

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

Financial Statements and
Supplementary Information

Year Ended June 30, 2014

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, 2014, 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, 2014, and the respective changes in financial position, thereof, 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.

O'CONNOR DAVIES, LLP

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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and the Schedule of Funding Progress – Other Post Employment Benefits 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 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 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 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 5, 2014 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 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.

O'Connor Davies, LLP

O'Connor Davies, LLP

Harrison, New York

September 5, 2014

**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**

**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, 2014 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 5, 2014.

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*.

We noted certain matters that we reported to the management of the School District in a separate letter.

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.

A handwritten signature in black ink that reads "O'Connor Davies, LLP". The signature is written in a cursive, flowing style.

O'Connor Davies, LLP
Harrison, New York
September 5, 2014

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

Management's Discussion and Analysis (MD&A) June 30, 2014

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, 2014. 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 2013-2014 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, 2014, the total fund balance of the General Fund was \$11,140,341 an increase of \$146,660 from previous year's ending fund balance. Of this amount, \$2,770,957 has been assigned for subsequent year's expenditures. The unassigned fund balance is \$1,600,108 which represents approximately 3.6% 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, \$6,769,276 has been restricted for specific purposes.
- On the District-wide financial statements, the assets of the School District exceeded liabilities by \$3,872,058. The unrestricted portion of Net Position is (\$8,760,224). The School District's total Net Position decreased by \$1,775,765 for the year ended June 30, 2014. This is inclusive of the recognition of the other post employment benefit ("OPEB") obligations as required under the provisions of Governmental Accounting Standards Board ("GASB") Statement No. 45. 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, 2014, the School District's OPEB obligations of \$12,610,581 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 \$11,804,549 versus a balance of \$11,667,643 for the 2012-2013 school year. The reason for this increase was because of a net increase in the fund balance of the General Fund.
- At the beginning of the fiscal year, the School District had net capital assets of \$10,162,482. At the end of this fiscal year, the net capital assets decreased by \$564,341 to \$9,598,141, 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 \$320,233 for the current year which is lower than the prior year due to decrease in food sales. The School Lunch Fund's expenditures for the year were \$286,334. The net change in fund balance was \$33,899.
- At the beginning of the fiscal year, the School Lunch Fund had a fund balance of \$34,991. At the end of this fiscal year, the fund balance was increased to \$68,890 representing an increase of \$33,899. The School Lunch Fund provided free breakfast/lunch to 80 students. The School District did participate in the National School Lunch and Breakfast programs. The School District received \$35,963 of Federal and State aid reimbursement.

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 and liabilities, 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 exceeded liabilities by \$3,872,058 at the close of the current fiscal year.

Net Position

	June 30,	
	2014	2013
Current Assets	\$ 15,782,791	\$ 14,640,035
Capital Assets, net	9,598,141	10,162,482
Total Assets	25,380,932	24,802,517
Deferred Outflows of Resources		
Deferred amounts on refunding bonds	279,425	-
Current Liabilities	4,048,870	3,061,242
Long-term Liabilities	17,739,429	16,345,270
Total Liabilities	21,788,299	19,406,512
Net Position		
Net Investment in capital assets	5,427,961	4,500,808
Restricted		
Retirement System Contributions	1,723,787	1,672,115
Capital Projects	42,156	90,473
Future Capital Projects	1,400,000	1,400,000
Debt Service	480,605	480,030
Tax Certiorari	3,396,149	3,292,856
School Lunch	68,890	34,991
Special Purposes	92,734	88,625
Unrestricted	(8,760,224)	(6,163,893)
Total Net Position	\$ 3,872,058	\$ 5,396,005

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.

Changes in Net Position

	June 30,	
	2014	2013
REVENUES		
Program Revenues		
Charges for Services	\$ 1,016,200	\$ 1,293,676
Operating Grants and Contributions	1,122,069	1,255,091
Capital Grants and Contributions	575	754
Total Program Revenues	2,138,844	2,549,521
General Revenues		
Real Property Taxes	31,064,733	29,895,289
Other Tax Items	5,302,037	5,242,530
Non-Property Taxes	454,631	421,057
Unrestricted Use of Money and Property	32,199	16,931
Sale of Property and Compensation for Loss	4,539	36,240
Insurance Recoveries	107,984	-
Unrestricted State Aid	3,841,268	3,637,453
Miscellaneous	240,255	366,990
Total General Revenues	41,047,646	39,616,490
Total Revenues	43,186,490	42,166,011
PROGRAM EXPENSES		
General Support	5,868,106	4,911,443
Instruction	37,397,857	35,748,143
Pupil Transportation	1,090,905	1,158,449
Cost of Food Sales	292,375	324,755
Other	113,530	61,957
Interest	199,482	256,886
Total Expenses	44,962,255	42,461,633
Change in Net Position	(1,775,765)	(295,622)
NET POSITION		
Beginning of Year, as reported	5,396,005	5,691,627
Prior Period Adjustment - See Note 2E	251,818	-
Beginning of Year, as restated	5,647,823	5,691,627
Ending	\$ 3,872,058	\$ 5,396,005

Governmental activities decreased the School District's Net Position by \$1,775,765 during the 2013-2014 fiscal year versus a decrease of \$295,622 during the previous fiscal year.

The major changes are as follows:

Revenues

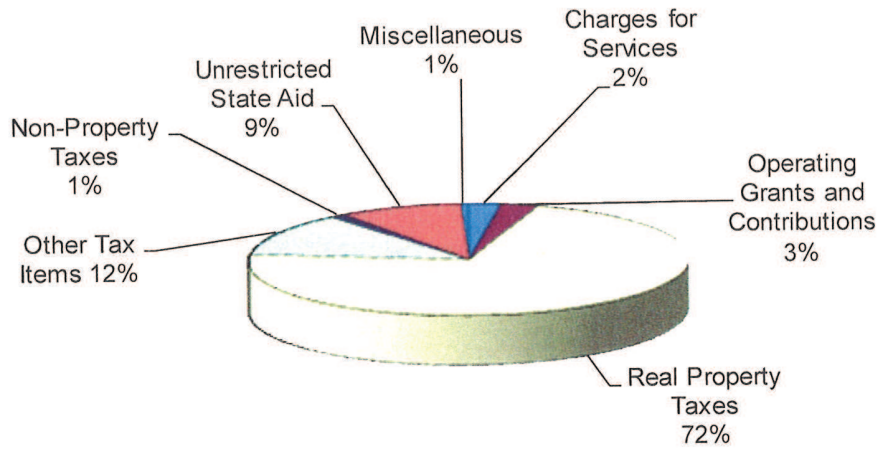
- Real property taxes increased by \$1,169,444 representing a 3.91% increase. This is the result of a reduced assessed value, lower star reimbursements and a higher tax levy.
- Other tax items (STAR) increased by \$59,507.
- Non-Property Taxes (sales taxes) increased by \$33,574.
- During the 2013-2014 fiscal year, the School District collected borderline property taxes amounting to \$77,988. The School District also collected \$551,996 in day school and special education tuition. The decrease in tuition of \$285,341 is due to decreased enrollment.
- Earnings on investments was \$37,413. Reflecting a decrease from the prior fiscal year of \$4,010.
- Unrestricted State Aid to the School District increased by \$224,489. The increase was in the area of BOCES aid as a result of the wireless infrastructure purchase in the previous school year.

Expenses

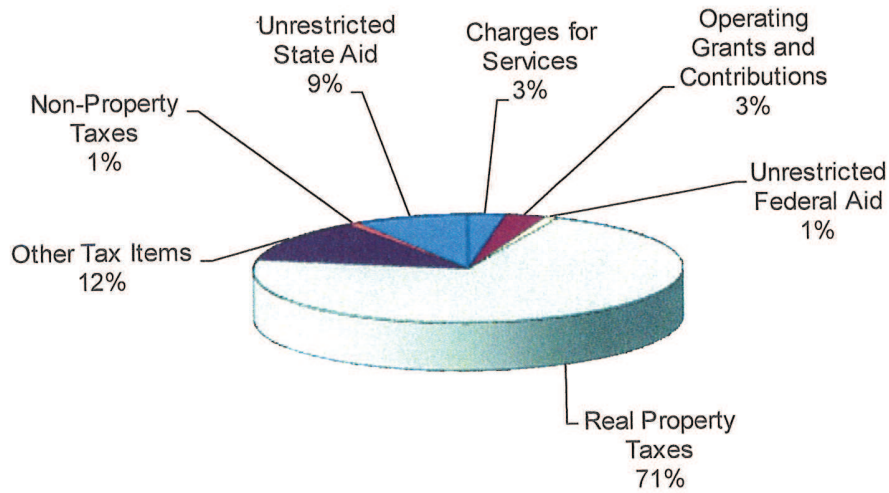
- Instruction expenses increased by \$516,810, representing an increase of 2.1%. The increase is due to contractual increases and additional technology expenditures.
- Pupil Transportation expenses decreased by \$89,545, representing a two year decrease of \$249,961. This was due to the rebidding of more favorable contracts and consolidating routes to more cost effective ones.

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 (84%) and State Aid and Federal Aid as its secondary source of revenue (9%). The School District's instruction costs account for 84% of its expenses.

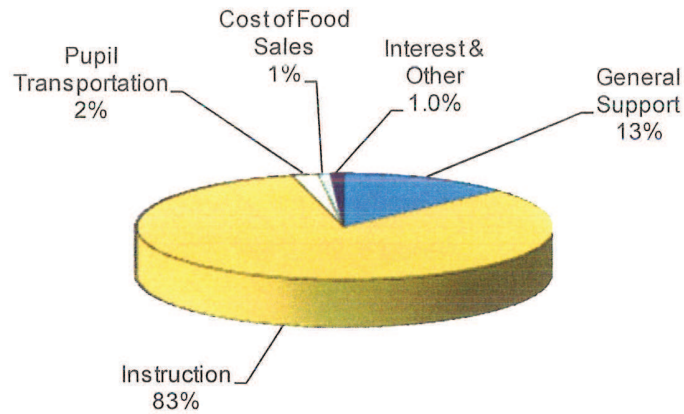
Sources of Revenue for Fiscal Year 2014 Governmental Activities



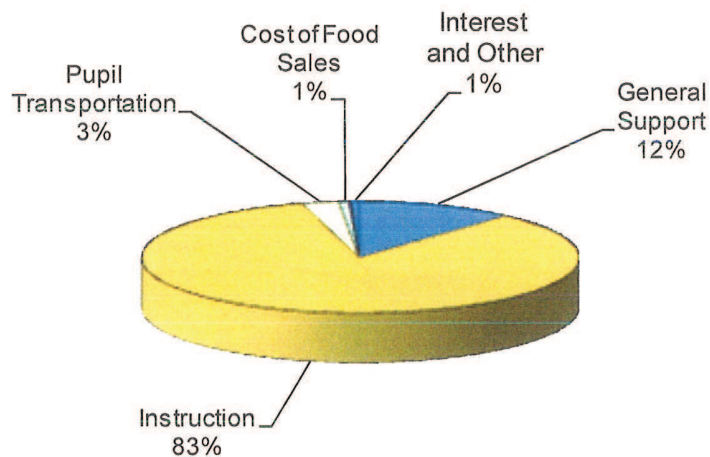
Sources of Revenue for Fiscal Year 2013 Governmental Activities



Expenses for Fiscal Year 2014 Governmental Activities



Expenses for Fiscal Year 2013 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 fund balance includes amounts that cannot be spent because they are either not in spendable form (inventories, prepaid amounts, long-term receivables) or they are legally or contractually required to be maintained intact (the corpus of a permanent fund).

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 only be used for the purpose specified unless the entity 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.

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

Assigned fund balance, in the General Fund, represents amounts constrained either by the policies of the entity's highest level of decision making authority or a person with delegated authority from the governing board to assign amounts for a specific intended purpose. 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.

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 \$11,804,549. Of this amount, \$7,214,594 constituted Restricted Fund balance. There is \$2,770,957 assigned (designated) for subsequent year's expenditures in the General Fund and represents the amount estimated for use in the 2014-2015 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 \$11,140,341 of which \$1,600,108, or approximately 3.6%, 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 \$146,660. Additional revenues accounted for this variance. Additional tuitions of Special Education students, refund of prior health expenses and Federal aid added to the positive revenue. The balance of the variance was attributable to expenditure savings due to Federal grants, health insurance savings as well as retirements from previous years, unfilled positions and reduced debt service.

General Fund Budgetary Highlights

There was no change from the original budget. Actual revenues and other financing sources exceeded the budget by \$455,211. Actual expenditures and other financing uses were \$2,008,530 less than the budget.

Capital Assets

At June 30, 2014, the School District had \$9,598,141 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,	
	2014	2013
Land	\$ 115,000	\$ 115,000
Land Improvements	682,033	658,235
Buildings and Improvements	8,458,315	9,104,303
Machinery and Equipment	342,793	284,944
Total Capital Assets, net of accumulated depreciation	<u>\$ 9,598,141</u>	<u>\$ 10,162,482</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, 2014, the School District had \$17,739,429 in general obligation and other long-term debt outstanding, as follows:

	June 30,	
	2014	2013
Bonds Payable	\$ 2,915,333	\$ 4,030,000
Energy Performance Contract Debt Payable	1,534,272	1,631,674
Claims Payable	440,200	-
Compensated Absences	239,043	228,934
Other Post Employment Benefit Obligations Payable	12,610,581	10,454,662
Total	<u>\$ 17,739,429</u>	<u>\$ 16,345,270</u>

Bonds payable is comprised of \$2,915,333 in capital improvement bonds. During the 2013-2014 fiscal year, the School District amortized \$1,175,000 in bond principal. The School District is projected to amortize \$860,000 in bond principal during the 2014-2015 school year.

More detailed information about the School District's long-term liabilities is presented in the notes to the financial statements (Note 3. E. 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 1.98% 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 October 2013 was 1,610 students. Of these 580 were in K-4; 493 in grades 5-8 and 512 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 enrolment is expected to remain fairly level.

Enrollment of special education out-of-district placement has leveled off during the 2013-2014 school year. However, tuition and cost of related services for an out-of-district placement is substantially higher than the cost of educating an in-district student. This fact will continue to have a impact on the future finances of the School District.

School District's Changing Enrollment

	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-2014	2014-2015**
K-4	545	514	535	561	562	588	580	568
5-8	493	496	512	511	493	474	493	474
9-12	575	551	528	527	515	522	512	499
*Sp. Ed.	39	39	28	28	26	28	17	21
Total	1,652	1,600	1,603	1,627	1,602	1,620	1,610	1,570

*Out of District Special Education placements

**Projected enrollment

Retirement Systems

As a result of the declines in the markets, both the NYSTRS and the NYSERS rates have continued to rise substantially 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 District's budget in subsequent years at a minimal amount.

Summary

In spite of 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 has positioned the financial and human resources necessary to remain a stable and strong institution ready to serve the Hastings community.

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: caraballo@hastings.k12.ny.us

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

Statement of Net Position

June 30, 2014

	Governmental Activities
ASSETS	
Cash and equivalents	\$ 14,341,679
Investments	18,967
Receivables	
Accounts	376,320
State and Federal aid	945,624
Due from other governments	100,000
Inventories	201
Capital assets	
Not being depreciated	115,000
Being depreciated, net	9,483,141
Total Assets	25,380,932
DEFERRED OUTFLOWS OF RESOURCES	
Deferred amounts on refunding bonds	279,425
LIABILITIES	
Accounts payable	231,676
Accrued liabilities	26,923
Due to other governments	235,755
Due to retirement systems	3,446,776
Unearned revenues	37,112
Accrued interest payable	70,628
Non-current liabilities	
Due within one year	1,424,790
Due in more than one year	16,314,639
Total Liabilities	21,788,299
NET POSITION	
Net investment in capital assets	5,427,961
Restricted	
Retirement system contributions	1,723,787
Capital projects	42,156
Future capital projects	1,400,000
Debt service	480,605
Tax certiorari	3,396,149
School lunch	68,890
Special purpose	92,734
Unrestricted	(8,760,224)
Total Net Position	\$ 3,872,058

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, 2014

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	\$ 5,868,106	\$ -	\$ 5,194	\$ -	\$ (5,862,912)
Instruction	37,397,857	732,056	963,147	-	(35,702,654)
Pupil transportation	1,090,905	-	-	-	(1,090,905)
Cost of food sales	292,375	284,144	36,089	-	27,858
Other	113,530	-	117,639	-	4,109
Interest	199,482	-	-	575	(198,907)
Total Governmental Activities	<u>\$ 44,962,255</u>	<u>\$ 1,016,200</u>	<u>\$ 1,122,069</u>	<u>\$ 575</u>	<u>(42,823,411)</u>
General revenues					
Real property taxes					31,064,733
Other tax items					
School tax relief reimbursement					5,302,037
Non-property taxes					
Non-property tax distribution from County					454,631
Unrestricted use of money and property					32,199
Sale of property and compensation for loss					4,539
Insurance recoveries					107,984
Unrestricted State aid					3,841,268
Miscellaneous					240,255
Total General Revenues					<u>41,047,646</u>
Change in Net Position					<u>(1,775,765)</u>
Net Position - Beginning of Year, as reported					5,396,005
Prior Period Adjustment					<u>251,818</u>
Net Position - Beginning of Year, as restated					<u>5,647,823</u>
Net Position - Ending					<u>\$ 3,872,058</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, 2014

	General	Capital Projects	Special Aid
ASSETS			
Cash and equivalents	\$ 13,475,636	\$ 450,059	\$ 243,546
Investments	-	-	-
Receivables			
Accounts	353,499	-	15,579
State and Federal aid	737,476	-	208,148
Due from other governments	100,000	-	-
Due from other funds	415,497	-	-
Inventories	-	-	-
Total Assets	<u>\$ 15,082,108</u>	<u>\$ 450,059</u>	<u>\$ 467,273</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 230,366	\$ -	\$ 1,310
Accrued liabilities	26,923	-	-
Due to other funds	-	407,903	452,274
Due to other governments	227,465	-	-
Due to retirement systems	3,446,776	-	-
Unearned revenues	10,237	-	13,689
Total Liabilities	<u>3,941,767</u>	<u>407,903</u>	<u>467,273</u>
Fund balances			
Nonspendable	-	-	-
Restricted	6,769,276	42,156	-
Assigned	2,770,957	-	-
Unassigned	1,600,108	-	-
Total Fund Balances	<u>11,140,341</u>	<u>42,156</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 15,082,108</u>	<u>\$ 450,059</u>	<u>\$ 467,273</u>

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

Non-Major Governmental Funds	Total Governmental Funds
\$ 172,438	\$ 14,341,679
18,967	18,967
7,242	376,320
-	945,624
-	100,000
444,680	860,177
201	201
<u>\$ 643,528</u>	<u>\$ 16,642,968</u>

\$ -	\$ 231,676
-	26,923
-	860,177
8,290	235,755
-	3,446,776
13,186	37,112
<u>21,476</u>	<u>4,838,419</u>

201	201
403,162	7,214,594
218,689	2,989,646
-	1,600,108
<u>622,052</u>	<u>11,804,549</u>
<u>\$ 643,528</u>	<u>\$ 16,642,968</u>

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

Reconciliation of Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position June 30, 2014

Fund Balances - Total Governmental Funds	\$ 11,804,549
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.	<u>9,598,141</u>
Governmental funds do not report the effect of losses on refunding bonds since these amount are deferred and amortized in the statement of activities.	
Deferred amounts on refunding bonds	<u>279,425</u>
Long-term liabilities that are not due and payable in the current period are not reported in the funds.	
Accrued interest payable	(70,628)
Bonds payable	(2,915,333)
Energy performance contract debt payable	(1,534,272)
Claims payable	(440,200)
Compensated absences	(239,043)
Other post employment benefit obligations payable	<u>(12,610,581)</u>
	<u>(17,810,057)</u>
Net Position of Governmental Activities	<u>\$ 3,872,058</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

Governmental Funds

Year Ended June 30, 2014

	General	Capital Projects	Special Aid
REVENUES			
Real property taxes	\$ 31,064,733	\$ -	\$ -
Other tax items	5,302,037	-	-
Non-property taxes	454,631	-	-
Charges for services	732,056	-	-
Use of money and property	37,413	-	-
Sale of property and compensation for loss	4,539	-	-
State aid	4,135,376	-	291,832
Federal aid	21,679	-	355,528
Food sales	-	-	-
Miscellaneous	240,255	-	-
Total Revenues	41,992,719	-	647,360
EXPENDITURES			
Current			
General support	4,213,311	-	-
Instruction	24,805,642	-	680,394
Pupil transportation	1,080,709	-	-
Employee benefits	10,313,967	-	-
Cost of food sales	-	-	-
Other	-	-	-
Debt service			
Principal	97,402	-	-
Interest	54,078	-	-
Capital outlay	-	98,317	-
Total Expenditures	40,565,109	98,317	680,394
Excess (Deficiency) of Rev- enues Over Expenditures	1,427,610	(98,317)	(33,034)
OTHER FINANCING SOURCES (USES)			
Insurance recoveries	107,984	-	-
Transfers in	-	50,000	33,034
Transfers out	(1,388,934)	-	-
Total Other Financing Sources (Uses)	(1,280,950)	50,000	33,034
Net Change in Fund Balances	146,660	(48,317)	-
FUND BALANCES			
Beginning of Year	10,993,681	90,473	-
End of Year	\$ 11,140,341	\$ 42,156	\$ -

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

Non-Major Governmental Funds	Total Governmental Funds
\$ -	\$ 31,064,733
-	5,302,037
-	454,631
-	732,056
827	38,240
-	4,539
1,930	4,429,138
34,033	411,240
284,144	284,144
117,493	357,748
438,427	43,078,506
-	4,213,311
-	25,486,036
-	1,080,709
-	10,313,967
286,334	286,334
113,530	113,530
1,175,000	1,272,402
130,900	184,978
-	98,317
1,705,764	43,049,584
(1,267,337)	28,922
-	107,984
1,305,900	1,388,934
-	(1,388,934)
1,305,900	107,984
38,563	136,906
583,489	11,667,643
\$ 622,052	\$ 11,804,549

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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, 2014

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

Net Change in Fund Balances - Total Governmental Funds	\$ 136,906
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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. This is the amount by which depreciation expense exceeded capital outlay in the current period.

Capital outlay expenditures	187,004
Depreciation expense	(751,345)
	<u>(564,341)</u>

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.

Principal paid on energy performance contract debt	97,402
Principal paid on bonds	1,175,000
Amortization of premium and loss on refunding bonds	(32,726)
	<u>1,239,676</u>

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	18,222
Claims payable	(440,200)
Compensated absences	(10,109)
Other post employment benefit obligations	(2,155,919)
	<u>(2,588,006)</u>

Change in Net Position of Governmental Activities	<u>\$ (1,775,765)</u>
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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, 2014

	General Fund			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
REVENUES				
Real property taxes	\$ 31,074,987	\$ 31,074,987	\$ 31,064,733	\$ (10,254)
Other tax items	5,302,037	5,302,037	5,302,037	-
Non-property taxes	410,000	410,000	454,631	44,631
Charges for services	507,000	507,000	732,056	225,056
Use of money and property	40,000	40,000	37,413	(2,587)
Sale of property and compensation for loss	-	-	4,539	4,539
State aid	3,926,468	3,926,468	4,135,376	208,908
Federal aid	50,000	50,000	21,679	(28,321)
Miscellaneous	185,000	185,000	240,255	55,255
Total Revenues	41,495,492	41,495,492	41,992,719	497,227
EXPENDITURES				
Current				
General support	3,845,003	4,702,514	4,213,311	489,203
Instruction	25,984,146	25,927,604	24,805,642	1,121,962
Pupil transportation	1,425,246	1,362,086	1,080,709	281,377
Employee benefits	11,442,120	10,704,311	10,313,967	390,344
Debt service				
Principal	-	97,402	97,402	-
Interest	-	54,078	54,078	-
Total Expenditures	42,696,515	42,847,995	40,565,109	2,282,886
Excess (Deficiency) of Revenues Over Expenditures	(1,201,023)	(1,352,503)	1,427,610	2,780,113
OTHER FINANCING SOURCES (USES)				
Insurance recoveries	-	-	107,984	107,984
Transfers in	150,000	150,000	-	(150,000)
Transfers out	(1,587,015)	(1,435,535)	(1,388,934)	46,601
Total Other Financing Sources (Uses)	(1,437,015)	(1,285,535)	(1,280,950)	4,585
Net Change in Fund Balances	(2,638,038)	(2,638,038)	146,660	2,784,698
FUND BALANCES				
Beginning of Year	2,638,038	2,638,038	10,993,681	8,355,643
End of Year	\$ -	\$ -	\$ 11,140,341	\$ 11,140,341

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)
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
318,433	332,902	291,832	(41,070)
521,223	506,754	355,528	(151,226)
-	-	-	-
839,656	839,656	647,360	(192,296)
-	-	-	-
889,656	889,656	680,394	209,262
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
889,656	889,656	680,394	209,262
(50,000)	(50,000)	(33,034)	16,966
-	-	-	-
50,000	50,000	33,034	(16,966)
-	-	-	-
50,000	50,000	33,034	(16,966)
-	-	-	-
-	-	-	-
-	-	-	-
\$ -	\$ -	\$ -	\$ -

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

Statement of Assets and Liabilities

Fiduciary Fund

June 30, 2014

	<u>Agency</u>
ASSETS	
Cash and equivalents	\$ 217,525
Accounts receivable	<u>1,080</u>
Total Assets	<u><u>\$ 218,605</u></u>
LIABILITIES	
Accounts payable	\$ 29,907
Deposits	104,775
Student activity funds	<u>83,923</u>
Total Liabilities	<u><u>\$ 218,605</u></u>

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

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

Notes to Financial Statements
June 30, 2014

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.

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

Notes to Financial Statements (Continued)
June 30, 2014

Note 1 - Summary of Significant Accounting Policies (Continued)

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.

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 or State 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

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

Notes to Financial Statements (Continued)
June 30, 2014

Note 1 - Summary of Significant Accounting Policies (Continued)

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 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. A ninety day availability period is used for revenue recognition for all other governmental fund revenues. Property taxes associated with the current fiscal period as well as charges for services and intergovernmental revenues are considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Fees and other similar revenues are not susceptible to accrual because generally they are not measurable until received in cash. If expenditures are the prime factor for determining eligibility, revenues from Federal and State grants are accrued when the expenditure is made. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims, compensated absences 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

Deposits, 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. 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.

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

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

Notes to Financial Statements (Continued)

June 30, 2014

Note 1 - Summary of Significant Accounting Policies (Continued)

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, 2014.

Investment Pool - The School District participates in the Cooperative Liquid Assets Securities System ("CLASS"), a cooperative investment pool, established pursuant to General Municipal Law that meets the definition of a 2a7 – like pool. In accordance with the provisions of General Municipal Law, Article 3A, CLASS has designated PT Asset Management, a wholly owned subsidiary of Public Trust Advisors, LLC as its registered investment advisor. Public Trust Advisors, LLC is registered with the Securities and Exchange Commission ("SEC"), and is subject to all of the rules and regulations of an investment advisor handling public funds. As such, the SEC provides regulatory oversight of CLASS.

The pool is authorized to invest in various securities issued by the United States and its agencies. The amount reported represents the amortized cost of the cooperative shares and is considered to approximate fair value. Additional information concerning the Cooperative is presented in the annual report of CLASS, which may be obtained from Public Trust Advisors, LLC, 999 18th Street, Suite 1230, Denver, CO 80202.

CLASS is rated AAAM by Standard & Poor's Ratings and is registered with the Securities and Exchange Commission. Local government investment cooperatives in this rating category meet the highest standards for credit quality, conservative investment policies and safety of principal. The cooperative invests in a high quality portfolio of investments legally permissible for municipalities and school districts in the State.

The School District was invested only in the above mentioned obligations and, accordingly, was not exposed to any interest or credit risk.

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 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.

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 town which is included in the levy is responsible for the billing and collection of the taxes. The town 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, 2014,

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

Notes to Financial Statements (Continued)
June 30, 2014

Note 1 - Summary of Significant Accounting Policies (Continued)

balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

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 estimated fair market 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 is 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 \$10,237 within the General Fund for tuition received in advance, \$13,689 for Federal and State aid received in advance in the Special Aid Fund and \$13,186 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 (expenditures/expense) 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.

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

Notes to Financial Statements (Continued)
June 30, 2014

Note 1 - Summary of Significant Accounting Policies (Continued)

The School District reported deferred outflows of resources of \$279,425 for a deferred loss on refunding bonds in the district-wide statement of Net Position. This amount results from the difference in the carrying value of the refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

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 expended 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 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, capital projects, future capital projects, 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).

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

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

Notes to Financial Statements (Continued)
June 30, 2014

Note 1 - Summary of Significant Accounting Policies (Continued)

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 reported as assigned fund balance since they do not constitute expenditures or liabilities.

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

Notes to Financial Statements (Continued)
June 30, 2014

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 5, 2014.

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.

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

Notes to Financial Statements (Continued)
June 30, 2014

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, beginning with the 2012-2013 fiscal year. It expires on June 16, 2016.

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.

D. Application of Accounting Standards

For the year ended June 30, 2014, the School District implemented GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities". This statement establishes accounting and

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

Notes to Financial Statements (Continued)
June 30, 2014

Note 2 - Stewardship, Compliance and Accountability (Continued)

financial reporting standards that reclassify, as deferred outflows/inflows of resources, certain items that were previously reported as assets and liabilities. This statement also recognizes as outflows of resources (expenses or expenditures) or inflows of resources (revenues), certain items that were previously reported as assets and liabilities.

E. Prior Period Adjustment District-Wide Financial Statements

During 2010-2011, the School District issued \$4,180,000 in serial bonds with interest rates ranging from 3% to 4%, depending on maturity with a net interest cost of 1.30%. The proceeds were used to advance refund \$4,355,000 of outstanding 1995 and 2003 serial bonds bearing interest at rates ranging from 3.0% to 5.4%, depending on maturity. The net proceeds of \$4,495,707 (including \$383,889 of issuance premium and \$68,182 in underwriting fees and other issuance costs) were used to purchase U.S. Government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the bonds. As a result, the 1995 and 2003 serial bonds are considered defeased and the liability for those serial bonds has been removed from the Statement of Net Position. The reacquisition price exceeded the net carrying amount of the old debt by \$558,889. The School District advance refunded the 1995 and 2003 serial bonds to reduce its total debt service payments by \$145,149 and to achieve net present value savings of \$139,800, representing 3.215% savings. As of June 30, 2011, \$4,355,000 of the bonds are considered defeased.

For fiscal year 2014, the School District recorded a prior period adjustment resulting in a net increase of \$251,818 of the previously reported June 30, 2013 district-wide net position of \$5,396,005 in governmental activities to \$5,647,823. This net increase in net position is comprised of a related increase in premium \$383,889 (liability), Loss on Refunding \$465,707 (asset) and decrease in bonds payable \$170,000 (liability). This adjustment had no effect on the fund level financial statements.

Note 3 - Detailed Notes on All Funds

A. Due From/To Other Funds

The composition of interfund balances at June 30, 2014 is as follows:

<u>Fund</u>	<u>Due From</u>	<u>Due To</u>
General	\$ 415,497	\$ -
Capital Projects	-	407,903
Special Aid	-	452,274
Non-Major Governmental	444,680	-
	<u>\$ 860,177</u>	<u>\$ 860,177</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.

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

Notes to Financial Statements (Continued)
June 30, 2014

Note 3 - Detailed Notes on All Funds (Continued)

B. Capital Assets

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

Class	Balance July 1, 2013	Additions	Balance June 30, 2014
Capital Assets, not being depreciated			
Land	\$ 115,000	\$ -	\$ 115,000
Capital Assets, being depreciated			
Land Improvements	\$ 1,316,002	\$ 79,724	\$ 1,395,726
Buildings and Improvements	22,413,571	8,588	22,422,159
Machinery and Equipment	988,923	98,692	1,087,615
Total Capital Assets, being Depreciated	24,718,496	187,004	24,905,500
Less Accumulated Depreciation for			
Land Improvements	657,767	55,926	713,693
Buildings and Improvements	13,309,268	654,576	13,963,844
Machinery and Equipment	703,979	40,843	744,822
Total Accumulated Depreciation	14,671,014	751,345	15,422,359
Total Capital Assets, being depreciated, net	\$ 10,047,482	\$ (564,341)	\$ 9,483,141
Governmental Activities Capital Assets, net	\$ 10,162,482	\$ (564,341)	\$ 9,598,141

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

General Support	\$ 32,766
Instruction	712,538
Cost of Food Sales	6,041
Total Depreciation Expense	\$ 751,345

C. Accrued Liabilities

Accrued liabilities as of June 30, 2014 were as follows:

	General Fund
Payroll and Employee Benefits	\$ 26,923

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

Notes to Financial Statements (Continued)
June 30, 2014

Note 3 - Detailed Notes on All Funds (Continued)

D. Pension Plans

The School District participates in the New York State and Local Employees' Retirement System ("ERS") and the New York State Teachers' Retirement System ("TRS") ("Systems"). These Systems are cost-sharing multiple-employer defined benefit pension plans. The Systems provide retirement, disability and death benefits to plan members. Obligations of employers and employees to contribute and benefits to employees are governed by Education Law and the New York State Retirement and Social Security Law. The Systems issue publicly available financial reports that include financial statements and required supplementary information for the Systems. These reports may be obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, New York 12224 and the New York State Teachers' Retirement System, 10 Corporate Woods Drive, Albany, New York 12211-2395.

Funding Policy - The Systems are non-contributory except for employees in tiers 3 and 4 that have less than ten years of service, who contribute 3% of their salary, employees in tier 5 who also contribute 3% of their salary for ERS and 3.5% for TRS without regard to their years of service and employees in tier 6 who contribute between 3% and 6% depending on salary levels and also without regard to years of service. Contributions to ERS are certified by the State Comptroller and expressed as a percentage of members' salary. Contribution rates are actuarially determined and based upon membership tier and plan. Contributions to ERS consist of a life insurance portion and regular pension contributions. Pursuant to Article 11 of Education Law, actuarial contributions are established annually for TRS by the New York State Teachers' Retirement Board. Contribution rates for the plans' year ending in 2014 are as follows:

ERS		TRS	
Tier/Plan	Rate	Tiers	Rate
1 75I	28.8%	1-6	16.25%
4 A14	21.1		
5 A15	17.0		
6 A15	11.5		
6 A15	11.6		

Contributions made or accrued to the Systems for the current and two preceding years were as follows:

	ERS	TRS
2014	\$ 782,693	\$ 3,060,871
2013	721,504	2,120,967
2012	716,161	1,936,737

The ERS and TRS contributions were equal to 100% of the actuarially required contributions for each respective fiscal year.

The current year ERS and TRS contribution was charged to the General Fund.

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

Notes to Financial Statements (Continued)
June 30, 2014

Note 3 - Detailed Notes on All Funds (Continued)

E. Long-Term Liabilities

The following table summarizes changes in the School District's long-term liabilities for the year ended June 30, 2014:

	Balance July 1, 2013	Prior Period Adjustment (Note 2E)	Balance July 1, 2013 Restated	New Issues/ Additions	Maturities and/or Payments	Balance June 30, 2014	Due Within One-Year
Bonds Payable	\$ 4,030,000	\$ (170,000)	\$ 3,860,000	\$ -	\$ 1,175,000	\$ 2,685,000	\$ 860,000
Plus							
Unamortized premium on bonds	-	383,889	383,889	-	(153,556)	230,333	-
	4,030,000	213,889	4,243,889	-	1,021,444	2,915,333	860,000
Energy Performance Contract Debt Payable	1,631,674	-	1,631,674	-	97,402	1,534,272	100,690
	5,661,674	213,889	5,875,563	-	1,118,846	4,449,605	960,690
Other Non-current Liabilities							
Claims payable	-	-	-	440,200	-	440,200	440,200
Compensated Absences	228,934	-	228,934	33,009	22,900	239,043	23,900
Other Post Employment Benefit Obligations Payable	10,454,662	-	10,454,662	3,352,955	1,197,036	12,610,581	-
Total Non-Current Liabilities	10,683,596	-	10,683,596	3,826,164	1,219,936	13,289,824	464,100
Total Long-Term Liabilities	\$ 16,345,270	\$ 213,889	\$ 16,559,159	\$ 3,826,164	\$ 2,338,782	\$ 17,739,429	\$ 1,424,790

Each governmental fund's liability for claims, 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 is satisfied by the General Fund.

Bonds Payable

Bonds payable at June 30, 2014 are comprised of the following individual issues:

Purpose	Year of Issue	Original Issue Amount	Final Maturity	Interest Rates	Amount Outstanding at June 30, 2014
Refunding Bond	2012	\$ 4,180,000	July, 2016	3.0 - 4.0 %	\$ 2,685,000

Interest expenditures of \$130,900 were recorded in the fund financial statements in the Debt Service Fund. Interest expense of \$146,762 was recorded in the district-wide financial statements.

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

Notes to Financial Statements (Continued)
June 30, 2014

Note 3 - Detailed Notes on All Funds (Continued)

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, 2014 was \$1,534,272. Interest expenditures of \$54,078 were recorded in the fund financial statements in the General Fund. Interest expense of \$52,720 was recorded in the district-wide financial statements.

Payments to Maturity

The annual requirements to amortize all outstanding bonded debt as of June 30, 2014, including interest payments of \$519,697 are as follows:

Year Ending June 30,	Bonds		Energy Performance		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 860,000	\$ 90,200	\$ 100,690	\$ 50,532	\$ 960,690	\$ 140,732
2016	900,000	55,000	104,090	47,132	1,004,090	102,132
2017	925,000	18,500	107,603	43,619	1,032,603	62,119
2018	-	-	111,236	39,985	111,236	39,985
2019	-	-	114,991	36,230	114,991	36,230
2020-2024	-	-	635,875	120,229	635,875	120,229
2025-2027	-	-	359,787	18,270	359,787	18,270
	<u>\$ 2,685,000</u>	<u>\$ 163,700</u>	<u>\$ 1,534,272</u>	<u>\$ 355,997</u>	<u>\$ 4,219,272</u>	<u>\$ 519,697</u>

The above general obligation bonds 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 \$440,200 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.

Note 3 - Detailed Notes on All Funds (Continued)

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 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.

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

Notes to Financial Statements (Continued)
June 30, 2014

Note 3 - Detailed Notes on All Funds (Continued)

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>
2013-2016	5.80%	5.00%
2017-2020	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 fixed dollar method with an closed group amortization approach with 24 years remaining in the amortization period. The actuarial assumptions include a 6% 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.

The number of participants as of June 30, 2014 was as follows:

Active Employees	257
Retired Employees	<u>138</u>
Total	<u><u>395</u></u>

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

Notes to Financial Statements (Continued)
June 30, 2014

Note 3 - Detailed Notes on All Funds (Continued)

Amortization Component	
Actuarial Accrued Liability as of July 1, 2013	\$ 38,796,350
Assets at Market Value	-
Unfunded Actuarial Accrued Liability ("UAAL")	<u>\$ 38,796,350</u>
Funded Ratio	<u>0.00%</u>
Covered Payroll (active plan members)	<u>\$ 22,053,066</u>
UAAL as a Percentage of Covered Payroll	<u>175.92%</u>
Annual Required Contribution	\$ 3,221,797
Interest on Net OPEB Obligation	522,733
Adjustment on annual required contribution	<u>(391,575)</u>
Annual OPEB Cost	3,352,955
Contributions Made	<u>(1,197,036)</u>
Increase in Net OPEB Obligation	2,155,919
Net OPEB Obligation - beginning of year	<u>10,454,662</u>
Net OPEB Obligation - end of year	<u>\$ 12,610,581</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
2014	\$ 3,352,955	35.70 %	\$ 12,610,581
2013	3,144,319	35.66	10,454,662
2012	3,236,345	32.21	8,431,567

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.

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

Notes to Financial Statements (Continued)
June 30, 2014

Note 3 - Detailed Notes on All Funds (Continued)

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 Funds	Non-Major Governmental Funds	
General Fund	\$ 50,000	\$ 33,034	\$ 1,305,900	\$ 1,388,934

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.

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 Capital Projects - the component of net position that reports the amounts restricted for capital projects, less unexpended bond proceeds and unrestricted interest earnings.

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 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.

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

Notes to Financial Statements (Continued)
June 30, 2014

Note 3 - Detailed Notes on All Funds (Continued)

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, 2014

Note 3 - Detailed Notes on All Funds (Continued)

H. Fund Balances

	2014				2013			
	General Fund	Capital Projects Fund	Non-Major Governmental Funds	Total	General Fund	Capital Projects Fund	Non-Major Governmental Funds	Total
Nonspendable								
Inventories	\$ -	\$ -	\$ 201	\$ 201	\$ -	\$ -	\$ -	\$ -
Restricted								
Tax certiorari	3,396,149	-	-	3,396,149	3,292,856	-	-	3,292,856
Employee benefit accrued liability	229,163	-	-	229,163	228,934	-	-	228,934
Retirement system contributions	1,723,787	-	-	1,723,787	1,672,115	-	-	1,672,115
Debt service	20,177	-	310,428	330,605	20,157	-	309,873	330,030
Capital projects	-	42,156	-	42,156	-	90,473	-	90,473
Future capital projects	1,400,000	-	-	1,400,000	1,400,000	-	-	1,400,000
Special purposes	-	-	92,734	92,734	-	-	88,625	88,625
Total Restricted	6,769,276	42,156	403,162	7,214,594	6,614,062	90,473	398,498	7,103,033
Assigned								
Purchases on order								
General government support	182,311	-	-	182,311	192,093	-	-	192,093
Instruction	138,646	-	-	138,646	175,199	-	-	175,199
Pupil transportation	-	-	-	-	20,746	-	-	20,746
Subsequent year's expenditures	320,957	-	-	320,957	388,038	-	-	388,038
School Lunch Fund	2,450,000	-	150,000	2,600,000	2,250,000	-	150,000	2,400,000
	-	-	68,689	68,689	-	-	34,991	34,991
Total Assigned	2,770,957	-	218,689	2,989,646	2,638,038	-	184,991	2,823,029
Unassigned	1,600,108	-	-	1,600,108	1,741,581	-	-	1,741,581
Total Fund Balance	\$ 11,140,341	\$ 42,156	\$ 622,052	\$ 11,804,549	\$ 10,993,681	\$ 90,473	\$ 583,489	\$ 11,667,643

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

Notes to Financial Statements (Continued)
June 30, 2014

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, 2014, 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, 2014, the School District is involved in a case with five families seeking monetary and declaratory remedies in which the parents have alleged that the District has failed to provide a free and appropriate public education to their children. If the parents are successful, the School District could be obligated for the parents' attorney fees. The total amount of this obligation could be in excess of \$250,000. These cases are 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 Single Audit Act. 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.

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

Notes to Financial Statements (Concluded)
June 30, 2014

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, 2013 (1)	\$ -	\$ 38,796,350	\$ 38,796,350	- %	\$ 22,053,066	176 %
July 1, 2012	-	36,365,458	36,365,458	-	21,853,811	166
July 1, 2011	-	35,735,043	35,735,043	-	22,219,781	161

(1) The Actuarial Accrued Liability increases in a "normal" manner as Actives accrue benefits each year. The "Unfunded Liability as a Percentage of Covered Payroll" % increased (166% to 176%) is that the Unfunded Actuarial Accrued Liability increased at a greater rate than Covered Payroll

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

General Fund
Comparative Balance Sheet
June 30,

	2014	2013
ASSETS		
Cash and equivalents	\$ 13,475,636	\$ 12,448,474
Receivables		
Accounts	353,499	500,668
State and Federal aid	737,476	534,080
Due from other governments	100,000	80,000
Due from other funds	415,497	337,502
	1,606,472	1,452,250
Total Assets	\$ 15,082,108	\$ 13,900,724
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 230,366	\$ 212,082
Accrued liabilities	26,923	39,811
Due to other governments	227,465	72,243
Due to retirement systems	3,446,776	2,578,907
Unearned revenues	10,237	4,000
Total Liabilities	3,941,767	2,907,043
Fund balance		
Restricted	6,769,276	6,614,062
Assigned	2,770,957	2,638,038
Unassigned	1,600,108	1,741,581
Total Fund Balance	11,140,341	10,993,681
Total Liabilities and Fund Balance	\$ 15,082,108	\$ 13,900,724

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,

	2014				Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	Encumbr- ances	
REVENUES					
Real property taxes	\$ 31,074,987	\$ 31,074,987	\$ 31,064,733	\$	\$ (10,254)
Other tax items	5,302,037	5,302,037	5,302,037		-
Non-property taxes	410,000	410,000	454,631		44,631
Charges for services	507,000	507,000	732,056		225,056
Use of money and property	40,000	40,000	37,413		(2,587)
Sale of property and compensation for loss	-	-	4,539		4,539
State aid	3,926,468	3,926,468	4,135,376		208,908
Federal aid	50,000	50,000	21,679		(28,321)
Miscellaneous	185,000	185,000	240,255		55,255
Total Revenues	41,495,492	41,495,492	41,992,719		497,227
EXPENDITURES					
Current					
General support					
Board of education	43,350	53,513	53,327	-	186
Central administration	416,202	420,902	416,918	-	3,984
Finance	534,712	546,914	530,491	56	16,367
Staff	205,500	224,498	123,420	257	100,821
Central services	2,283,239	2,825,585	2,465,791	181,998	177,796
Special items	362,000	631,102	623,364	-	7,738
Total General Support	3,845,003	4,702,514	4,213,311	182,311	306,892
Instruction					
Instruction, administration and improvement	1,614,475	1,619,243	1,572,460	1,019	45,764
Teaching - Regular school	14,124,416	14,085,386	13,696,885	65,067	323,434
Programs for children with handicapping conditions	5,849,903	5,511,691	5,129,355	22,599	359,737
Occupational education	110,100	110,100	86,539	-	23,561
Teaching - Special schools	70,000	70,000	11,133	-	58,867
Instructional media	1,319,824	1,628,935	1,601,644	-	27,291
Pupil services	2,895,428	2,902,249	2,707,626	49,961	144,662
Total Instruction	25,984,146	25,927,604	24,805,642	138,646	983,316
Pupil transportation	1,425,246	1,362,086	1,080,709	-	281,377
Employee benefits	11,442,120	10,704,311	10,313,967	-	390,344
Debt service					
Principal	-	97,402	97,402	-	-
Interest	-	54,078	54,078	-	-
Total Expenditures	42,696,515	42,847,995	40,565,109	320,957	1,961,929
Excess (Deficiency) of Revenues Over Expenditures	(1,201,023)	(1,352,503)	1,427,610	(320,957)	2,459,156
OTHER FINANCING SOURCES (USES)					
Insurance recoveries	-	-	107,984	-	107,984
Transfers in	150,000	150,000	-	-	(150,000)
Transfers out	(1,587,015)	(1,435,535)	(1,388,934)	-	46,601
Total Other Financing Uses	(1,437,015)	(1,285,535)	(1,280,950)	-	4,585
Net Change in Fund Balance	(2,638,038)	(2,638,038)	146,660	\$ (320,957)	\$ 2,463,741
FUND BALANCE					
Beginning of Year	2,638,038	2,638,038	10,993,681		
End of Year	\$ -	\$ -	\$ 11,140,341		

2013				
Original Budget	Final Budget	Actual	Encumbr- ances	Variance with Final Budget Positive (Negative)
\$ 29,922,368	\$ 29,922,368	\$ 29,895,289	\$	\$ (27,079)
5,242,530	5,242,530	5,242,530		-
425,000	425,000	421,057		(3,943)
530,000	530,000	995,956		465,956
60,000	60,000	41,423		(18,577)
-	-	36,240		36,240
3,843,568	3,843,568	3,910,887		67,319
50,000	50,000	59,255		9,255
185,000	185,000	366,990		181,990
40,258,466	40,258,466	40,969,627		711,161
44,351	42,850	39,341	-	3,509
412,632	413,132	408,136	28	4,968
540,018	549,981	533,627	-	16,354
230,094	231,018	131,687	-	99,331
2,901,360	3,211,769	2,934,840	192,065	84,864
366,100	673,216	657,865	-	15,351
4,494,555	5,121,966	4,705,496	192,093	224,377
1,546,750	1,544,159	1,518,765	862	24,532
14,227,848	14,093,074	13,519,249	85,012	488,813
5,868,688	5,574,081	4,917,598	5,278	651,205
100,000	65,000	42,695	-	22,305
-	41,000	40,763	-	237
1,231,280	1,696,538	1,530,958	47,396	118,184
2,763,647	2,903,040	2,682,251	36,651	184,138
25,738,213	25,916,892	24,252,279	175,199	1,489,414
1,537,133	1,517,496	1,149,508	20,746	347,242
10,217,925	9,413,520	8,954,019	-	459,501
-	66,723	66,723	-	-
-	84,628	84,628	-	-
41,987,826	42,121,225	39,212,653	388,038	2,520,534
(1,729,360)	(1,862,759)	1,756,974	(388,038)	3,231,695
-	-	-	-	-
150,000	150,000	-	-	(150,000)
(1,663,174)	(1,529,775)	(1,528,354)	-	1,421
(1,513,174)	(1,379,775)	(1,528,354)	-	(148,579)
(3,242,534)	(3,242,534)	228,620	\$ (388,038)	\$ 3,083,116
3,242,534	3,242,534	10,765,061		
\$ -	\$ -	\$ 10,993,681		

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

General Fund
Schedule of Revenues and Other Financing Sources Compared to Budget
Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REAL PROPERTY TAXES	\$ 31,074,987	\$ 31,074,987	\$ 31,064,733	\$ (10,254)
OTHER TAX ITEMS				
School tax relief reimbursement	5,302,037	5,302,037	5,302,037	-
NON-PROPERTY TAXES				
Non-property tax distribution from County	410,000	410,000	454,631	44,631
CHARGES FOR SERVICES				
Day school tuition	325,000	325,000	551,996	226,996
Other student fees and charges	117,000	117,000	102,072	(14,928)
Health services for other districts	65,000	65,000	77,988	12,988
USE OF MONEY AND PROPERTY				
Earnings on investments	507,000	507,000	732,056	225,056
SALE OF PROPERTY AND COMPENSATION FOR LOSS				
Other	40,000	40,000	37,413	(2,587)
	-	-	4,539	4,539

STATE AID				
Basic formula	3,239,328	3,239,328	2,080,156	(1,159,172)
BOCES	564,959	564,959	779,597	214,638
Lottery	-	-	981,515	981,515
Textbook aid	122,181	122,181	93,725	(28,456)
Computer software aid	-	-	38,277	38,277
Students with disabilities	-	-	66,350	66,350
Library aid	-	-	9,906	9,906
Other	-	-	85,850	85,850
	<u>3,926,468</u>	<u>3,926,468</u>	<u>4,135,376</u>	<u>208,908</u>
FEDERAL AID				
Medical assistance	50,000	50,000	21,679	(28,321)
MISCELLANEOUS				
Refund of BOCES aided services	-	-	106,664	106,664
Refund of prior year's expenditures	-	-	133,561	133,561
Other	185,000	185,000	30	(184,970)
	<u>185,000</u>	<u>185,000</u>	<u>240,255</u>	<u>55,255</u>
TOTAL REVENUES	41,495,492	41,495,492	41,992,719	497,227
OTHER FINANCING SOURCES				
Insurance recoveries	-	-	107,984	107,984
Transfers in				
Debt Service Fund	150,000	150,000	-	(150,000)
	<u>150,000</u>	<u>150,000</u>	<u>107,984</u>	<u>(42,016)</u>
TOTAL OTHER FINANCING SOURCES				
TOTAL REVENUES AND OTHER FINANCING SOURCES	<u>\$ 41,645,492</u>	<u>\$ 41,645,492</u>	<u>\$ 42,100,703</u>	<u>\$ 455,211</u>

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, 2014

	Original Budget	Final Budget	Actual	Encumbrances	Variance with Final Budget Positive (Negative)
GENERAL SUPPORT					
BOARD OF EDUCATION					
Board of education	\$ 18,350	\$ 24,232	\$ 24,047	\$ -	\$ 185
District clerk	25,000	29,281	29,280	-	1
Total Board of Education	43,350	53,513	53,327	-	186
CENTRAL ADMINISTRATION					
Chief school administrator	416,202	420,902	416,918	-	3,984
FINANCE					
Business administration	468,700	480,902	472,732	56	8,114
Accounting and auditing	60,500	60,500	53,075	-	7,425
Treasurer	5,512	5,512	4,684	-	828
Total Finance	534,712	546,914	530,491	56	16,367
STAFF					
Legal	130,000	138,583	55,208	-	83,375
Personnel	12,500	19,115	8,124	257	10,734
Public information and services	63,000	66,800	60,088	-	6,712
Total Staff	205,500	224,498	123,420	257	100,821

CENTRAL SERVICES					
Operation of plant	1,831,014	2,375,305	2,121,498	156,810	96,997
Maintenance of plant	452,225	450,280	344,293	25,188	80,799
Total Central Services	2,283,239	2,825,585	2,465,791	181,998	177,796
SPECIAL ITEMS					
Unallocated insurance	165,000	165,000	159,477	-	5,523
Assessments on school property	52,000	80,906	78,691	-	2,215
Refunds of real property taxes	-	237,286	237,286	-	-
Administrative charge - BOCES	145,000	147,910	147,910	-	-
Total Special Items	362,000	631,102	623,364	-	7,738
Total General Support	3,845,003	4,702,514	4,213,311	182,311	306,892
INSTRUCTION					
INSTRUCTION, ADMINISTRATION AND IMPROVEMENT					
Curriculum development and supervision	197,250	210,752	195,426	117	15,209
Supervision - Regular school	1,417,225	1,408,491	1,377,034	902	30,555
Total Instruction, Administration and Improvement	1,614,475	1,619,243	1,572,460	1,019	45,764
TEACHING - REGULAR SCHOOL	14,124,416	14,085,386	13,696,885	65,067	323,434
PROGRAMS FOR CHILDREN WITH HANDICAPPING CONDITIONS					
Programs for students with disabilities	5,849,903	5,511,691	5,129,355	22,599	359,737
OCCUPATIONAL EDUCATION	110,100	110,100	86,539	-	23,561
TEACHING - SPECIAL SCHOOLS	70,000	70,000	11,133	-	58,867

(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, 2014

	Original Budget	Final Budget	Actual	Encumbr- ances	Variance with Final Budget Positive (Negative)
INSTRUCTION (Continued)					
INSTRUCTIONAL MEDIA					
School library and audiovisual	\$ 335,254	\$ 334,986	\$ 327,241	-	\$ 7,745
Computer assisted instruction	984,570	1,293,949	1,274,403	-	19,546
Total Instructional Media	1,319,824	1,628,935	1,601,644	-	27,291
PUPIL SERVICES					
Guidance - Regular school	974,746	969,046	941,212	38	27,796
Health services - Regular school	293,500	294,163	277,593	-	16,570
Psychological services - Regular school	560,530	566,592	541,803	2,243	22,546
Co-curricular activities - Regular school	371,604	389,611	343,078	29,365	17,168
Interscholastic athletics - Regular school	695,048	682,837	603,940	18,315	60,582
Total Pupil Services	2,895,428	2,902,249	2,707,626	49,961	144,662
Total Instruction	25,984,146	25,927,604	24,805,642	138,646	983,316
PUPIL TRANSPORTATION					
District transportation services	18,000	18,730	18,730	-	-
Contract transportation	1,404,746	1,340,856	1,061,979	-	278,877
Other public transportation	2,500	2,500	-	-	2,500
Total Pupil Transportation	1,425,246	1,362,086	1,080,709	-	281,377

EMPLOYEE BENEFITS

State retirement	915,000	915,000	782,693	-	132,307
Teachers' retirement	3,186,000	3,186,000	3,060,871	-	125,129
Social security	1,710,000	1,710,000	1,655,254	-	54,746
Workers' compensation benefits	153,135	153,135	141,318	-	11,817
Life insurance	10,000	10,000	7,188	-	2,812
Unemployment benefits	50,000	49,488	13,481	-	36,007
Hospital, medical and dental insurance	5,082,500	4,344,251	4,330,825	-	13,426
Union welfare benefits	335,485	336,437	322,337	-	14,100
Total Employee Benefits	11,442,120	10,704,311	10,313,967	-	390,344

DEBT SERVICE

Principal					
Energy performance contract debt	-	97,402	97,402	-	-
Interest					
Energy performance contract debt	-	54,078	54,078	-	-
Total Debt Service	-	151,480	151,480	-	-
TOTAL EXPENDITURES	42,696,515	42,847,995	40,565,109	320,957	1,961,929

OTHER FINANCING USES

Transfers out					
Special Aid Fund	50,000	50,000	33,034	-	16,966
Debt Service Fund	1,487,015	1,335,535	1,305,900	-	29,635
Capital Projects Fund	50,000	50,000	50,000	-	-
TOTAL OTHER FINANCING USES	1,587,015	1,435,535	1,388,934	-	46,601

TOTAL EXPENDITURES AND OTHER FINANCING USES

\$ 44,283,530	\$ 44,283,530	\$ 41,954,043	\$ 320,957	\$ 2,008,530
---------------	---------------	---------------	------------	--------------

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

Capital Projects Fund
Comparative Balance Sheet
June 30,

	<u>2014</u>	<u>2013</u>
ASSETS		
Cash and equivalents	<u>\$ 450,059</u>	<u>\$ 497,840</u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Due to other funds	\$ 407,903	\$ 407,367
Fund balance		
Restricted	<u>42,156</u>	<u>90,473</u>
Total Liabilities and Fund Balance	<u>\$ 450,059</u>	<u>\$ 497,840</u>

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>2014</u>	<u>2013</u>
REVENUES	\$ -	\$ -
EXPENDITURES		
Capital outlay	<u>98,317</u>	<u>1,751,991</u>
Deficiency of Revenues Over Expenditures	<u>(98,317)</u>	<u>(1,751,991)</u>
OTHER FINANCING SOURCES		
Energy performance contract debt issued	-	1,698,397
Transfers in	<u>50,000</u>	<u>50,000</u>
Total Other Financing Sources	<u>50,000</u>	<u>1,748,397</u>
Net Change in Fund Balance	(48,317)	(3,594)
FUND BALANCE		
Beginning of Year	<u>90,473</u>	<u>94,067</u>
End of Year	<u>\$ 42,156</u>	<u>\$ 90,473</u>

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

Capital Projects Fund

Project-Length Schedule

Inception of Project Through June 30, 2014

Project	Authori- zation	Expenditures and Transfers To Date		
		Prior Years	Current Year	Totals
District-Wide Improvements - 2011/12	\$ 50,000	\$ 40,494	\$ 9,506	\$ 50,000
District-Wide Improvements - 2012/13	50,000	-	50,000	50,000
District-Wide Improvements - 2013/14	50,000	-	38,811	38,811
Excel	907,969	877,002	-	877,002
Totals	<u>\$ 1,057,969</u>	<u>\$ 917,496</u>	<u>\$ 98,317</u>	<u>\$ 1,015,813</u>

Unexpended Balance	Method of Financing			Fund Balance at June 30, 2014
	Proceeds of Obligations	Interfund Transfers	Totals	
\$ -	\$ -	\$ 50,000	\$ 50,000	\$ -
-	-	50,000	50,000	-
11,189	-	50,000	50,000	11,189
30,967	-	907,969	907,969	30,967
<u>\$ 42,156</u>	<u>\$ -</u>	<u>\$ 1,057,969</u>	<u>\$ 1,057,969</u>	<u>\$ 42,156</u>

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

Special Aid Fund
Comparative Balance Sheet
June 30,

	<u>2014</u>	<u>2013</u>
ASSETS		
Cash and equivalents	\$ 243,546	\$ 285,897
Accounts receivable	15,579	23,645
State and Federal aid receivable	<u>208,148</u>	<u>108,453</u>
Total Assets	<u>\$ 467,273</u>	<u>\$ 417,995</u>
LIABILITIES		
Accounts payable	\$ 1,310	\$ 1,309
Due to other funds	452,274	374,278
Unearned revenues	<u>13,689</u>	<u>42,408</u>
Total Liabilities	<u>\$ 467,273</u>	<u>\$ 417,995</u>

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,

	2014			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
REVENUES				
State aid	\$ 318,433	\$ 332,902	\$ 291,832	\$ (41,070)
Federal aid	521,223	506,754	355,528	(151,226)
Total Revenues	839,656	839,656	647,360	(192,296)
EXPENDITURES				
Current				
Instruction	889,656	889,656	680,394	209,262
Deficiency of Revenues Over Expenditures	(50,000)	(50,000)	(33,034)	16,966
OTHER FINANCING SOURCES				
Transfers in	50,000	50,000	33,034	(16,966)
Net Change in Fund Balance	-	-	-	-
FUND BALANCE				
Beginning of Year	-	-	-	-
End of Year	\$ -	\$ -	\$ -	\$ -

2013			
Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
\$ 237,465	\$ 237,465	\$ 205,087	\$ (32,378)
431,179	689,011	591,511	(97,500)
668,644	926,476	796,598	(129,878)
713,644	971,476	840,177	131,299
(45,000)	(45,000)	(43,579)	1,421
45,000	45,000	43,579	(1,421)
-	-	-	-
-	-	-	-
\$ -	\$ -	\$ -	\$ -

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

Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2014
(With Comparative Totals for 2013)

	School Lunch	Special Purpose	Debt Service
ASSETS			
Cash and equivalents	\$ 82,099	\$ 90,339	\$ -
Investments	-	-	18,967
Receivables			
Accounts	7,242	-	-
Due from other funds	824	2,395	441,461
	8,066	2,395	441,461
Inventories	201	-	-
Total Assets	<u>\$ 90,366</u>	<u>\$ 92,734</u>	<u>\$ 460,428</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Due to other governments	\$ 8,290	\$ -	\$ -
Unearned revenues	13,186	-	-
Total Liabilities	<u>21,476</u>	<u>-</u>	<u>-</u>
Fund balances			
Nonspendable	201	-	-
Restricted	-	92,734	310,428
Assigned	68,689	-	150,000
Total Fund Balances	<u>68,890</u>	<u>92,734</u>	<u>460,428</u>
Total Liabilities and Fund Balances	<u>\$ 90,366</u>	<u>\$ 92,734</u>	<u>\$ 460,428</u>

Total Non-Major Governmental Funds	
2014	2013
\$ 172,438	\$ 138,903
18,967	18,949
7,242	3,126
444,680	444,143
451,922	447,269
201	-
\$ 643,528	\$ 605,121
\$ 8,290	\$ 8,319
13,186	13,313
21,476	21,632
201	-
403,162	398,498
218,689	184,991
622,052	583,489
\$ 643,528	\$ 605,121

Hastings-on-Hudson Union Free School District, New YorkCombining Statement of Revenues, Expenditures and Changes
in Fund Balances

Non-Major Governmental Funds

Year Ended June 30, 2014

(With Comparative Totals for 2013)

	School Lunch	Special Purpose	Debt Service
REVENUES			
Use of money and property	\$ 126	\$ 146	\$ 555
State aid	1,930	-	-
Federal aid	34,033	-	-
Food sales	284,144	-	-
Miscellaneous	-	117,493	-
Total Revenues	320,233	117,639	555
EXPENDITURES			
Current			
Cost of food sales	286,334	-	-
Other	-	113,530	-
Debt service			
Principal	-	-	1,175,000
Interest	-	-	130,900
Total Expenditures	286,334	113,530	1,305,900
Excess (Deficiency) of Revenues Over Expenditures	33,899	4,109	(1,305,345)
OTHER FINANCING SOURCES			
Transfers in	-	-	1,305,900
Net Change in Fund Balances	33,899	4,109	555
FUND BALANCES			
Beginning of Year	34,991	88,625	459,873
End of Year	\$ 68,890	\$ 92,734	\$ 460,428

Total Non-Major Governmental Funds	
2014	2013
\$ 827	\$ 881
1,930	1,378
34,033	27,428
284,144	297,720
117,493	72,379
<u>438,427</u>	<u>399,786</u>
286,334	318,714
113,530	87,556
1,175,000	1,265,000
130,900	169,775
<u>1,705,764</u>	<u>1,841,045</u>
(1,267,337)	(1,441,259)
<u>1,305,900</u>	<u>1,434,775</u>
38,563	(6,484)
<u>583,489</u>	<u>589,973</u>
<u>\$ 622,052</u>	<u>\$ 583,489</u>

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

School Lunch Fund
Comparative Balance Sheet
June 30,

	2014	2013
ASSETS		
Cash and equivalents	\$ 82,099	\$ 52,673
Receivables		
Accounts	7,242	3,126
Due from other funds	824	824
	8,066	3,950
Inventories	201	-
Total Assets	\$ 90,366	\$ 56,623
LIABILITIES AND FUND BALANCE		
Liabilities		
Due to other governments	\$ 8,290	\$ 8,319
Unearned revenues	13,186	13,313
Total Liabilities	21,476	21,632
Fund balance		
Nonspendable	201	-
Assigned	68,689	34,991
Total Fund Balance	68,890	34,991
Total Liabilities and Fund Balance	\$ 90,366	\$ 56,623

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,

	2014	2013
REVENUES		
Use of money and property	\$ 126	\$ 114
State aid	1,930	1,378
Federal aid	34,033	27,428
Food sales	284,144	297,720
Total Revenues	320,233	326,640
EXPENDITURES		
Current		
Cost of food sales	286,334	318,714
Excess of Revenues Over Expenditures	33,899	7,926
FUND BALANCE		
Beginning of Year	34,991	27,065
End of Year	\$ 68,890	\$ 34,991

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

Special Purpose Fund
Comparative Balance Sheet
June 30,

	<u>2014</u>	<u>2013</u>
ASSETS		
Cash and equivalents	\$ 90,339	\$ 86,230
Due from other funds	<u>2,395</u>	<u>2,395</u>
Total Assets	<u>\$ 92,734</u>	<u>\$ 88,625</u>
FUND BALANCE		
Restricted	<u>\$ 92,734</u>	<u>\$ 88,625</u>

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>2014</u>	<u>2013</u>
REVENUES		
Use of money and property	\$ 146	\$ 113
Miscellaneous	<u>117,493</u>	<u>72,379</u>
Total Revenues	117,639	72,492
EXPENDITURES		
Current		
Other	<u>113,530</u>	<u>87,556</u>
Excess (Deficiency) of Revenues Over Expenditures	4,109	(15,064)
FUND BALANCE		
Beginning of Year	<u>88,625</u>	<u>103,689</u>
End of Year	<u><u>\$ 92,734</u></u>	<u><u>\$ 88,625</u></u>

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

Debt Service Fund
Comparative Balance Sheet
June 30,

	<u>2014</u>	<u>2013</u>
ASSETS		
Cash and equivalents	\$ 18,967	\$ 18,949
Due from other funds	<u>441,461</u>	<u>440,924</u>
Total Assets	<u>\$ 460,428</u>	<u>\$ 459,873</u>
FUND BALANCE		
Restricted	\$ 310,428	\$ 309,873
Assigned	<u>150,000</u>	<u>150,000</u>
Total Fund Balance	<u>\$ 460,428</u>	<u>\$ 459,873</u>

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,

	2014			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
REVENUES				
Use of money and property	\$ -	\$ -	\$ 555	\$ 555
EXPENDITURES				
Debt service				
Serial bonds				
Principal	1,260,000	1,265,000	1,175,000	90,000
Interest	174,775	169,775	130,900	38,875
Total Expenditures	1,434,775	1,434,775	1,305,900	128,875
Deficiency of Revenues Over Expenditures	(1,434,775)	(1,434,775)	(1,305,345)	129,430
OTHER FINANCING SOURCES (USES)				
Transfers in	1,434,775	1,434,775	1,305,900	(128,875)
Transfers out	(150,000)	(150,000)	-	150,000
Total Other Financing Sources	1,284,775	1,284,775	1,305,900	21,125
Net Change in Fund Balance	(150,000)	(150,000)	555	150,555
FUND BALANCE				
Beginning of Year	150,000	150,000	459,873	309,873
End of Year	\$ -	\$ -	\$ 460,428	\$ 460,428

2013			
Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
\$ -	\$ -	\$ 654	\$ 654
1,260,000	1,260,000	1,265,000	(5,000)
174,775	174,775	169,775	5,000
1,434,775	1,434,775	1,434,775	-
(1,434,775)	(1,434,775)	(1,434,121)	654
1,434,775	1,434,775	1,434,775	-
(150,000)	(150,000)	-	150,000
1,284,775	1,284,775	1,434,775	150,000
(150,000)	(150,000)	654	150,654
150,000	150,000	459,219	309,219
\$ -	\$ -	\$ 459,873	\$ 459,873

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

General Fund

Analysis of Change from Adopted Budget to Final Budget Year Ended June 30, 2014

Adopted Budget	\$ 43,895,492
Additions	
Encumbrances	<u>388,038</u>
Original/Final Budget	<u>\$ 44,283,530</u>

General Fund

Section 1318 of Real Property Tax Law Limit Calculation

2014-15 Expenditure Budget	\$ 44,601,912
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law	
Unrestricted fund balance	\$
Assigned fund balance	2,770,957
Unassigned fund balance	<u>1,600,108</u>
Total Unrestricted Fund Balance	<u>4,371,065</u>
Less	
Appropriated for subsequent year's budget	2,450,000
Encumbrances	<u>320,957</u>
Total Adjustments	<u>2,770,957</u>
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law	<u>\$ 1,600,108</u>
Actual Percentage	<u>3.59%</u>

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

Schedule of Net Investment in Capital Assets
Year Ended June 30, 2014

Capital Assets, net		\$	9,598,141
Less			
Bonds payable	(2,685,000)		
Energy performance contract debt payable	(1,534,272)		
Unamortized portion of premium on bonds	<u>(230,333)</u>		(4,449,605)
Plus			
Unamortized portion of loss on refunding bonds			<u>279,425</u>
Net Investment in Capital Assets		\$	<u>5,427,961</u>

**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, 2014

**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, 2014, 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 Charges 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.

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.

O'Connor Davies, LLP

O'Connor Davies, LLP
Harrison, New York
September 5, 2014

O'CONNOR DAVIES, LLP

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

Addendum A

- **Special Purpose Fund**

Inactive Trusts

The following expendable trust accounts were inactive during the fiscal year except interest: Burke Estate Trust, Vinod Dabral Trust, and Ray Smith Award.

Recommendation

The purpose and status of these trusts should be reevaluated to pursue the purposes for which they were created and appropriately determine their disposition.

- **Agency Fund**

Extraclassrooms 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. As part of our audit, we have reviewed, evaluated, and tested the Extraclassroom Activity Funds. The results of our tests disclosed that the following areas were not in compliance with the regulations of the Commissioner of Education:

Extraclassroom Activity Funds

The regulations of the Commissioner of Education state that the Board of Education 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.

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

Since this extracurricular activity does not qualify under the state guidelines the Board should review the activity in the elementary school extraclassroom activity account and determine the appropriate distribution of those funds.

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

Addendum A (Continued)

- **Agency Fund** (*Continued*)

Inactive Clubs

We noted that eleven clubs had no financial activity during the current fiscal year, four clubs balance were inactive for the past two fiscal years, and one had an overdrawn balance.

<u>Inactive</u>	<u>Inactive in Excess of Two Years</u>	<u>Balance</u>
<i>High School</i>		
Cancer Awareness		2
Chess Club		206
Debate Club		67
Film Club	X	542
Football	X	33
Math Club	X	494
Outing Club		5
Political Action Club		140
TSP		(141)
Ultimate Frisbee Club	X	282
<i>Middle School</i>		
Sports		451

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.

Recommendation

A determination of the status of the clubs with no financial activity should be made to determine the proper disposition of funds.

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

Addendum A (Continued)

- **Tax Certiorari Reserve**

Pursuant to Education Law, the School District is required to maintain records detailing the composition of this reserve, by the year funded. As of June 30, 2014, the School District has \$3,396,149 in the reserve for tax certiorari. A formal schedule detailing the years established is not currently being maintained.

Recommendation

The School District must comply with Education Law and details in a formal schedule the composition of this reserve by each year funded/defunded.

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

Addendum A (Continued)

Internal Auditors (ACCUME Partners) (“ACCUME”) Comments Pertaining to Internal controls over Information Technology in which 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. 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, we recommend that the Technology Plan be completed and presented to the Board of Education 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 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.

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

Addendum A (Continued)

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 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.

4. 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.

5. 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.

6. Information Security – Network Passwords

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.

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.

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

Addendum A (Continued)

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 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

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. 68 “*Accounting and Financial Reporting for Pensions*”**

In June 2012, GASB issued Statement No. 68. This Statement establishes new accounting and financial reporting requirements for governments that provide their employees with pensions. This pronouncement supersedes Statement No. 27, “*Accounting for Pensions by State and Local Governmental Employers*.” Under this previous standard, *cost-sharing multiple employer defined benefit plans* (such as the plans administered by the State of New York for its municipalities and school districts) which share their assets *and* their obligations to provide pension benefits to their employees – i.e. plan assets can be used to pay the pensions of the employees of any municipal or school district employer that provides pensions through the plans, have not been required to present actuarial information about pensions. Instead, information has been required to be presented in the pension plans’ own financial statements for all of the participating municipalities and school districts combined.

The new Statement was designed to give users of the financial statements of cost-sharing employers access to better, more transparent financial information through the municipality or school district’s own financial statements. Under the new standards, cost-sharing employers will be required to report in their Statement of Net Position a net pension liability, pension expense and pension related deferred inflows and outflows of resources based on their proportionate share of the collective amounts for all of the municipalities and school districts in the plan. The net pension liability is the difference between the total pension liability (the present value of projected benefit payments to employees based on their past service) and the assets (mostly investments reported at fair value) set aside in a trust and restricted to paying benefits to current employees, retirees and their beneficiaries.

Statement No. 68 expands disclosures in the notes to financial statements and the required supplementary information (“RSI”). The note disclosures must include 1) a description of the plan(s) and the benefits provided, 2) the significant assumptions employed in the measurement of the net pension liability, 3) descriptions of benefit changes and changes in assumptions, 4) assumptions related to the discount rate and the impact on the total pension liability of a one percentage point increase or decrease in the discount rate and 5) the net pension liability and deferred inflows and outflows of resources. The RSI must provide ten year historical information (when available) regarding the entity’s proportionate share of the net pension liability and a schedule of the entity’s contributions. Notes to RSI are also now required regarding factors that significantly affect the trends in the schedules. It is important to note that Statement No. 68 relates to *accounting and financial reporting* issues only, that is, how pension costs and obligations are measured and reported in the entity’s audited financial statements. This Statement *does not* address how the entity approaches the *funding* of the plan. The provisions of this Statement are effective for the School District’s financial statements for the year ending June 30, 2016, with earlier implementation 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, 2014, and have issued our report thereon dated September 5, 2014. Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States 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 May 30, 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 have 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 (Continued)

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")
- 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:

- Retirement 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.

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.

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

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

Uncorrected and corrected misstatements *(Continued)*

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 5, 2014.

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 O'Connor Davies, LLP is independent with respect to the 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 Recorded by Management
 June 30, 2014

Account	Description	Debit	Credit
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General Fund -

Adjusting Journal Entries JE # 1

To adjust reserves per Board resolution and 14/15 budget

A909	FUND BALANCE, UNRESERVED	150,000.00	
A827	RESERVE FOR RETIREMENT SYS CONTRIBUTION		50,000.00
A864	RESERVE FOR TAX CERTIORARI		100,000.00
Total		150,000.00	150,000.00

**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, 2014

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, 2014, 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.

O'CONNOR DAVIES, LLP

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O'Connor Davies, LLP is a member firm of the PKF International Limited network of legally independent firms and does not accept any responsibility or liability for the actions or inactions on the part of any other individual member firm or firms.

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, 2014 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.

O'Connor Davies, LLP

O'Connor Davies, LLP
Harrison, New York
September 5, 2014

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, 2014

	Cash Balances Beginning	Receipts	Disburse- ments	Cash Balances Ending
HIGH SCHOOL				
Academic Challenge	\$ 445	\$ 825	\$ 954	\$ 316
Amnesty Club	598	1,348	1,374	572
Art Club	275	65	-	340
Band	557	3,019	1,323	2,253
Book Club	40	31	-	71
Cancer Awareness	2	-	-	2
Chorus	2,421	58,344	58,285	2,480
Chess club	206	-	-	206
Class 2013	827	-	827	-
Class 2014	4,024	15,810	18,401	1,433
Class 2015	3,101	4,961	2,826	5,236
Class 2016	979	298	-	1,277
Class 2017	-	1,638	-	1,638
Crossing Borders	1,031	750	1,427	354
Culinary Club	1,723	831	1,719	835
Debate Club	67	-	-	67
Environment Club	385	485	-	870
Film	542	-	-	542
Football	33	-	-	33
Foreign Language Club	2,032	788	595	2,225
Golf Club	5,278	-	964	4,314
GSA	412	226	40	598
Habitat for Humanity	134	108	200	42
Hudsonettes	709	2,095	508	2,296
Math Club	494	-	-	494
NAHS	680	631	870	441
Outing Club	5	-	-	5
Peer Leadership	1,803	2,465	2,123	2,145
Photography	238	229	75	392
Political Action Club	140	-	-	140
SADD	572	138	-	710
Student Union	16,888	3,556	5,452	14,992
Sunshine Club	2,935	885	1,538	2,282
TSP	(141)	-	-	(141)
Ultimate Frisbee	282	-	-	282
Varsity Club	5,281	9,537	9,849	4,969
W.E.S.T.M.U.N.C.	5,237	20,500	8,930	16,807
Y.E.M.C.	1,966	3,383	500	4,849
Yearbook	7,360	8,743	10,021	6,082
Total High School	69,561	141,689	128,801	82,449

(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, 2014

	Cash Balances Beginning	Receipts	Disburse- ments	Cash Balances Ending
MIDDLE SCHOOL				
Extracurricular	\$ 198	\$ 77	\$ 48	\$ 227
SEC-5/6	-	25	-	25
Grade 6	-	442	400	42
Grade 8	71	477	130	418
Scholarship	5	2	-	7
Sports	451	-	-	451
Yearbook	422	2,263	2,381	304
Total Middle School	1,147	3,286	2,959	1,474
Total All Schools	<u>\$ 70,708</u>	<u>\$ 144,975</u>	<u>\$ 131,760</u>	<u>\$ 83,923</u>

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

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

Extraclassroom Activity Funds
Note to Financial Statement
June 30, 2014

Note 1 - Summary of Significant Accounting Policies

The transactions of the Extraclassroom Activity Funds are considered part of the reporting entity of the Somers Central School District, New York. 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. Deposits and Risk Disclosure

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 Somers Central School District, New York's policies. 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. Permissible investments include obligations of the U.S. Treasury, U.S. Agencies and obligations of New York State or its political subdivisions, and accordingly, the School District's policy provides for no credit risk on investments.

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 that 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.

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, 2014.

The School District was invested only in the above mentioned obligations and, accordingly, was not exposed to any interest rate or credit risk.
