

HASTINGS-ON-HUDSON UNION FREE
SCHOOL DISTRICT, NEW YORK

FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2011

WITH INDEPENDENT AUDITORS' REPORT



O'Connor Davies Munns & Dobbins, llp
ACCOUNTANTS AND CONSULTANTS

HASTINGS-ON-HUDSON UNION FREE SCHOOL DISTRICT, NEW YORK

TABLE OF CONTENTS

	Page
Independent Auditors' Report	1
Management's Discussion and Analysis	3
Basic Financial Statements:	
District-Wide Financial Statements:	
Statement of Net Assets	16
Statement of Activities	17
Fund Financial Statements:	
Balance Sheet - Governmental Funds	18
Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Assets	20
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	21
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	23
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General and Special Aid Funds	24
Statement of Assets and Liabilities - Fiduciary Fund	26
Notes to Financial Statements	27
Required Supplementary Information -	
Other Post Employment Benefits -	
Schedule of Funding Progress - Last Three Fiscal Years	49
Combining and Individual Fund Financial Statements and Schedules:	
Major Governmental Funds:	
General Fund:	
Comparative Balance Sheet	50
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	51
Schedule of Revenues and Other Financing Sources Compared to Budget	53
Schedule of Expenditures and Other Financing Uses Compared to Budget	55
Capital Projects Fund:	
Comparative Balance Sheet	59
Comparative Statement of Revenues, Expenditures and Changes in Fund Balance	60
Project-Length Schedule	61
Special Aid Fund:	
Comparative Balance Sheet	63
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	64
Non-Major Governmental Funds:	
Combining Balance Sheet	66
Combining Statement of Revenues, Expenditures and Changes in Fund Balance	68
School Lunch Fund:	
Comparative Balance Sheet	70
Comparative Statement of Revenues, Expenditures and Changes in Fund Balance	71

HASTINGS-ON-HUDSON UNION FREE SCHOOL DISTRICT, NEW YORK

TABLE OF CONTENTS (Concluded)

	Page
Special Purpose Fund:	72
Comparative Balance Sheet	73
Comparative Statement of Revenues, Expenditures and Changes in Fund Balance	
Debt Service Fund:	74
Comparative Balance Sheet	
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balance -	75
Budget and Actual	
Supplementary Information:	77
Analysis of Change from Adopted Budget to Final Budget	77
Analysis of Use of Fund Balance	78
Schedule of Certain Revenues and Expenditures Compared to ST - 3 Data	79
Schedule of Invested in Capital Assets, Net of Related Debt	
Federal Programs:	
Report on Internal Control Over Financial Reporting and on Compliance and	
Other Matters Based on an Audit of Financial Statements Performed in	80
Accordance with Government Auditing Standards	
Report on Compliance with Requirements that Could Have a Direct and	
Material Effect on Each Major Program and on Internal Control Over	82
Compliance in Accordance with OMB Circular A-133	84
Schedule of Expenditures of Federal Awards	85
Notes to Schedule of Expenditures of Federal Awards	86
Summary Schedule of Prior Audit Findings	87
Schedule of Findings and Questioned Costs	



O'Connor Davies Munns & Dobbins, llp
ACCOUNTANTS AND CONSULTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Education of the
Hastings-on-Hudson Union Free School District, New York:

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, 2011, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the School District as of June 30, 2011 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 conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 16, 2011 on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements as a whole. The combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, and is also not a required part of the financial statements. The 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

O'Connor Davies Munns & Dobbins, LLP

O'Connor Davies Munns & Dobbins, LLP

Harrison, New York

September 16, 2011

Hastings-on-Hudson Union Free School District, New York
Management's Discussion and Analysis (MD&A)
June 30, 2011

Introduction

The discussion and analysis of the Hastings-on-Hudson Union Free School District's, financial performance provides an overview of the School District's financial activities for the year ended June 30, 2011. 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.

It is noteworthy to report that the Governmental Accounting Standards Board ("GASB") issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* in February 2009. The requirements of GASB Statement No. 54 are effective for financial statements for periods ending June 30, 2011; therefore they are introduced in this report for the first time. GASB Statement No. 54 abandons the reserved and unreserved classifications of fund balance and replaces them with five new classifications: nonspendable, restricted, committed, assigned and unassigned. An explanation of these classifications follows below.

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.

These changes were made to 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.

Financial Highlights

Key financial highlights for fiscal year 2010-2011 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 designated for the subsequent year's budget. As of June 30, 2011, the total fund balance of the General Fund was \$10,280,698 an increase of \$1,787,211 from previous year's ending fund balance. Of this amount, \$2,400,000 has been designated for subsequent year's expenditures. The unassigned fund balance is \$1,681,448 which represents approximately 4% of the subsequent year's budget and therefore, falls within the 4% statutory limit. This amount is available for spending at the discretion of the School District. The remainder of the fund balance of the General Fund, \$5,576,130, has been restricted for specific purposes.
- On the District-wide financial statements, the assets of the School District exceeded liabilities by \$6,824,442. The unrestricted portion of net assets is \$(1,974,060). The School District's total net assets increased by \$518,586 for the year ended June 30, 2011. 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, 2011, the School District's OPEB obligations of \$6,237,510 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 \$11,064,078 versus a balance of \$9,662,852 for the 2009-2010 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 \$9,137,509. At the end of this fiscal year, the net capital assets decreased by \$202,517 to \$8,934,992, mainly as a result of the depreciation of capital assets.
- The School Lunch Fund's revenues totaled \$323,447 for the current year which is consistent with last year. The School Lunch Fund's expenditures for the year were \$351,296. The excess expenditures were for replacement equipment and improvements to the cafeteria.
- At the beginning of the fiscal year, the School Lunch Fund had a fund balance of \$198,780. At the end of this fiscal year, the fund balance was decreased to \$170,931 representing a decrease of \$27,849. The School Lunch Fund provided free breakfast/lunch to 75 students. The School District did participate in the National School Lunch and Breakfast programs. The School District received \$30,001 of Federal and State aid reimbursement.
- In June 2011, the School District received a long-term bond rating of Aa2 from Moody's Investors Service. This affirmation of our rating is a key indication of our strong financial position.

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 assets* presents information on all of the School District's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the School District is improving or deteriorating.
 - The *statement of activities* presents information showing how the district's net assets changed during the most recent fiscal year. All changes in net assets 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 each fund, since the School District has elected to report them as major funds.
- 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 assets 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 \$6,824,442 at the close of the current fiscal year.

Net Assets

	June 30,	
	2011	2010
Current Assets	\$ 13,475,179	\$ 11,439,851
Capital Assets, net	<u>8,934,992</u>	<u>9,137,509</u>
Total Assets	<u>22,410,171</u>	<u>20,577,360</u>
Current Liabilities	2,516,743	1,901,235
Long-term Liabilities	<u>13,068,986</u>	<u>12,370,269</u>
Total Liabilities	<u>15,585,729</u>	<u>14,271,504</u>
Net Assets:		
Invested in Capital Assets, Net of Related Debt	2,624,992	1,897,509
Restricted for:		
Retirement System Contributions	1,408,000	800,000
Capital Projects	64,732	409,708
Future Capital Projects	700,000	-
Debt Service	478,501	478,049
Tax Certiorari	3,262,173	3,084,330
School Lunch	170,931	198,780
Special Purposes	89,173	102,587
Unrestricted	<u>(1,974,060)</u>	<u>(665,107)</u>
Total Net Assets	<u><u>\$ 6,824,442</u></u>	<u><u>\$ 6,305,856</u></u>

The investment in capital assets, less any related debt 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 Assets

	June 30,	
	2011	2010
Revenues:		
Program Revenues:		
Charges for Services	\$ 1,139,541	\$ 1,071,823
Operating Grants and Contributions	919,080	946,846
Capital Grants and Contributions	452	6,352
Total Program Revenues	<u>2,059,073</u>	<u>2,025,021</u>
General Revenues:		
Real Property Taxes	29,753,644	29,830,897
Other Tax Items	5,229,977	5,308,898
Non-Property Taxes	399,804	373,015
Unrestricted Use of Money and Property	61,961	45,284
Sale of Property and Compensation for Loss	3,380	42,488
Unrestricted State Aid	3,824,149	3,990,284
Unrestricted Federal Aid	252,240	726,442
Miscellaneous	200,459	242,180
Total General Revenues	<u>39,725,614</u>	<u>40,559,488</u>
Total Revenues	<u>41,784,687</u>	<u>42,584,509</u>
Program Expenses:		
General Support	5,184,560	5,072,241
Instruction	34,040,305	34,378,538
Pupil Transportation	1,358,282	1,268,469
Cost of Food Sales	354,499	296,242
Other	82,643	157,134
Interest	245,812	298,889
Total Expenses	<u>41,266,101</u>	<u>41,471,513</u>
Change in Net Assets	518,586	1,112,996
Net Assets - Beginning, as reported	<u>6,305,856</u>	<u>5,192,860</u>
Net Assets - Ending	<u><u>\$ 6,824,442</u></u>	<u><u>\$ 6,305,856</u></u>

Governmental activities increased the School District's net assets by \$518,586 during the 2010-11 fiscal year versus an increase of \$1,112,996 during the previous fiscal year, thereby improving the School District's financial condition.

The major changes are as follows:

Revenues:

- Real property taxes decreased by \$77,253 representing a .26% decrease. This is the result of a lower tax levy.
- Other tax items (STAR) decreased by \$78,921 representing a 1.49% decrease.
- Non-Property Taxes (sales taxes) increased by \$26,789.
- During the 2010-2011 fiscal year, the District collected borderline property taxes amounting to \$83,403. The District also collected \$510,339 in day school tuition.
- Interest earned on investments was \$62,159. Reflecting a decrease from the prior fiscal year of approximately \$7,918.
- Unrestricted State Aid to the District decreased by \$166,135. The Federal AARA funds restored \$252,240 of these funds

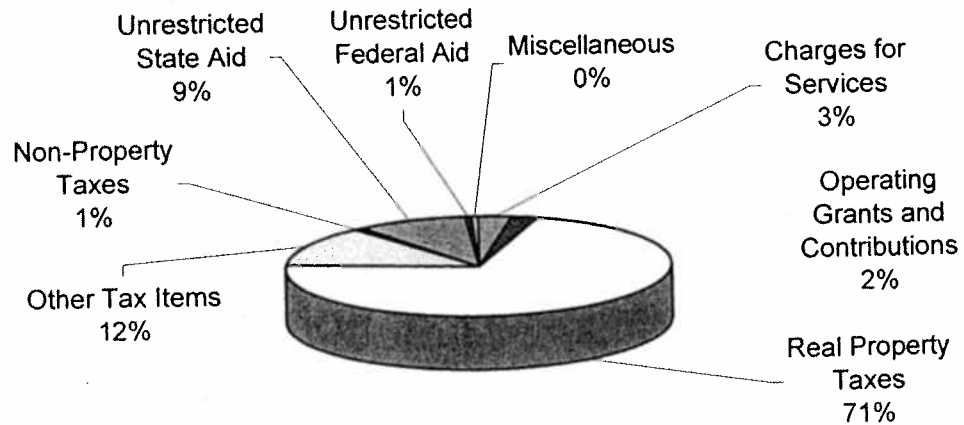
Expenses:

- General Support expenses increased by \$112,319, representing increases of 2.21%.
- Instruction expenses decreased by \$338,233, representing a decrease of 1%. The primary reasons for this decrease were reduction of staff due to enrollment decrease and consolidation and the retirement of higher paid staff members.
- Pupil Transportation expenses increased by \$89,813, representing an increase of 7.08%. This was due to the cost of additional out of district bus runs and a CPI increase to contract costs.

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 (84%) and State Aid and Federal Aid as its secondary source of revenue (10%). The School District's instruction costs account for 82% of its expenses.

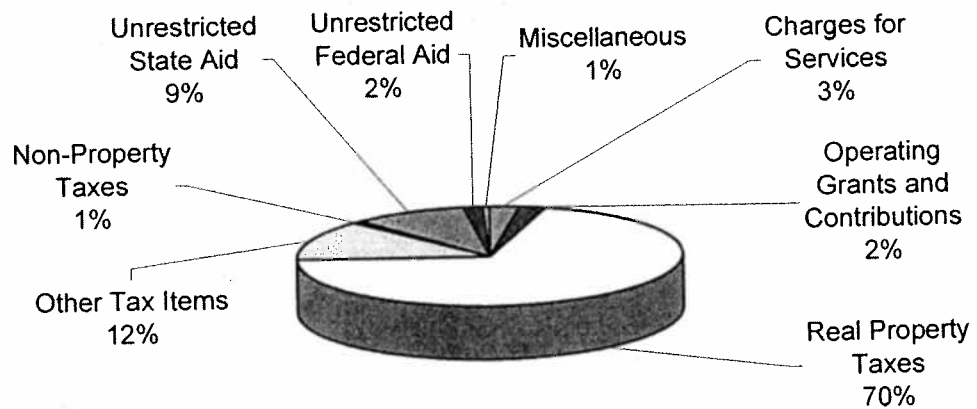
Sources of Revenue for Fiscal Year 2011

Governmental Activities

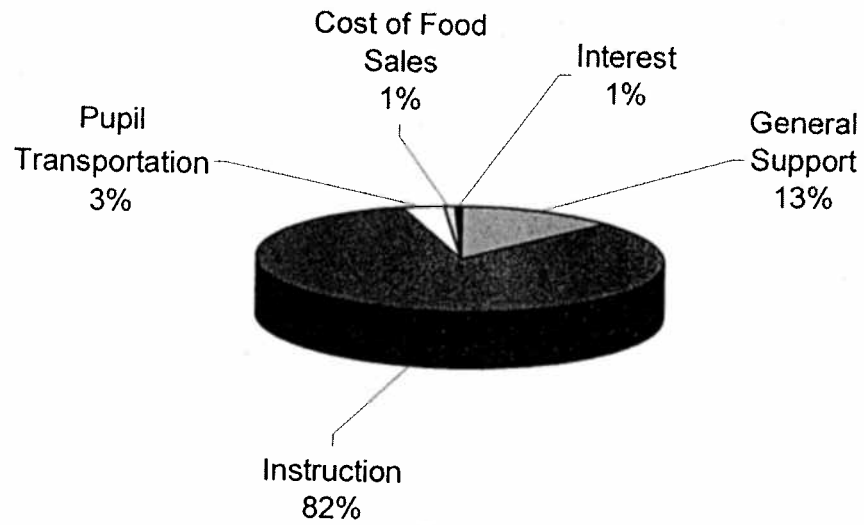


Sources of Revenue for Fiscal Year 2010

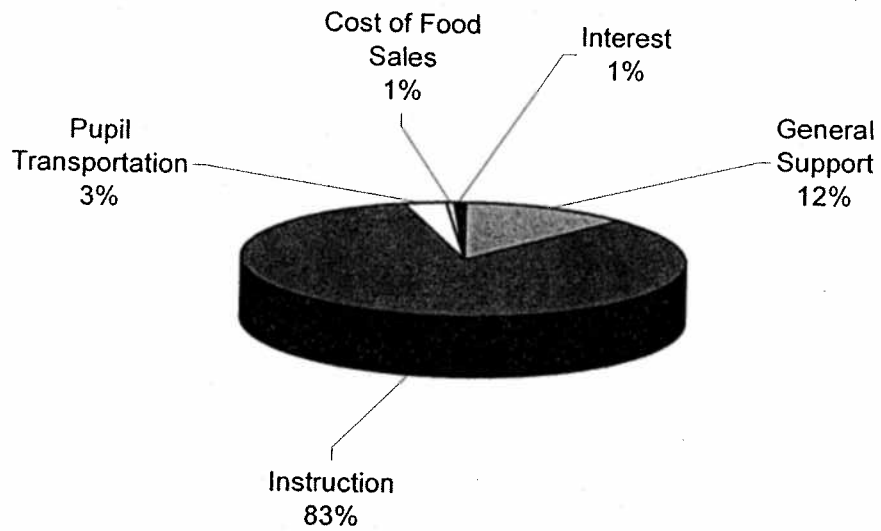
Governmental Activities



**Expenses for Fiscal Year 2011
Governmental Activities**



**Expenses for Fiscal Year 2010
Governmental Activities**



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, *unreserved 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 \$11,064,078. Of this amount, \$6,038,579 constituted Restricted Fund balance. There is \$2,400,000 designated for subsequent year's expenditures in the General Fund and represents the amount estimated for use in the 2011-2012 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 \$10,280,698, of which \$1,681,448, or 4%, 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 \$1,787,211. Additional revenues accounted for \$1,032,749 of this variance. Additional tuitions of Special Education students, Building aid 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 \$882,749. Actual expenditures and other financing uses were \$3,682,729 less than the budget.

Capital Assets

At June 30, 2011, the School District had \$8,934,992 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,	
	2011	2010
Land	\$ 115,000	\$ 115,000
Construction-in-Progress	14,500	23,800
Land Improvements	498,976	539,958
Buildings and Improvements	8,124,293	8,306,168
Machinery and Equipment	182,223	152,583
Total Capital Assets, net of accumulated depreciation	<u>\$ 8,934,992</u>	<u>\$ 9,137,509</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, 2011, the School District had \$13,068,986 in general obligation and other long-term debt outstanding, as follows:

	June 30,	
	2011	2010
Bonds Payable	\$ 6,505,000	\$ 7,720,000
Claims Payable	139,620	163,856
Compensated Absences	186,856	202,723
Other Post Employment Benefit Obligations Payable	6,237,510	4,283,690
Total	<u>\$ 13,068,986</u>	<u>\$ 12,370,269</u>

Bonds payable in the amount of \$6,505,000 is comprised of \$6,310,000 in capital improvement bonds and \$195,000 in tax certiorari bonds. During the 2010-2011 fiscal year, the School District amortized \$1,215,000 in bond principal. The School District is projected to amortize \$1,210,000 in bond principal during the 2011-2012 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 84%. For four consecutive years, the District experienced a decrease in the tax assessment roll due to the lack of new construction and tax certiorari settlements. During the last five years, the District requested 2.56% 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. While State Aid was increasing each year, the percentage of the budget it represents was decreasing. The School District does try to maximize revenues from non-property tax and state aid sources (e.g., borderline property taxes, 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 study prepared by an outside consultant in January, 2011 the overall enrollment in the three schools as of October, 2010 was 1,594 students. Of these 681 were in K-5; 385 in grades 6-8 and 528 students in grades 9-12. The overall enrollment of the District has declined slightly from the 2005-06 school year. Over the next five years the District's overall enrollment is expected to remain fairly level.

Enrollment of special education out-of-district placement has leveled off during the 2010-2011 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 have a major impact on the future finances of the School District.

School District's Changing Enrollment

	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12**
K-4	571	553	545	514	521	562	563
5-8	537	518	493	496	515	509	509
9-12	524	562	575	551	522	534	520
*Sp. Ed.	40	37	39	39	28	31	28
Total	1,672	1,670	1,652	1,600	1,609	1636	1620

*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: caraballom@hastings.k12.ny.us

(This page intentionally left blank)

HASTINGS-ON-HUDSON UNION FREE SCHOOL DISTRICT, NEW YORK

STATEMENT OF NET ASSETS
JUNE 30, 2011

	Governmental Activities
ASSETS	
Cash and equivalents	\$ 12,480,804
Investments	22,232
Receivables:	
Accounts	
State and Federal aid	133,458
Due from other governments	748,579
Inventories	90,000
Capital assets (net of accumulated depreciation):	106
Land	
Construction-in-progress	115,000
Land improvements	14,500
Buildings and improvements	498,976
Machinery and equipment	8,124,293
	182,223
Total Assets	22,410,171
LIABILITIES	
Accounts payable	331,240
Accrued liabilities	36,320
Unearned revenues	152,891
Due to other governments	10,809
Due to retirement systems	1,879,841
Accrued interest payable	105,642
Non-current liabilities:	
Due within one year:	
Bonds payable - Capital construction	1,115,000
Bonds payable - Judgments and claims	95,000
Claims payable	139,620
Compensated absences	18,700
Due in more than one year:	
Bonds payable - Capital construction	5,195,000
Bonds payable - Judgments and claims	100,000
Compensated absences	168,156
Other post employment benefit obligations payable	6,237,510
Total Liabilities	15,585,729
NET ASSETS	
Invested in capital assets, net of related debt	2,624,992
Restricted for:	
Retirement system contributions	1,408,000
Capital projects	64,732
Future capital projects	700,000
Debt service	478,501
Tax certiorari	3,262,173
School lunch	170,931
Special purpose	89,173
Unrestricted	(1,974,060)
Total Net Assets	\$ 6,824,442

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

(This page intentionally left blank)

HASTINGS-ON-HUDSON UNION FREE SCHOOL DISTRICT, NEW YORK

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2011

Functions/Programs:	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
General support	\$ 5,184,560	\$ 219,692	\$ 122,224	\$ -	\$ (4,842,644)
Instruction	34,040,305	626,668	691,961	-	(32,721,676)
Pupil transportation	1,358,282	-	-	-	(1,358,282)
Cost of food sales	354,499	293,181	30,266	-	(31,052)
Other	82,643	-	74,629	-	(8,014)
Interest	245,812	-	-	452	(245,360)
Total Governmental Activities	<u>\$ 41,266,101</u>	<u>\$ 1,139,541</u>	<u>\$ 919,080</u>	<u>\$ 452</u>	<u>(39,207,028)</u>
General Revenues:					
Real property taxes					29,753,644
Other tax items -					
School tax relief reimbursement					5,229,977
Non-property taxes -					
Non-property tax distribution from County					399,804
Unrestricted use of money and property					61,961
Sale of property and compensation for loss					3,380
Unrestricted State aid					3,824,149
Unrestricted Federal aid					252,240
Miscellaneous					200,459
Total General Revenues					<u>39,725,614</u>
Change in Net Assets					518,586
Net Assets - Beginning of Year					<u>6,305,856</u>
Net Assets - Ending					<u>\$ 6,824,442</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, 2011

	General	Capital Projects	Special Aid
ASSETS			
Cash and Equivalents	\$ 11,435,603	\$ 470,807	\$ 280,241
Investments	3,321	-	-
Receivables:			
Accounts	130,724	-	-
State and Federal aid	435,472	-	310,831
Due from other governments	90,000	-	-
Due from other funds	419,746	-	-
Inventories	-	-	-
Total Assets	<u>\$ 12,514,866</u>	<u>\$ 470,807</u>	<u>\$ 591,072</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 304,007	\$ -	\$ 1,310
Accrued liabilities	36,320	-	-
Deferred revenues	10,000	-	133,239
Due to other funds	-	406,075	456,523
Due to other governments	4,000	-	-
Due to retirement systems	1,879,841	-	-
Total Liabilities	<u>2,234,168</u>	<u>406,075</u>	<u>591,072</u>
Fund Balances:			
Nonspendable	-	-	-
Restricted	5,576,130	64,732	-
Assigned	3,023,120	-	-
Unassigned	1,681,448	-	-
Total Fund Balances	<u>10,280,698</u>	<u>64,732</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 12,514,866</u>	<u>\$ 470,807</u>	<u>\$ 591,072</u>

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

<u>Other Governmental</u>	<u>Total Governmental Funds</u>
\$ 294,153	\$ 12,480,804
18,911	22,232
2,734	133,458
2,276	748,579
-	90,000
442,852	862,598
106	106
<u>\$ 761,032</u>	<u>\$ 14,337,777</u>

\$ 25,923	\$ 331,240
-	36,320
9,652	152,891
-	862,598
6,809	10,809
-	1,879,841
<u>42,384</u>	<u>3,273,699</u>

106	106
397,717	6,038,579
320,825	3,343,945
-	1,681,448
<u>718,648</u>	<u>11,064,078</u>
<u>\$ 761,032</u>	<u>\$ 14,337,777</u>

(This page intentionally left blank)

HASTINGS-ON-HUDSON UNION FREE SCHOOL DISTRICT, NEW YORK

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO
THE GOVERNMENT - WIDE STATEMENT OF NET ASSETS
JUNE 30, 2011

Fund Balances - Total Governmental Funds	<u>\$ 11,064,078</u>
--	----------------------

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	<u>8,934,992</u>
--	------------------

Long-term liabilities that are not due and payable in the current
period are not reported in the funds.

Accrued interest payable	(105,642)
Bonds payable	(6,505,000)
Claims payable	(139,620)
Compensated absences	(186,856)
Other post employment benefit obligations payable	<u>(6,237,510)</u>

(13,174,628)

Net Assets of Governmental Activities	<u><u>\$ 6,824,442</u></u>
---------------------------------------	----------------------------

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

HASTINGS-ON-HUDSON UNION FREE SCHOOL DISTRICT, NEW YORK

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2011

	General	Capital Projects	Special Aid
REVENUES			
Real property taxes	\$ 29,753,644	\$ -	\$ -
Other tax items	5,229,977	-	-
Non-property taxes	399,804	-	-
Charges for services	626,668	-	-
Use of money and property	281,851	-	-
Sale of property and compensation for loss	3,380	-	-
State aid	3,953,300	-	120,416
Federal aid	253,237	-	441,397
Food sales	-	-	-
Miscellaneous	322,683	-	-
Total Revenues	<u>40,824,544</u>	<u>-</u>	<u>561,813</u>
EXPENDITURES			
Current:			
General support	4,251,917	-	-
Instruction	23,907,988	-	591,917
Pupil transportation	1,358,282	-	-
Employee benefits	7,959,636	-	-
Cost of food sales	-	-	-
Other	-	-	-
Debt service:			
Principal	-	-	-
Interest	-	-	-
Capital outlay	-	394,976	-
Total Expenditures	<u>37,477,823</u>	<u>394,976</u>	<u>591,917</u>
Excess (Deficiency) of Rev- enues Over Expenditures	<u>3,346,721</u>	<u>(394,976)</u>	<u>(30,104)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	50,000	30,104
Transfers out	<u>(1,559,510)</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(1,559,510)</u>	<u>50,000</u>	<u>30,104</u>
Net Change in Fund Balances	1,787,211	(344,976)	-
Fund Balances - Beginning of Year	<u>8,493,487</u>	<u>409,708</u>	<u>-</u>
Fund Balances - End of Year	<u>\$ 10,280,698</u>	<u>\$ 64,732</u>	<u>\$ -</u>

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

Other Governmental	Total Governmental Funds
\$ -	\$ 29,753,644
-	5,229,977
-	399,804
-	626,668
1,309	283,160
-	3,380
1,699	4,075,415
28,302	722,936
293,181	293,181
73,839	396,522
<u>398,330</u>	<u>41,784,687</u>
-	4,251,917
-	24,499,905
-	1,358,282
-	7,959,636
351,296	351,296
88,043	88,043
1,215,000	1,215,000
264,406	264,406
-	394,976
<u>1,918,745</u>	<u>40,383,461</u>
<u>(1,520,415)</u>	<u>1,401,226</u>
1,479,406	1,559,510
-	(1,559,510)
<u>1,479,406</u>	<u>-</u>
(41,009)	1,401,226
<u>759,657</u>	<u>9,662,852</u>
<u>\$ 718,648</u>	<u>\$ 11,064,078</u>

(This page intentionally left blank)

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, 2011

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

Net Change in Fund Balances - Total Governmental Funds	\$ 1,401,226
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays in the current period.	
Capital outlay expenditures	432,861
Depreciation expense	(635,378)
	(202,517)
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	
Principal paid on bonds	1,215,000
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Accrued interest	18,594
Claims	24,236
Compensated absences	15,867
Other post employment benefit obligations	(1,953,820)
	(1,895,123)
Change in Net Assets of Governmental Activities	\$ 518,586

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, 2011

	General Fund			Variance with Final Budget Positive (Negative) *
	Original Budget	Final Budget	Actual	
REVENUES				
Real property taxes	\$ 29,811,813	\$ 29,811,813	\$ 29,753,644	\$ (58,169)
Other tax items	5,229,977	5,229,977	5,229,977	-
Non-property taxes	300,000	300,000	399,804	99,804
Charges for services	435,000	435,000	626,668	191,668
Use of money and property	280,000	280,000	281,851	1,851
Sale of property and compensation for loss	-	-	3,380	3,380
State aid	3,555,005	3,555,005	3,953,300	398,295
Federal aid	40,000	40,000	253,237	213,237
Miscellaneous	140,000	140,000	322,683	182,683
Total Revenues	39,791,795	39,791,795	40,824,544	1,032,749
EXPENDITURES				
Current:				
General support	4,229,390	5,497,435	4,251,917	1,245,518
Instruction	25,665,178	25,546,905	23,907,988	1,638,917
Pupil transportation	1,632,455	1,521,752	1,358,282	163,470
Employee benefits	9,449,633	8,464,182	7,959,636	504,546
Debt service - Interest	150,000	96,382	-	96,382
Total Expenditures	41,126,656	41,126,656	37,477,823	3,648,833
Excess (Deficiency) of Revenues Over Expenditures	(1,334,861)	(1,334,861)	3,346,721	4,681,582
OTHER FINANCING SOURCES (USES)				
Transfers in	150,000	150,000	-	(150,000)
Transfers out	(1,593,406)	(1,593,406)	(1,559,510)	33,896
Total Other Financing Uses	(1,443,406)	(1,443,406)	(1,559,510)	(116,104)
Net Change in Fund Balance	(2,778,267)	(2,778,267)	1,787,211	4,565,478
Fund Balance - Beginning of Year	2,778,267	2,778,267	8,493,487	5,715,220
Fund Balance - End of Year	\$ -	\$ -	\$ 10,280,698	\$ 10,280,698

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)
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
140,620	136,000	120,416	(15,584)
774,165	778,785	441,397	(337,388)
-	-	-	-
914,785	914,785	561,813	(352,972)
-	-	-	-
978,785	978,785	591,917	386,868
-	-	-	-
-	-	-	-
-	-	-	-
978,785	978,785	591,917	386,868
(64,000)	(64,000)	(30,104)	33,896
-	-	30,104	30,104
-	-	-	-
-	-	30,104	30,104
(64,000)	(64,000)	-	64,000
-	-	-	-
\$ (64,000)	\$ (64,000)	\$ -	\$ 64,000

HASTINGS-ON-HUDSON UNION FREE SCHOOL DISTRICT, NEW YORK

STATEMENT OF ASSETS AND LIABILITIES
FIDUCIARY FUND
JUNE 30, 2011

	Agency
ASSETS	
Cash and Equivalents	\$ 209,716
Accounts Receivable	<u>1,080</u>
Total Assets	<u>\$ 210,796</u>
LIABILITIES	
Accounts Payable	\$ 29,771
Deposits	62,300
Student Activity Funds	<u>118,725</u>
Total Liabilities	<u>\$ 210,796</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 Assets 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.

NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2011

Note 1 - Summary of Significant Accounting Policies (Continued)

The Statement of Net Assets 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, liabilities, 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)

Special Revenue Funds - Special revenue funds are established to account for the proceeds of specific revenue sources that are legally restricted to expenditures for certain defined purposes. The special revenue funds of the School District are as follows:

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

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.

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

Special Revenue Funds:

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

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

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

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

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

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

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 and utilizes the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar

Note 1 - Summary of Significant Accounting Policies (Continued)

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 and Net Assets or Fund Balances

Deposits, Investments and Risk Disclosure

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

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

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

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. GASB Statement No. 40 directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance and the deposits are either uncollateralized, collateralized by securities held by the pledging financial institution or collateralized by securities held by the pledging financial institution's

Note 1 - Summary of Significant Accounting Policies (Continued)

trust department but not in the School District's name. The School District's aggregate bank balances that were not covered by depository insurance were not exposed to custodial credit risk at June 30, 2011.

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

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.

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, 2011, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

Inventories - Inventories in the School Lunch Fund consist of food and supplies and are recorded at cost on a first-in, first-out basis or in the case of surplus food, at a stated value which approximates market. These inventories consist primarily of items held for consumption. The cost is recorded as inventory at the time individual inventory items are purchased. The School District uses the consumption method to relieve inventory. In the fund financial statements, reported amounts are equally offset by a nonspendable fund balance, which indicates that these amounts do not constitute "available spendable resources" even though they are a component of current assets.

NOTES TO FINANCIAL STATEMENTS (Continued)

JUNE 30, 2011

Note 1 - Summary of Significant Accounting Policies (Continued)

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

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

Land and construction-in-progress 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>
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/Deferred 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.

Deferred revenues in 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 deferred revenues of \$10,000 within the General Fund for tuition received in advance, \$133,239 for Federal aid received in advance in the Special Aid Fund and \$9,652 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.

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 Assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount, where applicable. Bond issuance costs are 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.

Note 1 - Summary of Significant Accounting Policies (Continued)

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 Assets 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 Assets - Net assets represent the difference between assets and liabilities. Net assets are reported as restricted when there are limitations imposed on their 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 assets on the Statement of Net Assets include, invested in capital assets, net of related debt, restricted for retirement system contributions, capital projects, future capital projects, debt service, tax certiorari, school lunch and special purposes. 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.

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. These funds may only be used for the purpose specified unless the entity removes or changes the purpose by taking the same action that was used to establish the commitment. This classification includes certain designations established and approved by the entity's governing board.

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. This classification will include amounts designated for balancing the subsequent year's budget and encumbrances. 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

Note 1 - Summary of Significant Accounting Policies (Continued)

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, together with amounts already classified as nonspendable, restricted and committed would exceed the fund's assets.

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 and liabilities 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 16, 2011.

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.

Note 2 - Stewardship, Compliance and Accountability (Continued)

- d) The voters are permitted to vote upon the General Fund budget at the annual meeting.
- e) If the voters reject the budget, the Board of Education may resubmit the budget to the voters only once in revised form or as originally issued. The Board may also elect to adopt a contingent budget without voter approval. The contingent budget includes all expenditures needed to provide the minimum services legally required. Total spending under a contingency budget cannot increase by more than 4% or 120% of the Consumer Price Index, whichever is lower. In addition, the administrative budget segment, exclusive of the capital component, may not comprise a greater percentage of the budget than the lesser of either (1) the comparable percentage of the prior year's budget or (2) the comparable percentage of the last defeated budget. (See Note 5)
- f) Formal budgetary integration is employed during the year as a management control device for General, Special Aid and Debt Service funds.
- g) Budgets for General, Special Aid and Debt Service funds are legally adopted annually on a basis consistent with generally accepted accounting principles. The Capital Projects Fund is budgeted on a project basis. The Board of Education does not adopt an annual budget for the School Lunch or Special Purpose funds.
- h) The Board of Education has established legal control of the budget at the function level of expenditures. Transfers between appropriation accounts, at the function level, require approval by the Board of Education. Any modification to appropriations resulting from increases in revenue estimates or supplemental reserve appropriations also require a majority vote by the Board.
- i) Appropriations in General, Special Aid and Debt Service funds lapse at the end of the fiscal year, except that outstanding encumbrances are reappropriated in the succeeding year, pursuant to the Uniform System of Accounts promulgated by the Office of the State Comptroller.

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

B. Property Tax Limitation

The School District is not limited as to the maximum amount of real property taxes, which may be raised within the School District.

C. 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 of fund balance to 4% of the ensuing year's budget.

NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2011**Note 2 - Stewardship, Compliance and Accountability (Continued)****D. Application of Accounting Standards**

For the year ended June 30, 2011, the School District implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions" ("GASB 54"). GASB 54 changed the terminology and classification of fund balance to reflect spending constraints on resources, rather than availability for appropriations. This approach is intended to provide users more consistent and understandable information about a fund's net resources.

Note 3 - Detailed Notes on All Funds**A. Due From/To Other Funds**

The composition of interfund balances at June 30, 2011 is as follows:

<u>Fund</u>	<u>Due From</u>	<u>Due To</u>
General	\$ 419,746	\$ -
Capital Projects	-	406,075
Special Aid	-	456,523
Non-Major Governmental	442,852	-
	<u>\$ 862,598</u>	<u>\$ 862,598</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, 2010</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2011</u>
Capital Assets, not being depreciated:				
Land	\$ 115,000	-	-	\$ 115,000
Construction-in-progress	23,800	4,000	13,300	14,500
	<u>\$ 138,800</u>	<u>\$ 4,000</u>	<u>\$ 13,300</u>	<u>\$ 129,500</u>
Capital Assets, being depreciated:				
Land Improvements	\$ 1,070,436	\$ -	\$ -	\$ 1,070,436
Buildings and Improvements	19,845,723	369,142	-	20,214,865
Machinery and Equipment	737,410	73,019	14,311	796,118
Total Capital Assets, being Depreciated	<u>21,653,569</u>	<u>442,161</u>	<u>14,311</u>	<u>22,081,419</u>

HASTINGS-ON-HUDSON UNION FREE SCHOOL DISTRICT, NEW YORK

NOTES TO FINANCIAL STATEMENTS (Continued)

JUNE 30, 2011

Note 3 - Detailed Notes on All Funds (Continued)

Class	Balance July 1, 2010	Additions	Deductions	Balance June 30, 2011
Less Accumulated Depreciation for:				
Land Improvements	\$ 530,478	\$ 40,982	\$ -	\$ 571,460
Buildings and Improvements	11,539,555	551,017	-	12,090,572
Machinery and Equipment	584,827	43,379	14,311	613,895
Total Accumulated Depreciation	12,654,860	635,378	14,311	13,275,927
Total Capital Assets, being depreciated, net	<u>\$ 8,998,709</u>	<u>\$ (193,217)</u>	<u>\$ -</u>	<u>\$ 8,805,492</u>
Governmental Activities				
Capital Assets, net	<u>\$ 9,137,509</u>	<u>\$ (189,217)</u>	<u>\$ 13,300</u>	<u>\$ 8,934,992</u>

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

General Government Support	\$ 18,839
Instruction	613,336
Cost of Food Sales	<u>3,203</u>
Total Depreciation Expense	<u>\$ 635,378</u>

C. 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 and 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. 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 2011 are as follows:

NOTES TO FINANCIAL STATEMENTS (Continued)

JUNE 30, 2011

Note 3 - Detailed Notes on All Funds (Continued)

ERS		TRS	
Tier/Plan	Rate	Tiers	Rate
1 75I	15.3%	1-4	8.62%
4 A14	11.4		
5 A15	9.2		

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

	ERS	TRS
2011	\$ 434,970	\$ 1,481,231
2010	303,887	1,104,090
2009	283,688	1,348,404

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.

D. Accrued Liabilities

Accrued liabilities as of June 30, 2011 were as follows:

	General Fund
Payroll and Employee Benefits	<u>\$ 36,320</u>

E. Long-Term Liabilities

The following table summarizes changes in the School District's long-term liabilities for the year ended June 30, 2011:

	Balance July 1, 2010	New Issues/ Additions	Maturities and/or Payments	Balance June 30, 2011	Due Within One-Year
Bonds Payable	\$ 7,720,000	\$ -	\$ 1,215,000	\$ 6,505,000	\$ 1,210,000
Other Non-current Liabilities -					
Claims Payable	163,856	139,620	163,856	139,620	139,620
Compensated Absences	202,723	4,406	20,273	186,856	18,700
Other Post Employment Benefit Obligations Payable	4,283,690	3,019,722	1,065,902	6,237,510	-
Total Non-Current Liabilities	4,650,269	3,163,748	1,250,031	6,563,986	158,320
Total Long-Term Liabilities	<u>\$ 12,370,269</u>	<u>\$ 3,163,748</u>	<u>\$ 2,465,031</u>	<u>\$ 13,068,986</u>	<u>\$ 1,368,320</u>

HASTINGS-ON-HUDSON UNION FREE SCHOOL DISTRICT, NEW YORK

NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2011

Note 3 - Detailed Notes on All Funds (Continued)

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.

Bonds Payable

Bonds payable at June 30, 2011 are comprised of the following individual issues:

Purpose	Year of Issue	Original Issue Amount	Final Maturity	Interest Rates	Amount Outstanding at June 30, 2011
School District Renovations	1995	\$ 3,972,000	July, 2013	5.20 - 5.40 %	\$ 970,000
Tax Certiorari Refunds	1997	1,050,000	December, 2012	4.70 - 4.90	195,000
School District Renovations	2003	9,925,000	July, 2016	3.00 - 3.50	5,340,000
					<u>\$ 6,505,000</u>

Interest expenditures of \$264,406 were recorded in the fund financial statements in the Debt Service Fund. Interest expense of \$245,812 was recorded in the district-wide financial statements.

Payments to Maturity

The annual requirements to amortize all outstanding bonded debt as of June 30, 2011, including interest payments of \$654,866 are as follows:

Year Ending June 30,	Principal	Interest
2012	\$ 1,210,000	\$ 216,034
2013	1,265,000	168,542
2014	1,215,000	120,793
2015	905,000	82,122
2016	940,000	50,400
2017	970,000	16,975
	<u>\$ 6,505,000</u>	<u>\$ 654,866</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.

NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2011

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 includes a liability of \$139,620 for court ordered tax certiorari refunds which were not due and payable at year end. These amounts have been recorded as an expense in the government-wide financial statements.

Other Post Employment Benefit Obligations

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

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

NOTES TO FINANCIAL STATEMENTS (Continued)
 JUNE 30, 2011

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>
2011-2012	5.90%	5.00%
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 27 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, 2011 was as follows:

Active Employees	257
Retired Employees	<u>184</u>
Total	<u><u>441</u></u>

HASTINGS-ON-HUDSON UNION FREE SCHOOL DISTRICT, NEW YORK

NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2011

Note 3 - Detailed Notes on All Funds (Continued)

Amortization Component:	
Actuarial Accrued Liability as of July 1, 2010	\$ 33,355,833
Assets at Market Value	<u>-</u>
Unfunded Actuarial Accrued Liability ("UAAL")	<u>\$ 33,355,833</u>
Funded ratio	0.00%
Covered Payroll (active plan members)	<u>\$ 21,259,894</u>
UAAL as a Percentage of Covered Payroll	<u>156.90%</u>
Annual Required Contribution	\$ 2,965,981
Interest on Net OPEB Obligation	214,185
Adjustment on annual required contribution	<u>(160,444)</u>
Annual OPEB Cost	3,019,722
Contributions Made	<u>(1,065,902)</u>
Increase in Net OPEB Obligation	1,953,820
Net OPEB Obligation - beginning of year	<u>4,283,690</u>
Net OPEB Obligation - end of year	<u>\$ 6,237,510</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
2011	\$ 3,019,722	106.56 %	\$ 6,237,510
2010	3,467,440	23.54	4,283,690
2009	3,267,900	36.31	2,081,300

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.

NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2011**Note 3 - Detailed Notes on All Funds (Continued)****G. 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>Special Aid Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	
General Fund	<u>\$ 30,104</u>	<u>\$ 1,479,406</u>	<u>\$ 50,000</u>	<u>\$ 1,559,510</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.

H. Net Assets

The components of net assets are detailed below:

Invested in Capital Assets, net of Related Debt - the component of net assets 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 assets 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 assets 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 assets 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 assets 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 assets that has been established in accordance with Education Law to provide funding for court ordered tax refunds which are currently in process.

NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2011

Note 3 - Detailed Notes on All Funds (Continued)

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

Restricted for Special Purpose - the component of net assets 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 assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

HASTINGS-ON-HUDSON UNION FREE SCHOOL DISTRICT, NEW YORK

NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2011

Note 3 - Detailed Notes on All Funds (Continued)

I. Fund Balances

	2011				2010			
	General Fund	Capital Projects Fund	Non-Major Governmental	Total	General Fund	Capital Projects Fund	Non-Major Governmental	Total
Nonspendable - Inventories	\$ -	\$ -	\$ 106	\$ 106	\$ -	\$ -	\$ 1,519	\$ 1,519
Restricted:								
Tax certiorari	3,262,173	-	-	3,262,173	3,084,330	-	-	3,084,330
Employee benefit accrued liability	186,000	-	-	186,000	202,000	-	-	202,000
Retirement system contributions	1,408,000	-	-	1,408,000	800,000	-	-	800,000
Debt service	19,957	-	308,544	328,501	19,759	-	308,290	328,049
Capital projects	-	64,732	-	64,732	-	409,708	-	409,708
Future capital projects	700,000	-	-	700,000	-	-	-	-
Special purposes	-	-	89,173	89,173	-	-	102,587	102,587
Assigned:								
Purchases on order:								
General government support	484,570	-	-	484,570	85,863	-	-	85,863
Instruction	138,550	-	-	138,550	166,121	-	-	166,121
Pupil Transportation	-	-	-	-	26,283	-	-	26,283
Designated for subsequent year's expenditures								
School Lunch Fund	623,120	-	-	623,120	278,267	-	-	278,267
	2,400,000	-	150,000	2,550,000	2,500,000	-	150,000	2,650,000
	-	-	170,825	170,825	-	-	197,261	197,261
	3,023,120	-	320,825	3,343,945	2,778,267	-	347,261	3,125,528
Unassigned								
	1,681,448	-	-	1,681,448	1,609,131	-	-	1,609,131
Total Fund Balance	\$ 10,280,698	\$ 64,732	\$ 718,648	\$ 11,064,078	\$ 8,493,487	\$ 409,708	\$ 759,657	\$ 9,662,852

NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2011

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 Assets but are reported in the governmental funds balance sheet are described below.

Inventories in the School Lunch Fund have been classified as nonspendable to indicate that a portion of fund balance is not "available" for expenditure because the asset is in the form of commodities and the School District anticipates utilizing them in the normal course of operations.

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.

Designations of fund balance are not legally required segregations but represent intended use for a specific purpose. At June 30, 2011, 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

The School District is involved in a lawsuit arising from the normal conduct of its affairs. The School District has asserted substantial and adequate defenses to all claims. Legal counsel believes there is a low likelihood of an unfavorable outcome. In such an instance, should the School District suffer an unfavorable outcome, the potential exposure would fall under the coverage of the policy provided by New York State Insurance Reciprocal (NYSIR). Accordingly, no amounts were accrued in these financial statements for the fiscal year ended June 30, 2011.

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 may 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.

Note 4 - Summary Disclosure of Significant Contingencies (Continued)

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, 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.

NOTES TO FINANCIAL STATEMENTS (Concluded)
JUNE 30, 2011

Note 5 - Other Matters

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 can not 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.

Note 6 - Subsequent Events

The School District, in July 2011, issued refunding serial bonds in the amount of \$4,180,000. The bonds mature annually through July 2016 with interest at rates ranging from 3.0% to 4.0%, depending on maturity.

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, 2010	\$ -	\$ 33,355,833	\$ 33,355,833	%	\$ 21,259,894	157 %
July 1, 2009	-	38,791,016	38,791,016	-	21,046,873	184
July 1, 2008	-	36,196,900	36,196,900	-	21,475,929	169

(This page intentionally left blank)

HASTINGS-ON-HUDSON UNION FREE SCHOOL DISTRICT, NEW YORK

GENERAL FUND
COMPARATIVE BALANCE SHEET
JUNE 30, 2011 AND 2010

	2011	2010
<u>ASSETS</u>		
Cash:		
Demand deposits	\$ 11,435,303	\$ 8,964,998
Petty cash	300	300
	<u>11,435,603</u>	<u>8,965,298</u>
Investments	<u>3,321</u>	<u>3,317</u>
Receivables:		
Accounts	130,724	51,016
State and Federal aid	435,472	788,699
Due from other governments	90,000	90,000
Due from other funds	<u>419,746</u>	<u>240,631</u>
	<u>1,075,942</u>	<u>1,170,346</u>
Total Assets	<u>\$ 12,514,866</u>	<u>\$ 10,138,961</u>
<u>LIABILITIES AND FUND BALANCE</u>		
Liabilities:		
Accounts payable	\$ 304,007	\$ 137,980
Accrued liabilities	36,320	57,768
Due to other governments	4,000	-
Deferred revenues	10,000	4,463
Due to retirement systems	<u>1,879,841</u>	<u>1,445,263</u>
Total Liabilities	<u>2,234,168</u>	<u>1,645,474</u>
Fund Balance:		
Restricted	5,576,130	4,106,089
Assigned	3,023,120	2,778,267
Unassigned	<u>1,681,448</u>	<u>1,609,131</u>
Total Fund Balance	<u>10,280,698</u>	<u>8,493,487</u>
Total Liabilities and Fund Balance	<u>\$ 12,514,866</u>	<u>\$ 10,138,961</u>

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, 2011 AND 2010

	2011				Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	Encumbr- ances	
Revenues:					
Real property taxes	\$ 29,811,813	\$ 29,811,813	\$ 29,753,644	\$	\$ (58,169)
Other tax items	5,229,977	5,229,977	5,229,977		-
Non-property taxes	300,000	300,000	399,804		99,804
Charges for services	435,000	435,000	626,668		191,668
Use of money and property	280,000	280,000	281,851		1,851
Sale of property and compensation for loss	-	-	3,380		3,380
State aid	3,555,005	3,555,005	3,953,300		398,295
Federal aid	40,000	40,000	253,237		213,237
Miscellaneous	140,000	140,000	322,683		182,683
Total Revenues	39,791,795	39,791,795	40,824,544		1,032,749
Expenditures:					
Current:					
General support:					
Board of education	38,303	39,979	36,894	-	3,085
Central administration	396,200	377,419	356,592	-	20,827
Finance	528,000	558,200	527,087	20,000	11,113
Staff	308,576	356,668	181,435	13,148	162,085
Central services	2,475,311	3,071,107	2,477,421	451,422	142,264
Special items	483,000	1,094,062	672,488	-	421,574
Total General Support	4,229,390	5,497,435	4,251,917	484,570	760,948
Instruction:					
Instruction, administration and improvement	1,496,210	1,418,206	1,359,911	997	57,298
Teaching - Regular school	13,776,487	13,601,643	13,058,983	34,975	507,685
Programs for children with handicapping conditions	6,320,800	6,202,659	5,559,565	60,990	582,104
Occupational education	50,000	121,004	121,004	-	-
Instructional media	1,331,173	1,580,186	1,489,205	16,272	74,709
Pupil services	2,690,508	2,623,207	2,319,320	25,316	278,571
Total Instruction	25,665,178	25,546,905	23,907,988	138,550	1,500,367
Pupil transportation	1,632,455	1,521,752	1,358,282	-	163,470
Employee benefits	9,449,633	8,464,182	7,959,636	-	504,546
Debt service - Interest	150,000	96,382	-	-	96,382
Total Expenditures	41,126,656	41,126,656	37,477,823	623,120	3,025,713
Excess (Deficiency) of Revenues Over Expenditures	(1,334,861)	(1,334,861)	3,346,721	(623,120)	4,058,462
Other Financing Sources (Uses):					
Transfers in	150,000	150,000	-	-	(150,000)
Transfers out	(1,593,406)	(1,593,406)	(1,559,510)	-	33,896
Total Other Financing Uses	(1,443,406)	(1,443,406)	(1,559,510)	-	(116,104)
Net Change in Fund Balance	(2,778,267)	(2,778,267)	1,787,211	\$ (623,120)	\$ 3,942,358
Fund Balance - Beginning of Year	2,778,267	2,778,267	8,493,487		
Fund Balance - End of Year	\$ -	\$ -	\$ 10,280,698		

2010				
Original Budget	Final Budget	Actual	Encumbr- ances	Variance with Final Budget Positive (Negative)
\$ 29,830,897	\$ 29,830,897	\$ 29,830,897	\$	\$ -
5,308,898	5,308,898	5,308,898		-
300,000	300,000	373,015		73,015
350,000	350,000	520,646		170,646
380,000	380,000	283,371		(96,629)
-	-	42,488		42,488
4,600,000	3,873,558	4,116,046		242,488
40,000	766,442	759,936		(6,506)
140,000	140,000	239,048		99,048
40,949,795	40,949,795	41,474,345		524,550
38,800	42,080	30,786	3	11,291
393,710	396,481	334,660	200	61,621
551,412	550,303	504,024	-	46,279
326,865	360,646	241,243	7,734	111,669
2,423,662	2,455,508	2,128,696	77,926	248,886
366,350	1,372,979	935,830	-	437,149
4,100,799	5,177,997	4,175,239	85,863	916,895
1,452,210	1,478,048	1,402,189	213	75,646
14,014,668	14,415,492	13,849,799	38,135	527,558
6,352,833	6,026,135	5,207,911	84,932	733,292
130,000	130,000	83,051	-	46,949
1,297,878	1,436,390	1,347,621	22,578	66,191
2,568,813	2,626,519	2,390,150	20,263	216,106
25,816,402	26,112,584	24,280,721	166,121	1,665,742
1,632,200	1,632,200	1,266,376	26,283	339,541
9,317,000	8,096,159	7,438,348	-	657,811
160,000	7,461	6,085	-	1,376
41,026,401	41,026,401	37,166,769	278,267	3,581,365
(76,606)	(76,606)	4,307,576	(278,267)	4,105,915
275,000	275,000	40,017	-	(234,983)
(1,749,523)	(1,749,523)	(1,589,523)	-	160,000
(1,474,523)	(1,474,523)	(1,549,506)	-	(74,983)
(1,551,129)	(1,551,129)	2,758,070	\$ (278,267)	\$ 4,030,932
1,551,129	1,551,129	5,735,417		
\$ -	\$ -	\$ 8,493,487		

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, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REAL PROPERTY TAXES	\$ 29,811,813	\$ 29,811,813	\$ 29,753,644	\$ (58,169)
OTHER TAX ITEMS				
School tax relief reimbursement	5,229,977	5,229,977	5,229,977	-
NON-PROPERTY TAXES				
Non-property tax distribution from County	300,000	300,000	399,804	99,804
CHARGES FOR SERVICES				
Day school tuition	350,000	350,000	510,339	160,339
Other student fees and charges	25,000	25,000	32,926	7,926
Health services for other districts	60,000	60,000	83,403	23,403
USE OF MONEY AND PROPERTY	435,000	435,000	626,668	191,668
Earnings on investments	80,000	80,000	62,159	(17,841)
Rental of real property	200,000	200,000	219,692	19,692
	280,000	280,000	281,851	1,851
SALE OF PROPERTY AND COMPENSATION FOR LOSS				
Other	-	-	3,380	3,380

STATE AID

Basic formula	2,937,005	2,937,005	2,373,630	(563,375)
BOCES	500,000	500,000	596,962	96,962
Lottery	-	-	853,557	853,557
Textbooks	118,000	118,000	94,948	(23,052)
Computer software	-	-	24,316	24,316
Library aid	-	-	9,887	9,887
	<u>3,555,005</u>	<u>3,555,005</u>	<u>3,953,300</u>	<u>398,295</u>

FEDERAL AID

State fiscal stabilization fund - ARRA
Medical assistance

	-	-	252,240	252,240
	<u>40,000</u>	<u>40,000</u>	<u>997</u>	<u>(39,003)</u>
	<u>40,000</u>	<u>40,000</u>	<u>253,237</u>	<u>213,237</u>

MISCELLANEOUS

Refund of BOCES aided services	-	-	133,685	133,685
Refund of prior year's expenditures	-	-	64,908	64,908
Metropolitan commuter transportation mobility tax refund	-	-	122,224	122,224
Other	<u>140,000</u>	<u>140,000</u>	<u>1,866</u>	<u>(138,134)</u>

TOTAL REVENUES

	<u>140,000</u>	<u>140,000</u>	<u>322,683</u>	<u>182,683</u>
	<u>39,791,795</u>	<u>39,791,795</u>	<u>40,824,544</u>	<u>1,032,749</u>

OTHER FINANCING SOURCES

Transfers in -

Debt Service Fund

	<u>150,000</u>	<u>150,000</u>	<u>-</u>	<u>(150,000)</u>
--	----------------	----------------	----------	------------------

TOTAL REVENUES AND OTHER FINANCING SOURCES

	<u>\$ 39,941,795</u>	<u>\$ 39,941,795</u>	<u>\$ 40,824,544</u>	<u>\$ 882,749</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, 2011

	Original Budget	Final Budget	Actual	Encumbr- ances	Variance with Final Budget Positive (Negative)
GENERAL SUPPORT					
BOARD OF EDUCATION					
Board of education	\$ 19,303	\$ 18,747	\$ 15,785	-	\$ 2,962
District clerk	19,000	21,232	21,109	-	123
Total Board of Education	38,303	39,979	36,894	-	3,085
CENTRAL ADMINISTRATION					
Chief school administrator	396,200	377,419	356,592	-	20,827
FINANCE					
Business administration	468,000	468,000	462,487	-	5,513
Accounting and auditing	55,000	85,000	59,400	20,000	5,600
Treasurer	5,000	5,200	5,200	-	-
Total Finance	528,000	558,200	527,087	20,000	11,113
STAFF					
Legal	225,000	227,400	93,084	-	134,316
Personnel	25,234	59,383	33,873	13,148	12,362
Public information and services	58,342	69,885	54,478	-	15,407
Total Staff	308,576	356,668	181,435	13,148	162,085

CENTRAL SERVICES

Operation of plant	2,078,253	2,611,592	2,137,125	378,662	95,805
Maintenance of plant	397,058	459,515	340,296	72,760	46,459
Total Central Services	2,475,311	3,071,107	2,477,421	451,422	142,264
SPECIAL ITEMS					
Unallocated insurance	175,000	150,000	148,980	-	1,020
Assessments on school property	48,000	51,063	51,063	-	-
Refunds of real property taxes	-	645,333	248,294	-	397,039
Administrative charge - BOCES	155,000	155,000	151,142	-	3,858
Metropolitan commuter transportation mobility tax	105,000	92,666	73,009	-	19,657
Total Special Items	483,000	1,094,062	672,488	-	421,574
Total General Support	4,229,390	5,497,435	4,251,917	484,570	760,948

INSTRUCTION

INSTRUCTION, ADMINISTRATION AND IMPROVEMENT

Curriculum development and supervision	187,255	117,464	75,634	-	41,830
Supervision - Regular school	1,308,955	1,300,742	1,284,277	997	15,468
Total Instruction, Administration and Improvement	1,496,210	1,418,206	1,359,911	997	57,298
TEACHING - REGULAR SCHOOL	13,776,487	13,601,643	13,058,983	34,975	507,685
PROGRAMS FOR CHILDREN WITH HANDICAPPING CONDITIONS					
Programs for students with disabilities	6,320,800	6,202,659	5,559,665	60,990	582,104
OCCUPATIONAL EDUCATION	50,000	121,004	121,004	-	-

(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, 2011

	Original Budget	Final Budget	Actual	Encumbrances	Variance with Final Budget Positive (Negative)
INSTRUCTION (Continued)					
INSTRUCTIONAL MEDIA					
School library and audiovisual Computer assisted instruction	\$ 341,917 989,256	\$ 333,814 1,246,372	\$ 276,872 1,212,333	\$ 9,835 6,437	\$ 47,107 27,602
Total Instructional Media	1,331,173	1,580,186	1,489,205	16,272	74,709
PUPIL SERVICES					
Guidance - Regular school	919,200	907,844	846,028	2,334	59,482
Health services - Regular school	303,753	291,765	284,378	-	7,387
Psychological services - Regular school	510,484	509,939	431,369	-	78,570
Co-curricular activities - Regular school	376,440	315,327	256,125	4,216	54,986
Interscholastic athletics - Regular school	580,631	598,332	501,420	18,766	78,146
Total Pupil Services	2,690,508	2,623,207	2,319,320	25,316	278,571
Total Instruction	25,665,178	25,546,905	23,907,988	138,550	1,500,367
PUPIL TRANSPORTATION					
District transportation services	18,000	18,000	-	-	18,000
Contract transportation	1,609,455	1,498,752	1,355,624	-	143,128
Other public transportation	5,000	5,000	2,658	-	2,342
Total Pupil Transportation	1,632,455	1,521,752	1,358,282	-	163,470

EMPLOYEE BENEFITS

State retirement	511,500	457,882	434,970	-	22,912
Teachers' retirement	2,074,333	1,309,400	1,481,231	-	(171,831)
Social security	1,803,000	1,909,547	1,592,721	-	316,826
Workers' compensation benefits	135,000	135,000	129,318	-	5,682
Life insurance	10,000	10,000	7,507	-	2,493
Unemployment insurance	140,000	140,000	54,900	-	85,100
Hospital, medical and dental insurance	4,471,000	4,175,752	3,933,796	-	241,956
Union welfare benefits	304,800	326,601	325,193	-	1,408
Total Employee Benefits	9,449,633	8,464,182	7,959,636	-	504,546

DEBT SERVICE

Interest -					
Tax anticipation note	150,000	96,382	-	-	96,382
TOTAL EXPENDITURES	41,126,656	41,126,656	37,477,823	623,120	3,025,713

OTHER FINANCING USES

Transfers out:					
Special Aid Fund	64,000	64,000	30,104	-	33,896
Debt Service Fund	1,479,406	1,479,406	1,479,406	-	-
Capital Projects Fund	50,000	50,000	50,000	-	-
TOTAL OTHER FINANCING USES	1,593,406	1,593,406	1,559,510	-	33,896

TOTAL EXPENDITURES AND OTHER FINANCING USES

\$	<u>42,720,062</u>	\$	<u>42,720,062</u>	\$	<u>39,037,333</u>	\$	<u>623,120</u>	\$	<u>3,059,609</u>
----	-------------------	----	-------------------	----	-------------------	----	----------------	----	------------------

HASTINGS-ON-HUDSON UNION FREE SCHOOL DISTRICT, NEW YORK

CAPITAL PROJECTS FUND
COMPARATIVE BALANCE SHEET
JUNE 30, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
<u>ASSETS</u>		
Cash - Demand deposits	<u>\$ 470,807</u>	<u>\$ 813,842</u>
<u>LIABILITIES AND FUND BALANCE</u>		
Liabilities -		
Due to other funds	\$ 406,075	\$ 404,134
Fund Balance -		
Restricted	<u>64,732</u>	<u>409,708</u>
Total Liabilities and Fund Balance	<u>\$ 470,807</u>	<u>\$ 813,842</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, 2011 AND 2010

	2011	2010
Revenues	\$ -	\$ -
Expenditures - Capital outlay	394,976	161,637
Deficiency of Revenues Over Expenditures	(394,976)	(161,637)
Other Financing Sources (Uses):		
Transfers in	50,000	50,000
Transfers out	-	(40,017)
Total Other Financing Sources	50,000	9,983
Net Change in Fund Balance	(344,976)	(151,654)
Fund Balance - Beginning of Year	409,708	561,362
Fund Balance - End of Year	\$ 64,732	\$ 409,708

HASTINGS-ON-HUDSON UNION FREE SCHOOL DISTRICT, NEW YORK

CAPITAL PROJECTS FUND
PROJECT - LENGTH SCHEDULE
INCEPTION OF PROJECT THROUGH JUNE 30, 2011

Project	Authori- zation	Expenditures and Transfers To Date			Unexpended Balance
		Prior Years	Current Year	Totals	
District-Wide Improvements - 2008/09	\$ 95,800	\$ 92,208	\$ 3,592	\$ 95,800	\$ -
District-Wide Improvements - 2009/10	50,000	47,145	2,855	50,000	-
District-Wide Improvements - 2010/11	50,000	-	50,000	50,000	-
Excel	907,969	504,708	338,529	843,237	64,732
Totals	<u>\$ 11,893,757</u>	<u>\$ 11,434,049</u>	<u>\$ 394,976</u>	<u>\$ 11,829,025</u>	<u>\$ 64,732</u>

Proceeds of Obligations	Methods of Financing			Fund Balance at June 30, 2011
	State Aid	Interfund Transfers	Totals	
\$ -	\$ -	\$ 95,800	\$ 95,800	\$ -
-	-	50,000	50,000	-
-	-	50,000	50,000	-
-	-	907,969	907,969	64,732
<u>\$ 9,925,000</u>	<u>\$ 89,888</u>	<u>\$ 1,878,869</u>	<u>\$ 11,893,757</u>	<u>\$ 64,732</u>

(This page intentionally left blank)

HASTINGS-ON-HUDSON UNION FREE SCHOOL DISTRICT, NEW YORK

SPECIAL AID FUND
COMPARATIVE BALANCE SHEET
JUNE 30, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
<u>ASSETS</u>		
Cash.- Demand deposits	\$ 280,241	\$ 32,709
State and Federal Aid Receivable	<u>310,831</u>	<u>362,944</u>
Total Assets	<u>\$ 591,072</u>	<u>\$ 395,653</u>
<u>LIABILITIES</u>		
Accounts Payable	\$ 1,310	\$ 1,310
Deferred Revenues	133,239	113,817
Due to Other Funds	<u>456,523</u>	<u>280,526</u>
Total Liabilities	<u>\$ 591,072</u>	<u>\$ 395,653</u>

HASTINGS-ON-HUDSON UNION FREE SCHOOL DISTRICT, NEW YORK

SPECIAL AID FUND

COMPARATIVE SCHEDULE OF REVENUES, EXPENDITURES AND

CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

YEARS ENDED JUNE 30, 2011 AND 2010

	2011			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
State aid	\$ 140,620	\$ 136,000	\$ 120,416	\$ (15,584)
Federal aid	774,165	778,785	441,397	(337,388)
Total Revenues	914,785	914,785	561,813	(352,972)
Expenditures -				
Current -				
Instruction	978,785	978,785	591,917	386,868
Deficiency of Revenues Over Expenditures	(64,000)	(64,000)	(30,104)	33,896
Other Financing Sources -				
Transfers in	64,000	64,000	30,104	(33,896)
Net Change in Fund Balance	-	-	-	-
Fund Balance - Beginning of Year	-	-	-	-
Fund Balance - End of Year	\$ -	\$ -	\$ -	\$ -

2010			
Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
\$ 261,173	\$ 269,996	\$ 256,552	\$ (13,444)
561,988	553,165	293,975	(259,190)
823,161	823,161	550,527	(272,634)
887,161	887,161	614,528	272,633
(64,000)	(64,000)	(64,001)	(1)
64,000	64,000	64,001	1
-	-	-	-
-	-	-	-
\$ -	\$ -	\$ -	\$ -

HASTINGS-ON-HUDSON UNION FREE SCHOOL DISTRICT, NEW YORK

COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2011
(With Comparative Totals for 2010)

	School Lunch	Special Purpose	Debt Service
<u>ASSETS</u>			
Cash - Demand deposits	\$ 207,375	\$ 86,778	\$ -
Investments	-	-	18,911
Receivables:			
Accounts	2,734	-	-
State and Federal aid	2,276	-	-
Due from other funds	824	2,395	439,633
	5,834	2,395	439,633
Inventories	106	-	-
Total Assets	\$ 213,315	\$ 89,173	\$ 458,544
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts payable	\$ 25,923	\$ -	\$ -
Deferred revenues	9,652	-	-
Due to other governments	6,809	-	-
Total Liabilities	42,384	-	-
Fund Balances:			
Nonspendable	106	-	-
Restricted	-	89,173	308,544
Assigned	170,825	-	150,000
Total Fund Balances	170,931	89,173	458,544
Total Liabilities and Fund Balances	\$ 213,315	\$ 89,173	\$ 458,544

Total Non-Major Governmental Funds	
2011	2010
\$ 294,153	\$ 307,280
18,911	18,657
2,734	1,839
2,276	2,731
442,852	444,029
447,862	448,599
106	1,519
\$ 761,032	\$ 776,055
\$ 25,923	\$ 864
9,652	8,677
6,809	6,857
42,384	16,398
106	1,519
397,717	410,877
320,825	347,261
718,648	759,657
\$ 761,032	\$ 776,055

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, 2011
(With Comparative Totals for 2010)

	School Lunch	Special Purpose	Debt Service
Revenues:			
Use of money and property	\$ 265	\$ 790	\$ 254
State aid	1,699	-	-
Federal aid	28,302	-	-
Food sales	293,181	-	-
Miscellaneous	-	73,839	-
Total Revenues	323,447	74,629	254
Expenditures:			
Current:			
Instruction	-	-	-
Cost of food sales	351,296	-	-
Other	-	88,043	-
Debt service:			
Principal	-	-	1,215,000
Interest	-	-	264,406
Total Expenditures	351,296	88,043	1,479,406
Deficiency of Revenues Over Expenditures	(27,849)	(13,414)	(1,479,152)
Other Financing Sources - Transfers in	-	-	1,479,406
Net Change in Fund Balances	(27,849)	(13,414)	254
Fund Balances - Beginning of Year	198,780	102,587	458,290
Fund Balances - End of Year	\$ 170,931	\$ 89,173	\$ 458,544

Total Non-Major Governmental Funds	
2011	2010
\$ 1,309	\$ 6,738
1,699	258,351
28,302	318,071
293,181	337,883
73,839	189,120
<u>398,330</u>	<u>1,110,163</u>
-	614,528
351,296	291,977
88,043	220,499
1,215,000	1,165,000
264,406	310,523
<u>1,918,745</u>	<u>2,602,527</u>
(1,520,415)	(1,492,364)
<u>1,479,406</u>	<u>1,539,524</u>
(41,009)	47,160
<u>759,657</u>	<u>712,497</u>
<u>\$ 718,648</u>	<u>\$ 759,657</u>

HASTINGS-ON-HUDSON UNION FREE SCHOOL DISTRICT, NEW YORK

SCHOOL LUNCH FUND
COMPARATIVE BALANCE SHEET
JUNE 30, 2011 AND 2010

	2011	2010
<u>ASSETS</u>		
Cash - Demand deposits	\$ 207,375	\$ 208,265
Receivables:		
Accounts	2,734	1,839
State and Federal aid	2,276	2,731
Due from other funds	824	824
	<u>5,834</u>	<u>5,394</u>
Inventories	<u>106</u>	<u>1,519</u>
Total Assets	<u>\$ 213,315</u>	<u>\$ 215,178</u>
<u>LIABILITIES AND FUND BALANCE</u>		
Liabilities:		
Accounts payable	\$ 25,923	\$ 864
Deferred revenues	9,652	8,677
Due to other governments	<u>6,809</u>	<u>6,857</u>
Total Liabilities	<u>42,384</u>	<u>16,398</u>
Fund Balance:		
Nonspendable	106	1,519
Assigned	<u>170,825</u>	<u>197,261</u>
Total Fund Balance	<u>170,931</u>	<u>198,780</u>
Total Liabilities and Fund Balance	<u>\$ 213,315</u>	<u>\$ 215,178</u>

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, 2011 AND 2010

	2011	2010
Revenues:		
Use of money and property	\$ 265	\$ 269
State aid	1,699	1,799
Federal aid	28,302	24,096
Food sales	293,181	337,883
Miscellaneous	-	3,132
Total Revenues	323,447	367,179
Expenditures -		
Current - Cost of food sales	351,296	291,977
Excess (Deficiency) of Revenues Over Expenditures	(27,849)	75,202
Fund Balance - Beginning of Year	198,780	123,578
Fund Balance - End of Year	<u>\$ 170,931</u>	<u>\$ 198,780</u>

HASTINGS-ON-HUDSON UNION FREE SCHOOL DISTRICT, NEW YORK

SPECIAL PURPOSE FUND
COMPARATIVE BALANCE SHEET
JUNE 30, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
<u>ASSETS</u>		
Cash - Demand deposits	\$ 86,778	\$ 99,015
Due from Other Funds	<u>2,395</u>	<u>3,572</u>
Total Assets	<u>\$ 89,173</u>	<u>\$ 102,587</u>
<u>FUND BALANCE</u>		
Restricted	<u>\$ 89,173</u>	<u>\$ 102,587</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, 2011 AND 2010

	2011	2010
Revenues:		
Use of money and property	\$ 790	\$ 313
Miscellaneous	73,839	185,988
Total Revenues	74,629	186,301
Expenditures - Current - Other	88,043	220,499
Deficiency of Revenues Over Expenditures	(13,414)	(34,198)
Fund Balance - Beginning of Year	102,587	136,785
Fund Balance - End of Year	<u>\$ 89,173</u>	<u>\$ 102,587</u>

(This page intentionally left blank)

HASTINGS-ON-HUDSON UNION FREE SCHOOL DISTRICT, NEW YORK

DEBT SERVICE FUND
COMPARATIVE BALANCE SHEET
JUNE 30, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
<u>ASSETS</u>		
Cash - Demand deposits	\$ 18,911	\$ 18,657
Due from Other Funds	<u>439,633</u>	<u>439,633</u>
Total Assets	<u>\$ 458,544</u>	<u>\$ 458,290</u>
<u>FUND BALANCE</u>		
Restricted	\$ 308,544	\$ 308,290
Assigned	<u>150,000</u>	<u>150,000</u>
Total Fund Balance	<u>\$ 458,544</u>	<u>\$ 458,290</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, 2011 AND 2010

	2011			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues - Use of money and property	\$ -	\$ -	\$ 254	\$ 254
Expenditures -				
Debt service -				
Serial bonds:				
Principal	1,215,000	1,215,000	1,215,000	-
Interest	264,406	264,406	264,406	-
Total Expenditures	1,479,406	1,479,406	1,479,406	-
Deficiency of Revenues Over Expenditures	(1,479,406)	(1,479,406)	(1,479,152)	254
Other Financing Sources (Uses):				
Transfers in	1,479,406	1,479,406	1,479,406	-
Transfers out	(150,000)	(150,000)	-	150,000
Total Other Financing Sources	1,329,406	1,329,406	1,479,406	150,000
Net Change in Fund Balance	(150,000)	(150,000)	254	150,254
Fund Balance - Beginning of Year	150,000	150,000	458,290	308,290
Fund Balance - End of Year	\$ -	\$ -	\$ 458,544	\$ 458,544

2010			
Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
\$ -	\$ -	\$ 6,156	\$ 6,156
1,295,000	1,295,000	1,165,000	130,000
340,523	340,523	310,523	30,000
1,635,523	1,635,523	1,475,523	160,000
(1,635,523)	(1,635,523)	(1,469,367)	166,156
1,635,523	1,635,523	1,475,523	(160,000)
(275,000)	(275,000)	-	275,000
1,360,523	1,360,523	1,475,523	115,000
(275,000)	(275,000)	6,156	281,156
275,000	275,000	452,134	177,134
\$ -	\$ -	\$ 458,290	\$ 458,290

HASTINGS-ON-HUDSON UNION FREE SCHOOL DISTRICT, NEW YORK

GENERAL FUND

ANALYSIS OF CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET
YEAR ENDED JUNE 30, 2011

Adopted Budget	\$ 42,441,795
Additions - Encumbrances	<u>278,267</u>
Original/Final Budget	<u>\$ 42,720,062</u>

GENERAL FUND

ANALYSIS OF USE OF FUND BALANCE

AS OF THE BEGINNING OF THE YEAR ENDED JUNE 30, 2011

Assigned and Unassigned	
Fund Balance (less encumbrances) - Beginning of Year	\$ 4,109,131
Less - Appropriated Fund Balance Used for Levy of Taxes	<u>2,500,000</u>
Unassigned Fund Balance	<u>\$ 1,609,131</u>

HASTINGS-ON-HUDSON UNION FREE SCHOOL DISTRICT, NEW YORK

GENERAL FUND
SCHEDULE OF CERTAIN REVENUES AND EXPENDITURES COMPARED
TO ST-3 DATA
YEAR ENDED JUNE 30, 2011

	<u>Account Code</u>	<u>Amount Per ST-3</u>	<u>Audited Amount</u>
REVENUES			
Real Property Taxes	A -1001	\$ 29,753,644	\$ 29,753,644
Non-Property Taxes	AT-1199	399,804	399,804
State Aid	AT-3999	3,953,300	3,953,300
Federal Aid	AT-4999	253,237	253,237
Total Revenues and Other Financing Sources	AT-5999	40,824,545 (1)	40,824,544
EXPENDITURES			
General Support	AT-1999	4,251,920 (1)	4,251,917
Pupil Transportation	AT-5599	1,358,282	1,358,282
Debt Service - Principal	AT-9798.6		-
Debt Service - Interest	AT-9798.7		-
Total Expenditures and Other Financing Uses	AT-9999	\$ 39,037,336 (1) \$	39,037,333

(1) Rounding difference

HASTINGS-ON-HUDSON UNION FREE SCHOOL DISTRICT, NEW YORK

SCHEDULE OF INVESTED IN
CAPITAL ASSETS, NET OF RELATED DEBT
YEAR ENDED JUNE 30, 2011

Capital Assets, net	\$ 8,934,992
Less - Bonds payable - Capital construction	<u>(6,310,000)</u>
Invested in Capital Assets, net of Related Debt	<u>\$ 2,624,992</u>



O'Connor Davies Munns & Dobbins, LLP
ACCOUNTANTS AND CONSULTANTS

**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**

To the Board of Education of the
Hastings-on-Hudson Union Free School District, New York:

We have audited the 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, 2011, which collectively comprise the School District's basic financial statements and have issued our report thereon dated September 16, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

We noted certain matters that we reported to the management of the School District in a separate letter dated September 16, 2011.

This report is intended solely for the information and use of the Board of Education, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

O'Connor Davies Munns & Dobbins, LLP

O'Connor Davies Munns & Dobbins, LLP

Harrison, New York

September 16, 2011



O'Connor Davies Munns & Dobbins, llp
ACCOUNTANTS AND CONSULTANTS

**REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

INDEPENDENT AUDITORS' REPORT

Board of Directors
Hastings-on-Hudson Union Free School District, New York

Compliance

We have audited the Hastings-on-Hudson Union Free School District, New York ("School District") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (*OMB Circular A-133 Compliance Supplement*) that could have a direct and material effect on each of the School District's major federal programs for the year ended June 30, 2011. 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. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the School District's management. Our responsibility is to express an opinion on the School District's compliance based on our audit.

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 the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the School District's compliance with those requirements.

In our opinion, the School District complied, in all material respects, with the 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, 2011.

Internal Control Over Compliance

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

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

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

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

O'Connor Davies Munns & Dobbins, LLP

O'Connor Davies Munns & Dobbins, LLP
Harrison, New York
September 16, 2011

HASTINGS-ON-HUDSON UNION FREE SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2011

<u>Federal Grantor Program Title</u>	<u>Federal CFDA Number (1)</u>	<u>Non ARRA (2)</u>	<u>ARRA (2)</u>	<u>Federal 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	5,613		\$ 5,613
National School Lunch Program (NSLP) - Commodities	10.555	17,998		17,998
Special Milk Program for Children	10.556	4,691		4,691
Total U.S. Department of Agriculture				28,302
<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	109,039		109,039
Special Education - Preschool Grants (IDEA Preschool)	84.173	15,100		15,100
Special Education - Preschool Grants (IDEA Preschool), Recovery Act (ARRA)	84.392		7,813	7,813
Special Education - Grants to States (IDEA, Part B), Recovery Act (ARRA)	84.391		308,262	308,262
				440,214
<i>State Fiscal Stabilization Fund:</i>				
State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act (Education Stabilization Fund) (ARRA)	84.394		252,240	252,240
State Fiscal Stabilization Fund (SFSF) - Race-To-The- Top Incentive Grants, Recovery Act	84.395		1,183	1,183
Total U.S. Department of Education				693,637
Total		\$ 152,441	\$ 568,315	\$ 721,939

(1) Catalog of Federal Domestic Assistance number.

(2) American Recovery and Reinvestment Act

HASTINGS-ON-HUDSON UNION FREE SCHOOL DISTRICT, NEW YORK

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2011

NOTE A - SUMMARY OF ACCOUNTING POLICIES

1. *General*

The accompanying Schedule of Expenditures of Federal Awards presents all activity of all federal award programs for the year ended June 30, 2011. Federal awards received directly from federal agencies as well as federal awards passed through other government agencies are included on the Schedule.

2. *Basis of Accounting*

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting.

3. *Relationship to Financial Statements*

The School District's fund financial statements are presented using the modified accrual basis of accounting.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2011

NONE

HASTINGS-ON-HUDSON FREE SCHOOL DISTRICT, NEW YORK

SCHEDULE OF FINDING AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting {*unqualified
qualified, adverse, or disclaimer*}:

Internal control over financial reporting:

- Material weakness(es) identified ___ yes X no
- Significant deficiency(ies) identified? ___ yes X none reported
- Noncompliance material to financial statements noted? ___ yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ___ yes X no
- Significant deficiency(ies) identified? ___ yes X none reported

Type of auditor's report issued on compliance for major programs {*unqualified, qualified, adverse, or disclaimer*}:

Unqualified

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

___ yes X no

Identification of major programs:

Identification of major programs

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
	<i>Special Education Cluster (IDEA):</i>
84.027	Special Education - Grants to States (IDEA, Part B)
84.173	Special Education - Preschool Grants (IDEA, Preschool)
84.391	Special Education - Grants to States (IDEA, Part B), Recovery Act - ARRA
84.392	Special Education - Preschool Grants (IDEA, Preschool), Recovery Act - ARRA
84.394	State Fiscal Stabilization Fund - Education State Grants, Recovery Act - (ARRA)

Dollar threshold used to distinguish between Type A and Type B programs

\$300,000

Auditee qualified as low-risk auditee?

___ yes X no

SCHEDULE OF FINDING AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011

Section II – Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

None

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

Independent Auditors' Report on Communication of
Internal Control Related Matters Identified in the Audit

June 30, 2011



O'Connor Davies Munns & Dobbins, llp
ACCOUNTANTS AND CONSULTANTS

**Independent Auditors' Report on Communication of Internal Control
Related Matters Identified in the Audit**

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

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, 2011, 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, we considered the School District's internal control over financial reporting as a basis for designing our auditing procedures 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 communications with the Audit Committee of the Board of Education as required by auditing standards. We are also required to communicate any control deficiencies we identified during the audit and determined to be significant deficiencies or material weaknesses. **This communication is a requirement of the Statement on Auditing Standards (SAS) 115: Communicating Internal Control Related Matters Identified in an Audit.**

Our consideration of internal control was for the limited purpose of conducting the School District's audit and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses, and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

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. 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.

As indicated in the attached Addendum A, we identified certain deficiencies in internal control that we consider to be control deficiencies.

It is important to note that control deficiencies are not necessarily issues management and the Board of Education will choose to address, however; control deficiencies may represent potential risks. Our responsibility as your auditors is to ensure that management and the Board of Education are aware of these deficiencies or weaknesses so that you can make informed business decisions on how best to respond to these risks.

Management responses have not been subjected to the auditing procedures applied in the audit of the School District's financial statements and, accordingly, we express no opinion on them.

This report, summary of communications addendums and management responses, are intended for the information and use of management and the Board of Education. However, this report is a matter of public record and its distribution is not limited. We will be pleased to discuss these comments in further detail at your convenience, or to assist you in implementing the recommendations.

O'Connor Davies Munns & Dobbins, LLP
Harrison, New York
September 22, 2011

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

Summary of Communications

- Auditors' Responsibility Under Auditing Standards Generally Accepted in the United States of America
 - Unqualified opinion on financial statements
 - No change in scope of the audit
 - No material errors
 - No fraud or illegal acts were identified
 - No instances/suspicion or allegations of fraud were noted during conduct of audit
- Internal Accounting Controls
 - Reviewed to extent necessary to render our opinion on the financial statements
 - No material weaknesses noted
- Significant Accounting Policies
 - Accounting policies appear appropriate
 - Significant accounting policies included in Note 1 to the financial statements
 - Adopted Governmental Accounting Standards Board Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions"
- Management's Judgments and Accounting Estimates
 - Estimates used deemed adequate
- Audit Adjustments
 - No significant unrecorded audit adjustments
- Other Information in Documents Containing Audited Financial Statements
 - Management's Discussion and Analysis appears reasonable
- Disagreements with Management
 - None
- Unresolved Difficulties Encountered in Performing the Audit
 - None

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

Summary of Communications

- Consultation by Management with Other Accountants
 - With the exception of consultations with the internal auditors none of which we were made aware
- Management Consulting Services
 - None
- Independence
 - O'Connor Davies Munns & Dobbins, LLP is independent in all respects
- Irregularities or Illegal Acts
 - Nothing to report

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

Addendum A

- **School Lunch Fund**

Excessive Fund Balance

The New York State Education Department has established certain guidelines as to the amount of fund balance that should be retained within the School Lunch Fund. Their recommendation is that no more than three months of the average operating expenditures (\$105,400) of the program be retained in fund balance. The School Lunch Fund has a total fund balance of approximately \$170,931 at June 30, 2011 which appears to be excessive, based on these guidelines.

Recommendation

We recommend that the School District review its school lunch operations to ensure that a reasonable amount of fund balance is retained, and to comply with State Education recommendations.

Management's Response

The District is in the process of spending down the excess funds in the school lunch fund. There has been equipment upgrades done subsequent to year end and will get the School District's lunch fund balance under the amount needed.

- **Extraclassroom Activity Funds**

Extraclassroom Activity Funds, which are authorized by the New York State Department of Education, are an integral part of the educational program of the School District. 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

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. Our current audit disclosed that 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.

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

Addendum A

• **Extraclassroom Activity Funds** (*Continued*)

Recommendation

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

Inactive Clubs

We noted that eight clubs had no financial activity during the current fiscal year and certain clubs were inactive for the past two fiscal years.

Inactive	Inactive in Excess of Two Years	Balance
Band Club		\$ 251
Chess Club	√	245
Class of 2013		703
Foreign Language Club	√	1,611
Latin Club	√	1
Math Club	√	494
Outing Club		42
French Club	√	23

State Education Regulations provide that the funds of a discontinued activity shall automatically revert to the account of the general student organization or the student council and shall be expended in accordance with that organization's constitution.

Recommendation

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

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

Addendum A

- **Extraclassroom Activity Funds** (*Continued*)

Untimely Deposits

It was noted during our audit of the Middle School Extraclassroom Activity that nine out of the ten cash receipts tested were deposited in excess of three business days.

Recommendation

The School District must make all deposits within 72 hours of receipt. This will decrease the chance of cash errors and deter fraudulent activities.

Overall Management's Response

The Business Office will inform the treasurer of the High School extraclassroom activity fund of the findings of the auditor and will make suggestions for compliance with the recommendations. The fact that regulations do not permit extraclassroom activity funds below the sixth grade will be discussed with the Principal as will the current uses of the fifth grade Middle School extraclassroom activity fund to determine if there are any other alternatives. The other grades in the Middle School are able to benefit from the use of these funds and it is not desirous for one grade to be disadvantaged. We will work with the extra classroom treasurers to close out in active accounts and work with them to insure a segregation of duties.

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, 2011

WITH INDEPENDENT AUDITORS' REPORT



O'Connor Davies Munns & Dobbins, llp
ACCOUNTANTS AND CONSULTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Education of the
Hastings-on-Hudson Union Free School District, New York:

We have audited the accompanying statement of cash receipts, cash disbursements and cash balances of the Extraclassroom Activity Funds of the Hastings-on-Hudson Union Free School District, New York, ("School District") as of and for the year ended June 30, 2011. This financial statement is the responsibility of the Extraclassroom Activity Fund's management. Our responsibility is to express an opinion on this financial statement based on our audit.

Except as discussed in the following paragraph, 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Extraclassroom Activity Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The controls over the receipt of student club revenues 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 into the accounting records are not sufficient to enable us to extend our audit procedures beyond the receipts recorded.

As discussed in Note 1, this financial statement has been prepared on the basis of cash receipts and cash disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, except for the effect of such adjustments, if any, in relation to the insufficient accounting controls, the financial statement referred to above presents fairly, in all material respects, the cash receipts, cash disbursements and cash balances of the Extraclassroom Activity Funds of the School District as of June 30, 2011, and for the year then ended on the basis of accounting described in Note 1.

O'Connor Davies Munns & Dobbins, LLP

O'Connor Davies Munns & Dobbins, LLP
Harrison, New York
September 16, 2011

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, 2011

	Cash Balances Beginning	Receipts	Disburse- ments	Cash Balances Ending
High School:				
Academic Challenge	\$ 161	\$ 1,001	\$ 917	\$ 245
Amnesty Club	516	3,610	3,383	743
Art Club	310	65	215	160
Band	251	-	-	251
Chorus	1,392	2,603	1,006	2,989
Chess Club	245	-	-	245
Class of 2010	1,030	-	1,030	-
Class of 2011	2,045	17,130	17,361	1,814
Class of 2012	1,351	3,304	2,339	2,316
Class of 2013	703	-	-	703
Class of 2014	-	90	-	90
Culinary Club	139	505	-	644
Dance Club	64	-	64	-
Diversity	145	-	145	-
Drama	774	7,971	6,023	2,722
Environment Club	560	60	-	620
Film	463	91	12	542
Football	1,168	2,985	2,942	1,211
For. Lang. Club	1,611	-	-	1,611
Geo 4	5,975	49,900	32,441	23,434
GSA	93	297	228	162
Guidance Scholarships	15,914	31,821	33,027	14,708
HAAS	85	-	85	-
Habitat for Humanity	581	65	-	646
H.A.S.P.	64	4,167	4,033	198
Hudsonettes	1,065	1,883	2,056	892
International Club	79	-	79	-
Latin Club	1	-	-	1
Math Club	494	-	-	494
NAHS	507	597	294	810
Origami	43	-	43	-
Outing Club	42	-	-	42
SAAFE	50	-	50	-
S.A.D.D.	15	22	-	37
Science Club II	78	-	78	-
Ski Club	51	-	51	-
Spanish Club	371	12	-	383
Student Union	15,359	4,577	3,947	15,989

(Continued)

HASTINGS-ON-HUDSON UNION FREE SCHOOL DISTRICT, NEW YORK

EXTRACLASROOM ACTIVITY FUNDS
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CASH BALANCES
YEAR ENDED JUNE 30, 2011

	Cash Balances Beginning	Receipts	Disburse- ments	Cash Balances Ending
High School: (Continued)				
Sunshine Club	\$ 3,579	\$ 1,375	\$ 990	\$ 3,964
Ultimate Frisbee	200	82	-	282
Varsity Club	8,746	2,668	3,685	7,729
Voyagers	2,247	8,621	8,791	2,077
W.E.S.T.M.U.N.C.	8,408	3,232	3,281	8,359
Women's Aware	186	-	186	-
Y.E.M.C	1,501	1,297	1,486	1,312
Yearbook	1,513	5,409	6,922	-
Robert Tucker Spea	2,449	550	1,011	1,988
Political Action Club	100	34	-	134
French Club	23	-	-	23
TSP	482	468	528	422
Peer Leadership	950	730	1,383	297
Golf Club	5,000	6,880	7,614	4,266
Book Club	-	83	83	-
Cancer Awareness	-	316	-	316
Soccer w/o Borders	-	36	36	-
Yoga Club	-	45	-	45
Crossing Borders	-	602	457	145
Photography	-	27	-	27
Total High School	89,179	165,211	148,302	106,088
Middle School:				
Jr. Student Council	2,143	105	100	2,148
M.S. Play	6,884	11,329	14,304	3,909
Grade 5	170	6,223	5,883	510
Grade 6	113	7,330	7,443	-
Grade 7	3,227	3,766	6,938	55
Grade 8	1,170	19,153	17,379	2,944
Extracurricular	78	1,564	1,043	599
Yearbook	2,789	10,057	11,512	1,334
Scholarship	929	573	451	1,051
Sports	187	137	237	87
Total Middle School	17,690	60,237	65,290	12,637
Total All Schools	\$ 106,869	\$ 225,448	\$ 213,592	\$ 118,725

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

1

2

3

4

5

6

HASTINGS-ON-HUDSON UNION FREE SCHOOL DISTRICT, NEW YORK
EXTRACLASROOM ACTIVITY FUNDS
NOTE TO FINANCIAL STATEMENTS
JUNE 30, 2011

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, 2011.

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

10

11

12

13

14

15

