

**Hastings-On-Hudson Union Free
School District, New York**

Financial Statements and
Supplementary Information

Year Ended June 30, 2017

Hastings-On-Hudson Union Free School District, New York

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Independent Auditors' Report

**The Board of Education of the
Hastings-on-Hudson Union Free School District, New York**

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Hastings-on-Hudson Union Free School District, New York ("School District") as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

Our audit for the year ended June 30, 2017 was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The combining and individual fund financial statements and schedules for the year ended June 30, 2017 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements for the year ended June 30, 2017 and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole for the year ended June 30, 2017.

We also previously audited, 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, the basic financial statements of the School District as of and for the year ended June 30, 2016 (not presented herein), and have issued our report thereon dated September 27, 2016, which contained unmodified opinions on the respective financial statements of the governmental activities, each major fund and the aggregate remaining fund information. The combining and individual fund financial statements and schedules for the year ended June 30, 2016 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the 2016 financial statements. The combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the 2016 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those financial statements or to those financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2016.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2017 on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

PKF O'Connor Davies, LLP

PKF O'Connor Davies, LLP

Harrison, New York

September 28, 2017

**Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with Government Auditing Standards**

Independent Auditors' Report

**The Board of Education of the
Hastings-on-Hudson Union Free School District, New York**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Hastings-on-Hudson Union Free School District, New York ("School District") as of and for the year ended June 30, 2017 and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated September 28, 2017.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

PKF O'Connor Davies, LLP
PKF O'Connor Davies, LLP
Harrison, New York
September 28, 2017

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Hastings-on-Hudson Union Free School District, New York

Management's Discussion and Analysis (MD&A) June 30, 2017

Introduction

The discussion and analysis of the Hastings-on-Hudson Union Free School District, New York's ("School District"), financial performance provides an overview of the School District's financial activities for the year ended June 30, 2017. The intent of this discussion and analysis is to look at the School District's financial performance as a whole. It should be read in conjunction with the basic financial statements, which immediately follows this section, to enhance understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2016-2017 are as follows:

- New York State Law limits the unassigned fund balance that can be retained by the General Fund to 4% of the ensuing year's budget, exclusive of the amount assigned for the subsequent year's budget. As of June 30, 2017, the total fund balance of the General Fund was \$10,003,572 an increase of \$109,844 from previous year's ending fund balance. Of this amount, \$3,549,787 has been assigned for subsequent year's expenditures. The unassigned fund balance is \$1,938,173 which represents approximately 4% of the subsequent year's budget and therefore, falls within the 4% statutory limit. This amount is available for spending at the discretion of the School District. The remainder of the fund balance of the General Fund, \$4,515,612 has been restricted for specific purposes.
- On the District-wide financial statements, the assets and deferred outflows of resources of the School District exceeded liabilities and deferred inflows of resources by \$10,552,634. The unrestricted portion of Net Position is (\$2,679,254). The School District's total Net Position decreased by \$704,976. The GASB is charged with developing the accounting rules that apply to governments, including school districts and BOCES. These obligations include any benefits provided to retirees, other than a pension, including health insurance, life insurance, vision, dental etc. GASB Statement No. 45 establishes standards for accrual based measurement and recognition of OPEB expenses over periods that approximate employees' years of active service, as well as the required note disclosures. For the year ending June 30, 2017, the School District's OPEB obligations of \$18,685,284 are reflected as a liability on the district-wide financial statements.
- The School District's governmental funds (including General Fund, Special Aid Fund, School Lunch Fund, Special Purpose Fund, Debt Service Fund and Capital Projects Fund) financial statements report a combined ending fund balance of \$11,576,326 versus a balance of \$7,400,757 for the 2015-2016 school year. The amount increased due to the issuance of bonds in the capital fund to fund various projects.
- At the beginning of the fiscal year, the School District had net capital assets of \$13,204,662 at the end of this fiscal year, the net capital assets increased by \$4,338,506 to \$17,543,168, mainly as a result of the addition of land and building improvements reduced by the depreciation of capital assets.

- The School Lunch Fund's revenues totaled \$443,671 for the current year compared to \$423,358 in the prior year the increase is due to higher food sales. The School Lunch Fund's expenditures for the year were \$469,090 compared to \$422,555 in the prior year. The increase was due to the purchase of equipment. The net change in fund balance was (\$25,419).
- At the beginning of the fiscal year, the School Lunch Fund had a fund balance of \$71,333. At the end of this fiscal year, the fund balance was decreased to \$45,914 representing a decrease of \$25,419. The School Lunch Fund provided free breakfast/lunch to 70 students. The School District did not participate in the National School Lunch and

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the School District's basic financial statements. The School District's basic financial statements comprise three components: (1) district-wide financial statements, (2) fund financial statements and (3) notes to the financial statements. This report also contains combining and individual fund statements and schedules in addition to the basic financial statements.

District-Wide Financial Statements

- The *district-wide financial statements* are designed to provide readers with a broad overview of the School District's finances, in a manner similar to a private-sector business.
 - The *statement of net position* presents information on all of the School District's assets, liabilities, and deferred outflows/inflows with the difference between the two reported as *Net Position*. Over time, increases or decreases in Net Position may serve as a useful indicator of whether the financial position of the School District is improving or deteriorating.
 - The *statement of activities* presents information showing how the district's Net Position changed during the most recent fiscal year. All changes in Net Position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.
 - The *governmental* activities of the School District include instruction, pupil transportation, cost of food sales and general administrative support.

The district-wide financial statements can be found on the pages immediately following this section as the first two pages of the basic financial statements.

Fund Financial Statements

- A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. All of the funds of the School District can be divided into two categories: governmental funds and fiduciary funds.
- *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the district-wide financial statements. However, unlike the district-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable*

resources available at the end of the fiscal year. Such information may be useful in evaluating the School District's near-term financing requirements.

- Because the focus of governmental funds is narrower than that of the district-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the district-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.
- The School District maintains six individual governmental funds: General Fund, Special Aid Fund, School Lunch Fund, Special Purpose Fund, Debt Service Fund and Capital Projects Fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General, Capital Projects and Special Aid fund, since the School District has elected to report them as major funds. Data for the other three governmental funds are combined into a single aggregated presentation. Individual fund data for these non-major governmental funds is provided in the form of combining statements elsewhere in this report.
- The School District adopts an annual budget for its General Fund and Special Aid Fund. A budgetary comparison statement has been provided for the General Fund and the Special Aid Fund within the basic financial statements to demonstrate compliance with the respective budgets.
- The *Fiduciary Funds* are used to account for assets held by the School District in an agency capacity on behalf of others. Fiduciary funds are not reflected in the district-wide financial statement because the resources of these funds are *not* available to support the School District's programs.

The financial statements for the governmental and fiduciary funds can be found in the basic financial statements section of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the district-wide and fund financial statements. The notes to the financial statements can be found following the basic financial statements section of this report.

District-Wide Financial Analysis

As noted earlier, Net Position may serve over time as a useful indicator of the School District's financial position. This MD&A includes a summary of two district-wide statements that focus on operations of the School District as a whole. These statements measure inputs and outflows using an economic resources measurement focus, and use the accrual basis of accounting. Activities that are fiduciary in nature are not included in these statements.

In the case of the School District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$10,552,634 at the close of the current fiscal year.

Net Position

	June 30,	
	2017	2016
Current Assets	\$ 15,158,166	\$ 15,759,575
Net Pension Asset	-	13,075,778
Capital Assets, net	17,543,168	13,204,662
Total Assets	32,701,334	42,040,015
Deferred Outflows of Resources		
Deferred amounts on pensions *	14,149,870	4,871,104
Deferred amounts on refunding bonds	-	93,143
	14,149,870	4,964,247
Current Liabilities	3,757,681	8,394,323
Long-term Liabilities	31,894,121	22,578,566
Total Liabilities	35,651,802	30,972,889
Deferred Inflows of Resources		
Deferred amounts on pensions *	646,768	4,773,763
Net Position		
Net Investment in capital assets	8,776,202	11,849,421
Restricted		
Retirement System Contributions	1,553,310	1,587,747
Future Capital Projects	150,000	150,000
Repairs	200,000	200,000
Debt Service	20,217	482,724
Tax Certiorari	2,382,478	2,702,545
School Lunch	45,914	71,333
Special Purposes	103,767	90,304
Unrestricted	(2,679,254)	(5,876,464)
Total Net Position	\$ 10,552,634	\$ 11,257,610

* Detailed information pertaining to the School District's Deferred Outflows/Inflows of Resources is presented in Notes 1 and 3 to the financial statements. The amounts are as follows:

	2017		2016	
	Deferred Amounts on Pensions		Deferred Amounts on Pensions	
Retirement System	Outflows	Inflows	Outflows	Inflows
Employee (ERS)	\$ 1,024,554	\$ 204,555	\$ 2,212,936	\$ -
Teacher (TRS)	13,125,316	442,213	2,658,168	4,773,763
	\$ 14,149,870	\$ 646,768	\$ 4,871,104	\$ 4,773,763

The Net investment in capital assets is used to acquire those assets that are still outstanding. The School District uses these capital assets to provide services to the students and consequently, these assets are not available for future spending. Although the School District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The unrestricted net position, which is a negative \$2,679,254, is the result of the recognition of the OPEB liabilities. Overall, net position decreased by \$704,976 from prior year, primarily from the recording of the net pension liabilities for TRS and ERS.

In addition, as a requirement of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions made Subsequent to the Measurement Date*, new items are included in the Statement of Net Position. As of June 30, 2017, the School District reported a net pension liability and deferred inflows and outflows as calculated by the New York State Teachers' and Local Employees Retirement systems. This asset and the net deferrals are not in custody of, nor are they accessible by the School District, rather these represent the School District's share of the calculated excess/shortfall of the respective retirement systems. Please see Note 3,D of the financial statements for more information on these pension items.

Changes in Net Position

Governmental activities decreased the School District's Net Position by \$704,976 during the 2016-2017 fiscal year versus an increase of \$561,703 during the previous fiscal year.

	June 30,	
	2017	2016
REVENUES		
Program Revenues		
Charges for Services	\$ 1,281,362	\$ 1,235,662
Operating Grants and Contributions	599,943	739,679
Capital Grants and Contributions	348,170	1,421
Total Program Revenues	<u>2,229,475</u>	<u>1,976,762</u>
General Revenues		
Real Property Taxes	32,818,656	32,196,942
Other Tax Items	5,258,384	5,478,542
Non-Property Taxes	441,783	457,124
Unrestricted Use of Money and Property	21,112	14,564
Sale of Property and Compensation for Loss	1,987	29,896
Unrestricted State Aid	4,952,094	4,296,977
Miscellaneous	163,755	188,975
Total General Revenues	<u>43,657,771</u>	<u>42,663,020</u>
Total Revenues	<u>45,887,246</u>	<u>44,639,782</u>
PROGRAM EXPENSES		
General Support	5,322,701	6,417,997
Instruction	39,253,132	35,813,464
Pupil Transportation	1,261,051	1,254,061
Cost of Food Sales	455,553	420,798
Other	63,858	70,958
Interest	235,927	100,801
Total Expenses	<u>46,592,222</u>	<u>44,078,079</u>
Change in Net Position	(704,976)	561,703
NET POSITION		
Beginning	<u>11,257,610</u>	<u>10,695,907</u>
Ending	<u>\$ 10,552,634</u>	<u>\$ 11,257,610</u>

Governmental activities decreased the School District's net position by \$704,976 during the current fiscal year. Noteworthy is the impact of the requirements of GASB Statement No. 45 that requires recognition of OPEB expenses and the requirements of GASB No. 68 that require the recognition of pension expenses.

The major changes are as follows:

Revenues

- Real property taxes increased by \$621,714 representing a 1.93% increase. This is the result of increased spending.
- Other tax items (STAR) decreased by \$220,158.
- Non-Property Taxes (sales tax) slightly decreased by \$15,341.
- During the 2016-2017 fiscal year, the School District collected borderline property taxes amounting to \$56,934. This amount remained consistent with the prior year. The School District also collected \$594,775 in day school and special education tuition.
- Earnings on investments were \$21,112. Reflecting an increase from the prior fiscal year of \$1,539 due to higher interest earnings.
- Unrestricted State Aid to the School District increased by \$655,117. This increase was due to higher BOCES aid as well a reduction in the GEA (gap elimination adjustment) and an increase in basic aid formula.

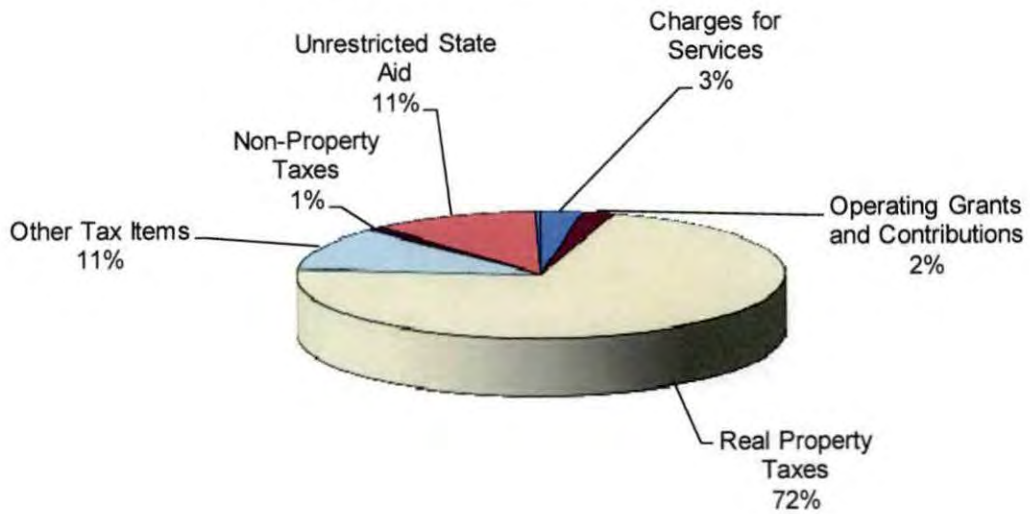
Expenses

- Instruction expenses increased by \$3,439,668. The increases are due to a variety of factors. In the area of general school teaching the increase was due to increase in staffing for a new section of kindergarten, a new .6 FTE SLT at Hillside, an increase in our ENL staff of .6 FTE to accommodate new students as well as increases in foreign language sections at the MS. The rest of the increase was due to contractual increases. In the area of programs for children with handicapping conditions the increase was driven by an increase of teacher aide and teacher assistant positions, contractual increases and legal settlements paid to parents who parentally place their children.
- Pupil Transportation expenses increased slightly by \$6,990.

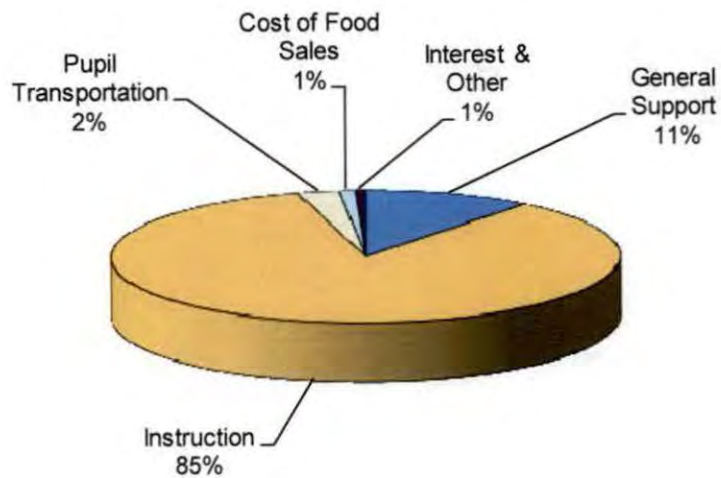
As indicated on the following pie charts, the School District relies upon real property taxes and other tax items (School Tax Relief) as its primary revenue source (83%) and State Aid and Federal Aid as its secondary source of revenue (11%). The School District's instruction costs account for 85% of its expenses.

- Decrease in legal spending of \$151,389 due to more expenses in the prior year for special education litigation.
- Increase of \$318,042 in Employee Benefits, due to decrease rate of contribution to retirement funds for employees. Although the percentage went down again for the 2016-2017 school year, the State Comptroller has warned of a leveling out of rates for the 2017-2018 school year based on the five year average returns of pension assets.

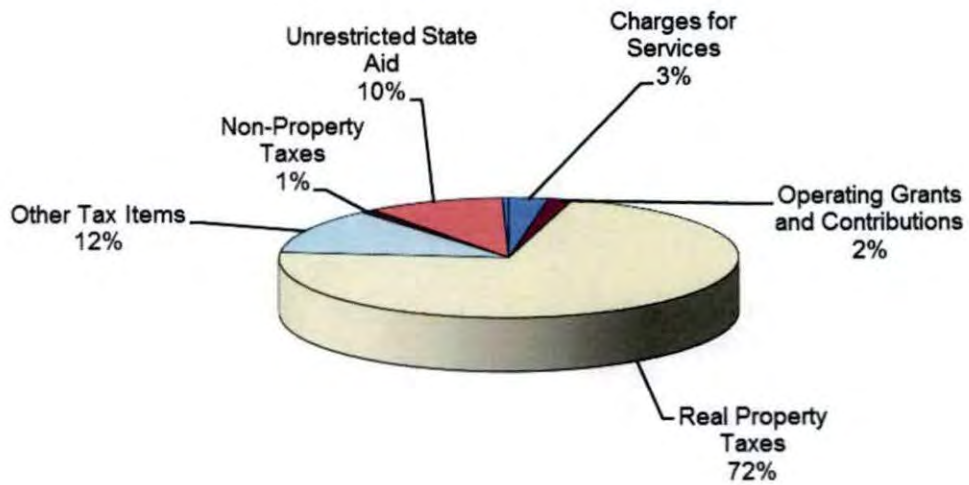
Sources of Revenue for Fiscal Year 2017 Governmental Activities



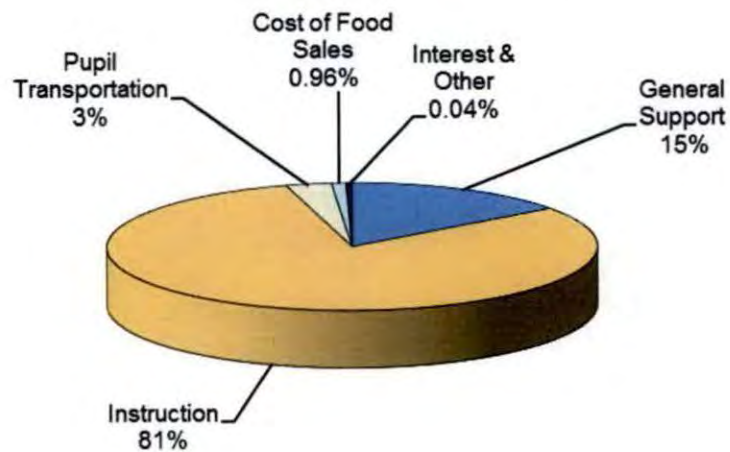
Expenses for Fiscal Year 2017 Governmental Activities



Sources of Revenue for Fiscal Year 2016 Governmental Activities



Expenses for Fiscal Year 2016 Governmental Activities



Fund Balance Reporting

GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* in February 2009. The requirements of GASB Statement No. 54 became effective for financial statements beginning with the period ending June 30, 2011. GASB Statement No. 54 abandoned the reserved and unreserved classifications of fund balance and replaced them with five new classifications: nonspendable, restricted, committed, assigned and unassigned. An explanation of these classifications follows below.

These classifications reflect spending constraints on resources, rather than availability for appropriations and to bring greater clarity and consistency to fund balance reporting. This pronouncement should result in an improvement in the usefulness of fund balance information.

Nonspendable – consists of assets that are inherently nonspendable in the current period either because of their form or because they must be maintained intact, including prepaid items, inventories, long-term portions of loans receivable, financial assets held for resale and principal of endowments.

Restricted – consists of amounts that are subject to externally enforceable legal purpose restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments; or through constitutional provisions or enabling legislation.

Committed – consists of amounts that are subject to a purpose constraint imposed by a formal action of the government's highest level of decision-making authority before the end of the fiscal year and that require the same level of formal action to remove the constraint.

Note: According to the Office of the State Comptroller, school districts in New York will not have committed fund balance to report.

Assigned – consists of amounts that are subject to a purpose constraint that represents an intended use established by the government's highest level of decision-making authority, or by their designated body or official. The purpose of the assignment must be narrower than the purpose of the General Fund, and in funds other than the General Fund, assigned fund balance represents the residual amount of fund balance.

Unassigned – represents the residual classification for the government's General Fund and could report a surplus or deficit. In funds other than the General Fund, the unassigned classification should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

Financial Analysis of the School District's Funds

As noted earlier, the School District uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental Funds

The focus of the School District's *governmental funds* is to provide information on near-term inflows, outflows and balances of *spendable* resources. Such information is useful in assessing

the School District's financing requirements. In particular, *unassigned fund balances* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the School District's governmental funds reported combined fund balances of \$11,576,326. Of this amount, \$6,042,452 constituted Restricted Fund balance. There is \$3,549,797 (\$3,215,000 for subsequent years budget and \$334,787 for encumbrances) in the General Fund and represents the amount estimated for use in the 2017-2018 budget.

The General Fund is the primary operating fund of the School District. At the end of the current fiscal year, the total fund balance of the General Fund was \$10,003,572 of which \$1,938,173, or approximately 4.0%, of the ensuing year's budget was unassigned. As previously mentioned, New York State Law limits the unassigned fund balance that can be retained to 4% of the ensuing year's budget, exclusive of the amount designated for the subsequent year's budget. This unassigned fund balance is available for spending at the School District's discretion. The actual change in fund balance was an increase of \$109,844.

General Fund Budgetary Highlights

Actual revenues and other financing sources exceeded the budget by \$531,959. Actual expenditures and other financing uses were \$2,425,682 less than the budget.

Capital Assets

At June 30, 2017, the School District had \$17,543,168 net of accumulated depreciation invested in capital assets. Since the District completed its capital project and placed it in service, the Buildings and Improvements portion of the capital assets has decreased due to depreciation. The change in capital assets, net of accumulated depreciation, is reflected below.

Class	June 30,	
	2017	2016
Land	\$ 115,000	\$ 115,000
Construction-in-progress	71,250	4,182,446
Land Improvements	6,615,667	682,855
Buildings and Improvements	10,292,756	7,862,539
Machinery and Equipment	448,495	361,822
Total Capital Assets, net of accumulated depreciation	<u>\$ 17,543,168</u>	<u>\$ 13,204,662</u>

Construction-in-progress consists of:

Project	June 30,	
	2017	2016
Reynolds Field Farragut Complex	\$ -	\$ 2,065,424
Burke Estate Field Farragut Complex-Coaches Boxes	71,250	421,620
HVAC Farragut Complex	-	24,318
HVAC Hillside Elementary School	-	607,551
Electrical Upgrades Farragut Complex	-	100,145
Electrical Upgrades Hillside Elementary School	-	171,211
Roof Project Farragut Complex	-	75,133
Roof Project Hillside Elementary School	-	301,477
General Construction Work Farragut Complex	-	226,603
General Construction Work Hillside Elementary School	-	125,854
Tennis Court Reynolds Field	-	63,108
	<u>\$ 71,250</u>	<u>\$ 4,182,446</u>

More detailed information about the School District's capital assets is presented in the notes to the financial statements (Note 3. B. Capital Assets).

Long-Term Debt

At June 30, 2017, the School District had \$31,894,121 in general obligation and other long-term debt outstanding, as follows:

	June 30,	
	2017	2016
Bonds Payable	\$ 8,150,701	\$ 925,000
Premium on Bonds	176,116	76,777
Energy Performance Contract Debt Payable	1,222,782	1,329,492
Claims Payable	750,000	1,010,500
Compensated Absences	220,157	264,408
Net Pension Obligation	2,689,081	2,285,168
Other Post Employment Benefit Obligations Payable	18,685,284	16,687,221
Total	<u>\$ 31,894,121</u>	<u>\$ 22,578,566</u>

Bonds payable is comprised of \$8,150,701 in capital improvement bond. During the 2016-2017 fiscal year, the School District amortized \$925,000 in bond principal. The School District is projected to amortize \$420,701 in bond principal during the 2017-2018 school year.

At June 30, 2017, the School District reported a liability of \$2,689,081 for its proportionate share of the net pension liability of ERS and TRS. For ERS, the net pension liability was measured as of March 31, 2017 and for TRS the net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The School District, in July 2016, issued serial bonds in the amount of \$8,150,701. The bonds are due on July 1, 2031, with interest ranging from 2.000 – 2.125%. The proceeds were used to finance the construction of improvements and alterations to all District buildings.

More detailed information about the School District's long-term liabilities is presented in the notes to the financial statements (Note 3. D. Long-Term Liabilities).

For the Future

The Hastings-on-Hudson Union Free School District is financially stable and strong, and good internal controls are in place. However, there are two inter-related challenges that require discussion: Budget and Enrollment.

Budget

The School District heavily depends on its real property taxes, which represent approximately 72% of its revenue. Combine the real property taxes with the STAR (School Tax Relief) reimbursement, this number increases to 84%. For four consecutive years, the District experienced a decrease in the tax assessment roll due to the lack of new construction and tax certiorari settlements. During the last five years, the District requested 1.45% on average in tax rate increases, this can be contributed to the above-mentioned reduction in tax assessment roll and enrollment increases. At the same time, the District's share of State Aid did not increase at the same rate as expenditure increases. State Aid has decreased in the last three years as the State has struggled to come out with a balanced budget. The School District does try to maximize revenues from non-property tax and state aid sources (e.g., borderline property taxes, day and special tuition received from out of district students, grants, investment), but the amount one can generate from those sources is limited. Traditionally, a public school's main funding sources are: property taxes and state aid.

Enrollment

The School District comprises of three schools: Hillside Elementary School, Farragut Middle School and the Hastings High School. The School District has experienced steady enrollment increases since the late 80's. According to the most recent enrollment projection the overall enrollment in the three schools as of December 2016 was 1,609 students. Of these 572 were in K-4; 523 in grades 5-8 and 490 students in grades 9-12. The overall enrollment of the District has declined slightly from the recent all time high enrollment of the 2005-06 school year. Over the next five years the District's overall enrollment is expected to remain fairly level, although the enrollment recently has exceeded projections.

School District's Changing Enrollment

	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18**
K-4	561	562	588	580	562	570	572	571
5-8	511	493	474	493	493	510	523	521
9-12	527	515	522	512	501	512	490	519
*Sp. Ed.	28	26	28	17	19	19	18	18
Total	1627	1602	1620	1610	1581	1619	1609	1635

*Out of District Special Education placements

**Projected enrollment

Retirement Systems

As a result of the declines in the markets since 2008, both the NYSTRS and the NYSERS rates have continued to be quite high to make up for losses the funds suffered in previous years. Although the fund is fully accrued and the school district has not had to amortize any of the expense it continued to be a challenge of the District's finances.

The District has established an Employee Retirement Reserve to address one of the retirement obligations allowed by law. This reserve will greatly help keep the increase in the Districts budget in subsequent years at a minimal amount.

Summary

With increasing costs of providing education, additional Federal and State mandates, and District's ambitious educational goals, the School District is prepared to meet these future challenges. The District will have to address the decreasing amount of fund balance in the near future and address its ability to stay under the tax cap while maintaining the district's programs.

Requests for Information

This financial report is designed to provide a general overview of the School District's finances for all those with an interest in the School District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Hastings-on-Hudson Union Free School District
Attn: Maureen Caraballo, Treasurer
27 Farragut Avenue
Hastings-on-Hudson, New York 10706
Tel: (914) 478-6210
Email: caraballom@hohschools.org

Hastings-on-Hudson Union Free School District, New York**Statement of Net Position****June 30, 2017**

	<u>Governmental Activities</u>
ASSETS	
Cash and equivalents	\$ 13,917,293
Receivables	
Accounts	104,121
State and Federal aid	1,039,360
Due from other governments	90,000
Inventories	7,392
Capital assets	
Not being depreciated	186,250
Being depreciated, net	<u>17,356,918</u>
Total Assets	<u>32,701,334</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>14,149,870</u>
LIABILITIES	
Accounts payable	562,354
Accrued liabilities	110,805
Due to other governments	9,154
Due to retirement systems	2,850,764
Unearned revenues	48,763
Accrued interest payable	175,841
Non-current liabilities	
Due within one year	1,304,830
Due in more than one year	<u>30,589,291</u>
Total Liabilities	<u>35,651,802</u>
DEFERRED INFLOWS OF RESOURCES	<u>646,768</u>
NET POSITION	
Net investment in capital assets	8,380,049
Restricted	
Retirement system contributions	1,553,310
Capital projects	396,153
Future capital projects	150,000
Repairs	200,000
Debt service	20,217
Tax certiorari	2,382,478
School lunch	45,914
Special purpose	103,767
Unrestricted	<u>(2,679,254)</u>
Total Net Position	<u><u>\$ 10,552,634</u></u>

The notes to the financial statements are an integral part of this statement.

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Hastings-on-Hudson Union Free School District, New York

Statement of Activities
Year Ended June 30, 2017

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities					
General support	\$ 5,322,701	\$ 74,472	\$ -	\$ -	\$ (5,248,229)
Instruction	39,253,132	770,284	463,562	346,354	(37,672,932)
Pupil transportation	1,261,051	-	-	-	(1,261,051)
Cost of food sales	455,553	436,606	7,065	-	(11,882)
Other	63,858	-	129,316	-	65,458
Interest	235,927	-	-	1,816	(234,111)
Total Governmental Activities	<u>\$ 46,592,222</u>	<u>\$ 1,281,362</u>	<u>\$ 599,943</u>	<u>\$ 348,170</u>	<u>(44,362,747)</u>
General revenues					
Real property taxes					32,818,656
Other tax items					
School tax relief reimbursement					5,258,384
Non-property taxes					
Non-property tax distribution from County					441,783
Unrestricted use of money and property					21,112
Sale of property and compensation for loss					1,987
Unrestricted State aid					4,952,094
Miscellaneous					163,755
Total General Revenues					<u>43,657,771</u>
Change in Net Position					(704,976)
Net Position - Beginning					<u>11,257,610</u>
Net Position - Ending					<u>\$ 10,552,634</u>

The notes to the financial statements are an integral part of this statement.

Hastings-on-Hudson Union Free School District, New York

Balance Sheet
Governmental Funds
June 30, 2017

	General	Capital Projects	Special Aid
ASSETS			
Cash and equivalents	\$ 12,106,197	\$ 1,484,676	\$ 83,578
Receivables			
Accounts	96,464	-	792
State and Federal aid	872,400	-	166,960
Due from other governments	90,000	-	-
Due from other funds	197,828	-	-
Inventories	-	-	-
Total Assets	<u>\$ 13,362,889</u>	<u>\$ 1,484,676</u>	<u>\$ 251,330</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 385,012	\$ 113,471	\$ 1,310
Accrued liabilities	110,805	-	-
Due to other funds	-	588,572	233,904
Due to other governments	-	-	-
Due to retirement systems	2,850,764	-	-
Unearned revenues	12,736	-	16,116
Total Liabilities	<u>3,359,317</u>	<u>702,043</u>	<u>251,330</u>
Fund balances			
Nonspendable	-	-	-
Restricted	4,515,612	782,633	-
Assigned	3,549,787	-	-
Unassigned	1,938,173	-	-
Total Fund Balances	<u>10,003,572</u>	<u>782,633</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 13,362,889</u>	<u>\$ 1,484,676</u>	<u>\$ 251,330</u>

The notes to the financial statements are an integral part of this statement.

<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 242,842	\$ 13,917,293
6,865	104,121
-	1,039,360
-	90,000
624,648	822,476
7,392	7,392
<u>\$ 881,747</u>	<u>\$ 15,980,642</u>

\$ 62,561	\$ 562,354
-	110,805
-	822,476
9,154	9,154
-	2,850,764
19,911	48,763
<u>91,626</u>	<u>4,404,316</u>

7,392	7,392
744,207	6,042,452
38,522	3,588,309
-	1,938,173
<u>790,121</u>	<u>11,576,326</u>
<u>\$ 881,747</u>	<u>\$ 15,980,642</u>

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Hastings-on-Hudson Union Free School District, New York

Reconciliation of Governmental Funds Balance Sheet to the District-Wide Statement of Net Position June 30, 2017

Fund Balances - Total Governmental Funds	\$ 11,576,326
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	17,543,168
Governmental funds do not report the effect of losses on refunding bonds or assets and liabilities related to net pension liabilities whereas these amounts are deferred and amortized in the statement of activities.	
Deferred amounts on net pension liabilities	13,503,102
Long-term liabilities that are not due and payable in the current period are not reported in the funds.	
Accrued interest payable	(175,841)
Bonds payable	(8,326,817)
Energy performance contract debt payable	(1,222,782)
Claims payable	(750,000)
Compensated absences	(220,157)
Net pension liability	(2,689,081)
Other post employment benefit obligations payable	(18,685,284)
	(32,069,962)
Net Position of Governmental Activities	\$ 10,552,634

The notes to the financial statements are an integral part of this statement.

Hastings-on-Hudson Union Free School District, New York

Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds Year Ended June 30, 2017

	General	Capital Projects	Special Aid
REVENUES			
Real property taxes	\$ 32,818,656	\$ -	\$ -
Other tax items	5,258,384	-	-
Non-property taxes	441,783	-	-
Charges for services	770,284	-	-
Use of money and property	95,584	-	-
Sale of property and compensation for loss	1,987	-	-
State aid	5,096,536	346,354	149,724
Federal aid	-	-	169,396
Food sales	-	-	-
Miscellaneous	163,755	-	-
Total Revenues	44,646,969	346,354	319,120
EXPENDITURES			
Current			
General support	4,310,734	-	-
Instruction	26,995,865	-	343,836
Pupil transportation	1,250,844	-	-
Employee benefits	10,444,030	-	-
Cost of food sales	-	-	-
Other	-	-	-
Debt service			
Principal	106,710	-	-
Interest	60,726	-	-
Capital outlay	-	4,997,307	-
Total Expenditures	43,168,909	4,997,307	343,836
Excess (Deficiency) of Rev- enues Over Expenditures	1,478,060	(4,650,953)	(24,716)
OTHER FINANCING SOURCES (USES)			
Proceeds from Bonds	-	8,150,701	-
Premium on bonds	-	-	-
Transfers in	-	400,000	24,716
Transfers out	(1,368,216)	-	-
Total Other Financing Sources (Uses)	(1,368,216)	8,550,701	24,716
Net Change in Fund Balances	109,844	3,899,748	-
FUND BALANCES (DEFICITS)			
Beginning of Year	9,893,728	(3,117,115)	-
End of Year	\$ 10,003,572	\$ 782,633	\$ -

The notes to the financial statements are an integral part of this statement.

Non-Major Governmental Funds	Total Governmental Funds
\$ -	\$ 32,818,656
-	5,258,384
-	441,783
-	770,284
1,977	97,561
-	1,987
-	5,592,614
6,975	176,371
436,606	436,606
129,245	293,000
<u>574,803</u>	<u>45,887,246</u>
-	4,310,734
-	27,339,701
-	1,250,844
-	10,444,030
469,090	469,090
115,853	115,853
925,000	1,031,710
18,500	79,226
-	4,997,307
<u>1,528,443</u>	<u>50,038,495</u>
<u>(953,640)</u>	<u>(4,151,249)</u>
-	8,150,701
176,117	176,117
943,500	1,368,216
-	(1,368,216)
<u>1,119,617</u>	<u>8,326,818</u>
165,977	4,175,569
<u>624,144</u>	<u>7,400,757</u>
<u>\$ 790,121</u>	<u>\$ 11,576,326</u>

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Hastings-on-Hudson Union Free School District, New York

Reconciliation of the Statement of Revenues,
Expenditures and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
Year Ended June 30, 2017

Amounts Reported for Governmental Activities in the Statement of Activities are Different Because

Net Change in Fund Balances - Total Governmental Funds	\$ 4,175,569
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Capital outlay expenditures	5,206,643
Depreciation expense	<u>(868,137)</u>
	4,338,506
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized on the statement of activities.	
Bond proceeds	(8,150,701)
Premium on bonds	(176,117)
Principal paid on bonds	925,000
Principal paid on energy performance contract debt	106,710
Amortization of premium and loss on refunding bonds	<u>(16,365)</u>
	(7,311,473)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Accrued interest	(140,336)
Claims payable	260,500
Compensated absences	44,251
Pension obligations	(73,930)
Other post employment benefit obligations	<u>(1,998,063)</u>
	(1,907,578)
Change in Net Position of Governmental Activities	\$ <u>(704,976)</u>

The notes to the financial statements are an integral part of this statement.

Hastings-on-Hudson Union Free School District, New York

Statement of Revenues, Expenditures and Changes in Fund
Balances - Budget and Actual
General and Special Aid Funds
Year Ended June 30, 2017

	General Fund			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
REVENUES				
Real property taxes	\$ 32,816,626	\$ 32,816,626	\$ 32,818,656	\$ 2,030
Other tax items	5,258,384	5,258,384	5,258,384	-
Non-property taxes	425,000	425,000	441,783	16,783
Charges for services	570,000	570,000	770,284	200,284
Use of money and property	105,000	105,000	95,584	(9,416)
Sale of property and compensation for loss	-	-	1,987	1,987
State aid	4,790,000	4,790,000	5,096,536	306,536
Federal aid	-	-	-	-
Miscellaneous	150,000	150,000	163,755	13,755
Total Revenues	44,115,010	44,115,010	44,646,969	531,959
EXPENDITURES				
Current				
General support	4,349,477	4,757,387	4,310,734	446,653
Instruction	28,931,706	28,375,228	26,995,865	1,379,363
Pupil transportation	1,520,457	1,516,245	1,250,844	265,401
Employee benefits	10,938,854	11,091,634	10,444,030	647,604
Debt service				
Principal	97,402	107,603	106,710	893
Interest	71,198	60,997	60,726	271
Total Expenditures	45,909,094	45,909,094	43,168,909	2,740,185
Excess (Deficiency) of Revenues Over Expenditures	(1,794,084)	(1,794,084)	1,478,060	3,272,144
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	(1,388,500)	(1,388,500)	(1,368,216)	20,284
Total Other Financing Sources (Uses)	(1,388,500)	(1,388,500)	(1,368,216)	20,284
Net Change in Fund Balances	(3,182,584)	(3,182,584)	109,844	3,292,428
FUND BALANCES				
Beginning of Year	3,182,584	3,182,584	9,893,728	6,711,144
End of Year	\$ -	\$ -	\$ 10,003,572	\$ 10,003,572

The notes to the financial statements are an integral part of this statement.

Special Aid Fund			
Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
136,622	136,622	149,724	13,102
302,921	302,921	169,396	(133,525)
-	-	-	-
439,543	439,543	319,120	(120,423)
-	-	-	-
484,543	484,543	343,836	140,707
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
484,543	484,543	343,836	140,707
(45,000)	(45,000)	(24,716)	20,284
45,000	45,000	24,716	(20,284)
-	-	-	-
45,000	45,000	24,716	(20,284)
-	-	-	-
-	-	-	-
-	-	-	-
\$ -	\$ -	\$ -	\$ -

Hastings-on-Hudson Union Free School District, New York

Statement of Assets and Liabilities

Fiduciary Fund

June 30, 2017

	<u>Agency</u>
ASSETS	
Cash and equivalents	\$ 208,548
Accounts receivable	<u>1,080</u>
Total Assets	<u><u>\$ 209,628</u></u>
LIABILITIES	
Accounts payable	\$ 30,420
Deposits	108,700
Student activity funds	<u>70,508</u>
Total Liabilities	<u><u>\$ 209,628</u></u>

The notes to the financial statements are an integral part of this statement.

Note 1 - Summary of Significant Accounting Policies

The Hastings-on-Hudson Union Free School District, New York, ("School District") as presently constituted, was established in 1903 and operates in accordance with the provisions of the Education Law of the State of New York. The Board of Education is the legislative body responsible for overall operation of the School District and is elected by the voters of the School District. The Superintendent serves as the chief executive officer. The School District's primary function is to provide education for its pupils. Services such as transportation of pupils, administration, finance and plant maintenance support the primary function.

The accounting policies of the School District conform to generally accepted accounting principles for local governmental units and the Uniform System of Accounts as prescribed by the State of New York. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the School District's more significant accounting policies:

A. Financial Reporting Entity

The financial reporting entity consists of a) the primary government, which is the School District, b) organizations for which the School District is financially accountable and c) other organizations for which the nature and significance of their relationship with the School District are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete as set forth by GASB.

In evaluating how to define the School District, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the School District's reporting entity was made by applying the criteria set forth by GASB, including legal standing, fiscal dependency and financial accountability. Based upon the application of these criteria, there are no other entities which would be included in the financial statements.

The School District participates in the Southern Westchester Board of Cooperative Educational Services ("BOCES"), a jointly governed entity. BOCES is a voluntary cooperative association of school districts in a geographic area that share planning, services and programs, which provide educational and support services. BOCES' governing board is elected based on the vote of members of the participating district's governing boards. BOCES' budget is comprised of separate budgets for administrative, program and capital costs. BOCES charges the districts for program costs based on participation and for administrative and capital costs. Each component school district's share of administrative and capital costs is determined by resident public school enrollment as defined by Education Law. Copies of BOCES' financial statement can be requested from Southern Westchester BOCES, 17 Berkley Drive, Rye Brook, New York 10573.

B. District-Wide Financial Statements

The district-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all non-fiduciary activities of the School District government as a whole. For the most part, the effect of interfund activity has been removed from these statements, except for interfund services provided and used.

Note 1 - Summary of Significant Accounting Policies (Continued)

The Statement of Net Position presents the financial position of the School District at the end of its fiscal year. The Statement of Activities demonstrates the degree to which direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods or services, or privileges provided by a given function or segment, (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment and (3) interest earned on grants that is required to be used to support a particular program. Taxes and other items not identified as program revenues are reported as general revenues. The School District does not allocate indirect expenses to functions in the Statement of Activities.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the district-wide financial statements.

C. Fund Financial Statements

The accounts of the School District are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts, which comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balances, revenues and expenditures. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance related legal and contractual provisions. The School District maintains the minimum number of funds consistent with legal and managerial requirements. The focus of governmental fund financial statements is on major funds as that term is defined in professional pronouncements. Each major fund is to be presented in a separate column, with non-major funds, if any, aggregated and presented in a single column. Fiduciary funds are reported by type. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the district-wide statements' governmental activities column, a reconciliation is presented on the pages following, which briefly explains the adjustments necessary to transform the fund based financial statements into the governmental activities column of the district-wide presentation. The School District's resources are reflected in the fund financial statements in two broad fund categories, in accordance with generally accepted accounting principles as follows:

Fund Categories

- a. Governmental Funds - Governmental Funds are those through which most general government functions are financed. The acquisition, use and balances of expendable financial resources and the related liabilities are accounted for through governmental funds. The following represents the School District's major governmental funds.

General Fund - The General Fund constitutes the primary operating fund of the School District and is used to account for and report all financial resources not accounted for and reported in another fund.

Capital Projects Fund - The Capital Projects Fund is used to account for and report financial resources that are restricted, committed or assigned to expenditures for capital outlays, including the acquisition or construction of major capital facilities and other capital assets.

Note 1 - Summary of Significant Accounting Policies (Continued)

Special Revenue Funds - Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted, committed or assigned to expenditures for specified purposes other than debt service or capital projects. The major special revenue fund of the School District is as follows -

Special Aid Fund - The Special Aid Fund is used to account for special projects or programs supported in whole or in part with Federal, State or local funds.

The School District also reports the following non-major governmental funds:

Special Revenue Funds:

School Lunch Fund - The School Lunch Fund is used to record the operations of the breakfast, lunch and milk programs of the School District.

Special Purpose Fund - The Special Purpose Fund is used to account for assets held by the School District in accordance with the terms of a trust agreement.

Debt Service Fund - The Debt Service Fund is used to account for and report financial resources that are restricted, committed or assigned to expenditures for principal and interest, and for financial resources that are being accumulated for principal and interest maturing in future years.

- b. Fiduciary Funds (Not Included in District-Wide Financial Statements) - Fiduciary Funds are used to account for assets held by the School District in an agency capacity on behalf of others. Among the activities included in the Agency Fund are the student activity funds. The Agency Fund is also utilized to account for payroll tax withholdings that are payable to other jurisdictions.

D. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources (current assets less current liabilities) or economic resources (all assets and liabilities). The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The district-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. The Agency Fund has no measurement focus but utilizes the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as

Note 1 - Summary of Significant Accounting Policies (Continued)

soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Property taxes are considered to be available if collected within sixty days of the fiscal year end. If expenditures are the prime factor for determining eligibility, revenues from Federal and State grants are recognized as revenues when the expenditure is made. A ninety day availability period is generally used for revenue recognition for most other governmental fund revenues. Fees and other similar revenues are not susceptible to accrual because generally they are not measurable until received in cash. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to certain claims, compensated absences, net pension liability and other post employment benefit obligations payable are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position or Fund Balances

Cash and Equivalents, Investments and Risk Disclosure

Cash and Equivalents - Cash and equivalents consist of funds deposited in demand deposit accounts, time deposit accounts and certificates of deposit with original maturities of less than three months.

The School District's investment policies are governed by State statutes. The School District has adopted its own written investment policy which provides for the deposit of funds in FDIC insured commercial banks or trust companies located within the State. The School District is authorized to use demand deposit accounts, time deposit accounts and certificates of deposit.

Collateral is required for demand deposit accounts, time deposit accounts and certificates of deposit at 100% of all deposits not covered by Federal deposit insurance. The School District has entered into custodial agreements with the various banks which hold their deposits. These agreements authorize the obligations that may be pledged as collateral. Such obligations include, among other instruments, obligations of the United States and its agencies and obligations of the State and its municipal and school district subdivisions.

Investments - Permissible investments include obligations of the U.S. Treasury, U.S. Agencies, repurchase agreements and obligations of New York State or its political subdivisions.

The School District follows the provisions of GASB Statement No. 72, "*Fair Value Measurements and Application*", which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

Note 1 - Summary of Significant Accounting Policies (Continued)

Risk Disclosure

Interest Rate Risk - Interest rate risk is the risk that the government will incur losses in fair value caused by changing interest rates. The School District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from changing interest rates. Generally, the School District does not invest in any long-term investment obligations.

Custodial Credit Risk - Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. GASB Statement No. 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 uncollateralized, collateralized by securities held by the pledging financial institution or collateralized by securities held by the pledging financial institution's trust department but not in the School District's name. The School District's aggregate bank balances that were not covered by depository insurance were not exposed to custodial credit risk at June 30, 2017.

Credit Risk - Credit risk is the risk that an issuer or other counterparty will not fulfill its specific obligation even without the entity's complete failure. The School District does not have a formal credit risk policy other than restrictions to obligations allowable under General Municipal Law of the State of New York.

Concentration of Credit Risk - Concentration of credit risk is the risk attributed to the magnitude of a government's investments in a single issuer. The School District's investment policy limits the amount on deposit at each of its banking institutions.

Property Taxes Receivable - Real property taxes attach as an enforceable lien on real property as of July 1st and are levied and payable in September and January. The Village of Hastings-On-Hudson, New York which is included in the levy is responsible for the billing and collection of the taxes. The Village of Hastings-On-Hudson, New York guarantees the full payment of the School District warrant and assumes responsibility for uncollected taxes.

Other Receivables - Other receivables include amounts due from other governments and individuals for services provided by the School District. Receivables are recorded and revenues recognized as earned or as specific program expenditures are incurred. Allowances are recorded when appropriate.

Due From/To Other Funds - During the course of its operations, the School District has numerous transactions between funds to finance operations, provide services and construct assets. To the extent that certain transactions between funds had not been paid or received as of June 30, 2017, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

Inventories - Inventories in the School Lunch Fund consists of surplus food at a stated value which approximates market. These inventories consist primarily of items held for consumption. The cost is recorded as inventory at the time individual inventory items are purchased. The School District uses the consumption method to relieve inventory. In the fund financial statements, reported amounts

Note 1 - Summary of Significant Accounting Policies (Continued)

are equally offset by nonspendable fund balance which indicates that these amounts do not constitute "available spendable resources" even though they are a component of current assets.

Capital Assets - Capital assets, which include property, plant and equipment, are reported in the governmental activities column in the district-wide financial statements. Capital assets are defined by the School District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

Major outlays for capital assets and improvements are capitalized as projects are constructed. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives is not capitalized.

Land and construction-in-progress are not depreciated. Property, plant and equipment of the School District are depreciated using the straight line method over the following estimated useful lives.

<u>Class</u>	<u>Life in Years</u>
Land Improvements	20-30
Buildings and Improvements	20-50
Machinery and Equipment	5-20

The costs associated with the acquisition or construction of capital assets are shown as capital outlay expenditures on the governmental fund financial statements. Capital assets are not shown on the governmental fund balance sheets.

Unearned Revenues - Unearned revenues arise when assets are recognized before revenue recognition criteria has been satisfied. In district-wide financial statements, unearned revenues consist of revenue received in advance and/or revenue from grants received before the eligibility requirements have been met.

Unearned revenues in the fund financial statements are those where asset recognition criteria have been met, but for which revenue recognition criteria have not been met. The School District has reported unearned revenues of \$12,736 within the General Fund for tuition received in advance, \$16,116 for federal aid received in advance and \$19,911 for amounts received in advance for lunches in the School Lunch Fund. Such amounts have been deemed to be measurable but not "available" pursuant to generally accepted accounting principles.

Deferred Outflows/Inflows of Resources - In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

Note 1 - Summary of Significant Accounting Policies (Continued)

The School District reports deferred outflows of resources and deferred inflows of resources in relation to its pension obligations. These amounts are detailed in the discussion of the School District's pension plans in Note 3E.

Long-Term Liabilities - In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount, where applicable. Bond issuance costs are expensed as incurred.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as Capital Projects Fund expenditures.

Compensated Absences - The various collective bargaining agreements provide for the payment of accumulated vacation leave upon separation from service. The liability for such accumulated leave is reflected in the district-wide Statement of Net Position as current and long-term liabilities. A liability for these amounts is reported in the governmental funds only if the liability has matured through employee resignation or retirement. The liability for compensated absences includes salary related payments, where applicable.

Net Pension Liability (Asset) - The net pension liability (asset) represents the School District's proportionate share of the net pension liability (asset) of the New York State and Local Employees' Retirement System and the New York State Teachers' Retirement System. The financial reporting of these amounts are presented in accordance with the provisions of GASB Statement No. 68, "Accounting and Financial Reporting for Pensions" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date".

Net Position - Net position represent the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position on the Statement of Net Position includes, net investment in capital assets, restricted for retirement system contributions, future capital projects, repairs, debt service, tax certiorari, school lunch and special purpose. The balance is classified as unrestricted.

Fund Balance - Generally, fund balance represents the difference between current assets and deferred outflows of resources and current liabilities and deferred inflows of resources. In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the School District is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Under this standard, the fund balance classifications are as follows:

Nonspendable fund balance includes amounts that cannot be spent because they are either not in spendable form (inventories, prepaid amounts, long-term receivables, advances) or they are legally or contractually required to be maintained intact (the corpus of a permanent fund).

Note 1 - Summary of Significant Accounting Policies (Continued)

Restricted fund balance is reported when constraints placed on the use of the resources are imposed by grantors, contributors, laws or regulations of other governments or imposed by law through enabling legislation. Enabling legislation includes a legally enforceable requirement that these resources be used only for the specific purposes as provided in the legislation. This fund balance classification is used to report funds that are restricted for debt service obligations and for other items contained in General Municipal Law or Education Law of the State of New York.

Committed fund balance is reported for amounts that can only be used for specific purposes pursuant to formal action of the entity's highest level of decision making authority. The Board of Education is the highest level of decision making authority for the School District that can, by the adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, these funds may be used for the purpose specified unless the District removes or changes the purpose by taking the same action that was used to establish the commitment. This classification includes certain amounts established and approved by the Board of Education.

Assigned fund balance, in the General Fund, represents amounts constrained either by policies of the School Board for amounts assigned for balancing the subsequent year's budget or the Treasurer for amounts assigned for encumbrances. Unlike commitments, assignments generally only exist temporarily, in that additional action does not normally have to be taken for the removal of an assignment. An assignment cannot result in a deficit in the unassigned fund balance in the General Fund. Assigned fund balance in all other governmental funds represents any positive remaining amount after classifying nonspendable, restricted or committed fund balance amounts.

Unassigned fund balance, in the General Fund, represents amounts not classified as nonspendable, restricted, committed or assigned. The General Fund is the only fund that would report a positive amount in unassigned fund balance. For all governmental funds other than the General Fund, unassigned fund balance would necessarily be negative, since the fund's liabilities and deferred inflows of resources, together with amounts already classified as nonspendable, restricted and committed would exceed the fund's assets and deferred outflows of resources.

In order to calculate the amounts to report as restricted and unrestricted fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the School District's policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the School District's policy to use fund balance in the following order: committed, assigned, and unassigned.

F. Encumbrances

In governmental funds, encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve applicable appropriations, is generally employed as an extension of formal budgetary integration in the General Fund. Encumbrances outstanding at year-end are generally reported as assigned fund balance since they do not constitute expenditures or liabilities.

Note 1 - Summary of Significant Accounting Policies (Continued)

G. Use of Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources, and disclosures of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

H. Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were issued, which date is September 28, 2017.

Note 2 - Stewardship, Compliance and Accountability

A. Budgetary Data

The School District generally follows the procedures enumerated below in establishing the budgetary data reflected in the fund financial statements:

- a) At least seven days prior to the budget hearing, a copy of the budget is made available to the voters.
- b) At the budget hearing, the voters may raise questions concerning the items contained in the budget.
- c) The Board of Education establishes a date for the annual meeting, which by law will be held on the third Tuesday in May.
- d) The voters are permitted to vote upon the General Fund budget at the annual meeting.
- e) If the original proposed budget is not approved by the voters, the Board of Education has the option of either resubmitting the original or revising the budget for voter approval at a special meeting held at a later date; or the Board of Education may, at that point, adopt a contingency budget. If the Board of Education decides to submit either the original or a revised budget to the voters for a second time, and the voters do not approve the second budget submittal, the Board of Education must adopt a contingency budget and the tax levy cannot exceed the total tax levy of the prior year (0% levy growth). In addition, the administrative component of the contingency budget shall not comprise a greater percentage of the contingency budget exclusive of the capital component than the lesser of either 1) the percentage the administrative component had comprised in the prior year budget exclusive of the capital component; or 2) the percentage the administrative component had comprised in the last proposed defeated budget exclusive of the capital component.

Note 2 - Stewardship, Compliance and Accountability (Continued)

- f) Formal budgetary integration is employed during the year as a management control device for General, Special Aid and Debt Service funds.
- g) Budgets for General, Special Aid and Debt Service funds are legally adopted annually on a basis consistent with generally accepted accounting principles. The Capital Projects Fund is budgeted on a project basis. The Board of Education does not adopt an annual budget for the School Lunch or Special Purpose funds.
- h) The Board of Education has established legal control of the budget at the function level of expenditures. Transfers between appropriation accounts, at the function level, require approval by the Board of Education. Any modification to appropriations resulting from increases in revenue estimates or supplemental reserve appropriations also require a majority vote by the Board.
- i) Appropriations in General, Special Aid and Debt Service funds lapse at the end of the fiscal year, except that outstanding encumbrances are reappropriated in the succeeding year, pursuant to the Uniform System of Accounts promulgated by the Office of the State Comptroller.

Budgeted amounts are as originally adopted or as amended by the Board of Education.

B. Limitation on Fund Balance

The School District is limited to the amount of committed, assigned and unassigned fund balance, with certain exceptions, that can be retained. New York State law limits this amount to 4% of the ensuing year's budget.

C. Property Tax Limitation

However, the School District is not limited as to the maximum amount of real property taxes which may be raised on June 24, 2011, the Governor signed Chapter 97 of the Laws of 2011 ("Tax Levy Limitation Law"). This law applies to all local governments, including school districts.

The Tax Levy Limitation Law restricts the amount of real property taxes that may be levied by a School District in a particular year. The original legislation that established the Tax levy Limitation Law was set to expire on June 16, 2016. Chapter 20 of the Laws of 2015 extends the Tax Levy Limitation Law through June 2020.

Pursuant to the Tax Levy Limitation Law, the tax levy of a school district cannot increase by more than the lesser of two percent or the annual increase in the consumer price index. Certain adjustments would be permitted as defined by Section 1220 of the Real Property Tax Law. A school district could exceed the tax levy limitation only if the budget is approved by at least 60% of the vote. There are certain exemptions to the tax levy limitation, such as expenditures made on account of certain tort settlements and certain increases in the actuarial contribution rates of the various public employee retirement systems.

Hastings-On-Hudson Union Free School District, New York**Notes to Financial Statements (Continued)****June 30, 2017****Note 3 - Detailed Notes on All Funds****A. Due From/To Other Funds**

The composition of interfund balances at June 30, 2017 is as follows:

<u>Fund</u>	<u>Due From</u>	<u>Due To</u>
General	\$ 197,828	\$ -
Capital Projects	-	588,572
Special Aid	-	233,904
Non-Major Governmental	624,648	-
	<u>\$ 822,476</u>	<u>\$ 822,476</u>

The outstanding balances between funds result mainly from the time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system and 3) payments between funds are made.

B. Capital Assets

Changes in the School District's capital assets are as follows:

<u>Class</u>	<u>Balance July 1, 2016</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2017</u>
Capital Assets, not being depreciated:				
Land	\$ 115,000	\$ -	\$ -	\$ 115,000
Construction-in-progress	4,182,446	71,250	4,182,446	71,250
	<u>\$ 4,297,446</u>	<u>\$ 71,250</u>	<u>\$ 4,182,446</u>	<u>\$ 186,250</u>
Capital Assets, being depreciated:				
Land Improvements	\$ 1,510,336	\$ 6,013,097	\$ -	\$ 7,523,433
Buildings and Improvements	23,168,277	3,140,627	-	26,308,904
Machinery and Equipment	1,205,575	164,115	-	1,369,690
Total Capital Assets, being Depreciated	<u>25,884,188</u>	<u>9,317,839</u>	<u>-</u>	<u>35,202,027</u>
Less Accumulated Depreciation for:				
Land Improvements	827,481	80,285	-	907,766
Buildings and Improvements	15,305,738	710,410	-	16,016,148
Machinery and Equipment	843,753	77,442	-	921,195
Total Accumulated Depreciation	<u>16,976,972</u>	<u>868,137</u>	<u>-</u>	<u>17,845,109</u>
Total Capital Assets, being depreciated, net	<u>\$ 8,907,216</u>	<u>\$ 8,449,702</u>	<u>\$ -</u>	<u>\$ 17,356,918</u>
Governmental Activities Capital Assets, net	<u>\$ 13,204,662</u>	<u>\$ 8,520,952</u>	<u>\$ 4,182,446</u>	<u>\$ 17,543,168</u>

Hastings-On-Hudson Union Free School District, New York**Notes to Financial Statements (Continued)****June 30, 2017****Note 3 - Detailed Notes on All Funds (Continued)**

Depreciation expense was charged to School District functions and programs as follows:

General Support	\$ 134,066
Instruction	726,315
Cost of Food Sales	<u>7,756</u>
Total Depreciation Expense	<u>\$ 868,137</u>

C. Accrued Liabilities

Accrued liabilities as of June 30, 2017 were as follows:

	<u>General Fund</u>
Payroll and Employee Benefits	<u>\$ 110,805</u>

D. Short-Term Capital Borrowings - Bond Anticipation Notes

The schedule below details the changes in short-term capital borrowings.

	<u>Balance July 1, 2016</u>	<u>New Issues</u>	<u>Redemptions</u>	<u>Balance June 30, 2017</u>
District Wide Improvements	<u>\$ 4,000,000</u>	<u>\$ -</u>	<u>\$ 4,000,000</u>	<u>\$ -</u>

Liabilities for bond anticipation notes are generally accounted for in the Capital Projects Fund. Bond anticipation notes issued for judgments or settled claims are recorded in the fund paying the claim. Principal payments on bond anticipation notes must be made annually. State law requires that bond anticipation notes issued for capital purposes or judgments be converted to long-term obligations generally within five years after the original issue date. However, bond anticipation notes issued for assessable improvement projects may be renewed for periods equivalent to the maximum life of the permanent financing, provided that stipulated annual reductions of principal are made.

Interest expenditures of \$17,120 were recorded in the fund financial statements in the General Fund. Interest expense of \$17,120 was recorded in the government-wide financial statements.

E. Long-Term Liabilities

The following table summarizes changes in the School District's long-term liabilities for the year ended June 30, 2017:

	<u>Balance July 1, 2016</u>	<u>New Issues/ Additions</u>	<u>Maturities and/or Payments</u>	<u>Balance June 30, 2017</u>	<u>Due Within One-Year</u>
Bonds Payable	\$ 925,000	\$ 8,150,701	\$ 925,000	\$ 8,150,701	\$ 420,701
Plus					
Unamortized premium on bonds	<u>76,777</u>	<u>176,117</u>	<u>76,778</u>	<u>176,116</u>	<u>-</u>
	1,001,777	8,326,818	1,001,778	8,326,817	420,701

Hastings-On-Hudson Union Free School District, New York

Notes to Financial Statements (Continued)

June 30, 2017

Note 3 - Detailed Notes on All Funds (Continued)

	Balance July 1, 2016	New Issues/ Additions	Maturities and/or Payments	Balance June 30, 2017	Due Within One-Year
Energy Performance Contract Debt Payable	\$ 1,329,492	\$ -	\$ 106,710	\$ 1,222,782	\$ 112,129
	<u>2,331,269</u>	<u>8,326,818</u>	<u>1,108,488</u>	<u>9,549,599</u>	<u>532,830</u>
Other Non-current Liabilities:					
Claims Payable	1,010,500	750,000	1,010,500	750,000	750,000
Net Pension Liability	2,285,168	1,342,046	938,133	2,689,081	-
Compensated Absences	264,408	16,402	60,653	220,157	22,000
Other Post Employment Benefit Obligations Payable	16,687,221	3,311,493	1,313,430	18,685,284	-
Total Non-Current Liabilities	<u>20,247,297</u>	<u>5,419,941</u>	<u>3,322,716</u>	<u>22,344,522</u>	<u>772,000</u>
Total Long-Term Liabilities	<u>\$ 22,578,566</u>	<u>\$ 13,746,759</u>	<u>\$ 4,431,204</u>	<u>\$ 31,894,121</u>	<u>\$ 1,304,830</u>

Each governmental fund's liability for claims, net pension liability, compensated absences and other post employment benefit obligations is liquidated by the General Fund. The School District's indebtedness for bonds is satisfied by the Debt Service Fund, which is funded primarily by the General Fund. The School District's indebtedness for the energy performance contract debt is satisfied by the General Fund.

Bonds Payable

Bonds payable at June 30, 2017 are comprised of the following individual issues:

Purpose	Year of Issue	Original Issue Amount	Final Maturity	Interest Rates	Amount Outstanding at June 30, 2017
Serial Bond	2017	<u>\$ 8,150,701</u>	July, 2031	2.0 - 2.125 %	<u>\$ 8,150,701</u>

Interest expenditures of \$18,500 were recorded in the fund financial statements in the Debt Service Fund. Interest expense of \$176,703 was recorded in the district-wide financial statements.

Energy Performance Contract Debt Payable

The School District, in August 2012 entered into a \$1,698,397 contractual agreement to install energy savings equipment and/or to upgrade existing facilities to enhance performance. The terms of the contract provide for repayment over fourteen years, with semi-annual installments of \$75,611 through August 2026. Payments include interest at 3.3480%. The balance due at June 30, 2017 was \$1,222,782. Interest expenditures of \$43,606 were recorded in the fund financial statements in the General Fund. Interest expense of \$42,104 was recorded in the district-wide financial statements.

Hastings-On-Hudson Union Free School District, New York

Notes to Financial Statements (Continued)
June 30, 2017

Note 3 - Detailed Notes on All Funds (Continued)

Payments to Maturity

The annual requirements to amortize all outstanding bonded debt as of June 30, 2017, including interest payments of \$1,621,073 are as follows:

Year Ending June 30,	Bonds		Energy Performance Contract Debt		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 420,701	\$ 236,490	\$ 112,129	\$ 39,985	\$ 532,830	\$ 276,475
2019	495,000	150,438	114,991	36,230	609,991	186,668
2020	500,000	140,488	118,873	32,348	618,873	172,836
2021	510,000	130,388	122,886	28,334	632,886	158,722
2022	515,000	120,138	127,035	24,187	642,035	144,325
2023-2027	2,705,000	441,490	626,868	83,961	3,331,868	525,451
2028-2032	3,005,000	156,596	-	-	3,005,000	156,596
	<u>\$ 8,150,701</u>	<u>\$ 1,376,028</u>	<u>\$ 1,222,782</u>	<u>\$ 245,045</u>	<u>\$ 9,373,483</u>	<u>\$ 1,621,073</u>

The above general obligation bonds and energy performance contract debt are direct obligations of the School District for which its full faith and credit are pledged and are payable from taxes levied on all taxable real property within the School District.

Claims Payable

Claims payable reflects a liability of \$750,000 for court ordered tax certiorari refunds, which were not due and payable at year-end. This amount has been recorded in the district-wide financial statements.

Compensated Absences

The School District is obligated to compensate employees for accrued vacation upon separation of service in accordance with applicable collective bargaining agreements. The School District is not required to compensate employees for accumulated sick leave. The value of the compensated absences has been reflected in the district-wide financial statements.

Other Post Employment Benefit Obligations

In addition to providing pension benefits, the School District provides certain health care benefits for retired employees through a single employer defined benefit plan. The various collective bargaining agreements stipulate the employees covered and the percentage of contribution. Contributions by the District may vary according to length of service. The cost of providing post-employment health care benefits is shared between the District and the retired employee. Substantially all of the District's employees may become eligible for these benefits if they reach normal retirement age while working for the District. The cost of retiree health care benefits is recognized as an expenditure/expense as claims are paid.

The School District's annual other postemployment benefit ("OPEB") cost (expense) is calculated based on the annual required contribution, ("ARC"), an amount actuarially determined in accordance with the parameters of GASB Statement 45. GASB Statement 45 establishes

Note 3 - Detailed Notes on All Funds (Continued)

standards for the measurement, recognition and display of the expenses and liabilities for retirees' medical insurance. As a result, reporting of expenses and liabilities will no longer be done under the "pay-as-you-go" approach. Instead of expensing the current year premiums paid, a per capita claims cost will be determined, which will be used to determine a "normal cost", an "actuarial accrued liability", and ultimately the ARC. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years.

Actuarial valuations for OPEB plans involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. These amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Calculations are based on the OPEB benefits provided under the terms of the substantive plan in effect at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. The actuarial calculations of the OPEB plan reflect a long-term perspective.

The School District is required to accrue on the government-wide financial statements the amounts necessary to finance the plan as actuarially determined, which is equal to the balance not paid by plan members. Funding for the Plan has been established on a pay-as-you-go basis.

The assumed rate increase in postretirement benefits is as follows:

<u>Valuation Year Beginning 10/1</u>	<u>Medical Inflation Rate</u>	<u>Medicare Part B Inflation Rate</u>
2018-2020	5.70%	5.00%
2021-2024	5.60%	5.00%
2025-2029	5.50%	5.00%
2030-2031	5.40%	5.00%
2032	5.30%	5.00%
2033	5.20%	5.00%
2034-2035	5.10%	5.00%
2036-2038	5.00%	5.00%
2039-2042	4.90%	4.90%
2043-2047	4.80%	4.80%
2048-2054	4.70%	4.70%
2055-2063	4.60%	4.60%
2064-2074	4.50%	4.50%
2075	4.30%	4.30%
2076-2077	4.20%	4.20%
2078-2088	4.10%	4.10%
2089 & thereafter	4.00%	4.00%

The amortization basis is the level percentage of payroll with 22 years remaining in the amortization period. The actuarial assumptions include a 5% rate of return. The unit credit method was used to determine the actuarial value of the assets of the OPEB plan, however, the District currently has no assets set aside for the purpose of paying postemployment benefits. The actuarial cost method utilized was the unit credit method.

Hastings-On-Hudson Union Free School District, New York**Notes to Financial Statements (Continued)****June 30, 2017****Note 3 - Detailed Notes on All Funds (Continued)**

The number of participants as of June 30, 2017 was as follows:

Active Employees	256
Retired Employees	<u>136</u>
Total	<u><u>392</u></u>
Amortization Component	
Actuarial Accrued Liability as of July 1, 2016	\$ 38,452,323
Assets at Market Value	<u>-</u>
Unfunded Actuarial Accrued Liability ("UAAL")	<u><u>\$ 38,452,323</u></u>
Funded Ratio	<u><u>0.00%</u></u>
Covered Payroll (active plan members)	<u><u>\$ 21,912,371</u></u>
UAAL as a Percentage of Covered Payroll	<u><u>175.48%</u></u>
Annual Required Contribution	\$ 3,102,145
Interest on Net OPEB Obligation	834,361
Adjustment on annual required contribution	<u>(625,013)</u>
Annual OPEB Cost	3,311,493
Contributions Made	<u>(1,313,430)</u>
Increase in Net OPEB Obligation	1,998,063
Net OPEB Obligation - beginning of year	<u>16,687,221</u>
Net OPEB Obligation - end of year	<u><u>\$ 18,685,284</u></u>

The School District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for the current and preceding year is as follows:

Fiscal Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2017	\$ 3,311,493	39.66 %	\$ 18,685,284
2016	3,392,374	37.13	16,687,221
2015	3,218,380	39.60	14,554,571

The schedule of funding progress for the OPEB plan immediately following the notes to the financial statements presents multi-year trend information about whether the actuarial value of the plan assets is increasing or decreasing relative to the actuarial accrued liability for the benefits over time.

Note 3 - Detailed Notes on All Funds (Continued)**Pension Plans***Employees' Retirement System*

The School District participates in the New York State and Local Employees' Retirement System ("ERS"). This is a cost-sharing, multiple-employer defined benefit pension plan. ERS provides retirement benefits as well as death and disability benefits. The net position of the ERS is held in the New York State Common Retirement Fund ("Fund"), which was established to hold all net assets and record changes in plan net position. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the ERS. The Comptroller is an elected official determined in a direct statewide election and serves a four year term. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law ("NYSRSSL"). Once a public employer elects to participate in the ERS, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The School District also participates in the Public Employees' Group Life Insurance Plan, which provides death benefits in the form of life insurance. The ERS is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits provided may be found at www.osc.state.ny.us/retire/about_us/financial_statements_index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

The ERS is noncontributory except for employees who joined after July 2, 1976, who contribute 3% of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010, who generally contribute between 3% and 6% of their salary for their entire length of service. Under the authority of the NYSRSSL, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the ERS's fiscal year ending March 31. Contribution rates for the plan's year ending in 2017 are as follows:

<u>Tier/Plan</u>	<u>Rate</u>
1 75I	21.8 %
4 A15	16.1
5 A15	13.2
6 A15 41J1	9.4
6 A15 41J2	9.4

At June 30, 2017, the School District reported a liability of \$1,347,035 for its proportionate share of the net pension liability. The net pension liability was measured as of March 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on a projection of the School District's long-term share of the contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At March 31, 2017, the School District's proportion was .014336% which was an increase of .000098% from its proportion measured as of March 31, 2016.

Hastings-On-Hudson Union Free School District, New York

Notes to Financial Statements (Continued)

June 30, 2017

Note 3 - Detailed Notes on All Funds (Continued)

For the year ended June 30, 2017, the School District recognized pension expense/expenditures of \$784,507 and \$600,572, respectively. The pension expenditure of \$600,572 was charged to the General Fund. At June 30, 2017, the School District reported deferred outflows of resources and deferred inflows of resources related to the ERS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 33,755	\$ 204,555
Changes of assumptions	460,196	-
Net difference between projected and actual earnings on pension plan investments	269,057	-
Changes in proportion and differences between School District contributions and proportionate share of contributions	45,758	-
School District contributions subsequent to the measurement date	215,788	-
	<u>\$ 1,024,554</u>	<u>\$ 204,555</u>

\$215,788 reported as deferred outflows of resources related to the ERS resulting from the School District's accrued contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended March 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the ERS will be recognized in pension expense as follows:

Year Ended March 31,	
2018	\$ 267,862
2019	267,862
2020	241,686
2021	(173,199)

The total pension liability for the March 31, 2017 measurement date was determined by using an actuarial valuation as of April 1, 2016, with update procedures used to roll forward the total pension liability to March 31, 2017. Significant actuarial assumptions used in the April 1, 2016 valuation were as follows:

Inflation	2.5%
Salary scale	3.8%, indexed by service
Investment rate of return	7.0% compounded annually, net of investment expenses, including inflation
Cost of living adjustments	1.3% annually

Annuitant mortality rates are based on the April 1, 2010 - March 31, 2015 ERS's experience with adjustments for mortality improvements based on MP-2014.

Note 3 - Detailed Notes on All Funds (Continued)

The actuarial assumptions used in the April 1, 2016 valuation are based on the results of an actuarial experience study of the period April 1, 2010 - March 31, 2015.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected return, net of investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized below.

<u>Asset Type</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	36 %	4.55 %
International Equity	14	6.35
Private Equity	10	7.75
Real Estate	10	5.80
Absolute Return Strategies	2	4.00
Opportunistic Portfolio	3	5.89
Real Assets	3	5.54
Bonds and Mortgages	17	1.31
Cash	1	(0.25)
Inflation Indexed Bonds	4	1.50
	<u>100 %</u>	

The real rate of return is net of the long-term inflation assumption of 2.5%

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

The following presents the School District's proportionate share of the net pension liability calculated using the discount rate of 7.0%, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.0%) or 1 percentage point higher (8.0%) than the current rate:

Hastings-On-Hudson Union Free School District, New York

Notes to Financial Statements (Continued)

June 30, 2017

Note 3 - Detailed Notes on All Funds (Continued)

	1% Decrease (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
School District's proportionate share of the net pension liability	<u>\$ 4,302,163</u>	<u>\$ 1,347,035</u>	<u>\$ (1,151,520)</u>

The components of the current year net pension liability of the ERS as of March 31, 2017, were as follows (amounts expressed in thousands):

Total pension liability	\$ 177,400,586,000
ERS fiduciary net position	<u>168,004,363,000</u>
Employers' net pension liability	<u>\$ 9,396,223,000</u>
ERS fiduciary net position as a percentage of total pension liability	<u>94.7%</u>

Employer contributions to ERS are paid annually and cover the period through the end of ERS's fiscal year, which is March 31st. Accrued retirement contributions as of June 30, 2017 represent the projected employer contribution for the period of April 1, 2017 through June 30, 2017 based on paid ERS wages multiplied by the employers' contribution rate, by tier. Accrued retirement contributions to ERS as of June 30, 2017 were \$215,788.

Teachers' Retirement System

The School District participates in the New York State Teachers' Retirement System ("TRS"). This is a cost-sharing, multiple-employer defined benefit pension plan. TRS provides retirement benefits as well as death and disability benefits. The TRS is governed by a ten member Board of Trustees, which sets policy and oversees operations consistent with its fiduciary obligations under applicable law. Obligations of employers and employees to contribute and benefits to employees are governed by the Education Law of the State of New York. Once a public employer elects to participate in the TRS, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The TRS issues a stand-alone financial report which may be found at www.nystsr.org or obtained by writing to the New York State Teachers' Retirement System, 10 Corporate Woods Drive, Albany, NY 12211-2395.

The TRS is noncontributory except for employees who joined after July 27, 1976, who contribute 3% of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010, who generally contribute between 3% and 6% depending on salary levels for their entire length of service. Pursuant to Article 11 of the Education Law of the State of New York, actuarially determined employer contributions are established annually for the TRS by its Board of Trustees. The employer contribution rate for the plan's year ending in 2017 was 11.72%.

Hastings-On-Hudson Union Free School District, New York

Notes to Financial Statements (Continued)

June 30, 2017

Note 3 - Detailed Notes on All Funds (Continued)

At June 30, 2017, the School District reported a liability of \$1,342,046 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's contributions to the pension plan relative to the contributions of all participating members. At June 30, 2016, the School District's proportion was .125303%, which was a decrease of .000585% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the School District recognized pension expense/expenditure of \$2,280,835 and \$2,390,840, respectively. The pension expenditure of \$2,390,840 was charged to the General Fund. At June 30, 2017, the School District reported deferred outflows of resources and deferred inflows of resources related to TRS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 435,972
Changes of assumptions	7,645,146	-
Net difference between projected and actual earnings on pension plan investments	3,017,624	-
Changes in proportion and differences between School District contributions and proportionate share of contributions	42,378	6,241
School District contributions subsequent to the measurement date	2,420,168	-
	<u>\$ 13,125,316</u>	<u>\$ 442,213</u>

\$2,420,168 reported as deferred outflows of resources related to TRS resulting from the School District's accrued contributions subsequent to the measurement date will be recognized as a decrease in the net pension liability in the plan year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to TRS will be recognized in pension expense as follows:

Year Ended June 30,	
2017	\$ 939,045
2018	939,045
2019	3,282,615
2020	2,553,462
2021	1,174,136
Thereafter	1,374,632

Hastings-On-Hudson Union Free School District, New York

Notes to Financial Statements (Continued)

June 30, 2017

Note 3 - Detailed Notes on All Funds (Continued)

The total pension liability for the June 30, 2016 measurement date was determined by using an actuarial valuation as of June 30, 2015, with update procedures used to roll forward the total pension liability to June 30, 2016. The total pension liability for the June 30, 2015 measurement date was determined by using an actuarial valuation as of June 30, 2014, with update procedures used to roll forward the total pension liability to June 30, 2015. These actuarial valuations used the following actuarial assumptions:

Inflation	2.5%
Projected salary increases	Rates of increase differ based on service. They have been calculated based upon recent TRS member experience.

Age	Rate
5	4.72 %
15	3.46
25	2.37
35	1.90

Projected COLAs	1.5% compounded annually
Investment rate of return	7.5% compounded annually, net of pension plan investment expense, including inflation

Annuitant mortality rates are based on plan member experience, with adjustments for mortality improvements based on Society of Actuaries Scale MP2014, applied on a generational basis. Active member mortality rates are based on plan member experience.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2009 to June 30, 2014.

The long-term expected rate of return on pension plan investments was determined in accordance with Actuarial Standard of Practice ("ASOP") No. 27, Selection of Economic Assumptions for Measuring Pension Obligations. ASOP No. 27 provides guidance on the selection of an appropriate assumed investment rate of return. Consideration was given to expected future real rates of return (expected returns, net of pension plan investment expense and inflation) for each major asset class as well as historical investment data and plan performance. Best estimates of arithmetic real rates of return for each major asset class included in TRS's target asset allocation as of the valuation dates of June 30, 2015 are summarized in the following table:

Hastings-On-Hudson Union Free School District, New York

Notes to Financial Statements (Continued)

June 30, 2017

Note 3 - Detailed Notes on All Funds (Continued)

Asset Class:	Target Allocation	Long-Term Expected Real Rate of Return
Equities:		
Domestic equities	37 %	6.10 %
International equities	18	7.30
Real estate	10	5.40
Private Equities	7	9.20
Total Equities	72	
Fixed Income:		
Domestic fixed income securities	17	1.00
Global fixed income securities	2	0.80
Mortgages	8	3.10
Short-term	1	0.10
Total Fixed Income	28	
Total	100 %	

* Real rates of return are net of the long-term inflation assumption of 2.1% for 2015.

The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based upon those assumptions, TRS's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following presents the School District's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.5%, as well as what the School District's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is one percentage point lower (6.5%) or one percentage point higher (8.5%) than the current rate:

	1% Decrease (6.50%)	Current Assumption (7.5%)	1% Increase (8.50%)
School District's proportionate share of the net pension asset liability (asset)	\$ 17,510,035	\$ 1,342,046	\$ (12,218,816)

Hastings-On-Hudson Union Free School District, New York

Notes to Financial Statements (Continued)

June 30, 2017

Note 3 - Detailed Notes on All Funds (Continued)

The components of the collective net pension asset of TRS as of the June 30, 2016 measurement date were as follows:

Total pension liability	\$ 108,577,184,039
TRS fiduciary net position	<u>107,506,142,099</u>
Employers' net pension asset	<u>\$ 1,071,041,940</u>
TRS fiduciary net position as a percentage of total pension liability	<u>99.01%</u>

Employer and employee contributions for the year ended June 30, 2017 are paid to TRS in the following fiscal year through a state aid intercept or, if state aid is insufficient, through a payment by the School District to TRS. Accrued retirement contributions as of June 30, 2017 represent employee and employer contributions for the fiscal year ended June 30, 2017 based on paid TRS wages multiplied by the employers' contribution rate plus employee contributions for the fiscal year as reported to TRS. Accrued retirement contributions to TRS as of June 30, 2017 were \$2,634,976.

Voluntary Defined Contribution Plan

The School District can offer a defined contribution plan to all non-union employees hired on or after July 1, 2013 and earning at the annual full-time salary rate of \$75,000 or more. The employee contribution is between 3% and 6% depending on salary and the School District will contribute 8%. Employer contributions vest after 366 days of service. No current employees participated in this program.

F. Revenues and Expenditures

Interfund Transfers

Interfund transfers are defined as the flow of assets, such as cash or goods and services, without equivalent flows of assets in return. The interfund transfers reflected below have been reported as transfers.

Transfers Out	Transfers In			Total
	Capital Projects Fund	Special Aid Fund	Non-Major Governmental Funds	
General Fund	<u>\$ 400,000</u>	<u>\$ 24,716</u>	<u>\$ 943,500</u>	<u>\$ 1,368,216</u>

Transfers are used to 1) move funds from the operating funds to the Debt Service Fund as debt service principal and interest payments become due, 2) move amounts earmarked in the operating funds to fulfill commitments for the Special Aid Fund and 3) move funds from the operating funds to the Capital Projects Fund to fund capital projects.

Note 3 - Detailed Notes on All Funds (Continued)

G. Net Position

The components of net position are detailed below:

Net Investment in Capital Assets - the component of net position that reports the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt, excluding unexpended proceeds, that is directly attributable to the acquisition, construction or improvement of those assets.

Restricted for Retirement System Contributions - the component of net position that reports the amounts set aside to be used for retirement costs in accordance with Section 6-r of General Municipal Law.

Restricted for Future Capital Projects - the component of net position that has been established in accordance with General Municipal Law to set aside funds to be used for future capital projects.

Restricted for Repairs - the component of net position that has been established to set aside funds to be used for the repairs of parking facilities pursuant to Section 6d of General Municipal Law.

Restricted for Debt Service - the component of net position that reports the difference between assets and liabilities of the Debt Service Fund and other assets with constraints placed on their use by Local Finance Law.

Restricted for Tax Certiorari - the component of net position that has been established in accordance with Education Law to provide funding for court ordered tax refunds which are currently in process.

Restricted for School Lunch - the component of net position that reports the difference between assets and liabilities in the School Lunch Fund.

Restricted for Special Purpose - the component of net position that reports the difference between assets and liabilities of certain programs with constraints placed on their use by either external parties and/or statute.

Unrestricted - all other amounts that do not meet the definition of "restricted" or "net investment in capital assets".

Hastings-On-Hudson Union Free School District, New York

Notes to Financial Statements (Continued)

June 30, 2017

Note 3 - Detailed Notes on All Funds (Continued)

H. Fund Balances

	2017				2016			
	General Fund	Capital Projects Fund	Non-Major Governmental Funds	Total	General Fund	Capital Projects Fund	Non-Major Governmental Funds	Total
Nonspendable								
Inventories	\$ -	\$ -	\$ 7,392	\$ 7,392	\$ -	\$ -	\$ 4,095	\$ 4,095
Restricted								
Tax certiorari	2,382,478	-	-	2,382,478	2,702,545	-	-	2,702,545
Employee benefit accrued liability	209,587	-	-	209,587	253,049	-	-	253,049
Retirement system contributions	1,553,310	-	-	1,553,310	1,587,747	-	-	1,587,747
Debt service	20,237	-	640,440	660,677	20,217	-	462,507	482,724
Repairs	200,000	-	-	200,000	200,000	-	-	200,000
Capital projects	-	782,633	-	782,633	-	-	-	-
Future capital projects	150,000	-	-	150,000	150,000	-	-	150,000
Special purposes	-	-	103,767	103,767	-	-	90,304	90,304
Total Restricted	4,515,612	782,633	744,207	6,042,452	4,913,558	-	552,811	5,466,369
Assigned								
Purchases on order								
General government support	165,217	-	-	165,217	31,567	-	-	31,567
Instruction	169,570	-	-	169,570	183,897	-	-	183,897
	334,787	-	-	334,787	215,464	-	-	215,464
Subsequent year's expenditures	3,215,000	-	-	3,215,000	2,967,120	-	-	2,967,120
School Lunch Fund	-	-	38,522	38,522	-	-	67,238	67,238
Total Assigned	3,549,787	-	38,522	3,588,309	3,182,584	-	67,238	3,249,822
Unassigned	1,938,173	-	-	1,938,173	1,797,586	(3,117,115)	-	(1,319,529)
Total Fund Balance	\$ 10,003,572	\$ 782,633	\$ 790,121	\$ 11,576,326	\$ 9,893,728	\$ (3,117,115)	\$ 624,144	\$ 7,400,757

Note 3 - Detailed Notes on All Funds (Continued)

Certain elements of fund balance are described above. Those additional elements, which are not reflected in the Statement of Net Position but are reported in the governmental funds balance sheet are described below.

Employee Benefit Accrued Liability - the component of fund balance that has been restricted pursuant to General Municipal Law to provide funds for the payment of unused sick time and other forms of payment for accrued leave time granted upon termination or separation from service.

Purchases on order are assigned and represent the School District's intention to honor the contracts in process at year-end. The subsequent year's appropriation will be amended to provide authority to complete the transactions.

Subsequent year's expenditures represent that at June 30, 2017, the Board of Education has assigned the above amounts to be appropriated for the ensuing year's budget.

Unassigned fund balance in the General Fund represents amounts not classified as nonspendable, restricted or assigned.

Note 4 - Summary Disclosure of Significant Contingencies

A. Litigation

There are currently pending certiorari proceedings, the results of which could require the payment of future tax refunds by the School District if existing assessment rolls are modified based on the outcome of the litigation proceedings. However, the amount of these possible refunds cannot be determined at the present time. Any payments resulting from adverse decisions will be funded in the year the payment is made.

At the end of June 30, 2017, the School District is involved in a case with a family seeking tuition reimbursement in which the parents have alleged that the School District has failed to provide a free and appropriate public education to their child. If the parents are successful, the School District could be obligated for the parents' attorney fees and tuition. The total amount of this obligation could be approximately \$100,000. This case is presently being defended aggressively.

B. Contingencies

The School District participates in various Federal grant programs. These programs may be subject to program compliance audits pursuant to the Uniform Guidance. Accordingly, the School District's compliance with applicable grant requirements may be established at a future date. The amount of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the School District anticipates such amounts, if any, to be immaterial.

The School District is subject to audits of State aid by the New York State Education Department. The amount of aid previously paid to the School District which may be disallowed cannot be determined at this time, although the School District anticipates such amounts, if any, to be immaterial.

Note 4 - Summary Disclosure of Significant Contingencies (Continued)

C. Risk Management

The School District and other school districts have formed a reciprocal insurance company to be owned by these districts. This Company operates under an agreement effective July 1, 1989. The purpose of the Company is to provide general liability, auto liability, all risk building and contents and auto physical damage coverage. In addition, as part of the reciprocal program, excess insurance, school board legal liability, equipment floaters, boilers and machinery and crime and bond coverages will be purchased from commercial carriers and be available to the subscriber districts. The Company retains a management company which is responsible for the overall supervision and management of the reciprocal. The reciprocal is managed by a Board of Governors and an Attorney-in-fact, which is comprised of employees of the subscriber districts. The subscribers have elected those who sit on the board and each subscriber has a single vote. The Company is an "assessable" insurance company, in that, the subscribers are severally liable for any financial shortfall of the Company and can be assessed their proportionate share by the State Insurance Department if the funds of the Company are less than what is required to satisfy its liabilities. The subscriber districts are required to pay premiums as well as a minimum capital contribution.

The School District purchases various insurance coverages from the Company to reduce its exposure to loss. The School District maintains a general liability insurance policy with coverage up to \$1 million per occurrence. The School District maintains liability coverage for school board members up to \$1 million. The School District also maintains an excess catastrophe liability policy with coverage up to \$25 million. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The School District and neighboring school districts in Southern Westchester County participate in the Southern Westchester Schools Cooperative Self-Insurance Plan for Workers' Compensation. The purpose of the Plan is to provide efficient and economical evaluation, processing, administration, defense and payment of claims against plan members for workers' compensation and to provide for risk management to reduce future liability for workers' compensation and employers' liability payments. The Plan is managed and governed by a Board of Trustees comprised of a representative from each district. Billings are based upon the participants' experience rating. The School District has transferred all related risk to the Plan.

The School District and neighboring school districts in Southern Westchester County participate in the State-Wide Schools Cooperative Health Plan. This Plan operates under an agreement, as amended, dated December 12, 1985. The purposes of the Plan are to effect cost savings in members' expenses for health coverage; to provide for centralized administration, funding and disbursements for health coverage; and to provide for such risk management services as may be appropriate to reduce future expense and liability for health coverage. The governance of the Plan shall be in all respects in the hands of the Board of Trustees. The Board of Trustees shall consist of seven trustees elected by the general membership of the Plan. No action may be taken by the Board of Trustees except by a vote of a majority of the total number of trustees. Billings to participants are based upon coverage provided to each participant's employees. The School District has transferred all related risk to the Plan.

Hastings-on-Hudson Union Free School District, New York**Required Supplementary Information - Schedule of Funding Progress****Other Post Employment Benefits****Last Three Fiscal Years**

Valuation Date	Actuarial		Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Liability as a Percentage of Covered Payroll
	Value of Assets	Accrued Liability				
July 1, 2016	\$ -	\$ 38,452,323	\$ 38,452,323	- %	\$ 21,912,371	175.48 %
July 1, 2015	-	40,246,906	40,246,906	-	22,287,236	180.58
July 1, 2014	-	34,933,349	34,933,349	-	21,799,420	160.25

Note: The decrease in the accrued liability was due to the update of the census data from the July 1, 2014 valuation date. The decrease was also due to the update in the claims cost and the withdrawal rate.

Hastings-on-Hudson Union Free School District, New York

Required Supplementary Information - Schedule of the School District's Proportionate Share of the Net Pension Liability (Asset) New York State Teachers' Retirement System Last Ten Fiscal Years (1)

	2017 (2)	2016	2015
School District's proportion of the net pension liability (asset)	<u>0.125303%</u>	<u>0.125888%</u>	<u>0.126180%</u>
School District's proportionate share of the net pension liability (asset)	<u>\$ 1,342,046</u>	<u>\$ (13,075,778)</u>	<u>\$ (14,055,624)</u>
School District's covered payroll	<u>\$ 19,978,000</u>	<u>\$ 19,324,000</u>	<u>\$ 19,034,000</u>
School District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	<u>6.72%</u>	<u>(67.67)%</u>	<u>(73.84)%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>99.01%</u>	<u>110.46%</u>	<u>111.48%</u>

Note - The amounts presented for each fiscal year were determined as of the June 30 measurement date of the prior fiscal year.

(1) Data not available prior to fiscal year 2015 implementation of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*.

(2) The discount rate used to calculate the total pension liability was decreased from 8.0% to 7.5% effective with the June 30, 2016 measurement date.

Hastings-on-Hudson Union Free School District, New York**Required Supplementary Information - Schedule of Contributions****New York State Teachers' Retirement System****Last Ten Fiscal Years (1)**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 2,420,168	\$ 2,649,067	\$ 3,387,422
Contributions in relation to the contractually required contribution	<u>(2,420,168)</u>	<u>(2,649,067)</u>	<u>(3,387,422)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District's covered payroll	<u>\$ 20,650,000</u>	<u>\$ 19,978,000</u>	<u>\$ 19,324,000</u>
Contributions as a percentage of covered payroll	<u>11.72%</u>	<u>13.26%</u>	<u>17.53%</u>

(1) Data not available prior to fiscal year 2015 implementation of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*.

Hastings-on-Hudson Union Free School District, New York

Required Supplementary Information - Schedule of the School District's Proportionate Share of the Net Pension Liability New York State and Local Employees' Retirement System Last Ten Fiscal Years (1)

	2017	2016 (2)	2015
School District's proportion of the net pension liability	<u>0.014336%</u>	<u>0.014238%</u>	<u>0.014036%</u>
School District's proportionate share of the net pension liability	<u>\$ 1,347,035</u>	<u>\$ 2,285,168</u>	<u>\$ 474,157</u>
School District's covered payroll	<u>\$ 4,015,853</u>	<u>\$ 3,805,000</u>	<u>\$ 4,018,000</u>
School District's proportionate share of the net pension liability as a percentage of its covered payroll	<u>33.54%</u>	<u>60.06%</u>	<u>11.80%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>94.70%</u>	<u>90.70%</u>	<u>97.90%</u>

Note - The amounts presented for each fiscal year were determined as of the March 31 measurement date within the current fiscal year.

(1) Data not available prior to fiscal year 2015 implementation of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*.

(2) The discount rate used to calculate the total pension liability was decreased from 7.5% to 7.0% effective with the March 31, 2016 measurement date.

Hastings-on-Hudson Union Free School District, New York

Required Supplementary Information - Schedule of Contributions New York State and Local Employees' Retirement System Last Ten Fiscal Years (1)

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 595,517	\$ 634,470	\$ 693,093
Contributions in relation to the contractually required contribution	<u>(595,517)</u>	<u>(634,470)</u>	<u>(693,093)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District's covered payroll	<u>\$ 4,092,000</u>	<u>\$ 4,056,000</u>	<u>\$ 4,018,000</u>
Contributions as a percentage of covered payroll	<u>14.55%</u>	<u>15.64%</u>	<u>17.25%</u>

(1) Data not available prior to fiscal year 2015 implementation of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*.

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Hastings-on-Hudson Union Free School District, New York

General Fund Comparative Balance Sheet June 30,

	2017	2016
ASSETS		
Cash and equivalents	\$ 12,106,197	\$ 12,132,897
Receivables		
Accounts	96,464	198,988
State and Federal aid	872,400	701,832
Due from other governments	90,000	100,000
Due from other funds	197,828	293,302
	1,256,692	1,294,122
Total Assets	\$ 13,362,889	\$ 13,427,019
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 385,012	\$ 389,943
Accrued liabilities	110,805	71,295
Due to other governments	-	56,043
Due to retirement systems	2,850,764	3,006,879
Unearned revenues	12,736	9,131
Total Liabilities	3,359,317	3,533,291
Fund balance		
Restricted	4,515,612	4,913,558
Assigned	3,549,787	3,182,584
Unassigned	1,938,173	1,797,586
Total Fund Balance	10,003,572	9,893,728
Total Liabilities and Fund Balance	\$ 13,362,889	\$ 13,427,019

See independent auditors' report.

Hastings-on-Hudson Union Free School District, New York
General Fund
Comparative Schedule of Revenues, Expenditures and Changes

in Fund Balance - Budget and Actual

Years Ended June 30,

	2017				Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	Encumbr- ances	
REVENUES					
Real property taxes	\$ 32,816,626	\$ 32,816,626	\$ 32,818,656	\$	\$ 2,030
Other tax items	5,258,384	5,258,384	5,258,384		-
Non-property taxes	425,000	425,000	441,783		16,783
Charges for services	570,000	570,000	770,284		200,284
Use of money and property	105,000	105,000	95,584		(9,416)
Sale of property and compensation for loss	-	-	1,987		1,987
State aid	4,790,000	4,790,000	5,096,536		306,536
Federal aid	-	-	-		-
Miscellaneous	150,000	150,000	163,755		13,755
Total Revenues	44,115,010	44,115,010	44,646,969		531,959
EXPENDITURES					
Current					
General support					
Board of education	73,516	73,513	53,000	499	20,014
Central administration	451,558	470,735	465,278	36	5,421
Finance	597,906	613,158	597,296	1,320	14,542
Staff	264,449	222,434	152,311	251	69,872
Central services	2,531,423	2,914,722	2,605,983	137,152	171,587
Special items	430,625	462,825	436,866	25,959	-
Total General Support	4,349,477	4,757,387	4,310,734	165,217	281,436
Instruction					
Instruction, administration and improvement	1,678,380	1,677,771	1,576,286	2,214	99,271
Teaching - Regular school	15,911,744	15,103,324	14,611,788	23,335	468,201
Programs for students with disabilities	6,409,679	6,486,729	6,053,761	90,636	342,332
Occupational education	115,000	115,000	46,736	-	68,264
Teaching - Special schools	25,000	5,000	-	-	5,000
Instructional media	1,645,480	1,785,381	1,674,456	6,190	104,735
Pupil services	3,146,423	3,202,023	3,032,838	28,417	140,768
Total Instruction	28,931,706	28,375,228	26,995,865	150,792	1,228,571
Pupil transportation	1,520,457	1,516,245	1,250,844	12,207	253,194
Employee benefits	10,938,854	11,091,634	10,444,030	6,571	641,033
Debt service					
Principal	97,402	107,603	106,710	-	893
Interest	71,198	60,997	60,726	-	271
Total Expenditures	45,909,094	45,909,094	43,168,909	334,787	2,405,398
Excess (Deficiency) of Revenues Over Expenditures	(1,794,084)	(1,794,084)	1,478,060	(334,787)	2,937,357
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	-	-
Transfers out	(1,388,500)	(1,388,500)	(1,368,216)	-	20,284
Total Other Financing Uses	(1,388,500)	(1,388,500)	(1,368,216)	-	20,284
Net Change in Fund Balance	(3,182,584)	(3,182,584)	109,844	\$ (334,787)	\$ 2,957,641
FUND BALANCE					
Beginning of Year	3,182,584	3,182,584	9,893,728		
End of Year	\$ -	\$ -	\$ 10,003,572		

See independent auditors' report.

2016

Original Budget	Final Budget	Actual	Encumbr- ances	Variance with Final Budget Positive (Negative)
\$ 32,197,205	\$ 32,197,205	\$ 32,196,942	\$	\$ (263)
5,478,542	5,478,542	5,478,542		-
425,000	425,000	457,124		32,124
457,000	457,000	746,538		289,538
40,000	40,000	93,309		53,309
-	-	29,896		29,896
4,262,700	4,262,700	4,437,415		174,715
40,000	40,000	-		(40,000)
193,000	193,000	188,975		(4,025)
<u>43,093,447</u>	<u>43,093,447</u>	<u>43,628,741</u>		<u>535,294</u>
57,273	66,773	62,557	98	4,118
436,668	429,343	417,602	-	11,741
574,377	617,921	607,494	200	10,227
213,124	389,626	300,422	-	89,204
2,582,119	2,956,354	2,752,888	31,269	172,197
419,732	511,025	503,528	-	7,497
<u>4,283,293</u>	<u>4,971,042</u>	<u>4,644,491</u>	<u>31,567</u>	<u>294,984</u>
1,653,100	1,580,523	1,544,604	597	35,322
15,112,450	15,053,439	14,631,163	41,084	381,192
6,075,679	6,245,470	5,920,930	25,193	299,347
125,000	125,000	45,653	-	79,347
25,000	17,000	8,370	-	8,630
1,570,399	1,757,216	1,678,816	28,789	49,611
3,045,996	3,097,709	2,799,576	88,234	209,899
<u>27,607,624</u>	<u>27,876,357</u>	<u>26,629,112</u>	<u>183,897</u>	<u>1,063,348</u>
1,499,900	1,474,900	1,244,087	-	230,813
11,512,881	10,576,599	10,125,988	-	450,611
97,402	104,090	104,090	-	-
54,078	47,390	47,390	-	-
<u>45,055,178</u>	<u>45,050,378</u>	<u>42,795,158</u>	<u>215,464</u>	<u>2,039,756</u>
<u>(1,961,731)</u>	<u>(1,956,931)</u>	<u>833,583</u>	<u>(215,464)</u>	<u>2,575,050</u>
100,000	100,000	-	-	(100,000)
(1,845,200)	(1,850,000)	(1,864,143)	-	(14,143)
<u>(1,745,200)</u>	<u>(1,750,000)</u>	<u>(1,864,143)</u>	<u>-</u>	<u>(114,143)</u>
(3,706,931)	(3,706,931)	(1,030,560)	\$ (215,464)	\$ 2,460,907
<u>3,706,931</u>	<u>3,706,931</u>	<u>10,924,288</u>		
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,893,728</u>		

Hastings-on-Hudson Union Free School District, New York

General Fund

Schedule of Revenues Compared to Budget

Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REAL PROPERTY TAXES	<u>\$ 32,816,626</u>	<u>\$ 32,816,626</u>	<u>\$ 32,818,656</u>	<u>\$ 2,030</u>
OTHER TAX ITEMS				
School tax relief reimbursement	<u>5,258,384</u>	<u>5,258,384</u>	<u>5,258,384</u>	<u>-</u>
NON-PROPERTY TAXES				
Non-property tax distribution from County	<u>425,000</u>	<u>425,000</u>	<u>441,783</u>	<u>16,783</u>
CHARGES FOR SERVICES				
Day school tuition	465,000	465,000	594,775	129,775
Other student fees and charges	55,000	55,000	118,575	63,575
Health services for other districts	<u>50,000</u>	<u>50,000</u>	<u>56,934</u>	<u>6,934</u>
	<u>570,000</u>	<u>570,000</u>	<u>770,284</u>	<u>200,284</u>
USE OF MONEY AND PROPERTY				
Earnings on investments	30,000	30,000	21,112	(8,888)
Rental of real property	<u>75,000</u>	<u>75,000</u>	<u>74,472</u>	<u>(528)</u>
	<u>105,000</u>	<u>105,000</u>	<u>95,584</u>	<u>(9,416)</u>
SALE OF PROPERTY AND COMPENSATION FOR LOSS				
Other	<u>-</u>	<u>-</u>	<u>1,987</u>	<u>1,987</u>

STATE AID

Basic formula	3,910,168	2,827,979	2,947,071	119,092
BOCES	736,955	736,955	918,565	181,610
Lottery	-	1,082,189	1,086,458	4,269
Textbook aid	142,877	93,965	95,530	1,565
Computer software aid	-	39,019	39,019	-
Library aid	-	9,893	9,893	-
	<u>4,790,000</u>	<u>4,790,000</u>	<u>5,096,536</u>	<u>306,536</u>

MISCELLANEOUS

Refund of BOCES aided services	-	110,000	112,455	2,455
Refund of prior year's expenditures	-	-	51,300	51,300
Other	150,000	40,000	-	(40,000)
	<u>150,000</u>	<u>150,000</u>	<u>163,755</u>	<u>13,755</u>

TOTAL REVENUES

<u>\$ 44,115,010</u>	<u>\$ 44,115,010</u>	<u>\$ 44,646,969</u>	<u>\$ 531,959</u>
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Hastings-on-Hudson Union Free School District, New York

General Fund

Schedule of Expenditures and Other Financing Uses Compared to Budget

Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Encumbrances	Variance with Final Budget Positive (Negative)
GENERAL SUPPORT					
BOARD OF EDUCATION					
Board of education	\$ 33,350	\$ 33,347	\$ 28,025	\$ -	\$ 5,322
District clerk	40,166	40,166	24,975	499	14,692
Total Board of Education	73,516	73,513	53,000	499	20,014
CENTRAL ADMINISTRATION					
Chief school administrator	451,558	470,735	465,278	36	5,421
FINANCE					
Business administration	522,701	536,131	526,469	1,320	8,342
Accounting and auditing	69,000	70,822	64,622	-	6,200
Treasurer	6,205	6,205	6,205	-	-
Total Finance	597,906	613,158	597,296	1,320	14,542
STAFF					
Legal	205,000	128,000	65,671	-	62,329
Personnel	8,000	46,720	41,091	251	5,378
Public information and services	51,449	47,714	45,549	-	2,165
Total Staff	264,449	222,434	152,311	251	69,872

CENTRAL SERVICES

Operation of plant	2,158,055	2,361,678	2,138,802	57,943	164,933
Maintenance of plant	373,368	553,044	467,181	79,209	6,654

Total Central Services	2,531,423	2,914,722	2,605,983	137,152	171,587
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SPECIAL ITEMS

Unallocated insurance	170,625	171,769	171,769	-	-
Assessments on school property	85,000	85,262	59,303	25,959	-
Refunds of real property taxes	-	27,087	27,087	-	-
Administrative charge - BOCES	175,000	178,707	178,707	-	-

Total Special Items	430,625	462,825	436,866	25,959	-
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Total General Support	4,349,477	4,757,387	4,310,734	165,217	281,436
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INSTRUCTION**INSTRUCTION, ADMINISTRATION AND IMPROVEMENT**

Curriculum development and supervision	226,250	243,180	237,442	2,214	3,524
Supervision - Regular school	1,452,130	1,434,591	1,338,844	-	95,747

Total Instruction, Administration and Improvement	1,678,380	1,677,771	1,576,286	2,214	99,271
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TEACHING - REGULAR SCHOOL	15,911,744	15,103,324	14,611,788	23,335	468,201
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PROGRAMS FOR STUDENTS WITH DISABILITIES	6,409,679	6,486,729	6,053,761	90,636	342,332
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OCCUPATIONAL EDUCATION	115,000	115,000	46,736	-	68,264
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TEACHING - SPECIAL SCHOOLS	25,000	5,000	-	-	5,000
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(Continued)

Hastings-on-Hudson Union Free School District, New York

General Fund

Schedule of Expenditures and Other Financing Uses Compared to Budget (Continued)

Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Encumbrances	Variance with Final Budget Positive (Negative)
INSTRUCTION (Continued)					
<i>INSTRUCTIONAL MEDIA</i>					
School library and audiovisual	\$ 364,859	\$ 371,572	\$ 361,048	\$ 3,753	\$ 6,771
Computer assisted instruction	1,280,621	1,413,809	1,313,408	2,437	97,964
Total Instructional Media	1,645,480	1,785,381	1,674,456	6,190	104,735
<i>PUPIL SERVICES</i>					
Guidance - Regular school	1,083,711	1,126,506	1,113,295	861	12,350
Health services - Regular school	306,310	346,310	328,187	9,289	8,834
Psychological services - Regular school	526,494	500,494	447,577	-	52,917
Co-curricular activities - Regular school	403,830	397,073	376,033	11,100	9,940
Interscholastic athletics - Regular school	826,078	831,640	767,746	7,167	56,727
Total Pupil Services	3,146,423	3,202,023	3,032,838	28,417	140,768
Total Instruction	28,931,706	28,375,228	26,995,865	150,792	1,228,571
<i>PUPIL TRANSPORTATION</i>					
District transportation services	20,307	20,307	20,307	-	-
Contract transportation	1,495,000	1,490,788	1,230,537	12,207	248,044
Other public transportation	5,150	5,150	-	-	5,150
Total Pupil Transportation	1,520,457	1,516,245	1,250,844	12,207	253,194

EMPLOYEE BENEFITS

State retirement	750,000	736,350	600,572	-	135,778
Teachers' retirement	2,567,226	2,567,226	2,390,840	-	176,386
Social security	1,925,000	1,920,409	1,809,394	-	111,015
Workers' compensation benefits	168,000	191,000	189,518	-	1,482
Life insurance	10,000	10,000	7,455	-	2,545
Unemployment benefits	26,000	12,000	4,429	6,571	1,000
Hospital, medical and dental insurance	5,125,000	5,286,492	5,075,043	-	211,449
Union welfare benefits	367,628	368,157	366,779	-	1,378

Total Employee Benefits	<u>10,938,854</u>	<u>11,091,634</u>	<u>10,444,030</u>	<u>6,571</u>	<u>641,033</u>
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DEBT SERVICE

Principal

Energy performance contract debt	97,402	107,603	106,710	-	893
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Interest

Energy performance contract debt	54,078	43,877	43,606	-	271
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Bond Anticipation Note	<u>17,120</u>	<u>17,120</u>	<u>17,120</u>	<u>-</u>	<u>-</u>
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Total Debt Service	<u>168,600</u>	<u>168,600</u>	<u>167,436</u>	<u>-</u>	<u>1,164</u>
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TOTAL EXPENDITURES	<u>45,909,094</u>	<u>45,909,094</u>	<u>43,168,909</u>	<u>334,787</u>	<u>2,405,398</u>
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OTHER FINANCING USES

Transfers out

Special Aid Fund	45,000	45,000	24,716	-	20,284
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Debt Service Fund	943,500	943,500	943,500	-	-
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Capital Projects Fund	<u>400,000</u>	<u>400,000</u>	<u>400,000</u>	<u>-</u>	<u>-</u>
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TOTAL OTHER FINANCING USES	<u>1,388,500</u>	<u>1,388,500</u>	<u>1,368,216</u>	<u>-</u>	<u>20,284</u>
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TOTAL EXPENDITURES AND OTHER FINANCING USES

	<u>\$ 47,297,594</u>	<u>\$ 47,297,594</u>	<u>\$ 44,537,125</u>	<u>\$ 334,787</u>	<u>\$ 2,425,682</u>
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Hastings-on-Hudson Union Free School District, New York

Capital Projects Fund
Comparative Balance Sheet
June 30,

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash and equivalents	<u>\$ 1,484,676</u>	<u>\$ 1,968,416</u>
LIABILITIES AND FUND BALANCE (DEFICIT)		
Liabilities		
Accounts payable	\$ 113,471	\$ 593,280
Due to other funds	588,572	410,651
Bond anticipation notes payable	-	4,000,000
Deposits payable	<u>-</u>	<u>81,600</u>
Total Liabilities	<u>702,043</u>	<u>5,085,531</u>
Fund balance (Deficit)		
Restricted	782,633	-
Unassigned	<u>-</u>	<u>(3,117,115)</u>
Total Fund Balance (Deficit)	<u>782,633</u>	<u>(3,117,115)</u>
Total Liabilities and Fund Balance (Deficit)	<u>\$ 1,484,676</u>	<u>\$ 1,968,416</u>

See independent auditors' report.

Hastings-on-Hudson Union Free School District, New York

Capital Projects Fund
Comparative Statement of Revenues, Expenditures
and Changes in Fund Balance
Years Ended June 30,

	<u>2017</u>	<u>2016</u>
REVENUES		
State Aid	\$ 346,354	\$ -
EXPENDITURES		
Capital outlay	<u>4,997,307</u>	<u>4,121,414</u>
Deficiency of Revenues Over Expenditures	<u>(4,650,953)</u>	<u>(4,121,414)</u>
OTHER FINANCING SOURCES		
Proceeds from Bonds	8,150,701	-
Transfers in	<u>400,000</u>	<u>850,000</u>
Total Other Financing Sources	<u>8,550,701</u>	<u>850,000</u>
Net Change in Fund Balance	3,899,748	(3,271,414)
FUND BALANCE (DEFICIT)		
Beginning of Year	<u>(3,117,115)</u>	<u>154,299</u>
End of Year	<u>\$ 782,633</u>	<u>\$ (3,117,115)</u>

See independent auditors' report.

Hastings-on-Hudson Union Free School District, New York**Capital Projects Fund****Project-Length Schedule****Inception of Project Through June 30, 2017**

Project	Authori- zation	Expenditures and Transfers To Date		
		Prior Years	Current Year	Totals
District-Wide Improvements - 2013/14	\$ 50,000	\$ 49,092	\$ 360	\$ 49,452
District-Wide Improvements - 2014/15	50,000	48,961	-	48,961
Capital Improvements - 2014/15	500,000	500,000	-	500,000
District-Wide Improvements - 2015/16	8,150,701	3,554,415	4,209,806	7,764,221
Capital Improvements - 2015/16	550,000	445,614	3,789	449,403
Capital Improvements Gym Floor - 2015/16	300,000	-	44,660	44,660
Capital Improvements - 2016/17	400,000	-	392,338	392,338
Smart Schools Bond Act	346,354	-	346,354	346,354
Excel	907,969	877,002	-	877,002
Totals	<u>\$ 11,255,024</u>	<u>\$ 5,475,084</u>	<u>\$ 4,997,307</u>	<u>\$ 10,472,391</u>

See independent auditors' report.

Unexpended Balance	Method of Financing			Revenues	Fund Balance at June 30, 2017
	Proceeds of Obligations	State Aid	Interfund Transfers		
\$ 548	\$ -	\$ -	\$ 50,000	\$ 50,000	\$ 548
1,039	-	-	50,000	50,000	1,039
-	-	-	500,000	500,000	-
386,480	8,150,701	-	-	8,150,701	386,480
100,597	-	-	550,000	550,000	100,597
255,340	-	-	300,000	300,000	255,340
7,662	-	-	400,000	400,000	7,662
-	-	346,354	-	346,354	-
30,967	-	-	907,969	907,969	30,967
<u>\$ 782,633</u>	<u>\$ 8,150,701</u>	<u>\$ 346,354</u>	<u>\$ 2,757,969</u>	<u>\$ 11,255,024</u>	<u>\$ 782,633</u>

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Hastings-on-Hudson Union Free School District, New York

Special Aid Fund
Comparative Balance Sheet
June 30,

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash and equivalents	\$ 83,578	\$ 49,446
Accounts receivable	792	494
State and Federal aid receivable	<u>166,960</u>	<u>280,748</u>
Total Assets	<u>\$ 251,330</u>	<u>\$ 330,688</u>
LIABILITIES		
Accounts payable	\$ 1,310	\$ 1,310
Due to other funds	233,904	329,378
Unearned revenues	<u>16,116</u>	<u>-</u>
Total Liabilities	<u>\$ 251,330</u>	<u>\$ 330,688</u>

See independent auditors' report.

Hastings-on-Hudson Union Free School District, New York

Special Aid Fund

Comparative Schedule of Revenues, Expenditures and

Changes in Fund Balance - Budget and Actual

Years Ended June 30,

	2017			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
REVENUES				
State aid	\$ 136,622	\$ 136,622	\$ 149,724	\$ 13,102
Federal aid	302,921	302,921	169,396	(133,525)
Miscellaneous	-	-	-	-
Total Revenues	439,543	439,543	319,120	(120,423)
EXPENDITURES				
Current				
Instruction	484,543	484,543	343,836	140,707
Deficiency of Revenues Over Expenditures	(45,000)	(45,000)	(24,716)	20,284
OTHER FINANCING SOURCES				
Transfers in	45,000	45,000	24,716	(20,284)
Net Change in Fund Balance	-	-	-	-
FUND BALANCE				
Beginning of Year	-	-	-	-
End of Year	\$ -	\$ -	\$ -	\$ -

See independent auditors' report.

2016			
Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
\$ 160,000	\$ 160,000	\$ 83,047	\$ (76,953)
511,716	472,656	388,481	(84,175)
43,580	43,580	43,580	-
715,296	676,236	515,108	(161,128)
760,296	721,236	574,251	146,985
(45,000)	(45,000)	(59,143)	(14,143)
45,000	45,000	59,143	14,143
-	-	-	-
-	-	-	-
\$ -	\$ -	\$ -	\$ -

Hastings-on-Hudson Union Free School District, New York

Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2017
(With Comparative Totals for 2016)

	School Lunch	Special Purpose	Debt Service
ASSETS			
Cash and equivalents	\$ 122,459	\$ 101,372	\$ 19,011
Receivables			
Accounts	6,865	-	-
Due from other funds	824	2,395	621,429
	7,689	2,395	621,429
Inventories	7,392	-	-
Total Assets	\$ 137,540	\$ 103,767	\$ 640,440
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 62,561	\$ -	\$ -
Due to other governments	9,154	-	-
Unearned revenues	19,911	-	-
Total Liabilities	91,626	-	-
Fund balances			
Nonspendable	7,392	-	-
Restricted	-	103,767	640,440
Assigned	38,522	-	-
Total Fund Balances	45,914	103,767	640,440
Total Liabilities and Fund Balances	\$ 137,540	\$ 103,767	\$ 640,440

See independent auditors report.

Total Non-Major Governmental Funds	
2017	2016
\$ 242,842	\$ 316,509
6,865	6,150
624,648	446,727
631,513	452,877
7,392	4,095
\$ 881,747	\$ 773,481
\$ 62,561	\$ 123,368
9,154	8,974
19,911	16,995
91,626	149,337
7,392	4,095
744,207	552,811
38,522	67,238
790,121	624,144
\$ 881,747	\$ 773,481

Hastings-on-Hudson Union Free School District, New York

Combining Statement of Revenues, Expenditures and Changes
in Fund Balances
Non-Major Governmental Funds
Year Ended June 30, 2017
(With Comparative Totals for 2016)

	School Lunch	Special Purpose	Debt Service
REVENUES			
Use of money and property	\$ 90	\$ 71	\$ 1,816
Federal aid	6,975	-	-
Food sales	436,606	-	-
Miscellaneous	-	129,245	-
Total Revenues	<u>443,671</u>	<u>129,316</u>	<u>1,816</u>
EXPENDITURES			
Current			
Cost of food sales	469,090	-	-
Other	-	115,853	-
Debt service			
Principal	-	-	925,000
Interest	-	-	18,500
Total Expenditures	<u>469,090</u>	<u>115,853</u>	<u>943,500</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(25,419)</u>	<u>13,463</u>	<u>(941,684)</u>
OTHER FINANCING SOURCES			
Premium on bonds	-	-	176,117
Transfers in	-	-	943,500
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>1,119,617</u>
Net Change in Fund Balances	(25,419)	13,463	177,933
FUND BALANCES			
Beginning of Year	<u>71,333</u>	<u>90,304</u>	<u>462,507</u>
End of Year	<u>\$ 45,914</u>	<u>\$ 103,767</u>	<u>\$ 640,440</u>

See independent auditors' report.

Total Non-Major Governmental Funds	
2017	2016
\$ 1,977	\$ 1,567
6,975	7,890
436,606	415,388
129,245	71,088
<u>574,803</u>	<u>495,933</u>
469,090	422,555
115,853	70,958
925,000	900,000
18,500	55,000
<u>1,528,443</u>	<u>1,448,513</u>
<u>(953,640)</u>	<u>(952,580)</u>
176,117	-
943,500	955,000
<u>1,119,617</u>	<u>955,000</u>
165,977	2,420
<u>624,144</u>	<u>621,724</u>
<u>\$ 790,121</u>	<u>\$ 624,144</u>

Hastings-on-Hudson Union Free School District, New York**School Lunch Fund
Comparative Balance Sheet
June 30,**

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash and equivalents	<u>\$ 122,459</u>	<u>\$ 209,601</u>
Receivables		
Accounts	6,865	6,150
Due from other funds	<u>824</u>	<u>824</u>
	<u>7,689</u>	<u>6,974</u>
Inventories	<u>7,392</u>	<u>4,095</u>
Total Assets	<u><u>\$ 137,540</u></u>	<u><u>\$ 220,670</u></u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 62,561	\$ 123,368
Due to other governments	9,154	8,974
Unearned revenues	<u>19,911</u>	<u>16,995</u>
Total Liabilities	<u>91,626</u>	<u>149,337</u>
Fund balance		
Nonspendable	7,392	4,095
Assigned	<u>38,522</u>	<u>67,238</u>
Total Fund Balance	<u>45,914</u>	<u>71,333</u>
Total Liabilities and Fund Balance	<u><u>\$ 137,540</u></u>	<u><u>\$ 220,670</u></u>

See independent auditors' report.

Hastings-on-Hudson Union Free School District, New York

School Lunch Fund

Comparative Statement of Revenues, Expenditures and

Changes in Fund Balance

Years Ended June 30,

	<u>2017</u>	<u>2016</u>
REVENUES		
Use of money and property	\$ 90	\$ 80
Federal aid	6,975	7,890
Food sales	<u>436,606</u>	<u>415,388</u>
Total Revenues	443,671	423,358
EXPENDITURES		
Current		
Cost of food sales	<u>469,090</u>	<u>422,555</u>
Excess (Deficiency) of Revenues Over Expenditures	(25,419)	803
FUND BALANCE		
Beginning of Year	<u>71,333</u>	<u>70,530</u>
End of Year	<u>\$ 45,914</u>	<u>\$ 71,333</u>

See independent auditors' report.

Hastings-on-Hudson Union Free School District, New York

Special Purpose Fund
Comparative Balance Sheet
June 30,

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash and equivalents	\$ 101,372	\$ 87,909
Due from other funds	<u>2,395</u>	<u>2,395</u>
Total Assets	<u>\$ 103,767</u>	<u>\$ 90,304</u>
FUND BALANCE		
Restricted	<u>\$ 103,767</u>	<u>\$ 90,304</u>

See independent auditors' report.

Hastings-on-Hudson Union Free School District, New York

**Special Purpose Fund
Comparative Statement of Revenues, Expenditures and
Changes in Fund Balance
Years Ended June 30,**

	<u>2017</u>	<u>2016</u>
REVENUES		
Use of money and property	\$ 71	\$ 66
Miscellaneous	<u>129,245</u>	<u>71,088</u>
Total Revenues	129,316	71,154
EXPENDITURES		
Current		
Other	<u>115,853</u>	<u>70,958</u>
Excess of Revenues Over Expenditures	13,463	196
FUND BALANCE		
Beginning of Year	<u>90,304</u>	<u>90,108</u>
End of Year	<u>\$ 103,767</u>	<u>\$ 90,304</u>

See independent auditors' report.

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Hastings-on-Hudson Union Free School District, New York

Debt Service Fund
Comparative Balance Sheet
June 30,

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash and equivalents	\$ 19,011	\$ 18,999
Due from other funds	<u>621,429</u>	<u>443,508</u>
 Total Assets	 <u>\$ 640,440</u>	 <u>\$ 462,507</u>
 FUND BALANCE		
Restricted	<u>\$ 640,440</u>	<u>\$ 462,507</u>

See independent auditors' report.

Hastings-on-Hudson Union Free School District, New York

Debt Service Fund

**Comparative Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
Years Ended June 30,**

	2017			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
REVENUES				
Use of money and property	\$ -	\$ -	\$ 1,816	\$ 1,816
EXPENDITURES				
Debt service				
Serial bonds				
Principal	925,000	925,000	925,000	-
Interest	18,500	18,500	18,500	-
Total Expenditures	943,500	943,500	943,500	-
Deficiency of Revenues Over Expenditures	(943,500)	(943,500)	(941,684)	1,816
OTHER FINANCING SOURCES				
Premium on bonds	-	-	176,117	176,117
Transfers in	943,500	943,500	943,500	-
Transfers out	-	-	-	-
Total Other Financing Sources	943,500	943,500	1,119,617	176,117
Net Change in Fund Balance	-	-	177,933	177,933
FUND BALANCE				
Beginning of Year	-	-	462,507	462,507
End of Year	\$ -	\$ -	\$ 640,440	\$ 640,440

See independent auditors' report.

2016			
Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
\$ -	\$ -	\$ 1,421	\$ 1,421
860,000	860,000	900,000	(40,000)
90,200	90,200	55,000	35,200
950,200	950,200	955,000	(4,800)
(950,200)	(950,200)	(953,579)	(3,379)
-	-	-	-
950,200	950,200	955,000	4,800
(100,000)	(100,000)	-	100,000
850,200	850,200	955,000	104,800
(100,000)	(100,000)	1,421	101,421
100,000	100,000	461,086	361,086
\$ -	\$ -	\$ 462,507	\$ 462,507

Hastings-on-Hudson Union Free School District, New York

General Fund

Analysis of Change from Adopted Budget to Final Budget

Year Ended June 30, 2017

Adopted Budget	\$ 47,082,130
Additions	
Encumbrances	<u>215,464</u>
Original/Final Budget	<u>\$ 47,297,594</u>

General Fund

Section 1318 of Real Property Tax Law Limit Calculation

2017-18 Expenditure Budget	<u>\$ 48,454,314</u>
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General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law

Unrestricted fund balance

Assigned fund balance

\$ 3,549,787

Unassigned fund balance

1,938,173

Total Unrestricted Fund Balance

5,487,960

Less

Appropriated for subsequent year's budget

3,215,000

Encumbrances

334,787

Total Adjustments

3,549,787

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

\$ 1,938,173

Actual Percentage

4.00%

Hastings-on-Hudson Union Free School District, New York

Schedule of Net Investment in Capital Assets
Year Ended June 30, 2017

Capital Assets, net		\$ 17,543,168
Less		
Bonds payable	(8,150,701)	
Energy performance contract debt payable	(1,222,782)	
Unamortized portion of premium on bonds	<u>(176,116)</u>	(9,549,599)
Plus		
Unexpended bond proceeds		<u>386,480</u>
Net Investment in Capital Assets		<u>\$ 8,380,049</u>

See independent auditors' report.

**Hastings-on-Hudson Union Free
School District, New York**

Communication of Internal Control Matters Identified in the Audit to
Those Charged with Governance and Management

June 30, 2017



**Communication of Internal Control Matters Identified in the Audit to
Those Charged with Governance and Management**

**The Board of Education
Hastings-on-Hudson Union Free School District
27 Farragut Avenue
Hastings-on-Hudson, New York 10706**

Auditors' Communication on Internal Control

In planning and performing our audit of the basic financial statements of the Hastings-on-Hudson Union Free School District, New York ("School District") as of and for the year ended June 30, 2017, in accordance with auditing standards generally accepted in the United States of America, we considered the School District's internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control.

We have included in this letter a Summary of Communication of Matters Identified in the Audit to Those Charged with Governance, as required by generally accepted auditing standards.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified.

We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

However, as indicated in the attached Addendum A, we share for your consideration other observations about the internal control and operations as well as other matters identified in Addendum B.

Management's written response, included in Addendum C, to the control deficiencies identified in our audit have not been subjected to the audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

This communication and addendum is intended for the information and use of the School District Superintendent, School District Board and Management and are not intended to be and should not be used by anyone other than these specified parties. We will be pleased to discuss these communications and comments in further detail at your convenience, or to assist you in implementing the recommendations.

PKF O'Connor Davies, LLP
PKF O'Connor Davies, LLP
Harrison, New York
September 28, 2017

PKF O'CONNOR DAVIES, LLP
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Hastings-on-Hudson Union Free School District, New York

Addendum A

▪ **General Fund**

Fund Balance Reserves

Under provisions contained in Education Law and General Municipal Law, School Districts are permitted to set aside reserves of fund balance for specific purposes. Management obtained the appropriate Board resolution to adjust/approve the reserve for "Retirement System Contributions" subsequent to June 30th fiscal year end.

Recommendation

The School District must adhere to the interpretation of the Commissioner of Education and establish all reserves through Board resolution prior to the fiscal year end.

▪ **Special Purpose Fund**

Inactive Trusts

The following expendable trust accounts were inactive during the fiscal year except for interest earnings:

Trust	Balance June 30, 2017	Special Purpose
Burke Trust	\$ 5,409	Restoration for the Burke Estate
Steinway Piano Restoration	757	Piano restoration
Daniel Kerness Music Scholarship	735	Scholarship award

Recommendation

Management should to continue to pursue the purposes for which the trusts were created and appropriately determine their disposition.

▪ **Agency Fund**

Extraclassroom Activity Funds

Extraclassroom Activity Funds, which are authorized by the New York State Department of Education, are an integral part of the educational program of the School District. The following areas were not in compliance with the regulations of the Commissioner of Education:

Non-Qualified Funds – Elementary School Level

The regulations of the Commissioner of Education state that the Board of Education ("Board") of each School District with an educational program beyond the sixth grade is responsible for establishing the rules and regulations applicable to the conduct, operation and maintenance, safeguarding, accounting and auditing of all extraclassroom activities.

Hastings-on-Hudson Union Free School District, New York

Addendum A

- **Agency Fund (Continued)**

Extraclassroom Activity Funds (Continued)

An extraclassroom activity fund has been established at the elementary school level. One of the intended purposes of an extraclassroom activity is to allow students to operate an activity and be involved in the financial management. It would appear that this is not practical at the elementary school level and that the teacher/advisor would have a significant role beyond the intended involvement.

Recommendation

Extracurricular activity does not qualify under the state guidelines. Management should review the activity in the elementary school extraclassroom activity account to determine the appropriate distribution of those funds.

Inactive Clubs

The following clubs were financially inactive during the current fiscal year and the Chess Club was inactive for the past three fiscal years:

<u>Inactive</u>	<u>Balance</u>
Chess Club	\$ 319
Debate Club	138
Film Club	534
Math Club	584

Recommendation

State Education Regulations provide that the funds of a discontinued activity shall automatically revert to the account of the general student organization or the student council and shall be expended in accordance with that organization's constitution. A determination of the status of financially inactive clubs should be made to determine the proper disposition of funds.

- **Payroll**

Payroll Change Report not being reviewed

The Payroll Clerk generates payroll change reports and compares/analyzes any payroll changes from one pay period to the next. This process and the formal review conducted by the District Treasurer is not formally documented.

Recommendation

Management must formally document sign off of payroll change reports.

Hastings-on-Hudson Union Free School District, New York

Addendum A

- **Payroll (Continued)**

Segregation of Duties

The payroll clerk has access to add, delete or modify employee's information and also prepares the payroll checks and creates the direct deposit file.

Recommendation

The individual responsible for adding, deleting or modifying employee information must be separate from the individual who processes and has access to the payroll.

- **Claims**

Segregation of Duties

The accounts payable clerk has access to add vendor information and also prepares the accounts payable checks.

Recommendation

Any individual responsible for adding, deleting or modifying vendor information must be separate from the individual who process accounts payable and has access to the accounts payable checks.

The basic premise of segregation of accounting duties is that no one employee should have access to both physical assets and the related accounting records to all phases of a transaction. One of the most critical areas of separation is cash. To minimize the risk of loss, we recommend that these cash functions be segregated, to the extent possible.

- **Information Technology**

Outsourced IT Vendor Management

An assessment of the vendor management controls determines whether vendors are appropriately selected, effectively managed and monitored as a normal course of business.

The Technology Department reviews vendor contracts on an as-needed basis and must follow a structured vendor selection process, as defined by applicable New York State law, in order to be eligible for discounts provided by the Schools and Libraries Program of the Universal Service Fund (commonly referred to as "E-Rate"). The E-Rate Program funds some of the School District's telecommunications and internet connections and the applications that use them. Services that are outsourced by the School District include:

Hastings-on-Hudson Union Free School District, New York

Addendum A

• **Information Technology (Continued)**

Outsourced IT Vendor Management (Continued)

Outsourced Services	Provider
• Internet Service Provider • nVision, eSchoolData and Horizon Application Host • Web Based Help Desk (Service Now) • Technical Network Expertise • LAN Support and Hardware Maintenance • Remote Backup Service • Schoolwires – Web Based Student/Teacher Communication System, District Web Site and Parent Portal	Lower Hudson Regional Information Center (LHRIC)/BOCES

Business Continuity Planning

The School District has a documented Finance Manager (nVision) Disaster Activation Plan and all servers are remotely backed up to the LHRIC on a daily basis. In addition, a Business Operations Continuity and Disaster Preparedness Plan has been developed and documented with the off-site recovery location at the LHRIC. The School District tests the Operations Continuity and Disaster Preparedness Plan annually with the LHRIC.

As a result of these outsourcing arrangements, the majority of IT operational risk for these functions has been transferred to outsourced providers. This transfer of risk, however, requires the School District to establish strong monitoring controls to ensure service providers maintain a controlled operational environment. A SSAE 18 service provider report encompasses those necessary controls in place. SSAE 18, "Statement of Standards for Attestation Engagements No. 18 establishes requirements and provides application guidance to auditors for performing and reporting on examination, review, and agreed-upon procedures engagements, including Service Organization

Controls (SOC) attestations. A service organization is an entity that provides (think cloud hosting, colocation, payroll processing, etc.) to another organization. A subservice organization goes one level deeper – it's a service organization used by original organization to perform services. For example, if your provider "A" uses another Company "B"'s data center to host their services, then Company B is a subservice organization.

SSAE 18 addresses the importance of accurately disclosing the relationship between the service organization and the subservice organization. Under SSAE 18 a service organization should:

1. Identify all subservice organizations used in providing the services
2. Include a description of any subservice organization controls (referred to as Complementary Subservice Organization Controls) that the service organization relies on to provide the primary services to its customers.

SSAE 18 also requires a service organization to provide the service auditor with a risk assessment that highlights the organization's key internal risks. This risk assessment helps ensure that the service organization's controls are regularly reviewed, addresses appropriate risks, and are updated as necessary to mitigate risks.

Addendum A

■ **Information Technology** *(Continued)*

Recommendation

Although nothing came to our attention during our audit, we recommend the Board and Management review this matter with BOCES to ensure the service provider meets recommended standards.

A SSAE 18 report may be commissioned at the request of the service organization (BOCES) or the user (School District). The SSAE 18 should be viewed as an annual investment increasing accountability.

Cybersecurity Assessment / Cybersecurity Awareness Training

Cybersecurity is a significant risk facing every entity. Entities of all sizes are under the threat of constant attack. A successful cyber breach could result in significant financial, operational, regulatory and reputational impact. A key control to defend the multitude of cyber threat is to have a clear understanding of the cyber exposure of the entity and the effectiveness of the controls in defending against them. The School District has not had a formal cybersecurity assessment.

Employees across all business segments pose a significant risk to the security of the network and sensitive data. While technical controls can and should be implemented to limit and control the cyber risk, ultimately employee awareness training is proven to be the most effective mitigation. Further, many types of cyber-attacks are specifically designed to commit financial fraud by leveraging employee cyber education weaknesses. Currently the School District does not have a cybersecurity awareness program.

Recommendation

The School District should perform a formal cybersecurity assessment to assist management in understanding their cyber exposure and defending against the multitude of evolving cyber threats. The School District develop and implement an employee cybersecurity awareness.

Hastings-on-Hudson Union Free School District, New York

Addendum A

Internal Auditors (ACCUME Partners) ("ACCUME") Comments Pertaining to Internal controls over Capital Project Construction Management (Focus Area) in which PKF O'Connor Davies Concurs with:

This section pertains to the intensive review of the School District's Internal controls over Capital Project and Construction Management noted in ACCUME's August 28, 2017 internal audit report. It should be noted that their review did not find any instances of theft or fraud.

Audit Scope: Accume's responsibility was to assess the adequacy and effectiveness of internal control over Capital Project and Construction Management in the School District. Accume reviewed the period from July 1, 2016 through June 30, 2017.

- 1. The School District should improve its controls over bidding to ensure the receipt and date time stamping of contractor sealed bids is properly documented.**

Observation: Accume tested and reviewed the bids process for Upgrades to Farragut Middle School / High School and Hillside Elementary School to determine the School District was in compliance with its Purchasing Policy and applicable rules and regulations. Testing included reviewing a total of 12 bids (3 awarded bids and 9 failed bids) for the referenced projects. All of the 12 bid envelopes contained a generic date stamp that had time hand written and the receiving department's hand written initials rather than the signature of the individual recipient. Additionally, the School District does not maintain a log documenting the receipt of sealed bids for the capital construction projects.

Recommendation:

The School District should improve its control over bidding to ensure the receipt and date time stamping of contractor sealed bids is properly documented.

Hastings-on-Hudson Union Free School District, New York

Addendum B

Internal Auditors (ACCUME Partners) ("ACCUME") Comments Pertaining to Internal controls over Purchasing and Accounts Payable Operations (Focus Area) in which PKF O'Connor Davies Concurs with:

This section pertains to the intensive review of the School District's Internal controls over Purchasing and Accounts Payable Operations noted in ACCUME's August 1, 2016 internal audit report. It should be noted that their review did not find any instances of theft or fraud.

Audit Scope: Accume's responsibility was to assess the adequacy and effectiveness of internal control over Purchasing and Accounts Payable Operations in the School District. Accume reviewed the period from July 1, 2015 through June 30, 2016.

1. Travel and Expense ("T&E") Employee Reimbursements

Observation: Internal Audit reviewed the internal controls over the Travel and Entertainment ("T&E") employee expense reimbursement process. Specifically, we reviewed the employee claims for reimbursements to ensure they were appropriately approved and processed; and were in compliance and applicable School District Policies and procedures. In our review, we noted no instances of significant deficiencies. However, there were 5 instances of not including the formal claim form with the requests (although the necessary invoices and/or documentation were present). There were also 3 instances of instances of invoices copies, not the original invoices as required by School District policy. Also, Internal Audit noted that there is only one form for Conference/Travel Reimbursement requests and it is somewhat obsolete, given the availability of automated applications that the School District may want to consider.

Recommendation:

The School District should consider updating the procedure for requesting and submitting T&E employee expense reimbursements to ensure appropriate supervisory approval is obtained, adequate supporting documentation is submitted, and to prevent circumvention of already established purchase requisition procedures.

Hastings-on-Hudson Union Free School District, New York

Addendum B

Internal Auditors (ACCUME Partners) ("ACCUME") Comments Pertaining to Internal controls over Facilities Operations (Focus Area) in which PKF O'Connor Davies Concurs with:

This section pertains to the intensive review of the School District's Internal controls over Facilities Operations noted in ACCUME's July 30, 2015 internal audit report. It should be noted that their review did not find any instances of theft or fraud.

Audit Scope: Accume's responsibility was to assess the adequacy and effectiveness of internal control over Facilities Operations in the School District. Accume reviewed the period from July 1, 2014 through June 30, 2015.

1. Facilities Operations – Preventative Maintenance and Work Order Status

Observation: *Accume reviewed and tested internal controls over the Work Order System (Maintenance Direct). To do so, Accume randomly selected 30 work orders from the period under review to test. Accume evaluated the completed work orders to ensure that adequate information was captured on the form; the work order was approved; work performed was consistent with the identified problem; and the response time seemed reasonable. Accume noted that there were several instances of less than timely completions but it appeared that this was caused by custodians not closing out the completed orders in a timely manner. Internal Auditor's interviews with the HS Principal and the MS Assistant. Principal were very complementary of the Facilities' staff responsiveness. Further, Accume found that the Work Order System was utilized to manage Department operations at a basic level. However, many of the Work Order System's additional features have not been activated or used. ACCUME noted that several of the Work Order Forms were not completed to indicate the time, labor, supplies and equipment costs. Also, there are additional management reports that can be generated from the Work Order System.*

In addition, ACCUME reviewed the internal controls over the Preventative Maintenance ("PM") System. Basically, the PM System is a manual system based on regular historical activities. Where appropriate, preventive to maintenance tasks are performed by outside contractors due to the requisite skill levels. The School District, recognizing the need for a more complete automated system, has acquired a companion module for the work order system but has not yet implemented the system.

Recommendation:

- The School District could better utilize its Work Order System. Specifically, the Work Order System could be used to track all costs (time, labor, and materials) associated with each work order, as well as assign a job priority, to more effectively manage Department operations.
- The Director of Facilities should periodically generate Work Order System reports and distribute them to the Superintendent, Interim Assistant Superintendent for Finance and Building Principals for review.
- The School District should consider implementing its automated Preventative Maintenance System.

Addendum B

Internal Auditors (ACCUME Partners) ("ACCUME") Comments Pertaining to Internal controls over Facilities Operations (Focus Area) in which PKF O'Connor Davies Concurs with: (Continued)

2. Facilities Operations – Facilities Use

Observation: Accume reviewed the internal controls over the School District's Facilities Use process. Accume found the School District has formal procedures in place to process Facilities Use requests. First, the School District established the Board Policy 1500 Public Use of School Facilities that sets forth the policies and procedures governing the use of school space by students, community members, and the greater public. Secondly, there is a Facilities Use Application on the School District's website. The School District utilizes a hybrid manual/automated system to process the requests (external and internal). For internal requests, the Secretary to the Director of Facilities receives the approved request and determines if the facility is available and, if so, reserves the facility through the automated system. If the facility is not available, she will contact the requestor and determine if an additional facility or alternate date is acceptable. For external group's requests, an application received via mail, email or fax.

Accume randomly selected a sample of Facilities Use requests to test to ensure that the requests were processed in accordance with Board policy. Accume found no exceptions.

Recommendation:

- The School District has an adequate level of internal control over Facilities Use. In order to facilitate the use of the system and ensure compliance with all aspects of the Policy, the School District should consider publishing more detailed instructions and/or completed examples on its website from the recently adopted Board Policy 1500 details to include the board approved facilities use fee schedule and the policies for damage deposits, custodial fees and insurance coverages.
- The School District should consider providing system access to internal users to view facilities' schedules, thereby facilitating the reservation process for the requestors and the Facilities Secretary.

3. Facilities Operations – Bid Process for Facilities Contractor Services

Observation: Accume tested the competitive bid process. We reviewed the bid files to ensure they were conducted in compliance with School District Purchasing Policies and General Municipal Law ("GML"). Specifically, Accume reviewed bid files to ensure that bid proposals had an adequate level of detail and specificity; advertisement for bids were formally and legally published; sealed bids were appropriately time stamped, processed and opened; bid analyses and bid award determinations were appropriate and sufficiently documented; and the bid recommendations to award the bids were Board approved. In Accume's review, Accume found no significant deficiencies but did note that the Department had recently disposed of the current year's date and time stamped envelopes.

3. Facilities Operations – Bid Process for Facilities Contractor Services (Continued)

Recommendation:

- The School District should continue to utilize and comply with its established procedures for the competitive bid process and reinstitute the retention of the date and time stamped envelopes received from the responding bidders.

Hastings-on-Hudson Union Free School District, New York

Addendum B

Internal Auditors (ACCUME Partners) ("ACCUME") Comments Pertaining to Internal controls over Information Technology (Focus Area) in which PKF O'Connor Davies Concurs with:

This section pertains to the intensive review of the School District's Internal controls over Information Technology noted in ACCUME's July 30, 2014 internal audit report which have not been corrected. It should be noted that their review did not find any instances of theft or fraud.

1. Information Technology Strategy and Planning – Technology Plan

Observation: The School District's Technology Plan in place had covered the period 2010-2013. It was noted that a new Technology Plan, which will cover the period 2014-2017, was in the process of being drafted, but has not yet been completed.

Recommendation: To ensure that plans for the enhancement of the technology environment continue to be aligned with the School District's technology goals and objectives, Accume recommends that the Technology Plan be completed and presented to the Board for approval.

2. IT Strategy and Planning – Technology Committee Charter

Observation: Although the School District has an established Technology Committee that operates in a proactive fashion, a charter for this committee has not been developed. It was noted that this committee provides oversight for all technology initiatives and issues, but the roles and responsibilities of the committee have not been formally documented. In addition, formal meeting minutes are not recorded during Technology Committee meetings.

Recommendation: To ensure that the roles and responsibilities of the Technology Committee are clearly established, we recommend that a formal charter be developed and documented. In addition to the roles and responsibilities of the Committee the Charter should include procedures for:

- Annual review and update of the Technology plan
- Establishing and monitoring the IT budget
- Ensuring that adequate representation for the administrative and user areas within the School District are included in decision-making
- Aligning IT activities with the strategic objectives of the School District
- Review, approval and monitoring of major IT projects
- Providing a structured approach to system selection

3. IT Infrastructure and Maintenance – Software Inventory and Licensing Compliance

Observation: The School District's Technology Profile has an Application by Asset report that shows installed applications on each computer. ACCUME noted that the inventory was not current and did not contain a summary description of the software, product codes, number of copies installed and licensing information.

Observation: The School District's Technology Profile has an Application by Asset report that shows installed applications on each computer. ACCUME noted that the inventory was not current and did not contain a summary description of the software, product codes, number of copies installed and licensing information.

Recommendation: The School District should update the software inventory to ensure that all software in use is identified and tracked, and that all licensing agreements are complied with. The inventory should also be reviewed for continued need and include web-based applications that the School District has purchased. Investigate the feasibility of automating the software inventory, compliance and license management process. Compliance through automation can improve efficiency and IT governance by systematically associating software use rights and purchase data to respective software.

Addendum B

Internal Auditors (ACCUME Partners) ("ACCUME") Comments Pertaining to Internal controls over Information Technology (Focus Area) in which PKF O'Connor Davies Concurs with: (Continued)

3. IT Infrastructure and Maintenance – Technology Profile Update

Observation: The School District's Technology Profile provides a comprehensive overview of the School District's infrastructure, hardware, applications, and data protection and backup plan. The School District has undergone significant changes, such as the Novell to Active Directory Migration and Wireless Network Project, which has made the information and diagrams in the profile outdated.

Recommendation: To assist with managing and maintaining the network, the School District should update the Technology Profile to reflect the current network infrastructure.

4. Information Security – Security Administration

Observation: Although a Network Access Form is in use by the School District to document the creation and approval of user access, this process is not documented for the removal of access.

Recommendation: We recommend implementing a formal process to ensure that access to the network and all applications is revoked once a user leaves the School District. The School District should also perform a periodic certification of network and application users to ensure that all are active employees.

Observation: Network password parameters were established with a minimum password length of 4 characters with no account lockout threshold. Upon discussions with the Network Administrator, the password minimum length was increased to 6 characters and a lockout threshold was established for 5 invalid login attempts.

5. Information Security – Network Passwords

Recommendation: The School District should continue to evaluate password controls and consider implementing other parameters such as password complexity.

7. Governance – Policy Regulations

Observation: Although the School District has adopted an Information Security Breach and Notification Policy and a Computer Resources and Data Management Policy, regulations and procedures have not been documented to address the policies.

Recommendation: The School District should document associated regulations and procedures to address the policies described in the Information Security Breach and Notification Policy. In addition, the School District should document procedures governing the use and security of the School District's computer resources and management of computer records. Procedures should address:

- Passwords
- System Administration
- Separation of Duties
- Remote Access
- Data Back-up (including archiving of e-mail)
- Record Retention
- Disaster Recovery Plans

Hastings-on-Hudson Union Free School District, New York

Addendum B

Internal Auditors (ACCUME Partners) ("ACCUME") Comments Pertaining to Internal controls over Information Technology (Focus Area) in which PKF O'Connor Davies Concurs with: (Continued)

8. Governance – IT Control Self Assessments

Observation: The IT internal control procedures in place should be periodically evaluated through control self-assessments.

Recommendation: The School District should document and monitor the control procedures in place over Information Technology to help ensure operational efficiency and effectiveness. The New York State Office of the State Comptroller, Division of Local Government and School Accountability, has issued an Information Technology Governance guide to assist in the oversight of IT controls. ACCUME recommends that the School District use this guide and perform the Security Self-Assessment included in the guide on a periodic basis. The Security Self-Assessment will also assist in documenting the School District's procedures and identify where controls may need strengthening.

Hastings-on-Hudson Union Free School District, New York

Addendum B

- **Governmental Accounting Standards Board ("GASB") Statement No. 75 "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions"**

In June 2015, GASB issued Statement No. 75 "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions." This Statement replaces the requirements of GASB Statement No. 45 "Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions". The key difference in the new standard for New York municipalities and school districts (since New York State has not authorized the establishment of an Other Postemployment Benefit ("OPEB") trust fund) is that these governments must now report the *total OPEB liability* related to their employees. The prior standard allowed for the amortization of prior service cost over a thirty year period.

The statement requires municipalities and school districts to present more extensive note disclosures and required supplementary information ("RSI") about their OPEB liabilities. Among the new note disclosures is a description of the effect on the reported OPEB liability of using a discount rate and a healthcare cost trend rate that are one percentage point higher and one percentage point lower than that assumed in the financial statements. The new RSI includes a schedule showing the causes of the increase and decreases in the OPEB liability and a schedule comparing a government's actual OPEB contributions to its contribution requirements.

This new standard parallels the pension standard in GASB Statement No. 68 "Accounting and Financial Reporting for Pensions". Together, these two new standards provide consistent and comprehensive disclosure for all postemployment benefits. **The provisions of this Statement are effective for fiscal years beginning after June 15, 2017 (i.e., the School District's financial statements for the year ending June 30, 2018).**

- **Governmental Accounting Standards Board ("GASB") Statement No. 84 "Fiduciary Activities"**

In January 2017, GASB issued Statement No. 84 "Fiduciary Activities". The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. Previously issued guidance lacked the necessary clarity to determine when a government had fiduciary responsibility for a certain activity. This lack of clarity has resulted in a divergence in practice among financial statement preparers and auditors.

GASB Statement No. 84 establishes criteria for identifying fiduciary activities. The focus of the criteria is on (a) whether a government *controls* the assets of the fiduciary activity and (b) the *beneficiaries* with whom a fiduciary relationship exists. A government is considered in control of the assets if the government holds the assets or has the ability to direct the use of the assets in a manner that provides benefits to the specified or intended recipients. The assets also cannot be derived from the government's own source revenues (or from government-mandated or voluntary non-exchange transactions) and must also have one or more of the following characteristics related to whom the assets will benefit:

- 1) Be administered through a trust
- 2) The government itself is not the beneficiary
- 3) Dedicated to providing benefits in accordance with the benefit terms
- 4) Legally protected from the government's creditors
- 5) For the benefit of individuals and government has no administrative or direct financial involvement with the assets

Hastings-on-Hudson Union Free School District, New York

Addendum B

• **Governmental Accounting Standards Board ("GASB") Statement No. 84 "Fiduciary Activities" (continued)**

An activity meeting the above criteria should be reported in the basic financial statements in one of the following four fiduciary funds, as applicable:

- 1) Pension (and other employee benefit) trust funds
- 2) Investment trust funds
- 3) Private-purpose trust funds and
- 4) Custodial funds

Custodial funds should report fiduciary activities that are not reported in one of the first three fiduciary funds noted above. The use of **Agency funds has been eliminated with this Statement and replaced with custodial funds.**

Governments with activities meeting the above criteria will present a Statement of Fiduciary Net Position (i.e., assets, deferred outflows of resources, liabilities, deferred inflows of resources and fiduciary net position) and a Statement of Changes in Fiduciary Net Position (i.e., additions and deductions) for each fiduciary fund type. Previous guidance for agency funds only required the presentation of assets and liabilities, whereas the custodial funds require the same elements as the other fiduciary funds, including net position.

The provisions of this Statement are effective for fiscal years beginning after December 15, 2018 with earlier application encouraged.

Hastings-on-Hudson Union Free School District, New York

Communication of Matters Identified in the Audit to Those Charged with Governance

Our responsibility under professional standards

We have audited the financial statements of the Hastings on Hudson Union Free School District, New York ("School District") as of and for the year ended June 30, 2017, and have issued our report thereon dated September 28, 2017. Professional standards require that we provide you with information about our responsibilities under auditing standards of America, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated June 6, 2013. The following provides additional required communications related to our audit.

Our responsibility is to form and express an opinion about whether the financial statements, which are the responsibility of management, are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America ("US GAAP"). Those individuals charged with governance of the School District are responsible for the oversight of the financial reporting process, and our audit does not relieve management and those charged with governance of their respective responsibilities.

Our responsibility for the supplementary information accompanying the financial statements is to evaluate the presentation of the supplementary information in relation to the financial statements as a whole and to report on whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

With respect to such supplementary information, we made certain inquiries of management and evaluated the form, content and methods of preparing the information to determine that the information complies with US GAAP, the method of preparing it has not changed from the prior year, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

In connection with our audit we performed tests of the School District's 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, the objective of our tests was not to provide an opinion on compliance with such provisions.

Planned scope and timing of the audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Qualitative aspects of significant accounting practices

Significant accounting policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the School District are described in Note 1 to the financial statements. There has been no initial selection of accounting policies and no changes in significant accounting policies or their application during the reporting period that had a significant impact on the financial statements. No matters have come to our attention that would require us to inform you about (1) the methods used to account for significant unusual transactions, and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Hastings-on-Hudson Union Free School District, New York

Communication of Matters Identified in the Audit to Those Charged with Governance

Qualitative aspects of significant accounting practices (Continued)

Significant accounting estimates

Accounting estimates made by management are an integral part of the financial statements and are based on management's knowledge and experience about past and current events and assumptions about future events. Actual results could differ from those estimates.

Certain accounting estimates are particularly sensitive because of their significance to financial statements and their susceptibility to change, such as:

- Actuarial assumptions related to the Other Post Employment Benefit Obligations ("OPEB")
- Actuarial assumptions and proportionate share calculations related to pension obligations
- Asset lives for depreciable capital assets
- Estimates of certain receivable balances and allowances for uncollectible amounts
- Estimates, inclusive of actuarially determined estimates, for certain operating and long-term liabilities

Management believes that the estimates used and assumptions made are adequate based on the information currently available. We evaluated the key factors and assumptions used to develop the estimates in determining that they are reasonable in relation to the financial statements as a whole.

Financial statement disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements relate to:

- Pension plan information
- Other post employment benefit obligations payable
- Outstanding bonded indebtedness
- Fund balances

The financial statement disclosures are consistent and clear.

Significant difficulties encountered during the audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and corrected misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management.

Hastings-on-Hudson Union Free School District, New York

Communication of Matters Identified in the Audit to Those Charged with Governance

Uncorrected and corrected misstatements *(Continued)*

We are required to communicate to you misstatements that remain uncorrected, including any related to prior periods, and the effect, if any, that they may have on the opinion in our report, and request their correction.

There are no such financial statement misstatements that remain uncorrected.

In addition, we are required to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. The adjusting journal entries following this communications letter summarize the material misstatements that were corrected by management.

Disagreements with management

For purposes of this letter, a disagreement with management is a matter, whether or not resolved to our satisfaction, concerning financial accounting, reporting, or auditing, which could be significant to the financial statements or the auditors' report. No such disagreements arose during the course of the audit.

Representations requested from management

We have requested certain written representations from management in a separate letter dated September 28, 2017.

Management's consultations with other accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other matters discussed with management

We generally discuss with management a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the School District and plans and strategies that may affect the risks of material misstatement. None of the matters discussed and our responses thereto were a condition to our retention as auditors.

We have provided our comments regarding deficiencies and other matters noted during our audit in the attached addenda.

Auditor independence

We affirm that PKF O'Connor Davies, LLP is independent with respect to the School District in accordance with professional standards.

This communication is intended solely for the information and use of the Superintendent, Board, and management of the School District and is not intended to be and should not be used by anyone other than these specified parties.

HASTINGS-ON-HUDSON UNION FREE SCHOOL DISTRICT, NEW YORK
Audit Adjustments Proposed and Recorded by Management

June 30, 2017

Account	Description	Debit	Credit	Positive/ (Negative) Effect on Fund Balance
General Fund				
To adjust the retirement and tax certiorari reserves as per Board of Education resolution June 20, 2017 on June 20th Board of Education agenda				
A909	FUND BALANCE, UNRESERVED	250,000.00		
A909	FUND BALANCE, UNRESERVED	350,000.00		
A827	RESERVE FOR RETIREMENT SYS CONTRIBUTION		350,000.00	
A864	RES FOR TAX CERTIORARI		250,000.00	
Total		<u>600,000.00</u>	<u>600,000.00</u>	
To adjust appropriated fund balance to actual				
E909	FUND BALANCE, UNRESERVED	247,880.00		
A910	APPROPRIATED FUND BALANCE		247,880.00	
Total		<u>247,880.00</u>	<u>247,880.00</u>	
To adjust the retirement reserve as per Board of Education resolution in August 2017.				
A909	FUND BALANCE, UNRESERVED	300,000.00		
A827	RESERVE FOR RETIREMENT SYS CONTRIBUTION		300,000.00	
Total		<u>300,000.00</u>	<u>300,000.00</u>	<u>-</u>
Capital Projects Fund				
To eliminate the deposit payable and reclass the premium on the bond issue to the debt service fund				
H5710	SERIAL BONDS	94,517.00		(94,517.00)
H603	DEPOSITS PAYABLE	81,600.00		
H630	DUE TO OTHER FUNDS		176,117.00	
Total		<u>176,117.00</u>	<u>176,117.00</u>	<u>(94,517.00)</u>
Debt Service				
To reclass premium on bond				
V391	DUE FROM OTHER FUNDS	176,117.00		
V 5710	PREMIUM ON OBLIGATIONS		176,117.00	176,117.00
Total		<u>176,117.00</u>	<u>176,117.00</u>	<u>176,117.00</u>

Addendum C
Management's Responses

**HASTINGS-ON-HUDSON
UNION FREE SCHOOL DISTRICT**
27 Farragut Avenue
Hastings-on-Hudson, New York 10706

Phone: (914) 478-6210

Fax: (914) 478-6219

Maureen Caraballo
District Treasurer

To: Susan Barossi

From: Maureen Caraballo

Re: Management Response to Independent Auditor's Report

The following is the School District's response to the management letter prepared by the external auditor relative to the 2016/2017 school year. We have also included responses from the Internal Auditors report.

General Fund

The District will adjust and approve reserves prior to June 30th.

Special Purpose Fund

The business office will recommend that the moneys being held in the special purpose trust that haven't had recent activity be spent during the 2017-2018 school year.

Agency Fund

We will bring your concerns to the board again regarding the Elementary School Level funds. If the board chooses to we will close down the fund.

We will recommend to the club liaisons and extra classroom controller to consolidate funds from inactive clubs back to the school union account.

Payroll

The District will work to transition these responsibilities to the Personnel Assistant. The Treasurer or the Deputy Treasurer will review and sign off on change reports after each payroll cycle.

Claims

The District's Financial Software nVision is set to not allow changes to a vendor payment name. The Compensating Control will be that the District Treasurer will review the vendor listing with the Accounts Payable Clerk every six months and inactivate any vendors that are not in use.

Information Technology

The District will engage our outside auditors to perform a cybersecurity assessment during the 2017-18 school year. The District takes very seriously external cyber threats and want to insure our data is secure.

Accume/Capital Project Construction Management

Bids-Time Date Stamp

The District will purchase a date time stamp.

Accume/Purchasing

Travel and Expense Reimbursements

The District uses My Learning Plan for purposes of approvals for expenses incurred by employees for Professional Development.

Accume/Facilities Operations

Preventative Maintenance and Work Order Status

The Director of Facilities will work to implement to recommendations to maximize the use of our work order system.

This has been completed in the 2016/2017 school year.

Facilities Operations-Facilities Use

The Director of Facilities and Treasurer will work to update the website and forms used for facilities usage. This will be done during the 2016/2017 school year.

The District has allowed internal users access to facilities schedules.

Facilities Operations-Bid Process for Facilities Contractor Services

The District has continues their process and have reinstated the use of a date stamp on envelopes.

Accume-Information Technology

Information Technology-Technology Plan-

The plan has been completed and approved.

Technology Committee Charter

The Technology Committee is now part of the curriculum committee therefore we have not created a charter. We will reexamine the way we handle technology and if needed create a charter for the committee.

Software Inventory and Licensing Compliance

The District will work with our BOCES support personnel to make sure that all licensing is being inventoried and tracked. This has been done by our BOCES support team.

Technology Profile Update

The technology profile has been updated to reflect changes.

Security Administration

There has been a form designed to notify the technology department when an employee is no longer employed by the District. The Network Administrator also reviews board agendas to check when employees have left the district.

Network Passwords

The passwords now do have to include numbers as well as letters. We will continue to monitor our password policy.

Policy Regulations

The District is working on developing a regulations manual and will include the recommendations in this report in developing regulations around Information Technology.

IT Control Self Assessments

The technology department will use the NYS Comptroller's Office guide to assist in the oversight of the District's Information Technology.

**Hastings-on-Hudson Union Free
School District, New York**

Extraclassroom Activity Funds

Statement of Cash Receipts, Cash Disbursements
and Cash Balances

Year Ended June 30, 2017

Independent Auditors' Report

**The Board of Education of the
Hasting-on-Hudson Union Free School District, New York**

Report on the Financial Statements

We have audited the accompanying statement of cash receipts, cash disbursements and cash balances of the Extraclassroom Activity Funds of the Hasting-on-Hudson Union Free School District, New York, as of and for the year ended June 30, 2017, and the related note to financial statement.

Management's Responsibility for the Financial Statement

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

Auditors' Responsibility

Our responsibility is to express an opinion on this financial statement 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 statement is free from material misstatement.

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

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

Basis for Qualified Opinion

Controls over cash receipts during the time period between when receipts are first received by student club members and when such receipts are given to School District personnel for initial entry in the accounting records are not sufficient to enable us to extend our audit procedures beyond the receipts recorded. Accordingly, we were unable to form an opinion with respect to the completeness of cash receipts.

Qualified Opinion

In our opinion, except for the possible effects of the matter discussed in the basis for qualified opinion paragraph, the financial statement referred to in the first paragraph presents fairly, in all material respects, the cash receipts, cash disbursements and cash balances of the Extraclassroom Activity Funds of the Hasting-on-Hudson Union Free School District, New York as of June 30, 2017 and for the year then ended, in accordance with the cash basis of accounting as described in Note 1.

Basis of Accounting

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

Restriction on Use

This report is intended solely for the information and use of the Board of Education, the State Education Department and management and is not intended to be and should not be used by anyone other than these specified parties.

PKF O'Connor Davies, LLP
PKF O'Connor Davies, LLP
Harrison, New York
September 28, 2017

Hastings-on-Hudson Union Free School District, New York

Extraclassroom Activity Funds

Statement of Cash Receipts, Cash Disbursements and Cash Balances

Year Ended June 30, 2017

	Cash Balances Beginning	Receipts	Disburse- ments	Cash Balances Ending
HIGH SCHOOL				
Academic Challenge	\$ 993	\$ 1,312	\$ 2,144	\$ 161
Amnesty Club	548	939	1,011	476
Art Club	417	62	299	180
Band	111	1,350	260	1,201
Chess Club	319	-	-	319
Chorus	1,320	4,995	2,365	3,950
Class 2016	-	400	400	-
Class 2017	3,538	15,856	18,423	971
Class 2018	530	3,225	1,325	2,430
Class 2019	2,133	2,427	582	3,978
Class 2020	-	2,171	-	2,171
Crossing Borders	602	1,183	1,753	32
Culinary Club	3,040	37	43	3,034
Debate Club	138	-	-	138
Environment Club	978	99	262	815
Film	534	-	-	534
Foreign Language Club	1,483	1,500	756	2,227
Garden Club	-	100	-	100
Golf Club	3,044	45	60	3,029
GSA	871	42	52	861
Habitat for Humanity	238	85	-	323
Hudsonettes	835	165	393	607
Math Club	584	-	-	584
NAHS	381	360	405	336
Peer Leadership	1,057	1,245	1,667	635
Photography	154	42	-	196
Political Action Club	6	-	6	-
SADD	85	34	-	119
Student Union	14,278	1,078	3,945	11,411
Sunshine Club	541	710	797	454
TSP	(563)	563	-	-
Varsity Club	3,285	19,409	20,211	2,483
W.E.S.T.M.U.N.C.	3,842	11,370	13,384	1,828
Yearbook	11,452	5,051	5,856	10,647
Y.E.M.C.	5,738	-	1,500	4,238
Total High School	62,512	75,855	77,899	60,468

(Continued)

Hastings-on-Hudson Union Free School District, New York

Extraclassroom Activity Funds

Statement of Cash Receipts, Cash Disbursements and Cash Balances (Continued)

Year Ended June 30, 2017

	Cash Balances Beginning	Receipts	Disburse- ments	Cash Balances Ending
MIDDLE SCHOOL				
Extracurricular	\$ 828	\$ -	\$ -	\$ 828
Grade 8	1,432	6,755	6,437	1,750
GSA Club	403	-	-	403
Scholarship	9	4	-	13
SEC-5/6	95	185	186	94
Yearbook	4,200	3,652	900	6,952
Total Middle School	6,967	10,596	7,523	10,040
Total All Schools	<u>\$ 69,479</u>	<u>\$ 86,451</u>	<u>\$ 85,422</u>	<u>\$ 70,508</u>

The accompanying note is an integral part of the financial statement.

Note 1 - Summary of Significant Accounting Policies

The transactions of the Extraclassroom Activity Funds are considered part of the reporting entity of the Hastings-on-Hudson Union Free School District, New York ("School District"). These funds are reflected in the financial statements of the School District within the Agency Fund.

A. Basis of Accounting

These financial statements were prepared on the basis of cash receipts and cash disbursements in conformity with the accounting principles prescribed by the New York State Department of Education, which is a comprehensive basis of accounting other than generally accepted accounting principles. Under this basis of accounting, revenues are recognized when cash is received and expenditures are recognized when cash is disbursed.

B. Cash and Equivalents and Risk Disclosure

Cash and equivalents Cash and equivalents consist of funds deposited in demand deposit accounts, time deposit accounts and certificates of deposit with original maturities of less than three months.

The Extraclassroom Activity Funds deposits and investment policies follow the School District's policies. The School District's deposits and investment policies are governed by State statutes. The School District has adopted its own written investment policy which provides for the deposit of funds in FDIC insured commercial banks or trust companies located within the State. The School District is authorized to use demand deposit accounts, time deposit accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury, U.S. Agencies and obligations of New York State or its political subdivisions.

Collateral is required for demand deposit accounts, time deposit accounts and certificates of deposit at 100% of all deposits not covered by Federal deposit insurance. The School District has entered into custodial agreements with the various banks which hold their deposits. These agreements authorize the obligations that may be pledged as collateral. Such obligations include, among other instruments, obligations of the United States and its agencies and obligations of the State and its municipal and school district subdivisions.

Risk Disclosure

Interest Rate Risk - Interest rate risk is the risk that the government will incur losses in fair value caused by changing interest rates. The School District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from changing interest rates. Generally, the School District does not invest in any long-term investment obligations.

Custodial Credit Risk - Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. GASB Statement No. 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 uncollateralized, collateralized by securities held by the pledging financial institution or collateralized by securities held by the pledging financial institution's trust department but not in the School District's name. The School District's aggregate bank balances that were not covered by depository insurance were not exposed to custodial credit risk at June 30, 2017.

Note 1 - Summary of Significant Accounting Policies (Continued)

B. Cash and Equivalents and Risk Disclosure (Continued)

Credit Risk - Credit risk is the risk that an issuer or other counterparty will not fulfill its specific obligation even without the entity's complete failure. The School District does not have a formal credit risk policy other than restrictions to obligations allowable under General Municipal Law of the State of New York.

Concentration of Credit Risk - Concentration of credit risk is the risk attributed to the magnitude of a government's investments in a single issuer. The School District's investment policy limits the amount on deposit at each of its banking institutions.
