

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

Financial Statements and
Supplementary Information

Year Ended June 30, 2013

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, 2013, 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, 2013, 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 and the schedule of expenditures of federal awards as required by U.S. Office of Management and Budget Circular A-133 Audits of State, Local Governments and Non-Profit Organizations 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 and the schedule of expenditures of federal awards 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 17, 2013 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 17, 2013

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

Management's Discussion and Analysis (MD&A) June 30, 2013

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, 2013. 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 2012-2013 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, 2013, the total fund balance of the General Fund was \$10,993,681 an increase of \$228,620 from previous year's ending fund balance. Of this amount, \$2,638,038 has been assigned for subsequent year's expenditures. The unassigned fund balance is \$1,741,581 which represents approximately 3.9% 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, \$6,614,062 has been restricted for specific purposes.
- On the District-wide financial statements, the assets of the School District exceeded liabilities by \$5,396,005. The unrestricted portion of Net Position is (\$6,163,893). The School District's total Net Position decreased by \$295,622 for the year ended June 30, 2013. 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, 2013, the School District's OPEB obligations of \$10,454,662 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 \$11,667,643 versus a balance of \$11,449,101 for the 2011-2012 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 \$8,537,001. At the end of this fiscal year, the net capital assets increased by \$1,625,481 to \$10,162,482, 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 \$326,640 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 \$318,714 approximately \$185,000 lower than the prior year due to _____. The net change in fund balance was \$7926.
- At the beginning of the fiscal year, the School Lunch Fund had a fund balance of \$27,065. At the end of this fiscal year, the fund balance was increased to \$34,991 representing an increase of \$7,926. 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 \$28,806 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 \$5,396,005 at the close of the current fiscal year.

Net Position

	June 30,	
	2013	2012
Current Assets	\$ 14,640,035	\$ 14,251,223
Capital Assets, net	10,162,482	8,537,001
Total Assets	24,802,517	22,788,224
Current Liabilities	3,061,242	2,888,489
Long-term Liabilities	16,345,270	14,208,108
Total Liabilities	19,406,512	17,096,597
Net Position		
Net Investment in capital assets	4,500,808	3,342,001
Restricted		
Retirement System Contributions	1,672,115	1,408,000
Capital Projects	90,473	94,067
Future Capital Projects	1,400,000	1,400,000
Debt Service	480,030	479,276
Tax Certiorari	3,292,856	3,260,173
School Lunch	34,991	27,065
Special Purposes	88,625	103,689
Unrestricted	(6,163,893)	(4,422,644)
Total Net Position	\$ 5,396,005	\$ 5,691,627

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,	
	2013	2012
REVENUES		
Program Revenues		
Charges for Services	\$ 1,293,676	\$ 1,188,971
Operating Grants and Contributions	1,255,091	1,661,096
Capital Grants and Contributions	754	675
Total Program Revenues	<u>2,549,521</u>	<u>2,850,742</u>
General Revenues		
Real Property Taxes	29,895,289	29,345,284
Other Tax Items	5,242,530	5,181,129
Non-Property Taxes	421,057	385,766
Unrestricted Use of Money and Property	16,931	22,737
Sale of Property and Compensation for Loss	36,240	3,170
Unrestricted State Aid	3,637,453	3,554,022
Unrestricted Federal Aid	-	180
Miscellaneous	366,990	150,792
Total General Revenues	<u>39,616,490</u>	<u>38,643,080</u>
Total Revenues	<u>42,166,011</u>	<u>41,493,822</u>
PROGRAM EXPENSES		
General Support	4,911,443	5,471,693
Instruction	35,748,143	35,090,089
Pupil Transportation	1,158,449	1,318,865
Cost of Food Sales	324,755	506,910
Other	61,957	43,014
Interest	256,886	196,066
Total Expenses	<u>42,461,633</u>	<u>42,626,637</u>
Change in Net Position	(295,622)	(1,132,815)
Net Position - Beginning	<u>5,691,627</u>	<u>6,824,442</u>
Net Position - Ending	<u>\$ 5,396,005</u>	<u>\$ 5,691,627</u>

Governmental activities decreased the School District's Net Position by \$295,622 during the 2012-2013 fiscal year versus an increase of \$1,132,815 during the previous fiscal year.

The major changes are as follows:

Revenues

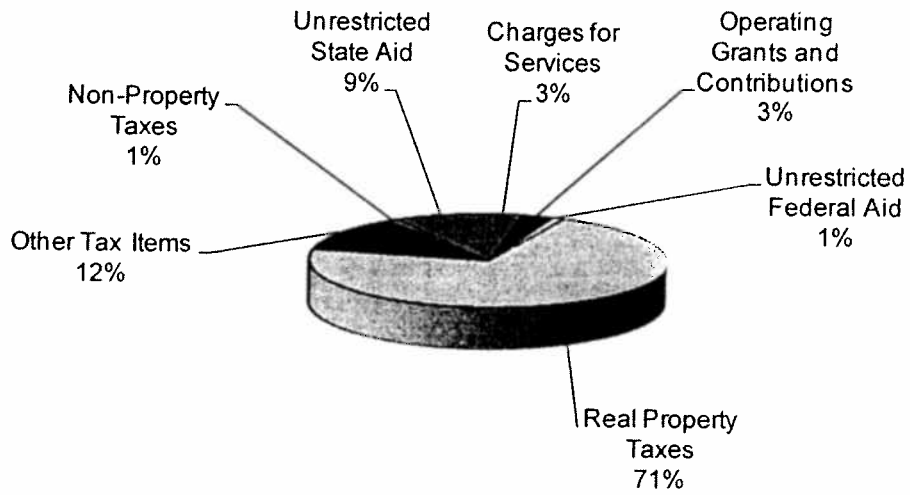
- Real property taxes increased by \$550,005 representing a 1.87% increase. This is the result of a higher tax levy.
- Other tax items (STAR) increased by \$61,401.
- Non-Property Taxes (sales taxes) increased by \$35,291.
- During the 2012-2013 fiscal year, the School District collected borderline property taxes amounting to \$75,228. The School District also collected \$837,337 in day school and special education tuition. The increase in tuition is due to expansion of special education programs district wide
- Earnings on investments was \$41,423. Reflecting a decrease from the prior fiscal year of \$5,685.
- Unrestricted State Aid to the School District increased by \$83,431.

Expenses

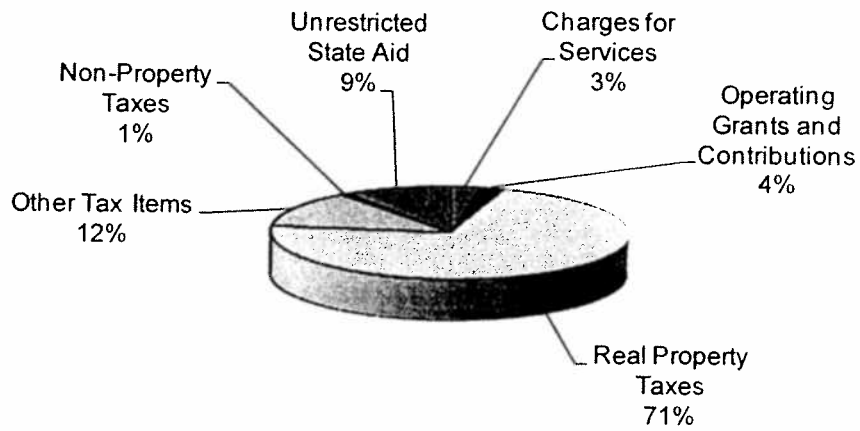
- Instruction expenses increased by \$658,054, representing an increase of 1.88%.
- Pupil Transportation expenses decreased by \$160,416, representing an decrease of 12.2%. This was due to the rebidding of more favorable contracts and consolidating routes to more cost effective ones.

As indicated on the following graphs, the School District relies upon real property taxes and other tax items (School Tax Relief) as its primary revenue source (83%) and State Aid and Federal Aid as its secondary source of revenue (9%). The School District's instruction costs account for 83% of its expenses.

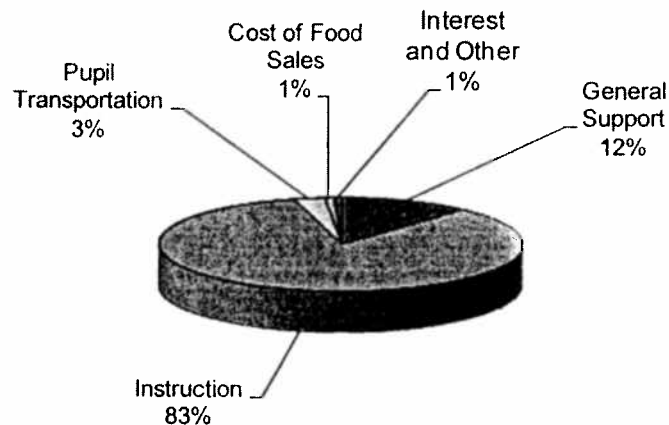
Sources of Revenue for Fiscal Year 2013 Governmental Activities



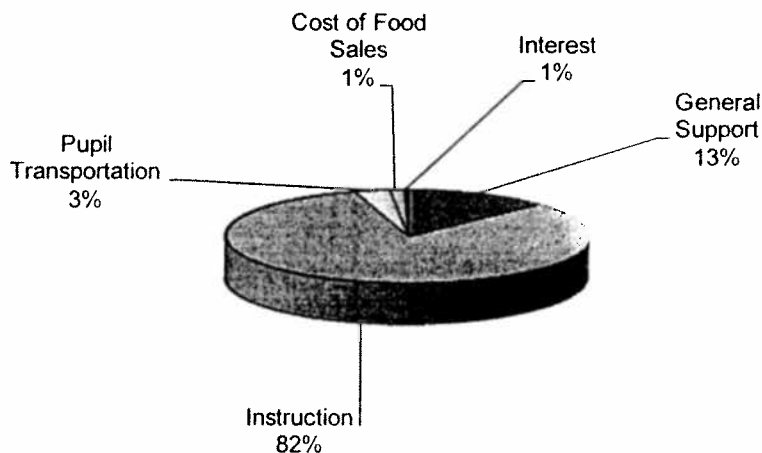
Sources of Revenue for Fiscal Year 2012 Governmental Activities



Expenses for Fiscal Year 2013 Governmental Activities



Expenses for Fiscal Year 2012 Governmental Activities



Fund Balance Reporting

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

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

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

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

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

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

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

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

Financial Analysis of the School District's Funds

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

Governmental Funds

The focus of the School District's *governmental funds* is to provide information on near-term inflows, outflows and balances of *spendable* resources. Such information is useful in assessing the School District's financing requirements. In particular, *unassigned fund balances* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the School District's governmental funds reported combined fund balances of \$11,667,643. Of this amount, \$7,103,033 constituted Restricted Fund balance. There is \$2,400,000 assigned (designated) for subsequent year's expenditures in the General Fund and represents the amount estimated for use in the 2013-2014 budget.

The General Fund is the primary operating fund of the School District. At the end of the current fiscal year, the total fund balance of the General Fund was \$10,993,681 of which \$1,741,581, or approximately 3.9%, 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 \$228,620. 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 \$561,161. Actual expenditures and other financing uses were \$2,521,955 less than the budget.

Capital Assets

At June 30, 2013, the School District had \$10,162,482 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,	
	2013	2012
Land	\$ 115,000	\$ 115,000
Land Improvements	658,235	500,028
Buildings and Improvements	9,104,303	7,655,749
Machinery and Equipment	284,944	266,224
Total Capital Assets, net of accumulated depreciation	<u>\$ 10,162,482</u>	<u>\$ 8,537,001</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, 2013, the School District had \$16,345,270 in general obligation and other long-term debt outstanding, as follows:

	June 30,	
	2013	2012
Bonds Payable	\$ 4,030,000	\$ 5,295,000
Energy Performance Contract Debt Payable	1,631,674	-
Claims Payable	-	281,855
Compensated Absences	228,934	199,686
Other Post Employment Benefit Obligations Payable	10,454,662	8,431,567
Total	<u>\$ 16,345,270</u>	<u>\$ 14,208,108</u>

Bonds payable is comprised of \$4,030,000 in capital improvement bonds. During the 2012-2013 fiscal year, the School District amortized \$1,265,000 in bond principal. The School District is projected to amortize \$1,215,000 in bond principal during the 2013-2014 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 71% of its revenue. Combine the real property taxes with the STAR (School Tax Relief) reimbursement, this number increases to 83%. 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 1.96% 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 2012 was 1,592 students. Of these 588 were in

K-4; 474 in grades 6-8 and 522 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 2012-2013 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**
K-4	545	514	521	562	563	574	565
5-8	493	496	515	509	509	460	485
9-12	575	551	522	534	520	524	510
*Sp. Ed.	39	39	28	31	28	28	28
Total	1,652	1,600	1,609	1636	1620	1586	1596

*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 Districts 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

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

Statement of Net Position

June 30, 2013

	Governmental Activities
ASSETS	
Cash and equivalents	\$ 13,371,114
Investments	18,949
Receivables	
Accounts	527,439
State and Federal aid	642,533
Due from other governments	80,000
Capital assets	
Not being depreciated	115,000
Being depreciated, net	10,047,482
Total Assets	24,802,517
LIABILITIES	
Accounts payable	213,391
Accrued liabilities	39,811
Unearned revenues	59,721
Due to other governments	80,562
Due to retirement systems	2,578,907
Accrued interest payable	88,850
Non-current liabilities	
Due within one year	1,335,302
Due in more than one year	15,009,968
Total Liabilities	19,406,512
NET POSITION	
Net investment in capital assets	4,500,808
Restricted	
Retirement system contributions	1,672,115
Capital projects	90,473
Future capital projects	1,400,000
Debt service	480,030
Tax certiorari	3,292,856
School lunch	34,991
Special purpose	88,625
Unrestricted	(6,163,893)
Total Net Position	\$ 5,396,005

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, 2013

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	\$ 4,911,443	\$ -	\$ 24,392	\$ -	\$ (4,887,051)
Instruction	35,748,143	995,956	1,129,287	-	(33,622,900)
Pupil transportation	1,158,449	-	-	-	(1,158,449)
Cost of food sales	324,755	297,720	28,920	-	1,885
Other	61,957	-	72,492	-	10,535
Interest	256,886	-	-	754	(256,132)
Total Governmental Activities	<u>\$ 42,461,633</u>	<u>\$ 1,293,676</u>	<u>\$ 1,255,091</u>	<u>\$ 754</u>	<u>(39,912,112)</u>
General revenues					
Real property taxes					29,895,289
Other tax items					
School tax relief reimbursement					5,242,530
Non-property taxes					
Non-property tax distribution from County					421,057
Unrestricted use of money and property					16,931
Sale of property and compensation for loss					36,240
Unrestricted State aid					3,637,453
Miscellaneous					366,990
Total General Revenues					<u>39,616,490</u>
Change in Net Position					(295,622)
Net Position - Beginning of Year					<u>5,691,627</u>
Net Position - Ending					<u>\$ 5,396,005</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, 2013

	General	Capital Projects	Special Aid
ASSETS			
Cash and equivalents	\$ 12,448,474	\$ 497,840	\$ 285,897
Investments	-	-	-
Receivables			
Accounts	500,668	-	23,645
State and Federal aid	534,080	-	108,453
Due from other governments	80,000	-	-
Due from other funds	337,502	-	-
Total Assets	<u>\$ 13,900,724</u>	<u>\$ 497,840</u>	<u>\$ 417,995</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 212,082	\$ -	\$ 1,309
Accrued liabilities	39,811	-	-
Unearned revenues	4,000	-	42,408
Due to other funds	-	407,367	374,278
Due to other governments	72,243	-	-
Due to retirement systems	2,578,907	-	-
Total Liabilities	<u>2,907,043</u>	<u>407,367</u>	<u>417,995</u>
Fund balances			
Restricted	6,614,062	90,473	-
Assigned	2,638,038	-	-
Unassigned	1,741,581	-	-
Total Fund Balances	<u>10,993,681</u>	<u>90,473</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 13,900,724</u>	<u>\$ 497,840</u>	<u>\$ 417,995</u>

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

<u>Other Governmental</u>	<u>Total Governmental Funds</u>
\$ 138,903	\$ 13,371,114
18,949	18,949
3,126	527,439
-	642,533
-	80,000
<u>444,143</u>	<u>781,645</u>
<u>\$ 605,121</u>	<u>\$ 15,421,680</u>

\$ -	\$ 213,391
-	39,811
13,313	59,721
-	781,645
8,319	80,562
-	<u>2,578,907</u>
<u>21,632</u>	<u>3,754,037</u>

398,498	7,103,033
184,991	2,823,029
-	<u>1,741,581</u>
<u>583,489</u>	<u>11,667,643</u>
<u>\$ 605,121</u>	<u>\$ 15,421,680</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, 2013

Fund Balances - Total Governmental Funds	\$ 11,667,643
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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.	10,162,482
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Long-term liabilities that are not due and payable in the current
period are not reported in the funds.

Accrued interest payable	(88,850)
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Bonds payable	(4,030,000)
---------------	-------------

Energy performance contract debt payable	(1,631,674)
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Compensated absences	(228,934)
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Other post employment benefit obligations payable	(10,454,662)
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	(16,434,120)
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Net Position of Governmental Activities	\$ 5,396,005
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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

Governmental Funds

Year Ended June 30, 2013

	General	Capital Projects	Special Aid
REVENUES			
Real property taxes	\$ 29,895,289	\$ -	\$ -
Other tax items	5,242,530	-	-
Non-property taxes	421,057	-	-
Charges for services	995,956	-	-
Use of money and property	41,423	-	-
Sale of property and compensation for loss	36,240	-	-
State aid	3,910,887	-	205,087
Federal aid	59,255	-	591,511
Food sales	-	-	-
Miscellaneous	366,990	-	-
Total Revenues	40,969,627	-	796,598
EXPENDITURES			
Current			
General support	4,705,496	-	-
Instruction	24,252,279	-	840,177
Pupil transportation	1,149,508	-	-
Employee benefits	8,954,019	-	-
Cost of food sales	-	-	-
Other	-	-	-
Debt service			
Principal	66,723	-	-
Interest	84,628	-	-
Capital outlay	-	1,751,991	-
Total Expenditures	39,212,653	1,751,991	840,177
Excess (Deficiency) of Rev- enues Over Expenditures	1,756,974	(1,751,991)	(43,579)
OTHER FINANCING SOURCES (USES)			
Energy performance contract debt issued	-	1,698,397	-
Transfers in	-	50,000	43,579
Transfers out	(1,528,354)	-	-
Total Other Financing Sources (Uses)	(1,528,354)	1,748,397	43,579
Net Change in Fund Balances	228,620	(3,594)	-
Fund Balances - Beginning of Year	10,765,061	94,067	-
Fund Balances - End of Year	\$ 10,993,681	\$ 90,473	\$ -

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

Other Governmental	Total Governmental Funds
\$ -	\$ 29,895,289
-	5,242,530
-	421,057
-	995,956
881	42,304
-	36,240
1,378	4,117,352
27,428	678,194
297,720	297,720
72,379	439,369
<u>399,786</u>	<u>42,166,011</u>
-	4,705,496
-	25,092,456
-	1,149,508
-	8,954,019
318,714	318,714
87,556	87,556
1,265,000	1,331,723
169,775	254,403
-	1,751,991
<u>1,841,045</u>	<u>43,645,866</u>
<u>(1,441,259)</u>	<u>(1,479,855)</u>
-	1,698,397
1,434,775	1,528,354
-	(1,528,354)
<u>1,434,775</u>	<u>1,698,397</u>
(6,484)	218,542
<u>589,973</u>	<u>11,449,101</u>
<u>\$ 583,489</u>	<u>\$ 11,667,643</u>

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

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2013

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

Net Change in Fund Balances - Total Governmental Funds	\$ 218,542
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 capital outlay exceeded depreciation expense in the current period.	
Capital outlay expenditures	2,370,746
Depreciation expense	(745,265)
	<u>1,625,481</u>
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	
Energy performance contract debt issued	(1,698,397)
Principal paid on energy performance contract debt	66,723
Principal paid on bonds	<u>1,265,000</u>
	<u>(366,674)</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	(2,483)
Claims	281,855
Compensated absences	(29,248)
Other post employment benefit obligations	<u>(2,023,095)</u>
	<u>(1,772,971)</u>
Change in Net Position of Governmental Activities	\$ <u>(295,622)</u>

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

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

Statement of Revenues, Expenditures and Changes in Fund

Balances - Budget and Actual

General and Special Aid Funds

Year Ended June 30, 2013

	General Fund			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
REVENUES				
Real property taxes	\$ 29,922,368	\$ 29,922,368	\$ 29,895,289	\$ (27,079)
Other tax items	5,242,530	5,242,530	5,242,530	-
Non-property taxes	425,000	425,000	421,057	(3,943)
Charges for services	530,000	530,000	995,956	465,956
Use of money and property	60,000	60,000	41,423	(18,577)
Sale of property and compensation for loss	-	-	36,240	36,240
State aid	3,843,568	3,843,568	3,910,887	67,319
Federal aid	50,000	50,000	59,255	9,255
Miscellaneous	185,000	185,000	366,990	181,990
Total Revenues	40,258,466	40,258,466	40,969,627	711,161
EXPENDITURES				
Current				
General support	4,494,555	5,121,966	4,705,496	416,470
Instruction	25,738,213	25,916,892	24,252,279	1,664,613
Pupil transportation	1,537,133	1,517,496	1,149,508	367,988
Employee benefits	10,217,925	9,413,520	8,954,019	459,501
Debt service				
Principal	-	66,723	66,723	-
Interest	-	84,628	84,628	-
Total Expenditures	41,987,826	42,121,225	39,212,653	2,908,572
Excess (Deficiency) of Revenues Over Expenditures	(1,729,360)	(1,862,759)	1,756,974	3,619,733
OTHER FINANCING SOURCES (USES)				
Transfers in	150,000	150,000	-	(150,000)
Transfers out	(1,663,174)	(1,529,775)	(1,528,354)	1,421
Total Other Financing Sources (Uses)	(1,513,174)	(1,379,775)	(1,528,354)	(148,579)
Net Change in Fund Balances	(3,242,534)	(3,242,534)	228,620	3,471,154
Fund Balances - Beginning of Year	3,242,534	3,242,534	10,765,061	7,522,527
Fund Balances - End of Year	\$ -	\$ -	\$ 10,993,681	\$ 10,993,681

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)
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
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
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
713,644	971,476	840,177	131,299
(45,000)	(45,000)	(43,579)	1,421
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

Statement of Assets and Liabilities

Fiduciary Fund

June 30, 2013

	<u>Agency</u>
ASSETS	
Cash and equivalents	\$ 176,360
Accounts receivable	<u>1,079</u>
Total Assets	<u><u>\$ 177,439</u></u>
LIABILITIES	
Accounts payable	\$ 29,906
Deposits	76,825
Student activity funds	<u>70,708</u>
Total Liabilities	<u><u>\$ 177,439</u></u>

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

Note 1 - Summary of Significant Accounting Policies

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

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

A. Financial Reporting Entity

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

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

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

B. District-Wide Financial Statements

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

Note 1 - Summary of Significant Accounting Policies (Continued)

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

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

C. Fund Financial Statements

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

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. The major revenues of this fund are food sales and Federal aid.

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

Note 1 - Summary of Significant Accounting Policies (Continued)

are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

Note 1 - Summary of Significant Accounting Policies (Continued)

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, 2013.

Investment Pool - The School District participates in a cooperative investment pool established pursuant to General Municipal Law that meets the definition of a 2a7-like pool. The sponsoring agency of the pool is another governmental unit, which acting through the fiscal officer, is primarily responsible for executing the provisions of the cooperative agreement. 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 the Cooperative Liquid Assets Securities System (CLASS), which may be obtained from MBIA Municipal Investors Service Corp., 113 King Street, Armonk, NY 10504.

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 rate or credit risk.

Inventory - There are no inventory values presented in the balance sheets of the respective funds of the School District. Purchases of inventorable items at various locations are recorded as expenditures at the time of purchase and year-end balances at these locations are not material.

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, 2013, 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

Note 1 - Summary of Significant Accounting Policies (Continued)

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 \$4,000 within the General Fund for tuition received in advance, \$42,408 for Federal and State aid received in advance in the Special Aid Fund and \$13,313 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.

As of June 30, 2013, no amounts were required to be reported as deferred outflows/inflows of resources.

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, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds

Note 1 - Summary of Significant Accounting Policies (Continued)

payable are reported net of the applicable bond premium or discount, where applicable. Bond issuance costs are amortized over the term of the related debt.

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 and liabilities. 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 current liabilities. 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) or they are legally or contractually required to be maintained intact (the corpus of a permanent fund).

Restricted fund balance is to be 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 will be 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 will be 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

Note 1 - Summary of Significant Accounting Policies (Continued)

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.

Assigned fund balance, in the General Fund, will represent amounts constrained either by 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. 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.

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.

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 17, 2013.

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.
- 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.

Note 2 - Stewardship, Compliance and Accountability (Continued)

- 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

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, 2013, the School District implemented GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position" ("GASB Statement No. 63"). This statement provides financial reporting guidance for these elements first introduced in GASB Concept Statement No. 4, "Elements of Financial Statements". Previous financial reporting standards did not include guidance for reporting these financial statement elements, which are distinct from assets and liabilities.

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

Notes to Financial Statements (Continued)
June 30, 2013

Note 3 - Detailed Notes on All Funds

A. Due From/To Other Funds

The composition of interfund balances at June 30, 2013 is as follows:

<u>Fund</u>	<u>Due From</u>	<u>Due To</u>
General	\$ 337,502	\$ -
Capital Projects	-	407,367
Special Aid	-	374,278
Non-Major Governmental	464,246	-
	<u>\$ 801,748</u>	<u>\$ 781,645</u>

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

B. Capital Assets

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

<u>Class</u>	<u>Balance July 1, 2012</u>	<u>Additions</u>	<u>Balance June 30, 2013</u>
Capital Assets, not being depreciated:			
Land	<u>\$ 115,000</u>	<u>\$ -</u>	<u>\$ 115,000</u>
Capital Assets, being depreciated			
Land Improvements	\$ 1,112,913	\$ 203,089	\$ 1,316,002
Buildings and Improvements	20,312,414	2,101,157	22,413,571
Machinery and Equipment	<u>922,423</u>	<u>66,500</u>	<u>988,923</u>
Total Capital Assets, being Depreciated	<u>22,347,750</u>	<u>2,370,746</u>	<u>24,718,496</u>
Less Accumulated Depreciation for			
Land Improvements	\$ 612,885	\$ 44,882	\$ 657,767
Buildings and Improvements	12,656,665	652,603	13,309,268
Machinery and Equipment	<u>656,199</u>	<u>47,780</u>	<u>703,979</u>
Total Accumulated Depreciation	<u>13,925,749</u>	<u>745,265</u>	<u>14,671,014</u>
Total Capital Assets, being depreciated, net	<u>\$ 8,422,001</u>	<u>\$ 1,625,481</u>	<u>\$ 10,047,482</u>
Governmental Activities			
Capital Assets, net	<u>\$ 8,537,001</u>	<u>\$ 1,625,481</u>	<u>\$ 10,162,482</u>

Note 3 - Detailed Notes on All Funds (Continued)

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

General Support	\$ 30,368
Instruction	708,856
Cost of Food Sales	<u>6,041</u>
Total Depreciation Expense	<u>\$ 745,265</u>

C. Accrued Liabilities

Accrued liabilities as of June 30, 2013 were as follows:

	<u>General Fund</u>
Payroll and Employee Benefits	<u>\$ 39,811</u>

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 2013 are as follows:

ERS		TRS	
Tier/Plan	Rate	Tiers	Rate
1 75I	25.4%	1-6	11.84%
4 A14	18.7		
5 A15	15.2		
6 A15	10.2		

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

Notes to Financial Statements (Continued)
June 30, 2013

Note 3 - Detailed Notes on All Funds (Continued)

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

	ERS	TRS
2013	\$ 721,504	\$ 2,120,967
2012	716,161	1,936,737
2011	434,970	1,481,231

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.

E. Long-Term Liabilities

The following table summarizes changes in the School District's long-term liabilities for the year ended June 30, 2013:

	Balance July 1, 2012	New Issues/ Additions	Maturities and/or Payments	Balance June 30, 2013	Due Within One-Year
Bonds Payable	\$ 5,295,000	\$ -	\$ 1,265,000	\$ 4,030,000	\$ 1,215,000
Energy Performance Contract Debt Payable	-	1,698,397	66,723	1,631,674	97,402
	<u>5,295,000</u>	<u>1,698,397</u>	<u>1,331,723</u>	<u>5,661,674</u>	<u>1,312,402</u>
Other Non-current Liabilities					
Claims Payable	281,855	-	281,855	-	-
Compensated Absences	199,686	49,217	19,969	228,934	22,900
Other Post Employment Benefit Obligations Payable	<u>8,431,567</u>	<u>3,144,319</u>	<u>1,121,224</u>	<u>10,454,662</u>	<u>-</u>
Total Non-Current Liabilities	<u>8,913,108</u>	<u>3,193,536</u>	<u>1,423,048</u>	<u>10,683,596</u>	<u>22,900</u>
Total Long-Term Liabilities	<u>\$ 14,208,108</u>	<u>\$ 4,891,933</u>	<u>\$ 2,754,771</u>	<u>\$ 16,345,270</u>	<u>\$ 1,335,302</u>

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.

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

Notes to Financial Statements (Continued)
June 30, 2013

Note 3 - Detailed Notes on All Funds (Continued)

Bonds Payable

Bonds payable at June 30, 2013 are comprised of the following individual issues:

Purpose	Year of Issue	Original Issue Amount	Final Maturity	Interest Rates	Amount Outstanding at June 30, 2013
School District Renovations	1995	\$ 3,972,000	July, 2013	5.20 - 5.40 %	\$ 340,000
School District Renovations	2003	9,925,000	July, 2016	3.00 - 3.50	3,690,000
					<u>\$ 4,030,000</u>

Interest expenditures of \$169,775 were recorded in the fund financial statements in the Debt Service Fund. Interest expense of \$149,496 was recorded in the district-wide financial statements.

Energy Performance Contract Debt Payable

The School District, in August 2012 entered into a \$1,698,397 contractual agreement to install energy savings equipment and/or to upgrade existing facilities to enhance performance. The terms of the contract provide for repayment over fourteen years, with semi-annual installments of \$75,611 through August 2026. Payments include interest at 3.3480%. The balance due at June 30, 2013 was \$1,631,674. Interest expenditures of \$84,628 were recorded in the fund financial statements in the General Fund. Interest expense of \$107,390 was recorded in the district-wide financial statements.

Payments to Maturity

The annual requirements to amortize all outstanding bonded debt as of June 30, 2013, including interest payments of \$680,107 are as follows:

Year Ending June 30,	Bonds		Energy Performance		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 1,215,000	\$ 120,793	\$ 97,402	\$ 53,820	\$ 1,312,402	\$ 174,613
2015	905,000	82,122	100,690	50,532	1,005,690	132,654
2016	940,000	50,400	104,090	47,132	1,044,090	97,532
2017	970,000	16,975	107,603	43,619	1,077,603	60,594
2018	-	-	111,236	39,985	111,236	39,985
2019-2023	-	-	615,109	140,995	615,109	140,995
2024-2027	-	-	495,544	33,734	495,544	33,734
	<u>\$ 4,030,000</u>	<u>\$ 270,290</u>	<u>\$ 1,631,674</u>	<u>\$ 409,817</u>	<u>\$ 5,661,674</u>	<u>\$ 680,107</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.

Note 3 - Detailed Notes on All Funds (Continued)

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.

Claims Payable

Claims payable included a liability of \$281,855 for court ordered tax certiorari refunds. This amount was paid during 2012-13.

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.

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 25 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, 2013 was as follows:

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

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

Notes to Financial Statements (Continued)
June 30, 2013

Note 3 - Detailed Notes on All Funds (Continued)

Amortization Component	
Actuarial Accrued Liability as of July 1, 2012	\$ 36,365,458
Assets at Market Value	-
Unfunded Actuarial Accrued Liability ("UAAL")	<u>\$ 36,365,458</u>
Funded Ratio	<u>0.00%</u>
Covered Payroll (active plan members)	<u>\$ 21,853,811</u>
UAAL as a Percentage of Covered Payroll	<u>166.40%</u>
Annual Required Contribution	\$ 3,038,542
Interest on Net OPEB Obligation	421,578
Adjustment on annual required contribution	<u>(315,801)</u>
Annual OPEB Cost	3,144,319
Contributions Made	<u>(1,121,224)</u>
Increase in Net OPEB Obligation	2,023,095
Net OPEB Obligation - beginning of year	<u>8,431,567</u>
Net OPEB Obligation - end of year	<u>\$ 10,454,662</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
2013	\$ 3,144,319	35.66 %	\$ 10,454,662
2012	3,236,345	32.21	8,431,567
2011	3,019,722	35.30	6,237,510

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

Note 3 - Detailed Notes on All Funds (Continued)**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.

<u>Transfers Out</u>	<u>Transfers In</u>			<u>Total</u>
	<u>Capital Projects Fund</u>	<u>Special Aid Funds</u>	<u>Non-Major Governmental Funds</u>	
General Fund	<u>\$ 50,000</u>	<u>\$ 43,579</u>	<u>\$ 1,434,775</u>	<u>\$ 1,528,354</u>

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

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.

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 net position 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, 2013

Note 3 - Detailed Notes on All Funds (Continued)

H. Fund Balances

	2013				2012			
	General Fund	Capital Projects Fund	Non-Major Governmental Funds	Total	General Fund	Capital Projects Fund	Non-Major Governmental Funds	Total
Restricted:								
Tax certiorari	\$ 3,292,856	\$ -	\$ -	\$ 3,292,856	\$ 3,276,474	\$ -	\$ -	\$ 3,276,474
Employee benefit accrued liability	228,934	-	-	228,934	186,930	-	-	186,930
Retirement system contributions	1,672,115	-	-	1,672,115	1,415,040	-	-	1,415,040
Debt service	20,157	-	309,873	330,030	20,057	-	309,219	329,276
Capital projects	-	90,473	-	90,473	-	94,067	-	94,067
Future capital projects	1,400,000	-	-	1,400,000	1,400,000	-	-	1,400,000
Special purposes	-	-	88,625	88,625	-	-	103,689	103,689
Total Restricted	6,614,062	90,473	398,498	7,103,033	6,298,501	94,067	412,908	6,805,476
Assigned:								
Purchases on order:								
General government support	192,093	-	-	192,093	816,095	-	-	816,095
Instruction	175,199	-	-	175,199	101,386	-	-	101,386
Pupil Transportation	20,746	-	-	20,746	25,055	-	-	25,055
Subsequent year's expenditures	388,038	-	-	388,038	942,536	-	-	942,536
School Lunch Fund	2,250,000	-	150,000	2,400,000	2,300,000	-	150,000	2,450,000
Total Assigned	2,638,038	-	184,991	2,823,029	3,242,536	-	177,065	3,419,601
Unassigned	1,741,581	-	-	1,741,581	1,224,024	-	-	1,224,024
Total Fund Balance	\$ 10,993,681	\$ 90,473	\$ 583,489	\$ 11,667,643	\$ 10,765,061	\$ 94,067	\$ 589,973	\$ 11,449,101

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, 2013, 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.

B. Contingencies

The School District participates in various Federal grant programs. These programs are be subject to program compliance audits pursuant to the Single Audit Act. Accordingly, the School District's compliance with applicable grant requirements will 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.

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,

Note 4 - Summary Disclosure of Significant Contingencies (Continued)

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, 2012	\$ -	\$ 36,365,458	\$ 36,365,458	- %	\$ 21,853,811	166 %
July 1, 2011	-	35,735,043	35,735,043	-	22,219,781	161
July 1, 2010	-	33,355,833	33,355,833	-	21,259,894	157

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

	2013	2012
ASSETS		
Cash and equivalents	\$ 12,448,474	\$ 11,877,358
Investments	-	3,321
Receivables		
Accounts	500,668	284,487
State and Federal aid	534,080	345,194
Due from other governments	80,000	70,000
Due from other funds	337,502	895,982
	1,452,250	1,595,663
Total Assets	\$ 13,900,724	\$ 13,476,342
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 212,082	\$ 188,078
Accrued liabilities	39,811	46,210
Due to other governments	72,243	79,558
Unearned revenues	4,000	4,229
Due to retirement systems	2,578,907	2,393,206
Total Liabilities	2,907,043	2,711,281
Fund balance		
Restricted	6,614,062	6,298,501
Assigned	2,638,038	3,242,534
Unassigned	1,741,581	1,224,026
Total Fund Balance	10,993,681	10,765,061
Total Liabilities and Fund Balance	\$ 13,900,724	\$ 13,476,342

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,

	2013				Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	Encumbr- ances	
REVENUES					
Real property taxes	\$ 29,922,368	\$ 29,922,368	\$ 29,895,289	\$	\$ (27,079)
Other tax items	5,242,530	5,242,530	5,242,530		-
Non-property taxes	425,000	425,000	421,057		(3,943)
Charges for services	530,000	530,000	995,956		465,956
Use of money and property	60,000	60,000	41,423		(18,577)
Sale of property and compensation for loss	-	-	36,240		36,240
State aid	3,843,568	3,843,568	3,910,887		67,319
Federal aid	50,000	50,000	59,255		9,255
Miscellaneous	185,000	185,000	366,990		181,990
Total Revenues	40,258,466	40,258,466	40,969,627		711,161
EXPENDITURES					
Current					
General support					
Board of education	44,351	42,850	39,341	-	3,509
Central administration	412,632	413,132	408,136	28	4,968
Finance	540,018	549,981	533,627	-	16,354
Staff	230,094	231,018	131,687	-	99,331
Central services	2,901,360	3,211,769	2,934,840	192,065	84,864
Special items	366,100	673,216	657,865	-	15,351
Total General Support	4,494,555	5,121,966	4,705,496	192,093	224,377
Instruction					
Instruction, administration and improvement	1,546,750	1,544,159	1,518,765	862	24,532
Teaching - Regular school	14,227,848	14,093,074	13,519,249	85,012	488,813
Programs for children with handicapping conditions	5,868,688	5,574,081	4,917,598	5,278	651,205
Occupational education	100,000	65,000	42,695	-	22,305
Teaching - Special schools	-	41,000	40,763	-	237
Instructional media	1,231,280	1,696,538	1,530,958	47,396	118,184
Pupil services	2,763,647	2,903,040	2,682,251	36,651	184,138
Total Instruction	25,738,213	25,916,892	24,252,279	175,199	1,489,414
Pupil transportation	1,537,133	1,517,496	1,149,508	20,746	347,242
Employee benefits	10,217,925	9,413,520	8,954,019	-	459,501
Debt service					
Principal	-	66,723	66,723	-	-
Interest	-	84,628	84,628	-	-
Total Expenditures	41,987,826	42,121,225	39,212,653	388,038	2,520,534
Excess (Deficiency) of Revenues Over Expenditures	(1,729,360)	(1,862,759)	1,756,974	(388,038)	3,231,695
OTHER FINANCING SOURCES (USES)					
Transfers in	150,000	150,000	-	-	(150,000)
Transfers out	(1,663,174)	(1,529,775)	(1,528,354)	-	1,421
Total Other Financing Uses	(1,513,174)	(1,379,775)	(1,528,354)	-	(148,579)
Net Change in Fund Balance	(3,242,534)	(3,242,534)	228,620	\$ (388,038)	\$ 3,083,116
Fund Balance -					
Beginning of Year	3,242,534	3,242,534	10,765,061		
Fund Balance - End of Year	\$ -	\$ -	\$ 10,993,681		

2012				
Original Budget	Final Budget	Actual	Encumbr- ances	Variance with Final Budget Positive (Negative)
\$ 29,351,456	\$ 29,351,456	\$ 29,345,284	\$	\$ (6,172)
5,181,129	5,181,129	5,181,129		-
375,000	375,000	385,766		10,766
450,000	450,000	866,805		416,805
170,000	170,000	47,108		(122,892)
-	-	3,170		3,170
3,695,809	3,695,809	4,189,045		493,236
40,000	40,000	42,340		2,340
215,000	215,000	218,392		3,392
39,478,394	39,478,394	40,279,039		800,645
43,850	43,847	33,979	3	9,865
398,000	401,139	376,032	-	25,107
546,850	558,953	540,143	15,000	3,810
242,148	243,606	162,804	20,354	60,448
2,718,835	3,524,937	2,672,839	780,738	71,360
463,500	565,011	561,440	-	3,571
4,413,183	5,337,493	4,347,237	816,095	174,161
1,523,314	1,396,757	1,374,657	1,554	20,546
13,611,128	13,765,221	13,284,788	40,302	440,131
6,189,203	6,074,851	5,567,695	805	506,351
131,000	81,000	26,824	-	54,176
-	23,780	20,915	-	2,865
1,283,332	1,334,925	1,208,085	19,873	106,967
2,733,723	2,755,922	2,492,694	38,852	224,376
25,471,700	25,432,456	23,975,658	101,386	1,355,412
1,502,500	1,427,500	1,309,973	25,055	92,472
9,733,096	8,923,030	8,645,937	-	277,093
-	-	-	-	-
-	-	-	-	-
41,120,479	41,120,479	38,278,805	942,536	1,899,138
(1,642,085)	(1,642,085)	2,000,234	(942,536)	2,699,783
150,000	150,000	-	-	(150,000)
(1,531,035)	(1,531,035)	(1,515,871)	-	15,164
(1,381,035)	(1,381,035)	(1,515,871)	-	(134,836)
(3,023,120)	(3,023,120)	484,363	\$ (942,536)	\$ 2,564,947
3,023,120	3,023,120	10,280,698		
\$ -	\$ -	\$ 10,765,061		

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, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REAL PROPERTY TAXES	\$ 29,922,368	\$ 29,922,368	\$ 29,895,289	\$ (27,079)
OTHER TAX ITEMS				
School tax relief reimbursement	5,242,530	5,242,530	5,242,530	-
NON-PROPERTY TAXES				
Non-property tax distribution from County	425,000	425,000	421,057	(3,943)
CHARGES FOR SERVICES				
Day school tuition	420,000	420,000	837,337	417,337
Other student fees and charges	30,000	30,000	83,391	53,391
Health services for other districts	80,000	80,000	75,228	(4,772)
USE OF MONEY AND PROPERTY				
Earnings on investments	530,000	530,000	995,956	465,956
	60,000	60,000	41,423	(18,577)
SALE OF PROPERTY AND COMPENSATION FOR LOSS				
Insurance recoveries	-	-	30,745	30,745
Other	-	-	5,495	5,495
	-	-	36,240	36,240

STATE AID					
Basic formula	3,192,328	3,192,328	2,270,483	(921,845)	
BOCES	529,059	529,059	553,167	24,108	
Lottery	-	-	813,803	813,803	
Textbooks aid	122,181	122,181	94,831	(27,350)	
Computer software aid	-	-	36,065	36,065	
Students with disabilities	-	-	132,651	132,651	
Library aid	-	-	9,887	9,887	
	<u>3,843,568</u>	<u>3,843,568</u>	<u>3,910,887</u>	<u>67,319</u>	
FEDERAL AID					
Medical assistance	50,000	50,000	59,255	9,255	
MISCELLANEOUS					
Refund of BOCES aided services	185,000	185,000	193,857	8,857	
Refund of prior year's expenditures	-	-	169,563	169,563	
Other	-	-	3,570	3,570	
	<u>185,000</u>	<u>185,000</u>	<u>366,990</u>	<u>181,990</u>	
TOTAL REVENUES	40,258,466	40,258,466	40,969,627	711,161	
OTHER FINANCING SOURCES					
Transfers in					
Debt Service Fund	150,000	150,000	-	(150,000)	
	<u>150,000</u>	<u>150,000</u>	<u>-</u>	<u>(150,000)</u>	
TOTAL REVENUES AND OTHER FINANCING SOURCES	<u>\$ 40,408,466</u>	<u>\$ 40,408,466</u>	<u>\$ 40,969,627</u>	<u>\$ 561,161</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, 2013

	Original Budget	Final Budget	Actual	Encumbr- ances	Variance with Final Budget Positive (Negative)
GENERAL SUPPORT					
BOARD OF EDUCATION					
Board of education	\$ 18,351	\$ 20,850	\$ 20,044	\$ -	\$ 806
District clerk	26,000	22,000	19,297	-	2,703
Total Board of Education	44,351	42,850	39,341	-	3,509
CENTRAL ADMINISTRATION					
Chief school administrator	412,632	413,132	408,136	28	4,968
FINANCE					
Business administration	464,006	467,859	461,036	-	6,823
Accounting and auditing	70,500	76,500	66,969	-	9,531
Treasurer	5,512	5,622	5,622	-	-
Total Finance	540,018	549,981	533,627	-	16,354
STAFF					
Legal	142,000	143,424	94,707	-	48,717
Personnel	20,854	20,854	2,640	-	18,214
Public information and services	67,240	66,740	34,340	-	32,400
Total Staff	230,094	231,018	131,687	-	99,331

CENTRAL SERVICES				
Operation of plant	1,984,221	2,178,378	2,017,748	100,124
Maintenance of plant	917,139	1,033,391	917,092	91,941
				60,506
				24,358
Total Central Services	2,901,360	3,211,769	2,934,840	192,065
				84,864
SPECIAL ITEMS				
Unallocated insurance	165,000	158,000	153,050	-
Assessments on school property	51,100	51,100	50,751	-
Refunds of real property taxes	-	314,116	312,999	-
Administrative charge - BOCES	150,000	150,000	141,065	-
				8,935
Total Special Items	366,100	673,216	657,865	-
				15,351
Total General Support	4,494,555	5,121,966	4,705,496	192,093
				224,377
INSTRUCTION				
INSTRUCTION, ADMINISTRATION AND IMPROVEMENT				
Curriculum development and supervision	193,843	194,816	193,200	142
Supervision - Regular school	1,352,907	1,349,343	1,325,565	720
				1,474
				23,058
Total Instruction, Administration and Improvement	1,546,750	1,544,159	1,518,765	862
				24,532
TEACHING - REGULAR SCHOOL	14,227,848	14,093,074	13,519,249	85,012
				488,813
PROGRAMS FOR CHILDREN WITH HANDICAPPING CONDITIONS				
Programs for students with disabilities	5,868,688	5,574,081	4,917,598	5,278
				651,205
OCCUPATIONAL EDUCATION	100,000	65,000	42,695	-
				22,305

(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, 2013

	Original Budget	Final Budget	Actual	Encumbrances	Variance with Final Budget Positive (Negative)
INSTRUCTION (Continued)					
INSTRUCTIONAL MEDIA					
School library and audiovisual	\$ 320,644	\$ 332,162	\$ 314,202	\$ 6,134	\$ 11,826
Computer assisted instruction	910,636	1,364,376	1,216,756	41,262	106,358
Total Instructional Media	1,231,280	1,696,538	1,530,958	47,396	118,184
PUPIL SERVICES					
Guidance - Regular school	925,239	925,903	905,006	-	20,897
Health services - Regular school	294,000	294,000	269,601	-	24,399
Psychological services - Regular school	568,067	574,093	555,440	-	18,653
Co-curricular activities - Regular school	354,884	376,494	316,860	23,972	35,662
Interscholastic athletics - Regular school	621,457	732,550	635,344	12,679	84,527
Total Pupil Services	2,763,647	2,903,040	2,682,251	36,651	184,138
Total Instruction	25,738,213	25,916,892	24,252,279	175,199	1,489,414
PUPIL TRANSPORTATION					
District transportation services	18,000	18,363	18,363	-	-
Contract transportation	1,514,543	1,494,543	1,130,745	20,746	343,052
Other public transportation	4,590	4,590	400	-	4,190
Total Pupil Transportation	1,537,133	1,517,496	1,149,508	20,746	347,242

CENTRAL SERVICESOperation of plant
Maintenance of plant

1,984,221	2,178,378	2,017,748	100,124	60,506
917,139	1,033,391	917,092	91,941	24,358
2,901,360	3,211,769	2,934,840	192,065	84,864

Total Central Services

SPECIAL ITEMSUnallocated insurance
Assessments on school property
Refunds of real property taxes
Administrative charge - BOCES

165,000	158,000	153,050	-	4,950
51,100	51,100	50,751	-	349
-	314,116	312,999	-	1,117
150,000	150,000	141,065	-	8,935

Total Special Items

Total General Support

366,100	673,216	657,865	-	15,351
4,494,555	5,121,966	4,705,496	192,093	224,377

INSTRUCTION**INSTRUCTION, ADMINISTRATION AND
IMPROVEMENT**Curriculum development and supervision
Supervision - Regular school

193,843	194,816	193,200	142	1,474
1,352,907	1,349,343	1,325,565	720	23,058

Total Instruction, Administration
and Improvement

1,546,750	1,544,159	1,518,765	862	24,532
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TEACHING - REGULAR SCHOOL**PROGRAMS FOR CHILDREN WITH
HANDICAPPING CONDITIONS**

Programs for students with disabilities

5,868,688	5,574,081	4,917,598	5,278	651,205
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OCCUPATIONAL EDUCATION

100,000	65,000	42,695	-	22,305
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(Continued)

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

General Fund

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

Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Encumbr- ances	Variance with Final Budget Positive (Negative)
INSTRUCTION (Continued)					
<i>INSTRUCTIONAL MEDIA</i>					
School library and audiovisual	\$ 320,644	\$ 332,162	\$ 314,202	\$ 6,134	\$ 11,826
Computer assisted instruction	910,636	1,364,376	1,216,756	41,262	106,358
Total Instructional Media	1,231,280	1,696,538	1,530,958	47,396	118,184
<i>PUPIL SERVICES</i>					
Guidance - Regular school	925,239	925,903	905,006	-	20,897
Health services - Regular school	294,000	294,000	269,601	-	24,399
Psychological services - Regular school	568,067	574,093	555,440	-	18,653
Co-curricular activities - Regular school	354,884	376,494	316,860	23,972	35,662
Interscholastic athletics - Regular school	621,457	732,550	635,344	12,679	84,527
Total Pupil Services	2,763,647	2,903,040	2,682,251	36,651	184,138
Total Instruction	25,738,213	25,916,892	24,252,279	175,199	1,489,414
PUPIL TRANSPORTATION					
District transportation services	18,000	18,363	18,363	-	-
Contract transportation	1,514,543	1,494,543	1,130,745	20,746	343,052
Other public transportation	4,590	4,590	400	-	4,190
Total Pupil Transportation	1,537,133	1,517,496	1,149,508	20,746	347,242

EMPLOYEE BENEFITS

State retirement	815,000	815,000	721,504	-	93,496
Teachers' retirement	2,250,000	2,250,000	2,120,967	-	129,033
Social security	1,710,000	1,687,681	1,624,509	-	63,172
Workers' compensation benefits	148,675	148,675	137,617	-	11,058
Life insurance	10,000	10,000	8,180	-	1,820
Unemployment insurance	65,000	40,455	-	-	40,455
Hospital, medical and dental insurance	4,885,000	4,126,467	4,016,875	-	109,592
Union welfare benefits	334,250	335,242	324,367	-	10,875
Total Employee Benefits	10,217,925	9,413,520	8,954,019	-	459,501

DEBT SERVICE

Principal					
Energy performance contract debt	-	66,723	66,723	-	-
Interest					
Energy performance contract debt	-	84,628	84,628	-	-
Total Debt Service	-	151,351	151,351	-	-
TOTAL EXPENDITURES	41,987,826	42,121,225	39,212,653	388,038	2,520,534

OTHER FINANCING USES

Transfers out					
Special Aid Fund	45,000	45,000	43,579	-	1,421
Debt Service Fund	1,568,174	1,434,775	1,434,775	-	-
Capital Projects Fund	50,000	50,000	50,000	-	-
TOTAL OTHER FINANCING USES	1,663,174	1,529,775	1,528,354	-	1,421

TOTAL EXPENDITURES AND OTHER FINANCING USES

\$ 43,651,000	\$ 43,651,000	\$ 40,741,007	\$ 388,038	\$ 2,521,955
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Hastings-on-Hudson Union Free School District, New York

Capital Projects Fund Comparative Balance Sheet June 30,

	2013	2012
ASSETS		
Cash and equivalents	<u>\$ 497,840</u>	<u>\$ 500,798</u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Due to other funds	\$ 407,367	\$ 406,731
Fund balance		
Restricted	<u>90,473</u>	<u>94,067</u>
Total Liabilities and Fund Balance	<u>\$ 497,840</u>	<u>\$ 500,798</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>2013</u>	<u>2012</u>
REVENUES	\$ -	\$ -
EXPENDITURES		
Capital outlay	<u>1,751,991</u>	<u>20,665</u>
Deficiency of Revenues Over Expenditures	<u>(1,751,991)</u>	<u>(20,665)</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>1,748,397</u>	<u>50,000</u>
Net Change in Fund Balance	(3,594)	29,335
Fund Balance - Beginning of Year	<u>94,067</u>	<u>64,732</u>
Fund Balance - End of Year	<u>\$ 90,473</u>	<u>\$ 94,067</u>

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

Capital Projects Fund

Project-Length Schedule

Inception of Project Through June 30, 2013

Project	Authori- zation	Expenditures and Transfers To Date		
		Prior Years	Current Year	Totals
District-Wide Improvements - 2011/12	\$ 50,000	\$ 17,855	\$ 22,639	\$ 40,494
District-Wide Improvements - 2012/13	50,000	-	28,732	28,732
Energy Performance Contract	1,698,397	-	1,698,397	1,698,397
Excel	907,969	846,047	2,223	848,270
Totals	<u>\$ 2,706,366</u>	<u>\$ 863,902</u>	<u>\$ 1,751,991</u>	<u>\$ 2,615,893</u>

2012			
Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
\$ 204,253	\$ 204,253	\$ 204,253	\$ -
643,135	643,135	474,956	(168,179)
847,388	847,388	679,209	(168,179)
902,388	902,388	719,739	182,649
(55,000)	(55,000)	(40,530)	14,470
55,000	55,000	40,530	(14,470)
-	-	-	-
-	-	-	-
\$ -	\$ -	\$ -	\$ -

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

Combining Balance Sheet

Non-Major Governmental Funds

June 30, 2013

(With Comparative Totals for 2012)

	School Lunch	Special Purpose	Debt Service
ASSETS			
Cash and equivalents	\$ 52,673	\$ 86,230	\$ -
Investments	-	-	18,949
Receivables			
Accounts	3,126	-	-
Due from other funds	824	2,395	440,924
	3,950	2,395	440,924
Total Assets	<u>\$ 56,623</u>	<u>\$ 88,625</u>	<u>\$ 459,873</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Unearned revenues	\$ 13,313	\$ -	\$ -
Due to other governments	8,319	-	-
Total Liabilities	<u>21,632</u>	<u>-</u>	<u>-</u>
Fund balances			
Restricted	-	88,625	309,873
Assigned	34,991	-	150,000
Total Fund Balances	<u>34,991</u>	<u>88,625</u>	<u>459,873</u>
Total Liabilities and Fund Balances	<u>\$ 56,623</u>	<u>\$ 88,625</u>	<u>\$ 459,873</u>

Total Non-Major Governmental Funds	
2013	2012
\$ 138,903	\$ 139,416
18,949	18,931
3,126	6,153
444,143	443,507
447,269	449,660
\$ 605,121	\$ 608,007
\$ 13,313	\$ 9,708
8,319	8,326
21,632	18,034
398,498	412,908
184,991	177,065
583,489	589,973
\$ 605,121	\$ 608,007

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

Combining Statement of Revenues, Expenditures and Changes
in Fund Balances
Non-Major Governmental Funds
Year Ended June 30, 2013
(With Comparative Totals for 2012)

	School Lunch	Special Purpose	Debt Service
REVENUES			
Use of money and property	\$ 114	\$ 113	\$ 654
State aid	1,378	-	-
Federal aid	27,428	-	-
Food sales	297,720	-	-
Miscellaneous	-	72,379	-
Total Revenues	326,640	72,492	654
EXPENDITURES			
Current			
Cost of food sales	318,714	-	-
Other	-	87,556	-
Debt service			
Principal	-	-	1,265,000
Interest	-	-	169,775
Total Expenditures	318,714	87,556	1,434,775
Excess (Deficiency) of Revenues Over Expenditures	7,926	(15,064)	(1,434,121)
OTHER FINANCING SOURCES			
Transfers in	-	-	1,434,775
Net Change in Fund Balances	7,926	(15,064)	654
Fund Balances - Beginning of Year	27,065	103,689	459,219
Fund Balances - End of Year	\$ 34,991	\$ 88,625	\$ 459,873

Total Non-Major Governmental Funds	
2013	2012
\$ 881	\$ 1,016
1,378	2,255
27,428	34,635
297,720	322,166
72,379	175,502
399,786	535,574
318,714	503,102
87,556	161,147
1,265,000	1,210,000
169,775	215,341
1,841,045	2,089,590
(1,441,259)	(1,554,016)
1,434,775	1,425,341
(6,484)	(128,675)
589,973	718,648
\$ 583,489	\$ 589,973

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

School Lunch Fund Comparative Balance Sheet June 30,

	2013	2012
ASSETS		
Cash and equivalents	\$ 52,673	\$ 38,122
Receivables		
Accounts	3,126	6,153
Due from other funds	824	824
	3,950	6,977
Total Assets	\$ 56,623	\$ 45,099
LIABILITIES AND FUND BALANCE		
Liabilities		
Unearned revenues	\$ 13,313	\$ 9,708
Due to other governments	8,319	8,326
Total Liabilities	21,632	18,034
Fund balance		
Assigned	34,991	27,065
Total Liabilities and Fund Balance	\$ 56,623	\$ 45,099

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,

	2013	2012
REVENUES		
Use of money and property	\$ 114	\$ 180
State aid	1,378	2,255
Federal aid	27,428	34,635
Food sales	297,720	322,166
Total Revenues	326,640	359,236
EXPENDITURES		
Current		
Cost of food sales	318,714	503,102
Excess (Deficiency) of Revenues Over Expenditures	7,926	(143,866)
Fund Balance - Beginning of Year	27,065	170,931
Fund Balance - End of Year	\$ 34,991	\$ 27,065

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

Special Purpose Fund
Comparative Balance Sheet
June 30,

	<u>2013</u>	<u>2012</u>
ASSETS		
Cash and equivalents	\$ 86,230	\$ 101,294
Due from other funds	<u>2,395</u>	<u>2,395</u>
Total Assets	<u>\$ 88,625</u>	<u>\$ 103,689</u>
FUND BALANCE		
Restricted	<u>\$ 88,625</u>	<u>\$ 103,689</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>2013</u>	<u>2012</u>
REVENUES		
Use of money and property	\$ 113	\$ 161
Miscellaneous	<u>72,379</u>	<u>175,502</u>
Total Revenues	72,492	175,663
EXPENDITURES		
Current		
Other	<u>87,556</u>	<u>161,147</u>
Excess (Deficiency) of Revenues Over Expenditures	(15,064)	14,516
Fund Balance - Beginning of Year	<u>103,689</u>	<u>89,173</u>
Fund Balance - End of Year	<u>\$ 88,625</u>	<u>\$ 103,689</u>

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

Debt Service Fund
Comparative Balance Sheet
June 30,

	2013	2012
ASSETS		
Cash and equivalents	\$ 18,949	\$ 18,931
Due from other funds	440,924	440,288
Total Assets	<u>\$ 459,873</u>	<u>\$ 459,219</u>
FUND BALANCE		
Restricted	\$ 309,873	\$ 309,219
Assigned	150,000	150,000
Total Fund Balance	<u>\$ 459,873</u>	<u>\$ 459,219</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,

	2013			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
REVENUES				
Use of money and property	\$ -	\$ -	\$ 654	\$ 654
EXPENDITURES				
Debt service				
Serial bonds				
Principal	1,260,000	1,260,000	1,265,000	(5,000)
Interest	174,775	174,775	169,775	5,000
Total Expenditures	1,434,775	1,434,775	1,434,775	-
Deficiency of Revenues Over Expenditures	(1,434,775)	(1,434,775)	(1,434,121)	654
OTHER FINANCING SOURCES (USES)				
Transfers in	1,434,775	1,434,775	1,434,775	-
Transfers out	(150,000)	(150,000)	-	150,000
Total Other Financing Sources	1,284,775	1,284,775	1,434,775	150,000
Net Change in Fund Balance	(150,000)	(150,000)	654	150,654
Fund Balance - Beginning of Year	150,000	150,000	459,219	309,219
Fund Balance - End of Year	\$ -	\$ -	\$ 459,873	\$ 459,873

2012			
Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
\$ -	\$ -	\$ 675	\$ 675
1,215,000	1,215,000	1,210,000	5,000
264,406	264,406	215,341	49,065
1,479,406	1,479,406	1,425,341	54,065
(1,479,406)	(1,479,406)	(1,424,666)	54,740
1,479,406	1,479,406	1,425,341	(54,065)
(150,000)	(150,000)	-	150,000
1,329,406	1,329,406	1,425,341	95,935
(150,000)	(150,000)	675	150,675
150,000	150,000	458,544	308,544
\$ -	\$ -	\$ 459,219	\$ 459,219

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

General Fund

Analysis of Change from Adopted Budget to Final Budget

Year Ended June 30, 2013

Adopted Budget	\$ 42,708,464
Additions - Encumbrances	<u>942,536</u>
Original/Final Budget	<u>\$ 43,651,000</u>

General Fund

Section 1318 of Real Property Tax Law Limit Calculation

2013-14 Expenditure Budget	\$ 43,895,492
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law	
Unrestricted fund balance	\$
Assigned fund balance	2,638,038
Unassigned fund balance	<u>1,741,581</u>
Total Unrestricted Fund Balance	<u>4,379,619</u>
Less	
Appropriated for subsequent year's budget	2,250,000
Encumbrances	<u>388,038</u>
Total Adjustments	<u>2,638,038</u>
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law	<u>\$ 1,741,581</u>
Actual Percentage	<u>3.97%</u>

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

Schedule of Net Investment in Capital Assets

Year Ended June 30, 2013

Capital Assets, net		\$ 10,162,482
Less		
Bonds payable	(4,030,000)	
Energy performance contract debt payable	<u>(1,631,674)</u>	<u>(5,661,674)</u>
Net Investment in Capital Assets		<u>\$ 4,500,808</u>

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

Independent Auditors' Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Hastings-on-Hudson Union Free School District ("School District") as of and for the year ended June 30, 2013 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 17, 2013.

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 entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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 17, 2013

**Report on Compliance For Each Major Federal Program and
on Internal Control Over Compliance**

Independent Auditors' Report

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

Report on Compliance for Each Major Federal Program

We have audited Hastings-on-Hudson Union Free School District, New York's ("School District") compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance *Supplement* that could have a direct and material effect on each of the School District's major federal programs for the year ended June 30, 2013. The School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of School District's compliance.

O'CONNOR DAVIES, LLP

500 Mamaroneck Avenue, Suite 301, Harrison, NY 10528 | Tel: 914.381.8900 | Fax: 914.381.8910 | www.odpkf.com

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Opinion on Each Major Federal Program

In our opinion, School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of the School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

O'Connor Davies, LLP

O'Connor Davies, LLP

Harrison, New York

September 17, 2013

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

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2013

<u>Federal Grantor Program Title</u>	<u>Federal CFDA Number (1)</u>	<u>Total Program Expenditures</u>
<u>U.S. Department of Agriculture</u>		
Indirect Programs - Passed through New York State Department of Education		
<i>Child Nutrition Cluster</i>		
School Breakfast Program	10.553	\$ 5,066
National School Lunch Program (NSLP) - Commodities	10.555	16,575
Special Milk Program for Children	10.556	5,787
Total U.S. Department of Agriculture		27,428
<u>U.S. Department of Education</u>		
Indirect Programs - Passed through New York State Department of Education		
<i>Special Education Cluster (IDEA)</i>		
Special Education - Grants to States (IDEA, Part B)	84.027	426,319
Special Education - Preschool Grants (IDEA Preschool)	84.173	11,363
Subtotal Special Education Cluster		437,682
Chapter I Programs - Local Educational Agencies	84.010	96,463
Improving Teacher Quality State Grants	84.367	37,416
Title I School Improvement Grant	84.377	19,950
Total U.S. Department of Education		591,511
Total		\$ 618,939

(1) Catalog of Federal Domestic Assistance number.

The accompanying notes are an integral part of this schedule.

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

Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2013

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the Hastings-on-Hudson Union Free School District, New York ("School District") under programs of the federal government for the year ended June 30, 2013. Federal awards received directly from the Federal agencies as well as Federal awards passed through other government agencies are included in the Schedule. The information in this Schedule is presented in accordance with the requirements of the Office of Management and Budget ("OMB") Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position, changes in net position or cash flows of the School District.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, which establishes principles and standards for determining costs for Federal awards carried out through grants, cost reimbursement contracts, and other agreements with State and local governments.

Hastings-On-Hudson Free School District, New York

Summary Schedule of Prior Audit Findings
Year Ended June 30, 2013

NONE

Hastings-On-Hudson Free School District, New York

Schedule of Finding and Questioned Costs
Year Ended June 30, 2013

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?
- Significant deficiency(ies) identified?

____ Yes X No
____ Yes X None reported

Noncompliance material to financial statements
noted?

____ Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified?
- Significant deficiency(ies) identified?

____ Yes X No
____ Yes X None reported

Type of auditors' report issued on compliance
for major programs:

Unmodified

Any audit findings disclosed that are
required to be reported in accordance with
Section 510(a) of OMB Circular A-133?

____ Yes X No

Identification of major programs:

CFDA Number(s)

Name of Federal Program or Cluster

84.027
84.173

Special Education Cluster:
Special Education – Grants to States (IDEA, Part B)
Special Education – Preschool Grants (IDEA Preschool)

Dollar threshold used to distinguish
between Type A and Type B programs:
Auditee qualified as low-risk auditee?

\$300,000
 X Yes ____ No

Hastings-On-Hudson Free School District, New York

Schedule of Finding and Questioned Costs
Year Ended June 30, 2013

Section II – Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

None

**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, 2013

**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, 2013, 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.

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

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

O'Connor Davies, LLP

O'Connor Davies, LLP
Harrison, New York
September 17, 2013

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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, Tracy Rowell Scholarship

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.

Management's Response

We will review the inactive accounts' 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 five clubs had no financial activity during the current fiscal year, two clubs balance were inactive for the past two fiscal years, one had an overdrawn balance.

<u>Inactive</u>	<u>Inactive in Excess of Two Years</u>	<u>Balance</u>
Band Club	X	\$ 557
Film Club	X	542
Football		33
Habitat for Humanity		134
Math Club		494
TSP		(141)
Ultimate Frisbee Club		282

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 is made to determine the proper disposition of funds.

Management's Response

The Business office will work with the Central Treasurers to ensure that proper procedures is followed in club accounts and a determination made as to the proper disposition of funds for clubs that are not longer active.

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

Addendum A (Continued)

Internal Auditors (ACCUME Partners) ("ACCUME") Comments Pertaining to Internal controls over Revenue and Accounts Receivable in which O'Connor Davies Concurs with:

This section pertains to the intensive review of the School District's Internal controls over Revenue and Accounts Receivable noted in ACCUME's July 30, 2013 internal audit report. It should be noted that their review did not find any instances of theft or fraud.

1. Nonresident Student Tuition Billing

The District should ensure it has:

- Board Approved formal agreements for all its admitted nonresident tuition students.
- Procedures to ensure that all billing criteria and any billing adjustments, such as voids and credit memos, are independently reviewed and approved by Management.
- Invoices which are sufficiently itemized and provide adequate level of detail in their descriptions, to ensure invoices reconcile to applicable contracts, to avoid confusion and/or duplication, as well as reflect proper terms of payment.
- Procedures to ensure the Department of Special Education provide a more formalized communication to the Business Office for special education tuition billing.
- Procedures to bill for tuition on a quarterly or bi-annual basis, to improve the billing and collection process, as well as to ensure the District's Account Receivables Aging Report reflects accurate data.

2. Facilities Use

- Develop and adopt a Community Use of Facilities Regulation and Fee Schedule. The District should consider both Building User Fees as well as Custodial Overtime charges to better reflect real costs of facilities use.
- Revise its *Application for Use of Facilities*, to include all necessary information in order to adequately evaluate the request and determine its validity and applicability to District policy. In addition, the District should not approve incomplete applications.
- Adopt an approval matrix for Community Use of Facilities that includes all school facilities such as Building Principals, the Athletics Director, and the District Treasurer.
- Implement procedures to ensure that invoices are correctly entered into the system and are sufficiently itemized; and to ensure invoices are issued in a timely manner.
- Consider entering into a formal Joint Use Agreement with the Village of Hastings-on-Hudson Parks and Recreation Department.
- Consider automating its Facilities Use application process, and better utilize its School dude system's functionality to improve efficiency and effectiveness.

3. Extended School Year ("ESY") Program

- Reevaluate its budget assumptions, and consider a more systematic calculation of indirect, administrative, and custodial costs of providing and maintaining its Extended School Year ("ESY") program.
- Enter into a formal and Board approved contractual arrangement for all students admitted into its ESY Program, for both consortium and non-consortium districts.
- Establish procedures to ensure the tuition rate per student for its ESY Program is Board approved.

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

Addendum B

- **Governmental Accounting Standards Board (“GASB”) Statement No. 65 “Items Previously Reported as Assets and Liabilities”**

In June 2011, the Governmental Accounting Standards Board (“GASB”) issued Statement No. 63. This Statement provided financial reporting guidance for deferred outflows of resources and deferred inflows of resources that were introduced in GASB Concept Statement No. 4, issued in June 2007. Concepts Statement No. 4, *Elements of Financial Statements*, established definitions for the seven fundamental components of historically based financial statements of state and local governments. These elements are defined as follows:

- *Assets* are resources with present service capacity that the government presently controls.
- *Liabilities* are present obligations to sacrifice resources that the government has little or no discretion to avoid.
- An *outflow of resources* is a consumption of net assets by the government that is applicable to the *current* reporting period.
- A *deferred outflow of resources* is a consumption of net assets by the government that is applicable to a *future* reporting period.
- An *inflow of resources* is an acquisition of net assets by the government that is applicable to the *current* reporting period.
- A *deferred inflow of resources* is an acquisition of net assets by the government that is applicable to a *future* reporting period.
- *Net position* is the residual of all other elements presented in a statement of net position.

The GASB introduced this Statement since previous financial reporting standards did not include guidance for reporting these *resource* elements, which are distinct from assets and liabilities. This Statement amended the net asset reporting requirements in GASB Statement No. 34 “*Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*” and other applicable pronouncements by incorporating the deferred inflow and outflow of resources into the definitions of the required components of the residual measure and by renaming that measure as *net position*, rather than *net assets*. The provisions of this Statement were effective for the School District’s financial statements for the year ending June 30, 2013, and were incorporated in the financial statements.

While GASB Concepts Statement No. 4 established the elements and Statement No. 63 established the framework and guidance for the new reporting model, Statement No. 65, issued in March 2012, established accounting and financial reporting standards that reclassify, as deferred outflows or deferred inflows of resources, certain specific items that were previously reported as assets and liabilities. Specifically, this Statement addresses changes in the reporting of 1) refunding of debt, 2) non-exchange transactions, 3) sales of future revenues and intra-entity transfers of future revenues, 4) debt issuance costs and 5) leases and other less common transactions.

This Statement also clarified previous guidance in regards to revenue recognition in governmental funds. While there is no change in the concept that financial resources should be recognized in the accounting period in which they become both measurable and available, under this Statement, revenue that does not meet the availability criteria is to now be reported as deferred inflow of resources, rather than as deferred revenues in the liability section. The provisions of this Statement are effective for the School District’s financial statements for the year ending June 30, 2013.

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

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, 2013, and have issued our report thereon dated September 17, 2013. 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 under professional standards

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

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 policies (Continued)

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.

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.

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

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.

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 17, 2013.

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.

Client: **546068.001 - HASTINGS-ON-HUDSON UNION FREE SCHOOL DISTRICT, NEW YORK**
 Period Ending: **6/30/2013**
Adjusting Journal Entries

Account	Description	Debit	Credit
Capital Fund			
To record the energy performance contract.			
H 1620.201-00-1026	FARRAGUT COMPLEX CLERK OF WORKS	1,698,397.00	
H 5789	PROCEEDS FROM ENERGY PERFORMANCE		1,698,397.00
General Fund			
To record client entry -PBC (to reverse 11/12 excess cost accrual)			
A 2701	REFUNDS OF PRIOR YR EXPEN	4,464.00	
A 3101	BASIC FORMULA	104,005.00	
A410	DUE FROM STATE & FEDERAL		108,469.00
To reverse prior year overpayment liability			
A631	DUE TO OTHER GOVERNMENTS	79,558.00	
A 3101	BASIC FORMULA		79,558.00
To reclass interest expense			
A 9785.700-00-0000	INTEREST-LEASE PURCHASE AGREEMENT	84,628.00	
A 9785.600-00-0000	PRINCIPAL-LEASE PURCHASE AGREEMENT		84,628.00
To adjust reserves per Board resolution and 13/14 budget			
A909	FUND BALANCE, UNRESERVED	291,069.00	
A827	RESERVE FOR RETIREMENT SYS CONTRIBUTI		250,000.00
A867	RESERVE FOR EMPLOYEE BENEFIT ACCR LIAB		41,069.00
Special Aid			
To reclass from Due to Other Government to Deferred Revenue			
F691	DEFERRED REVENUES	71,845.00	
F631	DUE TO OTHER GOVERNMENTS		71,845.00

**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, 2013

Independent Auditors' Report

**To 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 Extra-classroom Activity Funds of the Hasting-on-Hudson Union Free School District New York, as of and for the year ended June 30, 2013, 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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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, 2013 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 17, 2013

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, 2013

	Cash Balances Beginning	Receipts	Disburse- ments	Cash Balances Ending
HIGH SCHOOL				
Academic Challenge	\$ 1,330	\$ 1,563	\$ 2,448	\$ 445
Amnesty Club	728	1,240	1,370	598
Art Club	234	41	-	275
Band	557	-	-	557
Book Club	-	40	-	40
Cancer Awareness	442	-	440	2
Chorus	980	1,441	-	2,421
Chess club	200	6	-	206
Class 2013	6,107	11,483	16,763	827
Class 2014	455	4,937	1,368	4,024
Class 2015	3,724	938	1,561	3,101
Class 2016	-	979	-	979
Crossing Borders	423	1,023	415	1,031
Culinary Club	789	934	-	1,723
Debate Club	67	-	-	67
Environment Club	538	287	440	385
Film	542	-	-	542
Football	33	-	-	33
Foreign Language Club	2,032	420	420	2,032
Golf Club	4,008	1,500	230	5,278
GSA	183	229	-	412
Habitat for Humanity	134	-	-	134
Hudsonettes	691	1,373	1,355	709
Math Club	494	-	-	494
NAHS	488	1,081	889	680
Outing Club	42	-	37	5
Peer Leadership	923	2,340	1,460	1,803
Photography	192	145	99	238
Political Action Club	134	6	-	140
SADD	358	414	200	572
Student Union	15,043	5,156	3,311	16,888
Sunshine Club	3,517	900	1,482	2,935
TSP	422	-	563	(141)
Ultimate Frisbee	282	-	-	282
Varsity Club	6,692	9,339	10,750	5,281
W.E.S.T.M.U.N.C.	1,217	16,189	12,169	5,237
Y.E.M.C.	1,741	825	600	1,966
Yearbook	2,114	12,297	7,051	7,360
Total High School	57,856	77,126	65,421	69,561

(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, 2013

	Cash Balances Beginning	Receipts	Disburse- ments	Cash Balances Ending
MIDDLE SCHOOL				
Extracurricular	\$ 599	\$ 70	\$ 471	\$ 198
Grade 5	25	-	25	-
Grade 8	845	552	1,326	71
Jr. Student Council	2,144	-	2,144	-
M.S. Play	1,337	-	1,337	-
Scholarship	1,079	4	1,078	5
Sports	295	156	-	451
Yearbook	1	2,547	2,126	422
Total Middle School	6,325	3,329	8,507	1,147
Total All Schools	<u>\$ 64,181</u>	<u>\$ 80,455</u>	<u>\$ 73,928</u>	<u>\$ 70,708</u>

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

Note 1 - Summary of Significant Accounting Policies

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

A. Basis of Accounting

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

B. Deposits and Risk Disclosure

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

The Extraclassroom Activity Funds investment policies follow the School District'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.

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. Governmental Accounting Standards Board 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, 2013.

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