Budgetary comparison statements are included in the supplemental financial statements for the General Fund. These statements and schedules demonstrate compliance with the District's adopted and final revised budget.

The basic governmental fund financial statements are presented on pages 15 and 16 of this report.

Fiduciary Funds such as the scholarship accounts, extraclassroom activity balances and other payroll withholdings are reported in the fiduciary fund financial statements, but are excluded from the district-wide reporting. Fiduciary fund financial statements report resources that are not available to fund school programs.

The basic fiduciary fund financial statements are presented on page 17 of this report.

Notes to Financial Statements

The accompanying notes to the financial statements provide information essential to a full understanding of the district-wide and fund financial statements. The notes to the financial statements begin on page 20 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also includes supplementary information beginning on page 37.

CROTON-HARMON UNION FREE SCHOOL DISTRICT

**Management Discussion and Analysis
(Continued)**

Financial Analysis of the School as a Whole

The District's net assets at fiscal year ended June 30, 2004 and 2003, are \$15,178,320.01 and \$13,196,390.39, respectively. This is a \$1,981,929.62 increase over last year's net assets. The following table provides a summary of the District's net assets:

Summary of Net Assets

	<u>School District Activities</u>	
	<u>June 30, 2004</u>	<u>June 30, 2003</u>
Current and Other Assets	\$ 22,282,178.57	\$ 17,593,165.06
Capital Assets	<u>30,164,127.74</u>	<u>16,773,725.16</u>
Total Assets	<u>52,446,306.31</u>	<u>34,366,890.22</u>
Long-Term Debt Outstanding	32,465,140.00	18,635,133.00
Other Liabilities	<u>4,802,846.30</u>	<u>2,535,366.83</u>
Total Liabilities	<u>37,267,986.30</u>	<u>21,170,499.83</u>
Net Assets:		
Invested in Capital Assets, Net of Related Debt	(3,690,872.26)	(2,471,274.84)
Restricted	13,271,700.00	10,877,979.92
Unrestricted	<u>5,597,492.27</u>	<u>4,789,685.31</u>
Total Net Assets	<u>\$ 15,178,320.01</u>	<u>\$ 13,196,390.39</u>

The District reported a positive increase in net assets for the year in the amount of \$1,981,929.62.

The District made significant progress on the District Wide Construction and Renovation Capital Project. However, the deficit in capital assets, net of related debt increased \$1,219,597.42 from \$2,471,274.84 to \$3,690,872.26. The major cause for this situation was the issuance of additional long-term debt in advance of the construction costs. It is expected that upon completion of the capital project, the entire deficit will be eliminated. As part of the issuance of debt, restricted net assets increased by \$2,393,720.88 during the year.

The District does not record, at this time, the liability for post-employment benefits in regard to health care premiums until guidance is issued by the Governmental Accounting Standards Board. This unrecorded liability will be material to the financial statements as a whole and is not required to be calculated and recorded at this time.

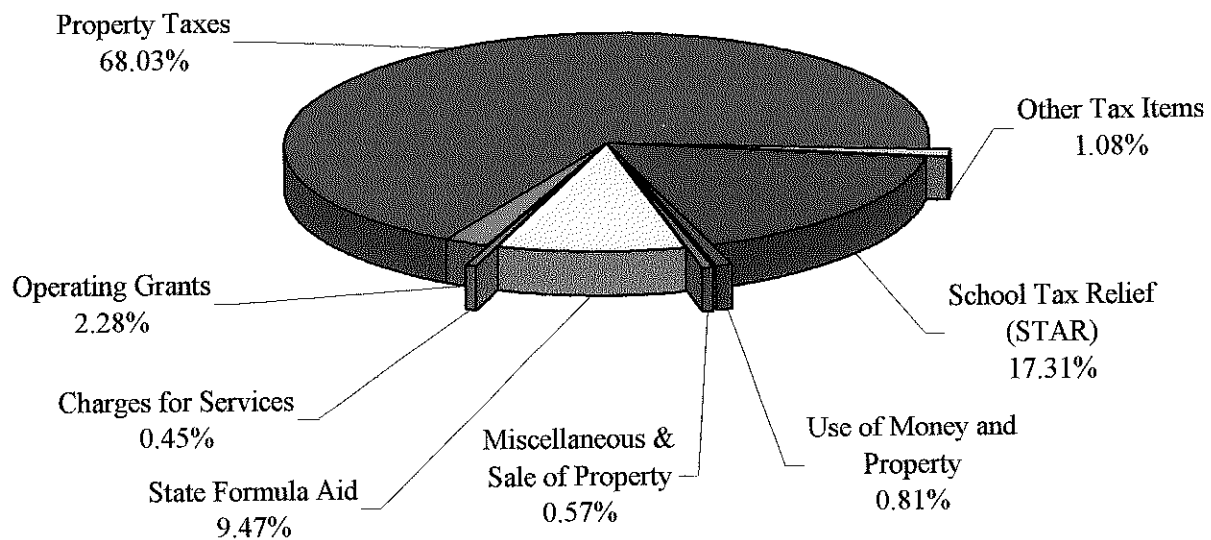
The following table and supporting graphs provides a summary of revenues, expenses and changes in net assets for the year ended June 30, 2004 and 2003:

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

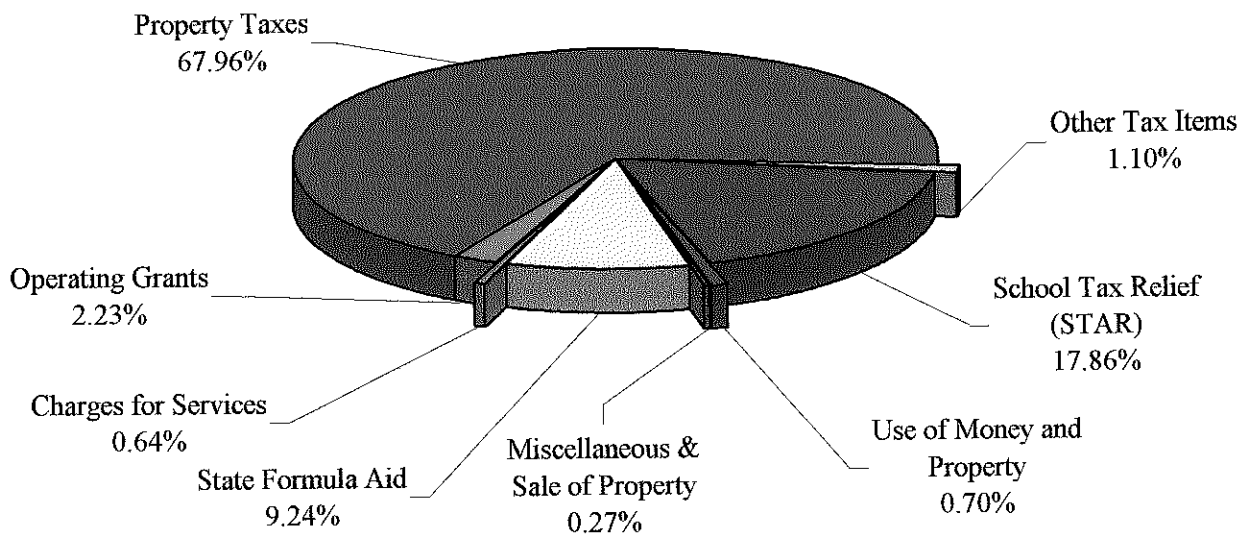
<u>REVENUES</u>		<u>2004</u>	<u>%</u>		<u>2003</u>	<u>%</u>
		<u>AMOUNT</u>			<u>AMOUNT</u>	
<u>PROGRAM REVENUES</u>						
Charges for Services	1	\$ 129,912.60	0.45%	1	\$ 164,310.05	0.64%
Operating Grants	2	652,227.68	2.28%	2	573,191.14	2.23%
<u>GENERAL REVENUES</u>						
Property Taxes	3	19,490,221.00	68.03%	3	17,491,322.00	67.96%
Other Tax Items	4	307,965.00	1.08%	4	282,930.00	1.10%
School Tax Relief (STAR)	5	4,957,329.00	17.31%	5	4,597,228.00	17.86%
Use of Money and Property	6	230,650.50	0.81%	6	181,104.73	0.70%
Sale of Property & Compensation for Loss	7	5,206.69	0.02%	7	5,646.56	0.02%
Miscellaneous	7	158,260.70	0.55%	7	63,365.46	0.25%
State Formula Aid	8	<u>2,712,879.00</u>	<u>9.47%</u>	8	<u>2,378,891.39</u>	<u>9.24%</u>
TOTAL REVENUES		<u>28,644,652.17</u>	100.00%		<u>25,737,989.33</u>	100.00%
<u>EXPENDITURES</u>						
General Support	1	3,416,246.81	12.81%	1	3,327,895.21	13.96%
Instruction	2	16,816,766.48	63.08%	2	15,484,577.89	64.93%
Pupil Transportation	3	1,495,925.08	5.61%	3	1,296,904.28	5.44%
Community Service	4	4,950.00	0.02%	4	0.00	0.00%
Employee Benefits	5	3,434,656.79	12.88%	5	2,649,963.67	11.11%
Debt Service	6	1,003,423.10	3.76%	6	642,640.93	2.70%
Depreciation	7	457,847.70	1.72%	7	412,719.89	1.73%
School Lunch Program	8	<u>32,906.59</u>	<u>0.12%</u>	8	<u>30,509.69</u>	<u>0.13%</u>
TOTAL EXPENDITURES		<u>26,662,722.55</u>	100.00%		<u>23,845,211.56</u>	100.00%
INCREASE IN NET ASSETS		<u>\$ 1,981,929.62</u>			<u>\$ 1,892,777.77</u>	

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

SOURCES OF REVENUES FOR FISCAL YEAR 2004

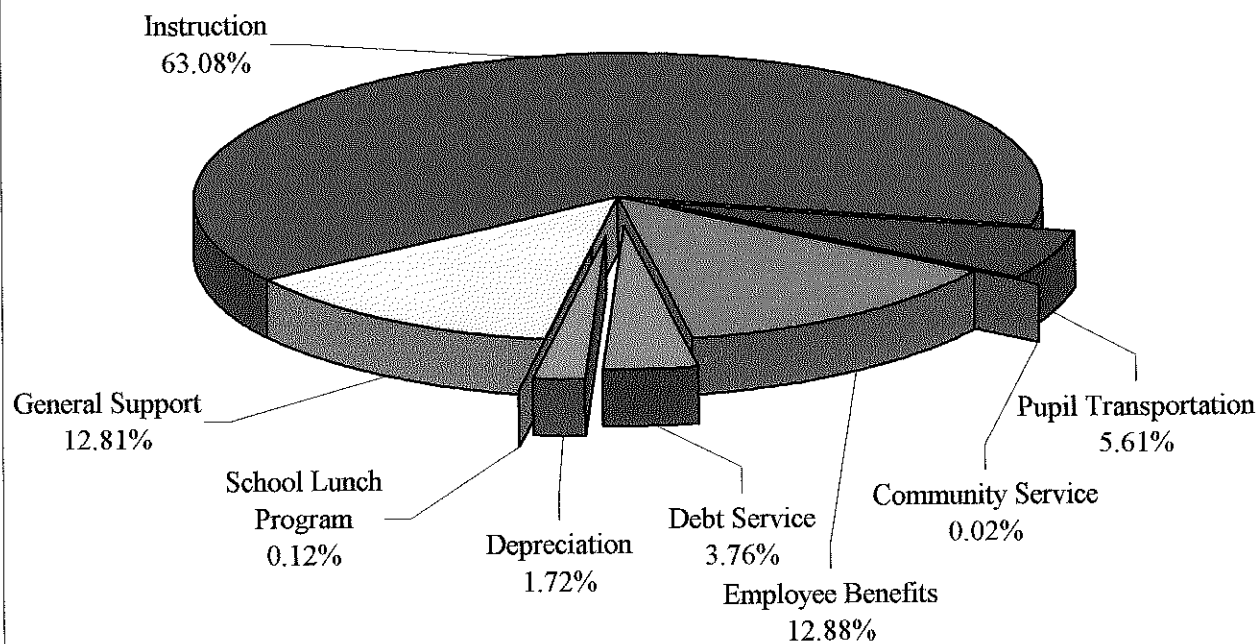


SOURCES OF REVENUES FOR FISCAL YEAR 2003

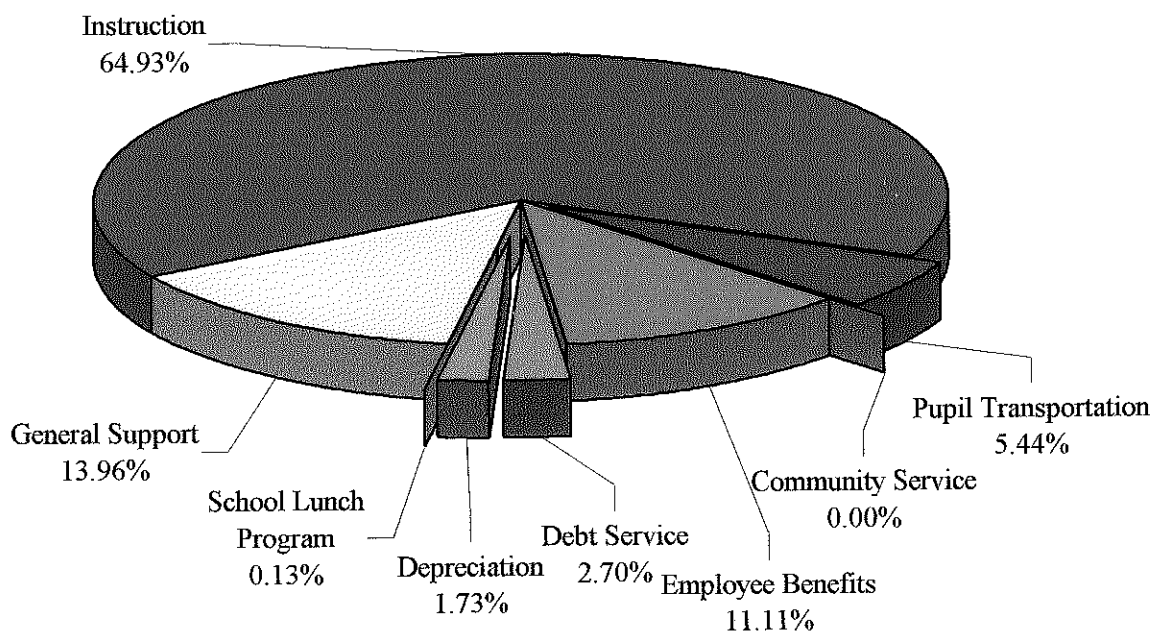


CROTON-HARMON UNION FREE SCHOOL DISTRICT
CROTON-ON-HUDSON, NEW YORK

EXPENSES FOR FISCAL YEAR 2004



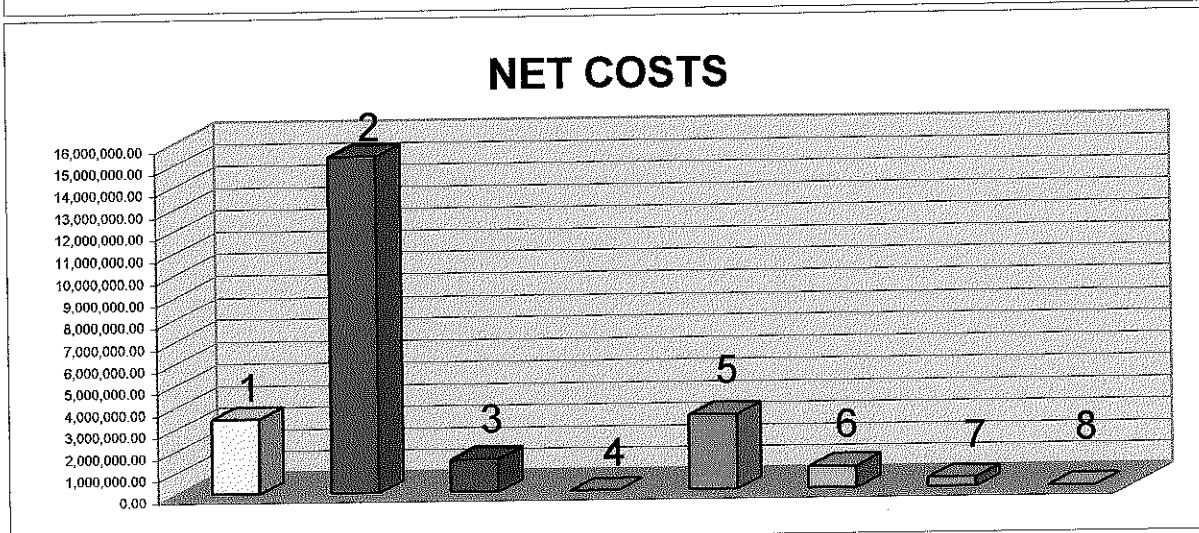
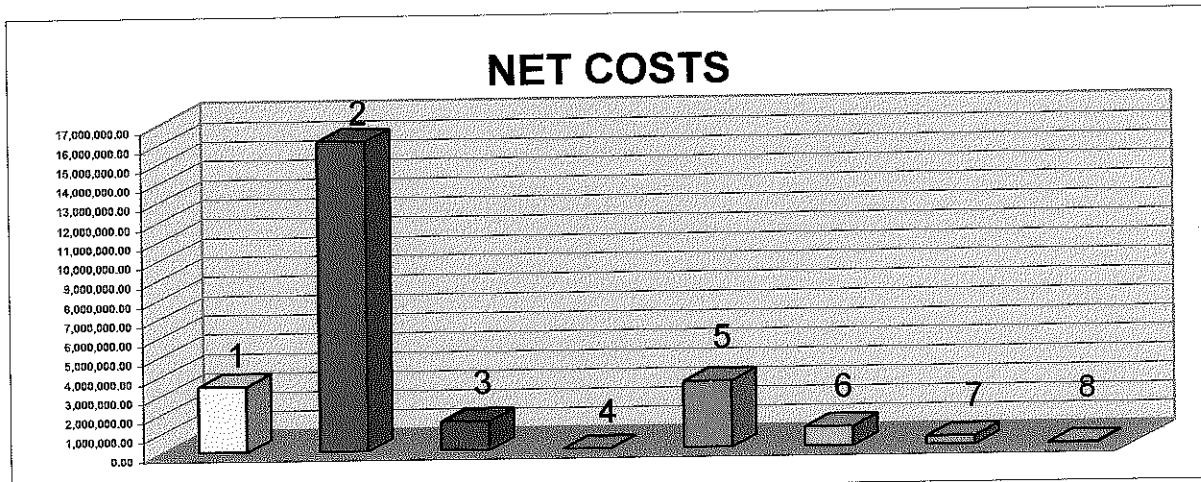
EXPENSES FOR FISCAL YEAR 2003



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

THE FOLLOWING INFORMATION IS PROVIDED TO DISCLOSE THE NET
COST OF GOVERNMENTAL ACTIVITIES:

		TOTAL COST OF SERVICES	NET COST OF SERVICES	NET COST OF SERVICES
		2004	2004	2003
GENERAL SUPPORT	1	3,416,246.80	3,416,246.80	3,416,246.80
INSTRUCTION	2	16,816,766.48	16,053,361.20	15,332,300.66
PUPIL TRANSPORTATION	3	1,495,925.08	1,495,925.08	1,495,925.08
COMMUNITY SERVICE	4	4,950.00	4,950.00	4,950.00
EMPLOYEE BENEFITS	5	3,434,656.79	3,434,656.79	3,434,656.79
DEBT SERVICE	6	1,003,423.10	1,003,423.10	1,003,423.10
DEPRECIATION	7	457,847.70	439,112.70	439,112.70
SCHOOL LUNCH PROGRAM	8	32,906.59	32,906.59	16,465.94
		<u>26,662,722.55</u>	<u>25,880,582.27</u>	<u>25,143,081.08</u>



CROTON-HARMON UNION FREE SCHOOL DISTRICT

Management Discussion and Analysis (Continued)

Financial Analysis of the School 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 School District consist of the General Fund, School Lunch Fund, Special Aid Fund, Debt Service Fund and Capital Project Fund. The total fund equity allocated between reserved and unreserved fund balance for each of these funds is as follows:

	June 30, 2004		June 30, 2003	
	Reserved	Unreserved	Reserved	Unreserved
General Fund	\$ 1,408,048.90	\$ 4,974,411.71	\$ 2,258,111.02	\$ 3,214,876.51
Special Aid Fund	0.00	(1,592.47)	3,310.77	(32,419.86)
School Lunch Fund	0.00	6,006.79	0.00	9,648.62
Debt Service Fund	279,904.69	0.00	137,475.94	0.00
Capital Project Fund	9,042,833.85	3,948,961.46	16,343,843.30	(5,603,339.32)

General Fund Budgetary Highlights

The original budget for the General Fund was not revised this year. No supplemental appropriations occurred during the 2003-2004 school year.

In reviewing the actual results of operations for the General Fund for the year ended June 30, 2004, as compared to the adjusted budget you will find that revenues were \$913,298.00 (3.4%) over budget and the unencumbered expenditure budget was \$848,956.40 (3.04%). Most revenues were received with small variances in accordance with the anticipated budget with the exception of state aid which was \$636,448.00 (28.9%) over budget. The fact that state aid received was over budget is a direct result of the delay in New York State adopting its annual budget and the uncertainty related to the state aid support for schools. The District appropriated \$800,000.00 of fund balance to reduce the tax levy which is similar to past experience.

For fiscal year 2004-2005, the District has appropriated \$1,100,000.00 of fund balance to reduce the tax levy.

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

New York State Aid revenues may be impacted due to state wide budget constraints.

Employee benefits, such as, health benefits, teachers and employees retirement continue to rise.

Interest earnings on cash balances continue to be at their historic lows.

Management believes that the budget adopted is reasonably adaptable to any adverse changes that may arise based on the above factors. Should the actual results in 2004-2005 be similar to the fiscal year ended June 30, 2004, then the District would be able to establish additional reserves and or increase the existing reserve for potential future costs.

Other Fund Highlights

For the fiscal year ended June 30, 2004, the Special Aid Fund had revenues exceeding expenditures by \$27,516.62. This was due primarily to interfund transfers budgeted from the General Fund to cover unreimbursed Summer Handicapped Program costs. Future General Fund budgets will continue to include interfund transfers to cover these unreimbursed costs.

CROTON-HARMON UNION FREE SCHOOL DISTRICT

**Management Discussion and Analysis
(Continued)**

Other Fund Highlights (Continued)

The School Lunch Fund had expenditures which exceeded revenues by \$3,641.83 during the fiscal year ended June 30, 2004. School Lunch Fund operations will be monitored closely to improve efficiency and control costs. If necessary, an additional interfund transfer from the General Fund will be budgeted

Capital Asset and Debt Administration

Capital Assets

The District's investment in capital assets, net of accumulated depreciation as of June 30, 2003, was \$16,773,725.16. The total increase in this net investment was 79.83% for the District as a whole (see schedule below). The District investment in capital assets, net of accumulated depreciation as of June 30, 2004, was \$30,164,127.74. The capital assets include land, buildings and equipment. The District expended \$13,848,250.28 to acquire furniture and equipment and for construction in progress during the fiscal year 2003-2004 and depreciation expense for the year was \$457,847.70.

CAPITAL ASSETS

Net of Accumulated Depreciation

	<u>School District Activities</u>		<u>% Change</u>
	<u>2004</u>	<u>2003</u>	
Non-Depreciable Assets:			
Land	\$ 810,100.00	\$ 810,100.00	0.00%
Depreciable Assets:			
Building and Improvements	28,409,362.34	15,148,279.67	87.54%
Furniture, Machinery, and Equipment	944,665.40	815,345.49	15.86%
TOTAL	<u>\$ 30,164,127.74</u>	<u>\$16,773,725.16</u>	79.83%

Long-Term Debt

At the end of the fiscal year, the District had total bonded debt outstanding of \$33,855,000. 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. During the current year, the School District issued serial bonds in the amount of \$15,520,000.00 with interest provisions at various rates. This debt was issued associated with the ongoing District-wide construction and renovation projects.

<u>Beginning Balance</u>	<u>Issued</u>	<u>Paid</u>	<u>Ending Balance</u>
<u>\$19,245,000.00</u>	<u>\$15,520,000.00</u>	<u>\$ 910,000.00</u>	<u>\$ 33,855,000.00</u>

CROTON-HARMON UNION FREE SCHOOL DISTRICT

**Management Discussion and Analysis
(Continued)**

Bond Ratings

Moody's Investors Service (Moody's) ratings services provides analysis of corporate and municipal bonds. Moody's has assigned an underlying rating of "A1" to the outstanding bonds of the District. Such rating reflects only the views of such rating agency, and any desired explanation of the significance of such rating should be obtained from Moody's. Generally, a rating agency bases its ratings on the information and materials furnished to it and on investigation, studies and assumptions by the rating agency. There is no assurance that a particular rating will apply for any given period of time or that it will not be lowered or withdrawn entirely if, in the judgment of the agency originally establishing the rating, circumstances so warrant. Any downward revision or withdrawal of such rating could have an adverse affect on the market price of the District indebtedness or the availability of a secondary market for such obligations. Such rating should not be taken as a recommendation to buy or hold the District's obligations.

Contacting the School's Financial Management

This financial report is designed to provide a general overview of the School's finances, comply with finance-related laws and regulations and demonstrate the School's commitment to public accountability. If you have questions about this report, or would like to request additional information, contact Kathleen Ryan, Assistant Superintendent for Finance and Administration at the School'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
JUNE 30, 2004

ASSETS

Unrestricted Cash	\$ 20,453,463.26
Restricted Cash	656,945.15
State and Federal Aid Receivable	487,546.59
Due from Other Governments	544,050.75
Due from Fiduciary Funds	133,632.42
Other Receivables, Net	6,540.40
Capital Assets, Net	<u>30,164,127.74</u>
TOTAL ASSETS	<u>52,446,306.31</u>

LIABILITIES

Current Liabilities:

Accounts Payable	1,214,002.16
Accrued Liabilities	617,794.24
Retainage Payable	721,109.04
Due to Teachers' Retirement System	414,780.05
Due to Employees' Retirement System	94,690.50
Other Liabilities	16,138.30
Deferred Revenues	19,332.01

Long-Term Liabilities:

Due and Payable Within One Year:

Bonds Payable	1,705,000.00
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Due and Payable in More Than One Year:

Bonds Payable	32,150,000.00
Compensated Absences	<u>315,140.00</u>

TOTAL LIABILITIES	<u>37,267,986.30</u>
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NET ASSETS

Investment in Capital Assets, Net of Related Debt	(3,690,872.26)
Restricted for:	
Debt Service	279,904.69
Capital	12,991,795.31
Unrestricted (deficit)	<u>5,597,492.27</u>
TOTAL NET ASSETS	<u>\$ 15,178,320.01</u>

See notes to financial statement.

CROTON-HARMON UNION FREE SCHOOL DISTRICT
CROTON-ON-HUDSON, NEW YORK
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2004

FUNCTIONS/ PROGRAMS	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS	
General Support	\$ (3,817,008.30)	\$ 0.00	\$ 0.00	\$ (3,817,008.30)
Instruction	(19,901,878.66)	117,386.60	646,018.68	(19,138,473.38)
Pupil Transportation	(1,869,002.99)	0.00	0.00	(1,869,002.99)
Community Service	(4,950.00)	0.00	0.00	(4,950.00)
Debt Service	(1,003,423.10)	0.00	0.00	(1,003,423.10)
School Lunch Program	(66,459.50)	12,526.00	6,209.00	(47,724.50)
TOTAL FUNCTIONS AND PROGRAMS	\$ (26,662,722.55)	\$ 129,912.60	\$ 652,227.68	\$ (25,880,582.27)

GENERAL REVENUES

Real Property Taxes	\$ 19,490,221.00
Other Tax Items	4,957,329.00
Nonproperty Taxes	307,965.00
Use of Money and Property	230,650.50
Sale of Property and Compensation for Loss	5,206.69
Miscellaneous	158,260.70
State Sources	2,712,879.00
TOTAL GENERAL REVENUES	27,862,511.89

CHANGE IN NET ASSETS 1,981,929.62

TOTAL NET ASSETS - BEGINNING OF YEAR 13,196,390.39

TOTAL NET ASSETS - END OF YEAR \$ 15,178,320.01

See notes to financial statements.

CROTON-HARMON UNION FREE SCHOOL DISTRICT
CROTON-ON-HUDSON, NEW YORK
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2004

<u>ASSETS</u>	<u>GENERAL FUND</u>	<u>SPECIAL AID</u>
Unrestricted Cash	\$ 5,604,104.87	\$ 245,325.95
Restricted Cash	379,171.04	0.00
State and Federal Aid Receivable	340,975.55	146,166.04
Due from Other Governments	544,050.75	0.00
Due from Other Funds	596,362.30	65,003.53
Other Receivables, Net	6,540.40	0.00
TOTAL ASSETS	<u>\$ 7,471,204.91</u>	<u>\$ 456,495.52</u>
<u>LIABILITIES</u>		
Accounts Payable	\$ 342,590.24	\$ 4,154.50
Accrued Liabilities	143,551.58	0.00
Retainage Payable	0.00	0.00
Due to Other Funds	76,993.63	434,601.48
Due to Teachers' Retirement System	414,780.05	0.00
Due to Employees' Retirement System	94,690.50	0.00
Other Liabilities	16,138.30	0.00
Deferred Revenues	0.00	19,332.01
TOTAL LIABILITIES	<u>1,088,744.30</u>	<u>458,087.99</u>
<u>FUND EQUITY</u>		
Capital Reserve	10,645.71	0.00
Reserve for Encumbrances	15,299.80	0.00
Reserve for Liability	700,000.00	0.00
Reserve for Tax Certiorari	682,103.39	0.00
Reserve for Debt	0.00	0.00
Unreserved:		
Designated for Subsequent Year's Expenditures	1,100,000.00	0.00
Undesignated (Deficit)	<u>3,874,411.71</u>	<u>(1,592.47)</u>
TOTAL FUND EQUITY	<u>6,382,460.61</u>	<u>(1,592.47)</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 7,471,204.91</u>	<u>\$ 456,495.52</u>

See notes to financial statements.

SCHOOL LUNCH	DEBT SERVICE	CAPITAL PROJECTS	TOTAL GOVERNMENTAL FUNDS
\$ 6,439.44	\$ 0.00	\$ 14,597,593.00	\$ 20,453,463.26
0.00	277,774.11	0.00	656,945.15
405.00	0.00	0.00	487,546.59
0.00	0.00	0.00	544,050.75
0.00	2,130.58	0.00	663,496.41
0.00	0.00	0.00	6,540.40
<u>\$ 6,844.44</u>	<u>\$ 279,904.69</u>	<u>\$ 14,597,593.00</u>	<u>\$ 22,812,042.56</u>
\$ 837.65	\$ 0.00	\$ 866,419.77	\$ 1,214,002.16
0.00	0.00	0.00	143,551.58
0.00	0.00	721,109.04	721,109.04
0.00	0.00	18,268.88	529,863.99
0.00	0.00	0.00	414,780.05
0.00	0.00	0.00	94,690.50
0.00	0.00	0.00	16,138.30
0.00	0.00	0.00	19,332.01
<u>837.65</u>	<u>0.00</u>	<u>1,605,797.69</u>	<u>3,153,467.63</u>
0.00	0.00	0.00	10,645.71
0.00	0.00	9,042,833.85	9,058,133.65
0.00	0.00	0.00	700,000.00
0.00	0.00	0.00	682,103.39
0.00	279,904.69	0.00	279,904.69
0.00	0.00	0.00	1,100,000.00
6,006.79	0.00	3,948,961.46	7,827,787.49
<u>6,006.79</u>	<u>279,904.69</u>	<u>12,991,795.31</u>	<u>19,658,574.93</u>
<u>\$ 6,844.44</u>	<u>\$ 279,904.69</u>	<u>\$ 14,597,593.00</u>	<u>\$ 22,812,042.56</u>

CROTON-HARMON UNION FREE SCHOOL DISTRICT
CROTON-ON-HUDSON, NEW YORK
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND EQUITY - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2004

<u>REVENUES</u>	<u>GENERAL FUND</u>	<u>SPECIAL AID</u>
Real Property Taxes	\$ 19,490,221.00	\$ 0.00
Real Property Tax Items	4,957,329.00	0.00
Nonproperty Taxes	307,965.00	0.00
Charges for Services	117,386.60	0.00
Use of Money and Property	88,221.75	0.00
Sale of Property and Compensation for Losses	5,206.69	0.00
Miscellaneous	158,260.70	72,435.61
State Sources	2,836,348.00	130,221.44
Federal Sources	43,359.26	276,533.37
Sales (School Lunch Fund)	0.00	0.00
TOTAL REVENUES	<u>28,004,298.00</u>	<u>479,190.42</u>
 <u>EXPENDITURES</u>		
General Support	3,457,119.28	0.00
Instruction	16,396,914.91	491,673.80
Pupil Transportation	1,670,283.66	0.00
Community Services	4,950.00	0.00
Employee Benefits	3,433,167.88	0.00
Debt Service	1,802,889.19	0.00
Cost of Sales	0.00	0.00
Capital Outlay	0.00	0.00
TOTAL EXPENDITURES	<u>26,765,324.92</u>	<u>491,673.80</u>
 EXCESS (DEFICIENCY) REVENUES OVER EXPENDITURES	<u>1,238,973.08</u>	<u>(12,483.38)</u>
 <u>OTHER SOURCES AND USES:</u>		
Operating Transfers In	0.00	40,000.00
Operating Transfers (Out)	(329,500.00)	0.00
Proceeds of Obligations	0.00	0.00
TOTAL OTHER SOURCES AND USES	<u>(329,500.00)</u>	<u>40,000.00</u>
 EXCESS (DEFICIENCY) REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	 909,473.08	 27,516.62
 FUND EQUITY , BEGINNING OF YEAR	 <u>5,472,987.53</u>	 <u>(29,109.09)</u>
 FUND EQUITY, END OF YEAR	 <u>\$ 6,382,460.61</u>	 <u>\$ (1,592.47)</u>

See notes to financial statements.

SCHOOL LUNCH	DEBT SERVICE	CAPITAL PROJECTS	TOTAL GOVERNMENTAL FUNDS
\$ 0.00	\$ 0.00	\$ 0.00	\$ 19,490,221.00
0.00	0.00	0.00	4,957,329.00
0.00	0.00	0.00	307,965.00
0.00	0.00	0.00	117,386.60
0.00	142,428.75	0.00	230,650.50
0.00	0.00	0.00	5,206.69
0.00	0.00	0.00	230,696.31
0.00	0.00	0.00	2,966,569.44
6,209.00	0.00	0.00	326,101.63
<u>12,526.00</u>	<u>0.00</u>	<u>0.00</u>	<u>12,526.00</u>
<u>18,735.00</u>	<u>142,428.75</u>	<u>0.00</u>	<u>28,644,652.17</u>
18,670.31	0.00	0.00	3,475,789.59
0.00	0.00	0.00	16,888,588.71
0.00	0.00	0.00	1,670,283.66
0.00	0.00	0.00	4,950.00
1,488.91	0.00	0.00	3,434,656.79
0.00	0.00	0.00	1,802,889.19
14,217.61	0.00	0.00	14,217.61
<u>0.00</u>	<u>0.00</u>	<u>13,546,208.67</u>	<u>13,546,208.67</u>
<u>34,376.83</u>	<u>0.00</u>	<u>13,546,208.67</u>	<u>40,837,584.22</u>
<u>(15,641.83)</u>	<u>142,428.75</u>	<u>(13,546,208.67)</u>	<u>(12,192,932.05)</u>
12,000.00	0.00	277,500.00	329,500.00
0.00	0.00	0.00	(329,500.00)
<u>0.00</u>	<u>0.00</u>	<u>15,520,000.00</u>	<u>15,520,000.00</u>
<u>12,000.00</u>	<u>0.00</u>	<u>15,797,500.00</u>	<u>15,520,000.00</u>
(3,641.83)	142,428.75	2,251,291.33	3,327,067.95
<u>9,648.62</u>	<u>137,475.94</u>	<u>10,740,503.98</u>	<u>16,331,506.98</u>
<u>\$ 6,006.79</u>	<u>\$ 279,904.69</u>	<u>\$ 12,991,795.31</u>	<u>\$ 19,658,574.93</u>

CROTON-HARMON UNION FREE SCHOOL DISTRICT
CROTON-ON-HUDSON, NEW YORK
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2004

	<u>PRIVATE PURPOSE TRUSTS</u>	<u>AGENCY</u>
<u>ASSETS</u>		
Cash	\$ 46,220.45	\$ 288,313.85
 TOTAL ASSETS	 <u>\$ 46,220.45</u>	 <u>\$ 288,313.85</u>
 <u>LIABILITIES</u>		
Due to Government Funds	\$ 0.00	\$ 133,632.42
Extraclassroom Activity Balances	0.00	32,741.01
Other Liabilities	<u>0.00</u>	<u>121,940.42</u>
 TOTAL LIABILITIES	 <u>0.00</u>	 <u>\$ 288,313.85</u>
 <u>NET ASSETS</u>		
Reserved for Scholarships	<u>\$ 46,220.45</u>	
 <u>ADDITIONS</u>		
Gifts and Contributions	\$ 14,470.56	
Investment Earnings	<u>138.23</u>	
 TOTAL ADDITIONS	 <u>14,608.79</u>	
 <u>DEDUCTIONS</u>		
Scholarships and Awards	<u>9,227.80</u>	
Change in Net Assets	5,380.99	
 NET ASSETS - BEGINNING OF YEAR	 <u>40,839.46</u>	
 NET ASSETS - END OF YEAR	 <u>\$ 46,220.45</u>	

See notes to financial statements.

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, 2004

ASSETS

Unrestricted Cash
Restricted Cash
State and Federal Aid Receivable
Due from Other Governments
Due from Other Funds
Other Receivables, Net
Capital Assets, Net
TOTAL ASSETS

LIABILITIES

Accounts Payable
Accrued Liabilities
Retainage Payable
Bond Payable
Due to Other Funds
Due to Teachers' Retirement System
Due to Employees' Retirement System
Compensated Absences Payable
Other Liabilities
Deferred Revenues
TOTAL LIABILITIES

TOTAL FUND EQUITY/NET ASSETS

TOTAL LIABILITIES AND FUND EQUITY

See notes to financial statements.

<u>TOTAL GOVERNMENT FUNDS</u>	<u>LONG-TERM ASSETS, LIABILITIES</u>	<u>RECLASSIFICATIONS AND ELIMINATIONS</u>	<u>STATEMENT OF NET ASSETS TOTALS</u>
\$ 20,453,463.26	\$	\$	\$ 20,453,463.26
656,945.15			656,945.15
487,546.59			487,546.59
544,050.75			544,050.75
663,496.41		(529,863.99)	133,632.42
6,540.40			6,540.40
	30,164,127.74		30,164,127.74
<u>\$ 22,812,042.56</u>	<u>\$ 30,164,127.74</u>	<u>\$ (529,863.99)</u>	<u>\$ 52,446,306.31</u>
\$ 1,214,002.16	\$	\$	\$ 1,214,002.16
143,551.58	474,242.66		617,794.24
721,109.04			721,109.04
0.00	33,855,000.00		33,855,000.00
529,863.99		(529,863.99)	0.00
414,780.05			414,780.05
94,690.50			94,690.50
0.00	315,140.00		315,140.00
16,138.30			16,138.30
19,332.01			19,332.01
<u>3,153,467.63</u>	<u>34,644,382.66</u>	<u>(529,863.99)</u>	<u>37,267,986.30</u>
<u>19,658,574.93</u>	<u>(4,480,254.92)</u>	<u>0.00</u>	<u>15,178,320.01</u>
<u>\$ 22,812,042.56</u>	<u>\$ 30,164,127.74</u>	<u>\$ (529,863.99)</u>	<u>\$ 52,446,306.31</u>

comp. difference
+ 16,743

↑

calc

331,883

CROTON-HARMON UNION FREE SCHOOL DISTRICT
CROTON-ON-HUDSON, NEW YORK
RECONCILIATION OF GOVERNMENTAL FUNDS- REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
TO STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2004

<u>REVENUES</u>	TOTAL GOVERNMENTAL FUNDS	LONG-TERM REVENUE EXPENSES
Real Property Taxes	\$ 19,490,221.00	\$
Real Property Tax Items	4,957,329.00	
Nonproperty Taxes	307,965.00	
Charges for Services	117,386.60	
Use of Money and Property	230,650.50	
Sale of Property and Compensation for Loss	5,206.69	
Miscellaneous	230,696.31	
State Sources	2,966,569.44	
Federal Sources	326,101.63	
Sales	12,526.00	
TOTAL REVENUES	<u>28,644,652.17</u>	<u>0.00</u>
<u>EXPENDITURES</u>		
General Support	3,475,789.59	1,587.12
Instruction	16,888,588.71	12,206.79
Pupil Transportation	1,670,283.66	1,194.42
Community Service	4,950.00	
Employee Benefits	3,434,656.79	
Debt Service	1,802,889.19	
Cost of Sales	14,217.61	18.67
Capital Outlay	13,546,208.67	
TOTAL EXPENDITURES	<u>40,837,584.22</u>	<u>15,007.00</u>
EXCESS (DEFICIENCY) REVENUES OVER EXPENDITURES	<u>(12,192,932.05)</u>	<u>(15,007.00)</u>
OTHER SOURCES AND USES:		
Operating Transfers In	329,500.00	
Operating Transfers (Out)	(329,500.00)	
Proceeds from Obligations	15,520,000.00	
TOTAL OTHER SOURCES AND USES	<u>15,520,000.00</u>	<u>0.00</u>
NET CHANGE FOR THE YEAR	<u>\$ 3,327,067.95</u>	<u>\$ (15,007.00)</u>

See notes to financial statements.

CAPITAL RELATED ITEMS	LONG-TERM DEBT TRANSACTIONS	RECLASSIFICATIONS AND ELIMINATIONS	STATEMENT OF ACTIVITIES TOTALS
\$	\$	\$	\$
			19,490,221.00
			4,957,329.00
			307,965.00
			117,386.60
			230,650.50
			5,206.69
			230,696.31
			2,966,569.44
			326,101.63
			12,526.00
0.00	0.00	0.00	28,644,652.17
(4,941.98)		344,573.57	3,817,008.30
204,525.48		2,796,557.67	19,901,878.66
(75,841.41)		273,366.33	1,869,002.99
			4,950.00
		(3,434,656.79)	0.00
	(799,466.09)		1,003,423.10
32,064.00		20,159.22	66,459.50
(13,546,208.67)			0.00
(13,390,402.58)	(799,466.09)	0.00	26,662,722.55
13,390,402.58	799,466.09	0.00	1,981,929.62
		(329,500.00)	0.00
		329,500.00	0.00
	(15,520,000.00)		0.00
0.00	(15,520,000.00)	0.00	0.00
\$ 13,390,402.58	\$ (14,720,533.91)	\$ 0.00	\$ 1,981,929.62

CROTON-HARMON UNION FREE SCHOOL DISTRICT
CROTON-ON-HUDSON, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

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 they apply 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.

Certain significant accounting principles and policies utilized by the District are described below:

A. Reporting Entity

The reporting entity of the District is based upon criteria set forth by GASB Statement 14, The Financial Reporting Entity. 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 can be found at the District's business office. The District accounts for assets held as an agent for various student organizations in an agency fund.

B. Joint Venture

The District is one of 18 component schools in the Putnam/Northern Westchester Board of Cooperative Education 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.

BOCES are organized under Section 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 Section 1950 of the New York State Education Law. All BOCES property is held by the BOCES Board as a corporation (Section 1950(6)). In addition, BOCES Boards also are considered municipal corporations to permit them to contract with other municipalities on a cooperative basis under Section 119-n(a) of the 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, Section 1950(4)(b)(7). In addition, component districts pay tuition or a service fee for programs in which its students participate.

CROTON-HARMON UNION FREE SCHOOL DISTRICT
CROTON-ON-HUDSON, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

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

C. Basis of presentation

1. District-Wide Statements

The Statement of Net Assets and the Statement of Activities present financial information about the District's governmental activities. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. Governmental activities generally are financed through taxes, State aid, intergovernmental revenues, and other exchange and nonexchange transactions. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Program revenues include charges paid by the recipients of goods or services offered by the programs, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

2. Fund Financial Statements

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

The District reports the following major governmental funds:

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: These funds account 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 to participants for their services.

Capital Projects Fund: These funds are 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.

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

CROTON-HARMON UNION FREE SCHOOL DISTRICT
CROTON-ON-HUDSON, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

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 a 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. 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. Investments are stated at fair value.

F. Property Taxes

Real property taxes are levied annually by the Board of Education, attach as an enforceable lien on real property as of July 1st, and are payable in September and January. The Town of Cortlandt and the Town of Yorktown, which are included in this levy, are responsible for the billing and collection of the taxes. The towns guarantee the full payment of the School District warrant, assume responsibility for the uncollected taxes and remit final payments to the School District no later than the forthcoming April 1.

G. 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
CROTON-ON-HUDSON, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

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

H. Prepaid Items

Prepaid items represent payments by the District for which benefits extend beyond year-end.

I. Due to/from Other Funds

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

J. Capital Assets

Capital assets are reported at actual cost or estimated historical cost. 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:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Land	\$ 0.00	N/A	N/A
Buildings/Structures	10,000.00	Straight Line	50 years
Furniture and Equipment	10,000.00	Straight Line	5 - 20 years
Infrastructure	10,000.00	Straight Line	50 years

K. Vested Employee Benefits

The District's employees are granted vacation in varying amounts, based primarily on length of service and service position. Some earned benefits may be forfeited if not taken within varying time periods.

Sick leave eligibility and accumulation is specified in negotiated labor contracts, and in individual employment contracts. Sick leave use is based on a last-in first-out (LIFO) basis.

Upon retirement, resignation or death, employees may receive a payment based on unused accumulated sick leave, based on contractual provisions.

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

District employees participate in the New York State Employees' Retirement System and the New York State Teachers' Retirement System.

CROTON-HARMON UNION FREE SCHOOL DISTRICT
CROTON-ON-HUDSON, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

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

K. Vested Employee Benefits (Continued)

In addition to providing pension benefits, the District provides health insurance coverage and survivor benefits for retired employees and their survivors. Substantially all of the District's employees may become eligible for these benefits if they reach 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 the retired employee. The District recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure or operating transfer to other funds in the General Fund, in the year paid.

L. Budgetary Procedures and Budgetary Accounting

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:

General Fund

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) which 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. 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. No supplemental appropriations occurred during the year.

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. The budget and actual comparison for the Special Revenue Funds reflects actual amounts only for funds with legally authorized (appropriated) budgets.

M. 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 resources are received by the District before it has legal claim to them, as when grant monies are received prior to the incidence of qualifying expenditures. In subsequent periods, when both recognition criteria are met, or when the District has legal claim to the resources, the liability for deferred revenues is removed and revenues are recorded.

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

CROTON-HARMON UNION FREE SCHOOL DISTRICT
CROTON-ON-HUDSON, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

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

M. Deferred Revenue (Continued)

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

N. 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.

O. Fund Balance - Reservations and Designations

The following reserve funds are available to school districts. Any capital gains or interest earned on reserve fund resources becomes part of the respective reserve fund. While a separate bank account is not necessary for each reserve fund, a separate identity for each reserve fund must be maintained.

Capital Reserve

Capital Reserve (Education Law Section 3651) is used to pay the cost of any object or purpose for which bonds may be issued. The creation of a capital reserve fund requires authorization by a majority of the voters establishing the purpose of the reserve; the ultimate amount, its probable term and the source of the funds. Expenditures 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 Section 3651 of the Education Law. This reserve is accounted for in the General Fund.

Property Loss Reserve and Liability Reserve

Property Loss Reserve and Liability Reserve (Education Law, Section 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 which 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.

CROTON-HARMON UNION FREE SCHOOL DISTRICT
CROTON-ON-HUDSON, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

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

O. Fund Balance - Reservations and Designations (Continued)

Reserve for Encumbrances

Reserve for Encumbrances represents the amount of outstanding encumbrances at the end of the fiscal year.

Reserve for Debt Service

Mandatory Reserve for Debt Service (GML, Section 6-1) 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 which 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.

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 differs 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.

- (a) 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.

Original Cost of Capital Assets	\$ 37,632,394.79
Accumulated Depreciation	<u>(7,468,267.05)</u>
Capital Assets, Net	<u>\$ 30,164,127.74</u>

CROTON-HARMON UNION FREE SCHOOL DISTRICT
CROTON-ON-HUDSON, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

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

- (b) Interest payable is recognized as accrued liability in the entity wide statements under full accrual accounting. No accrual is recognized in the governmental fund statements for interest that was not paid from current financial resources.

Interest Payable at June 30, 2004	\$ <u>474,242.66</u>
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- (c) Long-term liabilities are reported in the Statement of Net Assets, but not in the governmental funds, because they are not due and payable in the current period. Balances at year-end were:

Bonds and Notes Payable	\$ 33,855,000.00
Compensated Absences	<u>315,140.00</u>
	\$ <u>34,170,140.00</u>

B. Statement of Revenues, Expenditures and Changes in Fund Balance vs. Statement of Activities:

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

1. Long-Term Revenue/Expenses Differences

Long-term revenue differences arise because governmental funds report revenues only when they are considered "available", whereas the Statement of Activities 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.

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 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.

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 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, 2004

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

Explanation of Differences Between Governmental Funds Operating Statement
and the Statement of Activities

Total Revenues and other Funding Sources

Total revenues and other funding sources of governmental funds. (Schedule 4)	\$ 44,164,652.17
Proceeds from obligations are recognized in the governmental funds. (Schedule 7)	<u>(15,520,000.00)</u>
Total Revenues of Governmental Activities in the Statement of Activities	<u>\$ 28,644,652.17</u>

Total Expenditures/Expenses

Total expenditures reported in governmental funds (Schedule 4)	40,837,584.22
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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 amounts actually paid). Compensated absences earned exceeded the amount used during the year. (Schedule 7)	15,007.00
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When the purchase or construction of capital assets is financed through governmental funds, the resources expended for those assets are reported as expenditures in the years they are incurred. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation of \$457,847.70 was less than capital expenditures of \$13,848,250.28 in the current year. (Schedule 7)	(13,390,402.58)
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Interest payable is recognized in the entity wide statements under full full accrual accounting whereas it is not under the governmental fund statements. This is the amount by which interest payable this year exceeds the interest payable last year. (Schedule 7)	110,533.91
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Repayment of bond principal is an expenditure in the governmental funds, but reduces long-term liabilities in the Statement of Net Assets, and does not affect the Statement of Activities. (Schedule 7)	<u>(910,000.00)</u>
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Total Expenses of Governmental Activities	<u>\$ 26,662,722.55</u>
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CROTON-HARMON UNION FREE SCHOOL DISTRICT
CROTON-ON-HUDSON, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 3. STEWARDSHIP AND COMPLIANCE.

The District's unreserved undesignated fund balance was in excess of the New York State Real Property Tax Law Section 1318 limit, which restricted it to an amount not greater than 2% of the District's budget for the upcoming school year. Actions the District plans to pursue to address this issue include establishing additional reserves.

The Special Aid Fund had a deficit fund balance at June 30, 2004. Principal factors which caused the deficit was that the State funds only 80% of the summer handicapped program. The District will provide an interfund transfer in future budgets to eliminate this deficit fund balance.

NOTE 4. CUSTODIAL CREDIT, CONCENTRATION OF CREDIT, INTEREST RATE AND FOREIGN CURRENCY RISKS.

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. Governmental Accounting Standards Board Statement #40 directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance, and the deposits are either:

- A. Uncollateralized,
- B. Collateralized with securities held by the pledging financial institution in the District's name, or
- C. Collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

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

- A. \$ 0.00
- B. \$ 7,303,662.01
- C. \$ 0.00

NOTE 5. PARTICIPATION IN BOCES.

During the year, the District was billed \$2,812,460.30 for BOCES administrative and program costs.

The District's share of BOCES aid amounted to \$603,080.00.

Financial statements for the BOCES are available from BOCES administrative office.

CROTON-HARMON UNION FREE SCHOOL DISTRICT
CROTON-ON-HUDSON, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 6. CAPITAL ASSETS.

Capital asset balances and activity for the year ended June 30, 2004, were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements/ Reclassifications</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets that are not depreciated:				
Land	\$ 810,100.00	\$ 0.00	\$ 0.00	\$ 810,100.00
Capital assets that are depreciated:				
Land Improvements	523,863.08	0.00	0.00	523,863.08
Buildings	19,475,036.43	13,546,208.67	0.00	33,021,245.10
Furniture and equipment	2,975,145.00	302,041.61	0.00	3,277,186.61
Total Depreciable Historical Cost	<u>22,974,044.51</u>	<u>13,848,250.28</u>	<u>0.00</u>	<u>36,822,294.79</u>
Less: accumulated depreciation	<u>(7,010,419.35)</u>	<u>(457,847.70)</u>	<u>0.00</u>	<u>(7,468,267.05)</u>
Total historical cost, net	<u>\$ 16,773,725.16</u>	<u>\$ 13,390,402.58</u>	<u>\$ 0.00</u>	<u>\$ 30,164,127.74</u>
Depreciation expense was charged to governmental functions as follows:				
General Support	\$ 37,517.61			
Instruction	288,554.50			
Pupil Transportation	99,711.59			
Cost of Sales	32,064.00			
Total Depreciation	<u>\$ 457,847.70</u>			

NOTE 7. SHORT-TERM DEBT.

The District may issue Revenue Anticipation Notes and Tax Anticipation Notes, 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 RANs and TANs 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 an insufficient or no provision is 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, 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 BANs issued for capital purposes be converted to long-term financing within five years after the original date.

CROTON-HARMON UNION FREE SCHOOL DISTRICT
CROTON-ON-HUDSON, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 8. LONG-TERM DEBT.

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

Interest paid	\$ 892,889.19
Less interest accrued in the prior year	(363,708.75)
Plus interest accrued In the current year	<u>474,242.66</u>
Total expense	<u>\$1,003,423.10</u>

	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Government activities:					
Bonds and notes payable:					
General obligation debt:					
Issued 5/19/96 at					
Various Rates	\$ 3,505,000.00	\$ 0.00	\$ 365,000.00	\$ 3,140,000.00	\$ 385,000.00
Issued 6/15/97 at					
Various Rates	740,000.00	0.00	75,000.00	665,000.00	80,000.00
Issued 2/15/03					
Various Rates	15,000,000.00	0.00	470,000.00	14,530,000.00	600,000.00
Issued 2/15/04 at					
Various Rates	<u>0.00</u>	<u>15,520,000.00</u>	<u>0.00</u>	<u>15,520,000.00</u>	<u>640,000.00</u>
Total Bonds and Notes Payable	<u>19,245,000.00</u>	<u>15,520,000.00</u>	<u>910,000.00</u>	<u>33,855,000.00</u>	<u>1,705,000.00</u>
Other liabilities:					
Compensated absences	<u>300,133.00</u>	<u>15,007.00</u>	<u>0.00</u>	<u>315,140.00</u>	<u>0.00</u>
Total Other Liabilities	<u>300,133.00</u>	<u>15,007.00</u>	<u>0.00</u>	<u>315,140.00</u>	<u>0.00</u>
Total Long Term Liabilities	<u>\$19,545,133.00</u>	<u>\$15,535,007.00</u>	<u>\$ 910,000.00</u>	<u>\$34,170,140.00</u>	<u>\$1,705,000.00</u>

The following is a summary of maturity of long-term indebtedness:

<u>Description of Issue</u>	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Outstanding at 6/30/04</u>
Serial Bonds	1996	2011	Various	\$ 3,140,000.00
Serial Bonds	1997	2011	Various	665,000.00
Serial Bonds	2003	2020	Various	14,530,000.00
Serial Bonds	2004	2019	Various	<u>15,520,000.00</u>
TOTAL				<u>\$ 33,855,000.00</u>

CROTON-HARMON UNION FREE SCHOOL DISTRICT
CROTON-ON-HUDSON, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 8. LONG-TERM DEBT. (Continued)

The following is a summary of maturing debt service requirements:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 1,705,000.00	\$ 1,345,314.58	\$ 3,050,314.58
2006	1,875,000.00	1,169,812.50	3,044,812.50
2007	1,965,000.00	1,088,334.38	3,053,334.38
2008	2,035,000.00	1,022,618.76	3,057,618.76
2009	2,120,000.00	957,465.63	3,077,465.63
2010 - 2014	9,970,000.00	3,665,547.50	13,635,547.50
2015 - 2019	10,620,000.00	1,841,518.75	12,461,518.75
2020 - 2021	3,565,000.00	128,512.50	3,693,512.50
TOTAL	<u>\$33,855,000.00</u>	<u>\$11,219,124.60</u>	<u>\$45,074,124.60</u>

NOTE 9. INTERFUND BALANCES AND ACTIVITY.

	<u>Interfund</u>		<u>Interfund</u>	
	<u>Receivable</u>	<u>Payable</u>	<u>Revenues</u>	<u>Expenditures</u>
General Fund	\$ 596,362.30	\$ 76,993.63	\$ 0.00	\$ 329,500.00
Special Aid Funds	70,785.93	440,383.88	40,000.00	0.00
School Lunch Fund	0.00	0.00	12,000.00	0.00
Debt Service Fund	2,130.58	0.00	0.00	0.00
Capital Funds	<u>0.00</u>	<u>18,268.88</u>	<u>277,500.00</u>	<u>0.00</u>
Total Government Activities	669,278.81	535,646.39	329,500.00	329,500.00
Fiduciary Agency Fund	<u>0.00</u>	<u>133,632.42</u>	<u>0.00</u>	<u>0.00</u>
Totals	<u>\$ 669,278.81</u>	<u>\$ 669,278.81</u>	<u>\$ 329,500.00</u>	<u>\$ 329,500.00</u>

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

The District typically transfers from the General Fund to the Special Aid and School Lunch Funds to cover shortfalls.

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.

CROTON-HARMON UNION FREE SCHOOL DISTRICT
CROTON-ON-HUDSON, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 10. PENSION PLANS.

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.

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 Retirement and Social Security Law of the State of New York. 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.

NYSERS provides retirement benefits as well as death and disability benefits. New York State retirement and Social Security Law governs obligations of employers and employees to contribute, and benefits to employees. The System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to NYSERS, Governor Alfred E. Smith State Office Building, Albany, New York 12244.

The Systems are noncontributory, except for employees who joined the Systems after July 27, 1976, who contribute 3% of their salary, except that employees in the Systems more than ten years are no longer required to contribute. For NYSERS, the Comptroller certifies the rates expressed as proportions of members' payroll annually, which are used in computing the contributions required to be made by employers to the pension accumulation fund. Pursuant to Article 11 of the Education Law, the New York State Teachers' Retirement Board established rates annually for NYSTRS.

The District is required to contribute at an actuarially determined rate. The District contributions made to the System were equal to 100% of the contributions required for each year.

The required contributions for the current year and two preceding years were:

<u>Year</u>	<u>NYSTRS</u>	<u>NYSERS</u>
2004	\$ 114,610.30	\$ 150,004.00
2003	37,545.58	29,276.00
2002	34,243.17	16,069.00

Since 1989, the NYSERS billings have been based on Chapter 62 of the Laws of 1989 of the State of New York. This legislation requires participating employers to make payments on a current basis, while amortizing existing unpaid amounts relating to the System's fiscal years ending March 31, 1988 and 1989 over a 17 year period, with an 8.75% interest factor added. Local governments were given the option to prepay this liability.

NOTE 11. POST-EMPLOYMENT BENEFITS.

Post-employment benefits, primarily health care, aggregated \$329,352.00 for approximately 97 employees for the year.

CROTON-HARMON UNION FREE SCHOOL DISTRICT
CROTON-ON-HUDSON, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 12. RISK MANAGEMENT.

General Information

The Croton-Harmon Union Free School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; errors and omissions; natural disasters, etc. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

Pool, Non-Risk Retained

For its employee health insurance coverage, the Croton-Harmon Union Free School District is a participant in the Putnam/Northern Westchester Health Consortium, a public entity risk pool operated for the benefit of 13 individual governmental units located within the Putnam/Westchester Counties. The School District pays an annual premium to the Plan for this health insurance coverage. The Putnam/Northern Westchester Health Consortium is considered a self-sustaining risk pool that will provide coverage for its members. The Croton-Harmon Union Free School District has essentially transferred all related risk to the Fund/Pool/Plan

Other Contingencies

The School 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 13. FUND BALANCES.

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

NOTE 14. DONOR-RESTRICTED ENDOWMENTS.

The District administers endowment funds, which are restricted by the donor for the purposes 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. CONTINGENT LIABILITIES.

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 audits, the district's administration believes disallowances, if any, will be immaterial.

CROTON-HARMON UNION FREE SCHOOL DISTRICT
CROTON-ON-HUDSON, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 16. USE OF ESTIMATES.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported 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.

CROTON-HARMON UNION FREE SCHOOL DISTRICT
CROTON-ON-HUDSON, NEW YORK
SCHEDULE OF CHANGE FROM ORIGINAL BUDGET TO REVISED BUDGET - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2004

Original Budget	\$27,891,000.00
ADDITIONS:	
Encumbrances from Prior Year	<u>68,081.12</u>
REVISED BUDGET	<u>\$27,959,081.12</u>

SCHEDULE OF USE OF FUND BALANCE AS OF THE
BEGINNING OF THE YEAR ENDED JUNE 30, 2004

TOTAL FUND BALANCE (UNRESERVED)	
AS OF BEGINNING OF YEAR	\$ 4,014,876.51
LESS: Unreserved Fund Balance Designated for	
Subsequent Year's Expenditures	<u>(800,000.00)</u>
TOTAL UNRESERVED UNDESIGNATED FUND BALANCE	<u>\$ 3,214,876.51</u>

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

CROTON-HARMON UNION FREE SCHOOL DISTRICT
CROTON-ON-HUDSON, NEW YORK
SCHEDULE OF REVENUE COMPARED TO BUDGET - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2004

REVENUES

LOCAL SOURCES:

Real Property Taxes
Real Property Tax Items
Nonproperty Taxes
Charges for Services
Use of Money and Property
Sale of Property and Compensation for Loss
Miscellaneous

STATE SOURCES

FEDERAL SOURCES

TOTAL REVENUES

APPROPRIATED FUND BALANCE

TOTAL REVENUES, OTHER SOURCES AND APPROPRIATED FUND BALANCE

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

SUPPLEMENTAL SCHEDULE #2

ORIGINAL BUDGET	REVISED BUDGET	CURRENT YEAR'S REVENUES	OVER (UNDER) AMENDED BUDGET
\$ 19,037,858.00	\$ 19,490,221.00	\$ 19,490,221.00	\$ 0.00
5,409,692.00	4,957,329.00	4,957,329.00	0.00
230,000.00	230,000.00	307,965.00	77,965.00
93,800.00	93,800.00	117,386.60	23,586.60
84,250.00	84,250.00	88,221.75	3,971.75
2,200.00	2,200.00	5,206.69	3,006.69
33,300.00	33,300.00	158,260.70	124,960.70
2,199,900.00	2,199,900.00	2,836,348.00	636,448.00
0.00	0.00	43,359.26	43,359.26
<u>27,091,000.00</u>	<u>27,091,000.00</u>	<u>28,004,298.00</u>	<u>\$ 913,298.00</u>
<u>800,000.00</u>	<u>868,081.12</u>		
<u>\$ 27,891,000.00</u>	<u>\$ 27,959,081.12</u>		

CROTON-HARMON UNION FREE SCHOOL DISTRICT
CROTON-ON-HUDSON, NEW YORK
SCHEDULE OF EXPENDITURES, OTHER USES, AND ENCUMBRANCES
COMPARED TO BUDGET - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2004

EXPENDITURES

GENERAL SUPPORT:

- Board of Education
- Central Administration
- Finance
- Staff
- Central Services
- Special Items

INSTRUCTIONAL:

- Instruction, Administration and Improvement
- Teaching - Regular School
- Programs for Children with Handicapped Conditions
- Occupational Education
- Teaching - Special Schools
- Instructional Media
- Pupil Services

PUPIL TRANSPORTATION

COMMUNITY SERVICES

EMPLOYEE BENEFITS

DEBT SERVICE:

- Debt Service - Principal
- Debt Service - Interest

TOTAL EXPENDITURES

OTHER USES:

- Operating Transfers Out

TOTAL EXPENDITURES AND OTHER USES

EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES
OVER EXPENDITURES AND OTHER USES

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

SUPPLEMENTAL SCHEDULE #3

ORIGINAL BUDGET	REVISED BUDGET	CURRENT YEAR'S EXPENDITURES	ENCUMBRANCES	UNENCUMBERED BALANCES
\$ 23,540.00	\$ 26,462.00	\$ 25,905.40	\$ 0.00	\$ 556.60
264,100.00	270,935.00	264,270.23	0.00	6,664.77
452,430.00	452,048.00	444,750.41	0.00	7,297.59
131,130.00	140,440.00	141,006.60	0.00	(566.60)
2,298,450.00	2,293,892.75	2,184,905.49	6,437.80	102,549.46
371,270.00	371,270.00	396,281.15	0.00	(25,011.15)
1,249,100.00	1,258,330.84	1,162,206.93	5,384.00	90,739.91
8,828,390.00	8,831,016.62	8,775,466.52	0.00	55,550.10
3,821,150.00	3,820,900.00	3,832,437.48	0.00	(11,537.48)
238,980.00	238,980.00	238,984.00	0.00	(4.00)
91,200.00	91,200.00	73,848.56	0.00	17,351.44
835,300.00	894,519.96	830,165.45	2,000.00	62,354.51
1,515,060.00	1,515,096.00	1,483,805.97	1,478.00	29,812.03
1,705,970.00	1,743,799.95	1,670,283.66	0.00	73,516.29
5,300.00	5,300.00	4,950.00	0.00	350.00
3,711,940.00	3,657,200.00	3,433,167.88	0.00	224,032.12
1,032,000.00	1,032,000.00	910,000.00	0.00	122,000.00
986,190.00	986,190.00	892,889.19	0.00	93,300.81
27,561,500.00	27,629,581.12	26,765,324.92	15,299.80	848,956.40
329,500.00	329,500.00	329,500.00	0.00	0.00
<u>\$ 27,891,000.00</u>	<u>\$ 27,959,081.12</u>	<u>27,094,824.92</u>	<u>\$ 15,299.80</u>	<u>\$ 848,956.40</u>
		<u>\$ 909,473.08</u>		

CROTON-HARMON UNION FREE SCHOOL DISTRICT
CROTON-ON-HUDSON, NEW YORK
SCHEDULE OF PROJECT EXPENDITURES - CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2004

Old Capital Fund Projects

1998/1999 Capital Projects

Bus Garage Acquisition

1999/2000 Capital Projects

District-Wide Construction and Renovation

2000/2001 Capital Projects

Bus Purchase

2001/2002 Capital Projects

Roof and Boiler Improvements

2003/2004 Capital Projects

TOTALS

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

SUPPLEMENTAL SCHEDULE #4

ORIGINAL APPROPRIATION	REVISED APPROPRIATION	<u>EXPENDITURES TO DATE</u>		TOTAL EXPENDITURES	AVAILABLE BALANCE
		PRIOR YEAR'S	CURRENT YEAR		
\$ 7,467,660.00	\$ 8,761,803.00	\$ 8,760,831.19	\$ 0.00	\$ 8,760,831.19	\$ 971.81
154,988.00	154,988.00	125,264.88	10,363.68	135,628.56	19,359.44
650,000.00	650,000.00	650,000.00	0.00	650,000.00	0.00
99,900.00	99,900.00	64,948.08	0.00	64,948.08	34,951.92
34,800,000.00	34,800,000.00	4,335,617.69	13,272,227.44	17,607,845.13	17,192,154.87
175,000.00	175,000.00	164,876.10	0.00	164,876.10	10,123.90
90,000.00	90,000.00	89,987.00	0.00	89,987.00	13.00
184,500.00	184,500.00	77,662.39	0.00	77,662.39	106,837.61
520,000.00	520,000.00	364,017.21	149,962.55	513,979.76	6,020.24
<u>277,500.00</u>	<u>277,500.00</u>	<u>0.00</u>	<u>113,655.00</u>	<u>113,655.00</u>	<u>163,845.00</u>
<u>\$ 44,419,548.00</u>	<u>\$ 45,713,691.00</u>	<u>\$ 14,633,204.54</u>	<u>\$13,546,208.67</u>	<u>\$ 28,179,413.21</u>	<u>\$ 17,534,277.79</u>

CROTON-HARMON UNION FREE SCHOOL DISTRICT
CROTON-ON-HUDSON, NEW YORK
SCHEDULE OF CERTAIN REVENUES AND EXPENDITURES COMPARED TO ST-3 DATA
FOR THE YEAR ENDED JUNE 30, 2004

	<u>ACCOUNT CODE</u>	<u>ST-3 AMOUNT</u>	<u>AUDITED AMOUNT</u>
REVENUES			
Property Taxes	A -1001	\$ 19,490,221.00	\$19,490,221.00
Non-Property Taxes	AT-1199	307,965.00	307,965.00
State Aid	AT-3999	2,836,348.00	2,836,348.00
Federal Aid	AT-4999	43,359.00	43,359.26
Total Revenues	AT-5999	28,004,298.00	28,004,298.00
 EXPENDITURES			
General Support	AT-1999	3,457,119.00	3,457,119.28
Pupil Transportation	AT-5599	1,670,284.00	1,670,283.66
Debt Service - Principal	AT-9798.6	910,000.00	910,000.00
Debt Service - Interest	AT-9798.7	892,889.00	892,889.19
Total Expenditures	AT-9999	27,094,825.00	27,094,824.92

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

CROTON-HARMON UNION FREE SCHOOL DISTRICT
CROTON-ON-HUDSON, NEW YORK
STATEMENT OF INDEBTEDNESS
FOR THE YEAR ENDED JUNE 30, 2004

	<u>DATE OF ORIGINAL ISSUE</u>	<u>MATURITY</u>	<u>INTEREST RATE</u>
<u>BONDS</u>			
School Construction	05/15/1996	05/15/2011	Various
School Construction	06/15/1997	05/15/2011	Various
School Construction	02/15/2003	10/15/2020	Various
School Construction	02/15/2004	10/15/2019	Various
TOTAL BONDS			

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

SUPPLEMENTAL SCHEDULE #6

<u>OUTSTANDING BEGINNING OF FISCAL YEAR</u>	<u>ISSUED DURING YEAR</u>	<u>PAID DURING YEAR</u>	<u>OUTSTANDING END OF YEAR</u>	<u>AMOUNT OF INTEREST PAID DURING FISCAL YEAR</u>	<u>AMOUNT OF INTEREST ACCRUED AT JUNE 30, 2004</u>
\$ 3,505,000.00	\$ 0.00	\$ 365,000.00	\$ 3,140,000.00	\$ 179,672.50	\$ 19,232.50
740,000.00	0.00	75,000.00	665,000.00	38,268.78	4,260.16
15,000,000.00	0.00	470,000.00	14,530,000.00	674,947.91	217,950.00
<u>0.00</u>	<u>15,520,000.00</u>	<u>0.00</u>	<u>15,520,000.00</u>	<u>0.00</u>	<u>232,800.00</u>
<u>\$ 19,245,000.00</u>	<u>\$ 15,520,000.00</u>	<u>\$ 910,000.00</u>	<u>\$ 33,855,000.00</u>	<u>\$ 892,889.19</u>	<u>\$ 474,242.66</u>



Nugent & Haeussler, P.C.

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF
THE FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT
AUDITING STANDARDS

Randy E. Bullis, CPA, DABFA
Peter J. Bullis, CPA, DABFA
Norman M. Sassi, CPA
Julia R. Fraino, CPA
Mark M. Levy, CPA, CFP
William T. Trainor, CPA
Christopher E. Melley, CPA
Gary C. Theodore, CPA

Thomas R. Busse, Jr., CPA
Ronald E. Clum, CPA
Timothy B. Flanagan, CPA/PFS, CFP
Walter J. Jung, CPA
Joseph P. McKinstrie, CPA
Brent T. Napoleon, CPA
Jennifer L. Rowe, CPA

To the President and Members
of the Board of Education of the
Croton-Harmon Union Free School District
Croton-on-Hudson, New York 10520

We have audited the financial statements of the Croton-Harmon Union Free School District as of and for the year ended June 30, 2004, and have issued our report thereon dated August 31, 2004. 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.

Compliance

As part of obtaining reasonable assurance about whether the 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 grants, 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. However, we noted certain immaterial instances of noncompliance that we have reported to management of Croton-Harmon Union Free School District in a separate letter dated August 31, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Croton-Harmon Union Free School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted other matters involving internal control over financial reporting that we have reported to management of Croton-Harmon Union Free School District in a separate letter dated August 31, 2004.

To the President and Members
of the Board of Education of the
Croton-Harmon Union Free School District

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This report is intended for the information of the audit committee, management 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.

August 31, 2004



Nugent & Haeussler, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

ESTABLISHED 1925

101 Bracken Road
Montgomery, New York 12549
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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 10520

Randy E. Bullis, CPA, DABFA
Peter J. Bullis, CPA, DABFA
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Walter J. Jung, CPA
Joseph P. McKinstrie, CPA
Brent T. Napoleon, CPA
Jennifer L. Rowe, CPA

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, 2004, and the related statement of receipts and disbursements-cash basis for the year then ended. These financial statements are the responsibility of the School 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 of the extraclassroom activity funds for the Croton-Harmon Union Free School District as of June 30, 2004, 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.

August 31, 2004

CROTON-HARMON UNION FREE SCHOOL DISTRICT
CROTON-ON-HUDSON, NEW YORK
EXTRACLASROOM ACTIVITY FUNDS
STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES - CASH BASIS
JUNE 30, 2004

ASSETS

Cash in Bank	\$ <u>32,741.01</u>
--------------	---------------------

FUND BALANCE

Fund Balance - July 1, 2003	\$ 20,163.96
Excess of Receipts Over Disbursements for the Period July 1, 2003 - June 30, 2004	<u>12,577.05</u>

TOTAL FUND BALANCE	\$ <u>32,741.01</u>
--------------------	---------------------

See accompanying notes and accountant's report.

CROTON-HARMON UNION FREE SCHOOL DISTRICT
CROTON-ON-HUDSON, NEW YORK
EXTRACLASROOM ACTIVITY FUND
SUMMARY OF RECEIPTS, DISBURSEMENTS AND BALANCE- CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2004

<u>ACTIVITIES</u>	<u>CASH BALANCE JULY 1, 2003</u>	<u>RECEIPTS</u>	<u>DISBURSEMENTS</u>	<u>CASH BALANCE JUNE 30, 2004</u>
Class of 2003	\$ 327.05	\$ 400.00	\$ 709.92	\$ 17.13
Class of 2004	1,631.38	10,048.00	11,671.40	7.98
Class of 2005	720.96	6,460.00	7,902.83	(721.87)
Class of 2006	170.00	5,687.00	4,621.43	1,235.57
Class of 2007	0.00	500.00	313.75	186.25
LaRochelle	1,408.50	1,043.24	266.56	2,185.18
Tap Fund	620.65	228.09	0.00	848.74
Student Interest	0.00	589.27	394.22	195.05
Student Congress	217.75	13.07	0.00	230.82
AAMP	100.00	122.00	25.00	197.00
Student Memorial Fund	3,652.00	0.00	1,200.13	2,451.87
PVC Student Council	3,630.05	40,905.15	25,800.89	18,734.31
AFS Fund	1,804.25	0.00	0.00	1,804.25
The Fourth Floor	374.04	716.00	1,049.63	40.41
Tiger Tales	776.95	14,178.75	14,239.21	716.49
CET Yearbook	4,730.38	9,155.00	9,666.43	4,218.95
PSAT	0.00	1,578.50	1,578.50	0.00
Spirit Club	0.00	759.00	474.75	284.25
Spanish Exchange 2004	0.00	4,833.80	4,725.17	108.63
	<u>\$ 20,163.96</u>	<u>\$ 97,216.87</u>	<u>\$ 84,639.82</u>	<u>\$ 32,741.01</u>

See accompanying notes and accountant's report.

CROTON-HARMON UNION FREE SCHOOL DISTRICT
CROTON-ON-HUDSON, NEW YORK
EXTRAClassroom Activity Funds
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

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 District-wide 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 Activities 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.