

ROTTERDAM-MOHONASEN  
CENTRAL SCHOOL DISTRICT

FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION

Year Ended June 30, 2017

# ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT

## TABLE OF CONTENTS

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	Page
Introduction:	
Independent Auditor's Report	
Management's Discussion and Analysis	M1-M11
Basic Financial Statements:	
Statement of Net Position	1
Statement of Activities	2
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position	3
Reconciliation of Governmental Funds Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities	4
Balance Sheet – Governmental Funds	5
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds	6
Statement of Fiduciary Net Position	7
Statement of Changes in Fiduciary Net Position	8
Notes to Financial Statements	9-45
Required Supplemental Information:	
Schedule of Revenues, Other Sources, Expenditures and Other Uses Compared to Budget - General Fund	46-47
Schedule of Funding Progress of Other Postemployment Benefits	48
Schedule of District's Proportionate Share of the Net Pension Asset/Liability	49
Schedule of District Contributions	50
Supplemental Information:	
Schedule of Change From Original Budget to Final Budget - General Fund	51
Schedule of Real Property Tax Law Limit - General Fund	51
Schedule of Project Expenditures - Capital Projects Fund	52
Schedule of Investment in Capital Assets, net of Related Debt	53
Report on Internal Control over Financial Reporting and on Compliance and Other Matters based on an Audit of Financial Statements performed in accordance with <i>Government Auditing Standards</i>	54-55

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the  
Rotterdam-Mohonasen Central School District:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the fiduciary funds of the Rotterdam-Mohonasen Central School District as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Rotterdam-Mohonasen Central School District's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the fiduciary fund information of the Rotterdam-Mohonasen Central School District, as of June 30, 2017, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and the schedule of funding progress of other postemployment benefits, the District's proportionate share of the net pension asset/liability, and the District's contributions on pages M1-M11 and 46-50 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government 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.

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Rotterdam-Mohonasen Central School District's basic financial statements as a whole. The other supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements, but is supplementary information required by the New York State Education Department. The other supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

## **Other Reporting Required by *Government Auditing Standards***

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

A handwritten signature in black ink, reading "Raymond G. Heusser CPA". The signature is fluid and cursive, with the letters "CPA" written in a slightly more formal, blocky style at the end.

Claverack, New York  
August 28, 2017

# **ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT**

## **Management's Discussion and Analysis (MD&A)**

### **For the Fiscal Year Ended June 30, 2017**

#### **Introduction**

The following is a discussion and analysis of Rotterdam-Mohonasen Central School District's (the District) financial performance for the fiscal year ended June 30, 2016. This section is a summary of the District's financial activities based on currently known facts, decisions or conditions. It is also based on both the government-wide and fund-based financial statements. The results of the current year are discussed in comparison with the prior year, with an emphasis placed on the current year. This section is only an introduction and should be read in conjunction with the District's financial statements, which immediately follow this section.

#### **Financial Highlights**

- The total assets of the District exceeded its total liabilities at the close of the fiscal year by \$54 million (net position).
- The District's total net position increased \$1,426,822 compared to the 2015-16 reporting period. This change results primarily from the increase in assets.
- A capital project of \$48,200,000 was started during the 2013-2014 fiscal year and still on going.

#### **Overview of the Financial Statements**

This annual report consists of three parts: MD&A (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the School District:

\*The first two statements are districtwide financial statements that provide both short-term and long-term information about the School District's overall financial status.

\*The remaining statements are fund financial statements that focus on individual parts of the School District, report the District's operations in more detail than the districtwide statements. The fund financial statements concentrate on the District's most significant funds with all the other non-major funds listed in total in one column.

\*The governmental funds statements tell how basic services such as regular and special education were financed in the short term as well as what remains for future spending.

\*Fiduciary funds statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year.

Figure A-1 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview of MD&A highlights the structure and contents of each of the statements.

**Figure A-1 Major Features of the Districtwide and Fund Financial Statements**

	<b>Districtwide Statements</b>	<b>Fund Statements</b>	
		<b><u>Governmental Funds</u></b>	<b><u>Fiduciary Funds</u></b>
Scope	Entire District government (except fiduciary funds)	The activities of the School District that are not fiduciary such as School Lunch and Capital spending	Instances where the School District is the trustee or agent for someone else's resources, such as payroll taxes and scholarships
Required Financial Statements	Statement of Net Position Statement of Activities	Balance Sheet Statement of revenues, expenditures, and changes in fund balance	Statement of fiduciary net position Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resource focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of Asset/Liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets included.	All assets and liabilities both short-term and long-term.
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of year; expenditures when goods or services have been received and payment is due during the year or soon thereafter.	All revenues and expenses during year, regardless of when cash is received or paid.

## **Districtwide Financial Statements**

The districtwide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two districtwide statements report the District's net position and how it changed. Net position – the difference between the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources-is one way to measure the District's financial health or position.

\*Over time, increases or decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.

\*To assess the District's overall health, you need to consider additional informational factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the districtwide financial statements, the District's activities are shown as Governmental activities. Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property taxes and State formula aid finances most of these activities.

**Rotterdam-Mohonasen Central School District's Net Position**  
**June 30, 2016 and 2017**

	2016	2017	Variance Increase (Decrease)
Current Assets	\$ 31,485,594	\$ 15,224,176	\$ (16,261,418)
Capital Assets	85,013,982	102,681,759	17,667,777
Net Pension Asset	12,185,672	-	(12,185,672)
Total Assets	<u>128,685,248</u>	<u>117,905,935</u>	<u>1,406,359</u>
Deferred Outflows of Resources	5,644,133	14,149,658	8,505,525
Total Assets and Outflows of Resources	<u>134,329,381</u>	<u>132,055,593</u>	<u>9,911,884</u>
Current Liabilities	38,887,763	15,638,646	(23,249,117)
Noncurrent Liabilities	35,462,290	58,595,716	23,133,426
Net Pension Liability	2,813,016	2,809,604	(3,412)
Total Liabilities	<u>77,163,069</u>	<u>77,043,966</u>	<u>(115,691)</u>
Deferred Inflows of Resources	4,539,731	958,224	(3,581,507)
Total Liabilities and Inflows of Resources	<u>81,702,800</u>	<u>78,002,190</u>	<u>(3,697,198)</u>
Net Position:			
Net Investment in Capital Assets	23,173,904	42,018,694	18,844,790
Restricted	15,490,505	8,316,356	(7,174,149)
Unrestricted	13,962,172	3,718,353	(10,243,819)
Total Net Position	<u>\$ 52,626,581</u>	<u>\$ 54,053,403</u>	<u>\$ 1,426,822</u>

Maintaining adequate fund balance (reserved and unappropriated) has several internal benefits. Fund balance can provide for cash flow needs until major revenues are received (thereby reducing or eliminating the need for cash flow borrowing), provide funds to leverage state and federal grants, and provide for various contingency expenses.

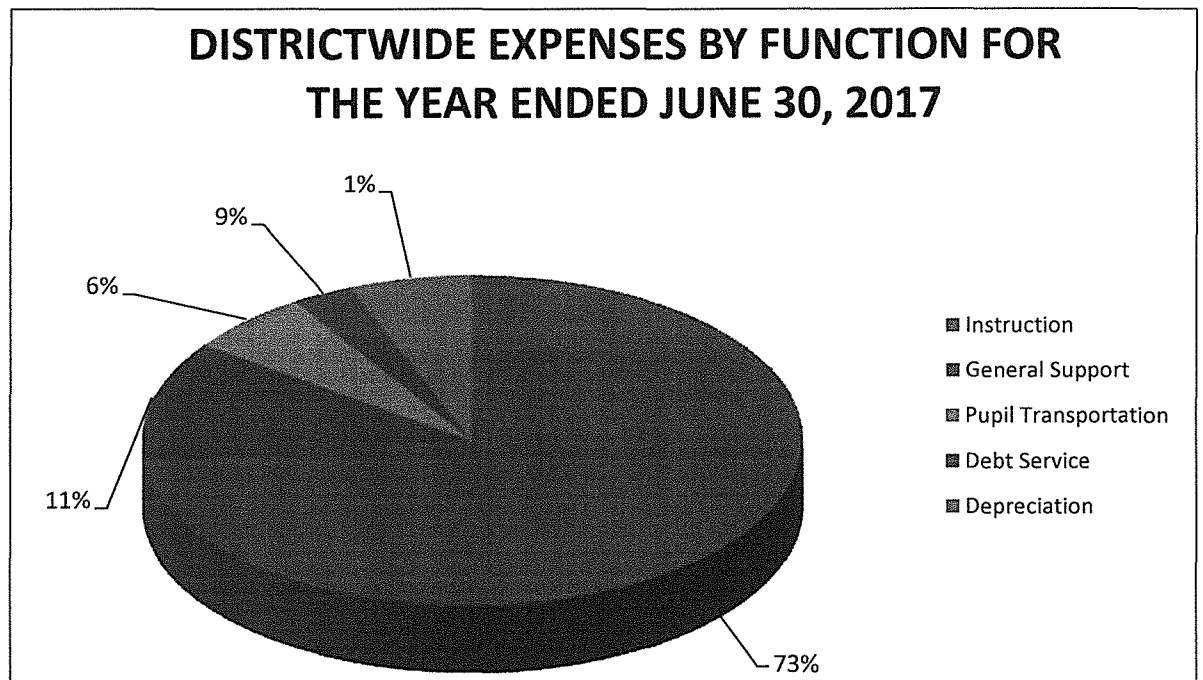
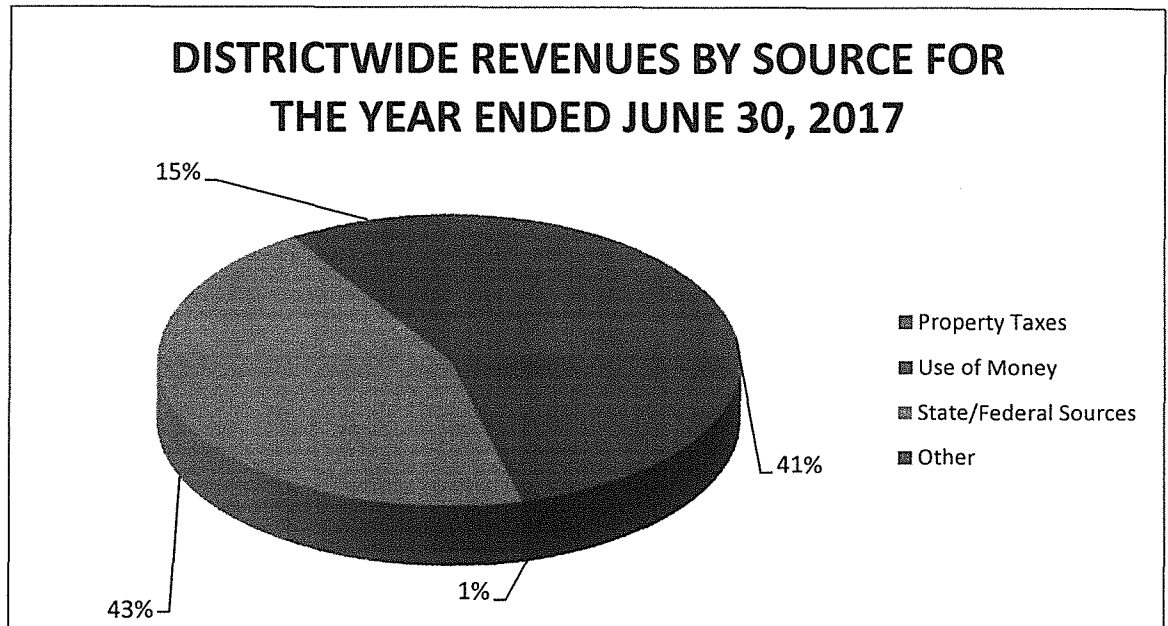
The largest portion of the District's net position reflects its investment in capital assets (e.g., land, buildings, improvements, machinery, and equipment); less any related outstanding debt used to acquire those assets. The District uses these capital assets to provide educational services. Consequently, these assets are not available for future spending. Although the 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. Capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the District's net position represents resources that are subject to external restrictions on how they may be used (e.g. capital projects, debt service and other specified purposes). The remaining balance of unrestricted net position may be used to meet the District's ongoing obligation to provide educational services.

**Rotterdam-Mohonasen Central School District's  
Changes in Net Position  
For the Years Ended June 30, 2016 and 2017**

	Governmental Activities		Variance Increase (Decrease)
	2016	2017	
<b><u>Revenues:</u></b>			
Program Revenues:			
Charges for Services	\$ 838,113	\$ 791,937	\$ (46,176)
Operating Grants and Contributions	2,395,649	2,410,374	14,725
Total Program Revenues	<u>\$ 3,233,762</u>	<u>\$ 3,202,311</u>	<u>\$ (31,451)</u>
General Revenues:			
Real Property Taxes	21,086,786	21,708,106	\$ 621,320
Other Tax Items	4,088,582	3,963,097	(125,485)
Use of Money and Property	157,971	583,656	425,685
Sale of Property and Compensation for Loss	5,402	1,328	(4,074)
Miscellaneous	240,922	329,728	88,806
State Sources	20,250,170	20,425,075	174,905
Federal Sources	169,673	147,775	(21,898)
Premium on Obligations	442,781	2,897,029	2,454,248
Total General Revenues	<u>46,442,287</u>	<u>50,055,794</u>	<u>3,613,507</u>
<b><u>Expenses (Net of Program Revenues):</u></b>			
Instruction	30,933,287	35,737,128	4,803,841
General Support	5,163,118	5,548,203	385,085
Transportation	2,680,756	2,752,018	71,262
Community Service	1,796	1,832	36
Debt Service-Interest	1,376,714	1,870,732	494,018
Depreciation-Unallocated	2,619,013	2,249,830	(369,183)
Fiscal Agent Fees	-	410,492	410,492
School Lunch	31,368	58,737	27,369
Total Expenses	<u>42,806,052</u>	<u>48,628,972</u>	<u>5,822,920</u>
Increase (Decrease) in Net Position	<u>\$ 3,636,235</u>	<u>\$ 1,426,822</u>	<u>\$ (2,209,413)</u>

The following charts provide the percentage breakdown of all revenues by source and all expenses by function for the entire District.



## **Fund Financial Statements**

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds-not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and by bond covenants.
- The District establishes other funds to control and to manage money for particular purposes (such as repaying its long-term debts) or to show that it is properly using certain revenues (such as Federal grants).

The District has two kinds of funds:

- **Governmental Funds:** Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or difference) between them.
- **Fiduciary Funds:** The District is the trustee, or fiduciary, for assets that belong to others, such as the scholarship fund and the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the districtwide financial statements because it cannot use these assets to finance its operations.

The following is a summary of the fund balances by individual major funds:

	<b>Fund Balance 2016</b>	<b>Fund Balance 2017</b>	<b>Variance Increase (Decrease)</b>
General	\$ 7,369,033	\$ 7,245,480	\$ (123,553)
School Lunch	95,065	36,329	(58,736)
Special Aid	28,556	24,202	(4,354)
Capital	(17,511,232)	(9,669,215)	7,842,017
Debt Service	2,878,795	2,313,041	(565,754)
Totals	<u>\$ (7,139,783)</u>	<u>\$ (50,163)</u>	<u>\$ 7,089,620</u>

By law, school districts are only allowed to retain 4% of the subsequent year's general fund budget as unreserved or unassigned fund balance. The unassigned fund balance in the General Fund totals \$2,037,600 which is 4% of the 2017-18 General Fund Budget of \$50.9 million. The assigned fund balance of \$1,480,645 is composed of \$330,645 for encumbrances and \$1,150,000 as revenue to support the 2017-18 General Fund budget.

### **Capital Assets (Net of Depreciation)**

	<b>June 30, 2016</b>	<b>June 30, 2017</b>	<b>Increase (Decrease)</b>
Land	\$ 1,652,526	\$ 1,652,526	\$ 0
Construction in Progress	27,586,438	46,890,674	19,304,236
Buildings and Improvements	54,600,671	52,503,366	(2,097,305)
Buses	943,951	1,450,876	506,925
Machinery and Equipment	230,396	184,317	(46,079)
Total	<u>\$85,013,982</u>	<u>\$102,681,759</u>	<u>\$17,667,777</u>

## **General Fund Budgetary Highlights**

For the 2016-17 school year, the voters of the District approved a budget of \$48,365,409. That budget was subsequently increased by \$712,571. This total is comprised of several different components listed in more detail below:

- \$431,910 represents encumbrances carried over from the prior school year.
- \$138,260 is the result of reserve activities such as employee benefit accruals, tax certiorari claims and unemployment insurance claims.
- \$142,401 are increases to the budget representing the appropriation of miscellaneous expenditures and revenues generated by District programs such as theater arts/drama, summer school and additional state aid.

The District considers the results achieved regarding the 2016-17 finances to be commendable. Careful administration of the budget has enabled the district to continue to maintain reserve funds as well as fully fund the mandated accrual for the Teachers Retirement System and the Employees Retirement System. The Board of Education has continued to make the funding of the employee's retirement reserve a priority. This will ensure that changes in the contribution percentages will not result in spikes in the tax rate and/or reductions to the educational program. The Board of Education has also fulfilled its promise to tax payers that the tax impact of the capital project approved in 2013 would be less than 1% per year.

## **Enrollment**

Public school enrollment gathered by the state each October has shown a slight decline over the past several years. However, the enrollment study that was commissioned for the \$48.2 million Capital Project indicates that the District will see a steady increase in enrollment over the next several years. Although the current year's kindergarten class was not as large as expected, there are still increases forecasted for several years to come.

## **Debt Administration**

The District issued a new five-year bond with a principal amount of \$557,293 in April 2017 to finance the purchase of school buses. The voters of the district authorized the purchase during the annual vote held May 2016. The District also issued a two BANS, a short-term BAN of \$26,200,000 and a 1-year BAN of \$11,909,795 in March of 2017 related to the \$48.2 million Capital Project referenced above. The short-term BAN of \$26,200,000 was then permanently financed through DASNY in June of 2017. Doing this long-term borrowing through DASNY resulted in a lower local share for the district and thus a lower cost to the tax payers. It is expected that permanent borrowing for the final phase of the project will take place in 2017-18.

The Mohonasen School District received a bond rating of Aa3 in 2016-17, which is consistent with prior years. The amount of general obligation debt a school district may issue is limited to 10 percent of its total assessed valuation, pursuant to Section 104.00 of the Local Finance Law. The current debt obligation of the district is approximately \$48.8

million dollars as of June 30, 2017, which is well within the stipulated limitation of approximately \$144 million (10% of total assessed value).

### **Outstanding Long-Term Debt**

	<u>2016</u>	<u>2017</u>	<u>Increase (Decrease)</u>
General Obligation Bonds	\$26,915,283	\$48,853,270	\$ 21,937,987

### **Factors Impacting the District's Future**

The wealth of the Mohonasen Central School District is based upon income and full value of taxable real property. Using those variables, the District is thus classified as being less than average in comparison to the state average wealth ratio. An average wealth school district in New York State has a combined wealth ratio (CWR), for state aid purposes of 1.0. Mohonasen's CWR for 2016-17 was .743 and is .727 for 2017-18 (a ratio of resident income and property values). This indicates that the district's overall wealth declined slightly from the prior year in relation other districts around the state. The state aid formulas are designed to help districts with combined wealth ratios of less than 1.0. Generally these districts receive more state aid than wealthier ones and are consequently more dependent on such aid. At the same time the 3-Year Average Free and Reduced Price Lunch (FRPL) percentage has also increased to a high of 35%. This number, a main student need indicator, also impacts formulas used to calculate state aid. Mohonasen relies heavily on state aid as a revenue source. Approximately 41% of the District's revenue is from state aid. In recent years the District received full restoration of the of the "gap elimination adjustment" (GEA), a reduction that had been applied to the general formula and small increases in Foundation Aid. However, the increases are not enough to sustain the increase in costs. Fully implementing the Foundation Aid formula will need to happen in order for districts in New York State to continue providing a high quality education for our students.

The district has continued to apply for, and receive, competitive grants from the state and other entities. However, it is important to remember that these grants are either one-time, or at most multi-year, funding sources and do not provide long term fiscal stability. They have been instrumental in starting new programs and purchasing new equipment and technology for the new Center for Advanced Technology, but the district needs to be able to maintain these areas moving forward.

The financial audit for the year-end 2016-17 shows that the district was able to maintain the 4% unassigned fund balance allowed by law, and fully accrue both the Teacher's and Employee's retirement system obligations. In addition, the employee's retirement reserve was funded to mitigate potential rate spikes in the future. This reserve was established in 2009-10 to help address increases for future mandated retiree contributions. Reserves like this have been instrumental in stabilizing and maintaining the financial status of the district in these difficult economic times. In the past few years contribution rates have stabilized and even decreased. The long range financial stability of the District, as well as schools around the state, will be greatly impacted by the contribution rates of these retirement funds in the next few years.

## **Contacting the School District's Financial Management**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office, Rotterdam-Mohonasen Central School District, 2072 Curry Road, Schenectady, New York 12303.

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
June 30, 2017  
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**ASSETS**

Unrestricted cash	\$ 7,147,334	
Restricted cash	6,052,004	
Other receivables, net	385,595	
State and federal aid receivable	800,662	
Due from other governments	525,394	
Due from fiduciary funds	258,328	
Inventories	54,859	
Capital assets, net	<u>102,681,759</u>	
Total Assets		<u>\$ 117,905,935</u>

**DEFERRED OUTFLOW OF RESOURCES**

Pensions	\$ 14,149,658	
Total Deferred Outflows of Resources		<u>\$ 14,149,658</u>

**LIABILITIES**

**Current Liabilities:**

Accounts payable	\$ 281,430	
Accrued liabilities	627,387	
Bond anticipation notes payable	11,809,795	
Due to teachers' retirement system	2,470,933	
Due to employees' retirement system	237,262	
Due to fiduciary funds	124,051	
Due to other governments	87	
Unearned revenue	<u>87,701</u>	

**Long-Term Liabilities:**

**Due and payable within one year**

Bonds payable	<u>2,706,562</u>	
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**Due and payable after one year**

Bonds payable	46,146,708	
Compensated absences payable	163,195	
Other postemployment benefits payable	9,579,251	
Net pension liability - proportionate share	<u>2,809,604</u>	

Total Liabilities		<u>\$ 77,043,966</u>
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**DEFERRED INFLOWS OF RESOURCES**

Pensions	<u>958,224</u>	
Total Deferred Inflows of Resources		<u>\$ 958,224</u>

**NET POSITION**

Net Investment in Capital Assets	42,018,694	
Restricted	8,316,356	
Unrestricted	<u>3,718,353</u>	
Total Net Position		<u><u>\$ 54,053,403</u></u>

See auditor's report. See notes to financial statements.

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
For Year Ended June 30, 2017

			Program Revenues		Net (Expense)
	Expenses	Expenses Allocation	Charges for Services	Operating Grants	Revenue and Changes in Net Position
<b>FUNCTIONS/PROGRAMS</b>					
General support	\$ 4,367,029	\$ 1,181,174	\$ -	\$ -	\$ (5,548,203)
Instruction	27,338,706	10,262,591	222,523	1,641,646	(35,737,128)
Pupil transportation	1,960,558	877,109	-	85,649	(2,752,018)
Community services	1,832	-	-	-	(1,832)
Employee benefits	12,465,554	(12,465,554)	-	-	-
Debt service-Interest	1,870,732	-	-	-	(1,870,732)
Depreciation-unallocated	2,249,830	-	-	-	(2,249,830)
School lunch program	1,166,550	144,680	569,414	683,079	(58,737)
Fiscal agent fees	410,492	-	-	-	(410,492)
<b>Total Functions and Programs</b>	<b>\$ 51,831,283</b>	<b>\$ -</b>	<b>\$ 791,937</b>	<b>\$ 2,410,374</b>	<b>(48,628,972)</b>
<b>GENERAL REVENUES</b>					
Real property taxes					21,708,106
Other tax items					3,963,097
Use of money and property					583,656
Sale of property and compensation for loss					1,328
Miscellaneous					329,728
State sources					20,425,075
Medicaid reimbursement					147,775
Premium on obligations					2,897,029
<b>Total General Revenues</b>					<b>50,055,794</b>
<b>Change in Net Position</b>					<b>1,426,822</b>
<b>Total Net Position - Beginning of year</b>					<b>52,626,581</b>
<b>Total Net Position - End of year</b>					<b>\$ 54,053,403</b>

See auditor's report. See notes to financial statements.

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT  
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET  
POSITION  
June 30, 2017

	Total Governmental Funds	Long-term Assets, Liabilities	Reclassifications and Eliminations	Statement of Net Position Totals
<b>ASSETS</b>				
Unrestricted cash	\$ 7,147,334	\$ -	\$ -	\$ 7,147,334
Restricted cash	6,052,004	-	-	6,052,004
Accounts receivable, net	385,595	-	-	385,595
Due from other funds	2,181,305	-	(2,181,305)	-
Due from fiduciary funds	-	-	258,328	258,328
State and federal aid receivable	800,662	-	-	800,662
Due from other governments	525,394	-	-	525,394
Inventories	54,859	-	-	54,859
Capital Assets, (net)	-	102,681,759	-	102,681,759
<b>Total Assets</b>	<b>\$ 17,147,153</b>	<b>\$ 102,681,759</b>	<b>\$ (1,922,977)</b>	<b>\$ 117,905,935</b>
<b>DEFERRED OUTFLOW OF RESOURCES</b>				
Pensions	\$ -	\$ 14,149,658	\$ -	\$ 14,149,658
Total Deferred Outflows of Resources	\$ -	\$ 14,149,658	\$ -	\$ 14,149,658
<b>LIABILITIES</b>				
Accounts payable	\$ 281,430	\$ -	\$ -	\$ 281,430
Accrued liabilities	259,020	368,367	-	627,387
Bond anticipation notes payable	11,809,795	-	-	11,809,795
Bonds payable	-	48,853,270	-	48,853,270
Other post employment benefits payable	-	9,579,251	-	9,579,251
Compensated absences	-	163,195	-	163,195
Due to other funds	2,047,028	-	(2,047,028)	-
Due to fiduciary funds	-	-	124,051	124,051
Due to other governments	87	-	-	87
Due to teachers' retirement system	2,470,933	-	-	2,470,933
Due to employees' retirement system	237,262	-	-	237,262
Unearned revenue	91,761	-	(4,060)	87,701
Net pension liability- proportionate share	-	2,809,604	-	2,809,604
<b>Total Liabilities</b>	<b>\$ 17,197,316</b>	<b>\$ 61,773,687</b>	<b>\$ (1,927,037)</b>	<b>\$ 77,043,966</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Pensions	\$ -	\$ 958,224	\$ -	\$ 958,224
Total Deferred Inflows of Resources	\$ -	\$ 958,224	\$ -	\$ 958,224
<b>FUND BALANCE\NET POSITION</b>				
<b>Total Fund Balance\Net Position</b>	<b>\$ (50,163)</b>	<b>\$ 54,099,506</b>	<b>\$ 4,060</b>	<b>\$ 54,053,403</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balance\Net Position</b>	<b>\$ 17,147,153</b>	<b>\$ 116,831,417</b>	<b>\$ (1,922,977)</b>	<b>\$ 132,055,593</b>

See auditor's report. See notes to financial statements.

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT  
RECONCILIATION OF GOVERNMENTAL FUNDS REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE TO THE STATEMENT OF ACTIVITIES  
For Year Ended June 30, 2017

	Total Governmental Funds	Long-term Revenue, Expenses	Capital Related Items	Long-term Debt Transactions	Statement of Activities Totals
<b>REVENUES</b>					
Real property taxes	\$ 21,708,106	\$ -	\$ -	\$ -	\$ 21,708,106
Other tax items	3,963,097	-	-	-	3,963,097
Charges for services	222,401	122	-	-	222,523
Use of money and property	583,656	-	-	-	583,656
Sale of property and compensation for loss	1,328	-	-	-	1,328
Miscellaneous	329,831	-	-	-	329,831
Local sources	12,231	-	-	-	12,231
State sources	20,775,471	-	-	-	20,775,471
Federal sources	2,195,522	-	-	-	2,195,522
Sales - school lunch	569,311	-	-	-	569,311
<b>Total Revenues</b>	<u>50,360,954</u>	<u>122</u>	<u>-</u>	<u>-</u>	<u>50,361,076</u>
<b>EXPENDITURES\EXPENSES</b>					
General support	4,399,206	-	(32,177)	-	4,367,029
Instruction	27,381,984	(43,278)	-	-	27,338,706
Pupil transportation	1,984,458	-	(23,900)	-	1,960,558
Community services	1,832	-	-	-	1,832
Employee benefits	11,131,609	1,333,945	-	-	12,465,554
Debt service-Principal	4,934,306	-	-	(4,934,306)	-
-Interest	1,768,689	102,043	-	-	1,870,732
Cost of sales	1,166,550	-	-	-	1,166,550
Capital outlay	19,861,530	-	(19,861,530)	-	-
Depreciation	-	-	2,249,830	-	2,249,830
<b>Total Expenditures</b>	<u>72,630,164</u>	<u>1,392,710</u>	<u>(17,667,777)</u>	<u>(4,934,306)</u>	<u>51,420,791</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>(22,269,210)</u>	<u>(1,392,588)</u>	<u>17,667,777</u>	<u>4,934,306</u>	<u>(1,059,715)</u>
<b>OTHER SOURCES AND USES</b>					
BANS redeemed	2,415,000	-	-	(2,415,000)	-
Proceeds from debt	24,457,293	-	-	(24,457,293)	-
Premium on obligations	2,897,029	-	-	-	2,897,029
Operating transfers in	271,794	(271,794)	-	-	-
Operating transfers (out)	(271,794)	271,794	-	-	-
Fiscal agent fees	(410,492)	-	-	-	(410,492)
<b>Total Other Sources (Uses)</b>	<u>29,358,830</u>	<u>-</u>	<u>-</u>	<u>(26,872,293)</u>	<u>2,486,537</u>
<b>Net Change for the Year</b>	<u>\$ 7,089,620</u>	<u>\$ (1,392,588)</u>	<u>\$ 17,667,777</u>	<u>\$ (21,937,987)</u>	<u>\$ 1,426,822</u>

See auditor's report. See notes to financial statements.

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT  
BALANCE SHEET- GOVERNMENTAL FUNDS  
June 30, 2017  
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	General	Special Aid	School Lunch	Debt Service	Capital Projects	Total Governmental Funds
<b>ASSETS</b>						
Unrestricted cash	\$ 5,829,769	\$ 12,164	\$ 32,636	\$ -	\$ 1,272,765	\$ 7,147,334
Restricted cash	3,727,236	-	-	2,324,768	-	6,052,004
State and federal aid receivable	384,738	373,247	42,677	-	-	800,662
Due from other governments	525,394	-	-	-	-	525,394
Accounts receivable, net	385,595	-	-	-	-	385,595
Due from other funds	818,036	-	-	188,273	1,174,996	2,181,305
Inventories	-	-	54,859	-	-	54,859
<b>Total Assets</b>	<u>\$ 11,670,768</u>	<u>\$ 385,411</u>	<u>\$ 130,172</u>	<u>\$ 2,513,041</u>	<u>\$ 2,447,761</u>	<u>\$ 17,147,153</u>
<b>LIABILITIES</b>						
Accounts payable	\$ 155,592	\$ 6,930	\$ -	\$ -	\$ 118,908	\$ 281,430
Accrued liabilities	258,395	-	625	-	-	259,020
Bond anticipation notes payable	-	-	-	-	11,809,795	11,809,795
Due to other funds	1,299,046	295,876	63,833	200,000	188,273	2,047,028
Due to teachers' retirement system	2,470,933	-	-	-	-	2,470,933
Due to employees' retirement system	237,262	-	-	-	-	237,262
Due to other governments	-	-	87	-	-	87
Unearned revenue	4,060	58,403	29,298	-	-	91,761
<b>Total Liabilities</b>	<u>4,425,288</u>	<u>361,209</u>	<u>93,843</u>	<u>200,000</u>	<u>12,116,976</u>	<u>17,197,316</u>
<b>FUND BALANCES</b>						
Non-spendable	-	-	54,859	-	-	54,859
Restricted	3,727,235	24,202	-	2,313,041	2,251,878	8,316,356
Assigned	1,480,645	-	-	-	-	1,480,645
Unassigned (Deficit)	<u>2,037,600</u>	<u>-</u>	<u>(18,530)</u>	<u>-</u>	<u>(11,921,093)</u>	<u>(9,902,023)</u>
<b>Total Fund Balances</b>	<u>7,245,480</u>	<u>24,202</u>	<u>36,329</u>	<u>2,313,041</u>	<u>(9,669,215)</u>	<u>(50,163)</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 11,670,768</u>	<u>\$ 385,411</u>	<u>\$ 130,172</u>	<u>\$ 2,513,041</u>	<u>\$ 2,447,761</u>	<u>\$ 17,147,153</u>

See auditor's report. See notes to financial statements.

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE- GOVERNMENTAL  
FUNDS  
For Year Ended June 30, 2017  
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	General	Special Aid	School Lunch	Debt Service	Capital Projects	Total Governmental Funds
<b>REVENUES</b>						
Real property taxes	\$ 21,708,106	\$ -	\$ -	\$ -	\$ -	\$ 21,708,106
Other tax items	3,963,097	-	-	-	-	3,963,097
Charges for services	222,401	-	-	-	-	222,401
Use of money and property	578,165	-	1	5,490	-	583,656
Sale of property and compensation for loss	1,328	-	-	-	-	1,328
Miscellaneous	329,728	-	103	-	-	329,831
Local sources	-	12,231	-	-	-	12,231
State sources	19,593,821	324,575	25,821	-	831,254	20,775,471
Federal sources	147,775	1,390,489	657,258	-	-	2,195,522
Sales	-	-	569,311	-	-	569,311
<b>Total Revenues</b>	<b>46,544,421</b>	<b>1,727,295</b>	<b>1,252,494</b>	<b>5,490</b>	<b>831,254</b>	<b>50,360,954</b>
<b>EXPENDITURES</b>						
General support	4,399,206	-	-	-	-	4,399,206
Instruction	25,664,190	1,717,794	-	-	-	27,381,984
Pupil transportation	1,898,809	85,649	-	-	-	1,984,458
Community services	1,832	-	-	-	-	1,832
Employee benefits	10,986,929	-	144,680	-	-	11,131,609
Debt service-Principal	2,519,306	-	-	2,415,000	-	4,934,306
-Interest	1,325,908	-	-	442,781	-	1,768,689
Cost of sales	-	-	1,166,550	-	-	1,166,550
Capital outlay	-	-	-	-	19,861,530	19,861,530
<b>Total Expenditures</b>	<b>46,796,180</b>	<b>1,803,443</b>	<b>1,311,230</b>	<b>2,857,781</b>	<b>19,861,530</b>	<b>72,630,164</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(251,759)</b>	<b>(76,148)</b>	<b>(58,736)</b>	<b>(2,852,291)</b>	<b>(19,030,276)</b>	<b>(22,269,210)</b>
<b>OTHER SOURCES AND USES</b>						
BANS redeemed	-	-	-	-	2,415,000	2,415,000
Proceeds from debt	-	-	-	-	24,457,293	24,457,293
Premium on obligations	-	-	-	2,897,029	-	2,897,029
Operating transfers in	200,000	71,794	-	-	-	271,794
Operating transfers (out)	(71,794)	-	-	(200,000)	-	(271,794)
Fiscal agent fees	-	-	-	(410,492)	-	(410,492)
<b>Total Other Sources (Uses)</b>	<b>128,206</b>	<b>71,794</b>	<b>-</b>	<b>2,286,537</b>	<b>26,872,293</b>	<b>29,358,830</b>
<b>Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other (Uses)</b>	<b>(123,553)</b>	<b>(4,354)</b>	<b>(58,736)</b>	<b>(565,754)</b>	<b>7,842,017</b>	<b>7,089,620</b>
<b>Fund Balance (Deficit) - Beginning of year</b>	<b>7,369,033</b>	<b>28,556</b>	<b>95,065</b>	<b>2,878,795</b>	<b>(17,511,232)</b>	<b>(7,139,783)</b>
<b>Fund Balance (Deficit) - End of year</b>	<b>\$ 7,245,480</b>	<b>\$ 24,202</b>	<b>\$ 36,329</b>	<b>\$ 2,313,041</b>	<b>\$ (9,669,215)</b>	<b>\$ (50,163)</b>

See auditor's report. See notes to financial statements.

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
June 30, 2017

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	Private Purpose Trusts	Agency
	<u>                    </u>	<u>                    </u>
<b>ASSETS</b>		
Cash	\$ 19,212	\$ 732,379
Due from governmental funds	<u>124,051</u>	<u>-</u>
<b>Total Assets</b>	<u><u>\$ 143,263</u></u>	<u><u>\$ 732,379</u></u>
 <b>LIABILITIES</b>		
Extraclassroom activity balances	\$ -	\$ 78,642
Due to governmental funds	-	258,328
Other liabilities	<u>-</u>	<u>395,409</u>
<b>Total Liabilities</b>	<u>-</u>	<u><u>\$ 732,379</u></u>
 <b>NET POSITION</b>		
Reserved for scholarships	<u><u>\$ 143,263</u></u>	

See auditor's report. See notes to financial statements.

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
For Year Ended June 30, 2017

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	Private Purpose Trusts
	<u>                    </u>
<b>ADDITIONS</b>	
Contributions	\$ 9,061
Interest	<u>2</u>
<b>Total Additions</b>	<u>9,063</u>
 <b>DEDUCTIONS</b>	
Scholarships and awards	<u>8,650</u>
<b>Change in Net Position</b>	413
<b>Net Position - Beginning of year</b>	<u>142,850</u>
<b>Net Position - End of year</b>	<u><u>\$ 143,263</u></u>

See auditor's report. See notes to financial statements.

# ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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### I. Summary of Significant Accounting Policies

The financial statements of the Rotterdam-Mohonasen Central School District have been prepared in conformity with generally accepted accounting principles (GAAP). Those principles are as prescribed by the Governmental Accounting Standards Board (GASB) which is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

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

#### A. Reporting Entity

The Rotterdam-Mohonasen Central School District is governed by the laws of New York State. The District is an independent entity governed by an elected Board of Education consisting of 7 members. The President of the Board serves as the chief fiscal officer and the Superintendent is the chief executive officer. The Board is responsible for and controls all activities related to public school education within the District. Board members have authority to make decisions, power to appoint management, and primary accountability for all fiscal matters.

The reporting entity of the District is based upon criteria set forth by GASB Statement 14, The Financial Reporting Entity, as amended by GASB Statement 39, Component Units. The financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The accompanying financial statements present the activities of the District. The District is not a component unit of another reporting entity. The decision to include a potential component unit in the School District's reporting entity is based on several criteria including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, the following is a brief review of certain entities included in the School District's reporting entity:

#### The Extraclassroom Activity Funds

The Extraclassroom Activity Funds of the Rotterdam-Mohonasen Central School District represent funds of the students of the School District. The Board of Education exercises general oversight of these funds. The Extraclassroom Activity Funds are independent of the School District with respect to its financial transactions and the designation of student management. Separate audited financial statements (cash basis) of the Extraclassroom Activity Funds are included in these financial statements. The District accounts for assets held as an agent for various student organizations in an agency fund.

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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**I. Summary of Significant Accounting Policies (Continued)**

**B. Joint Venture**

The Rotterdam-Mohonasen Central School District is one of 23 component school districts in the Albany, Schoharie, Schenectady and Saratoga Board of Cooperative Educational Services (BOCES). A BOCES is a voluntary, cooperative association of school districts in a geographic area that share planning, services, and programs which provide educational and support activities.

BOCES are organized under Section 1950 of the Education Law. A BOCES Board is considered a corporate body. All BOCES property is held by the BOCES Board as a corporation (Section 1950(6)). In addition, BOCES Boards are considered municipal corporations to permit them to contract with other municipalities on a cooperative basis under Section 119-n(a) of the General Municipal Law.

A BOCES' budget is comprised of separate budgets for administrative, program, and capital costs. Each component school district's share of administrative and capital cost is determined by resident public school district enrollment as defined in Education Law, Section 1950(4)(b)(7). In addition, component districts pay tuition or a service fee for programs in which its students participate.

There is no authority or process by which a school district can terminate its status as a BOCES component. In addition, component school districts pay tuition or a service fee for programs in which their students participate. Members of a BOCES Board are nominated and elected by their component member boards in accordance with provisions of Section 1950 of the Education Law.

During the year ended June 30, 2017, the Rotterdam-Mohonasen Central School District was billed \$2,945,880 for BOCES administrative and program costs. The District's share of BOCES Aid amounted to \$1,058,989. Financial statements for the BOCES Aid are available from the BOCES administrative office.

**C. Basis of Presentation**

**1. Districtwide Statements**

The Districtwide Statement of Net Position and the Statement of Activities present financial information about the District's governmental activities. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. Governmental activities generally are financed through taxes,

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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**I. Summary of Significant Accounting Policies (Continued)**

**C. Basis of Presentation (Continued)**

**1. Districtwide Statements (Continued)**

State Aid, intergovernmental revenues, and other exchange and nonexchange transactions. Operating grants include operating-specific and discretionary (either operating or capital) grants, while the capital grants column reflects capital-specific grants.

The Statement of Net Position presents the financial position of the District at fiscal year-end. The Statement of Activities presents a comparison between program expenses and revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Program revenues include charges paid by the recipients of goods or services offered by the programs, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues. Indirect expenses, principally employee benefits, are allocated to functional areas in proportion to the payroll expended for those areas.

**2. Fund Financial Statements**

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

The District reports the following funds:

**a. Major Governmental Funds**

- (1) General Fund** - This is the District's primary operating fund. It accounts for all financial transactions that are not required to be accounted for in another fund.
- (2) Special Aid Fund** - These funds account for the proceeds of specific revenue sources, such as federal and state grants, that are legally restricted to expenditures for specified purposes and other activities whose funds are restricted as to use. These legal restrictions may be imposed either by governments that provide the funds, or by outside parties.

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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I. **Summary of Significant Accounting Policies (Continued)**

C. **Basis of Presentation (Continued)**

2. **Fund Financial Statements (Continued)**

a. **Major Governmental Funds (Continued)**

- (3) **School Lunch Fund** – Used to account for transactions of the District's lunch and breakfast programs.
- (4) **Debt Service Fund** – This fund accounts for the accumulation of resources and the payment of principal and interest on long-term obligations for governmental activities.
- (5) **Capital Projects Fund** – This fund is used to account for the financial resources used for acquisition, construction, or major repair of capital facilities.

b. **Fiduciary Funds**

Fiduciary activities are those in which the District acts as trustee or agent for resources that belong to others. These activities are not included in the districtwide financial statements, because their resources do not belong to the District, and are not available to be used. There are two classes of fiduciary funds:

- (1) **Private Purpose Trust Funds** – These funds are used to account for trust arrangements in which principal and income benefits annual third party awards and scholarships for students. Established criteria govern the use of the funds and members of the District or representatives of the donors may serve on committees to determine who benefits.
- (2) **Agency Funds** – These funds are strictly custodial in nature and do not involve the measurement of results of operations. Assets are held by the District as agent for various student groups or extraclassroom activity funds and for payroll or employee withholding.

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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**I. Summary of Significant Accounting Policies (Continued)**

**D. Measurement Focus and Basis of Accounting**

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 or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The districtwide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Nonexchange transactions, in which the District gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from grants and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

The fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after the end of the fiscal year.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

**E. Cash and Investments**

The District's cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition. New York State law governs the District's investment policies. Resources must be deposited in FDIC-insured commercial banks or trust companies located within the State. Permissible investments include obligations of the United States Treasury, United States Agencies, repurchase agreements and obligations of New York State or its localities. Collateral is required for demand and time deposits and certificates of deposit not covered by FDIC insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and districts. Certain cash balances are restricted by various legal and contractual obligations, such as legal reserves and debt agreements.

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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**I. Summary of Significant Accounting Policies (Continued)**

**F. Property Taxes**

Real property taxes are levied annually by the Board of Education no later than September 1, and become a lien on August 21. Taxes are collected during the period September 1 to October 31.

Uncollected real property taxes are subsequently enforced by the Counties of Albany and Schenectady. An amount representing uncollected real property taxes is transmitted to the Counties for enforcement and is paid by the Counties to the District no later than the forthcoming April 1.

**G. Restricted Resources**

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the District's policy concerning which to apply first varies with the intended use, and with the associated legal requirements, many of which are described elsewhere in these Notes to Financial Statements.

**H. Interfund Transactions**

The operations of the District include transactions between funds. These transactions may be temporary in nature, such as with interfund borrowings. The District typically loans resources between funds for the purpose of providing cash flow. These interfund receivables and payables are expected to be repaid within one year. Permanent transfers of funds include the transfer of expenditures and revenues to provide financing or other services.

In the districtwide statements, the amounts reported on the Statement of Net Position for interfund receivables and payables represent amounts due between different fund types (governmental activities and fiduciary funds). Eliminations have been made for all interfund receivables and payables between funds, with the exception of those due from or to the fiduciary funds.

The governmental funds report all interfund transactions as originally recorded. Interfund receivables and payables may be netted on the accompanying governmental funds balance sheet when it is the District's practice to settle these amounts at a net balance based upon the right of legal offset.

Refer to Note IV for a detailed disclosure by individual fund for interfund receivables, payables, expenditures and revenues activity.

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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**I. Summary of Significant Accounting Policies (Continued)**

**I. Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including computation of encumbrances, compensated absences, potential contingent liabilities and useful lives of long-lived assets.

**J. Receivables**

Accounts receivable are shown gross, with uncollectible amounts recognized under the direct write-off method. No allowance for uncollectible accounts has been provided since it is believed that such allowance would not be material.

**K. Inventories and Prepaid Items**

Inventories of food in the School Lunch Fund are recorded at cost on a first-in, first-out basis, or in the case of surplus food, at stated value that approximates market. Purchases of inventorable items in other funds are recorded as expenditures at the time of purchase, and are considered immaterial in amount.

Prepaid items represent payments made by the District for which benefits extend beyond year-end. These payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the district-wide and fund financial statements. These items are reported as assets on the Statement of Net Position or balance sheet using the consumption method. Under the consumption method, a current asset for the prepaid amounts is recorded at the time of purchase and an expense/expenditure is reported in the year the goods or services are consumed.

A portion of fund balance has been classified as nonspendable to indicate that inventory and prepaids do not constitute available spendable resources.

**L. Other Assets/Restricted Assets**

Certain proceeds from serial bonds and bond anticipation notes, as well as resources set aside for their repayment are classified as restricted assets in the districtwide financial statements and their use is limited by applicable bond covenants.

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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**I. Summary of Significant Accounting Policies (Continued)**

**L. Other Assets/Restricted Assets (Continued)**

In the districtwide financial statements, bond discounts and premiums, and any prepaid bond insurance costs are deferred and amortized over the life of the debt issue. Bond issuance costs are recognized as an expense in the period incurred.

**M. Capital Assets**

Capital assets are reflected in the districtwide financial statements. Capital assets are reported at historical cost or estimated historical costs, based on appraisals conducted by independent third party professionals. Donated assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

Capital assets, except land, are depreciated on a straight-line basis over their estimated useful lives. Capitalization thresholds and estimated useful lives of capital assets reported in the districtwide statements are as follows:

	Capitalization Threshold	Estimated Useful Life
Site Improvements	\$ 5,000	20
Buildings and Improvements	\$ 5,000	15-50
Furniture and Equipment	\$ 5,000	5-15
Vehicles	\$ 5,000	8

**N. Compensated Absences**

Compensated absences consist of unpaid accumulated annual sick leave, vacation, and sabbatical time.

Sick leave eligibility and accumulation is specified in negotiated labor contracts, and in individual employment contracts. Upon retirement, resignation or death, employees may contractually receive a payment based on unused accumulated sick leave.

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

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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**I. Summary of Significant Accounting Policies (Continued)**

**N. Compensated Absences (Continued)**

Consistent with GASB Statement 16, Accounting for Compensated Absences, the liability has been calculated using the vested method and an accrual for that liability is included in the Districtwide Financial Statements. The compensated absences liability is calculated based on the pay rates in effect at year end. In the fund statements only the amount of matured liabilities is accrued within the General Fund based upon expendable and available resources. These amounts are expensed on a pay-as-you-go basis.

**O. Accrued Liabilities and Long-Term Obligations**

Payables, accrued liabilities and long-term obligations are reported in the districtwide financial statements. In the governmental funds, payables and accrued liabilities are paid in a timely manner and in full from current financial resources.

Claims and judgments and compensated absences that will be paid from governmental funds are reported as a liability in the funds financial statements only to the extent that they are due for payment in the current year. Bonds and other long-term obligations that will be paid from governmental funds are recognized as a liability in the fund financial statements when due.

Long-term obligations represent the District's future obligations or future economic outflows. The liabilities are reported as due in one year or due within more than one year in the Statement of Net Position.

**P. Deferred Outflows of Resources**

Deferred outflows of resources, in the Statement of Net Position, represents a consumption of net position that applies to a future reporting period and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The District has two items that qualify for reporting in this category, both of which relate to pensions. The first item represents the effect of the net change in the District's proportion of the collective net pension asset or liability and the difference during the measurement period between the District's contributions and its proportionate share of total contributions to the pension systems not included in pension expense. The second item is the District's contributions to the pension systems (TRS and ERS Systems) subsequent to the measurement date.

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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**I. Summary of Significant Accounting Policies (Continued)**

**Q. Deferred Inflows of Resources**

Deferred inflows of resources represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category. The item is related to pensions reported in the Districtwide Statement of Net Position. This represents the effect of net change in the District's proportion of the collective net pension liability and difference during the measurement periods between the District's contributions and its proportionate share of total contributions to the pension systems not included in pension expense, and the net difference between projected and actual earnings on pension plan investments.

**R. Unearned Revenue**

Unearned revenues arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures or when charges for service monies are received in advance from payers prior to the services being rendered by the District. These amounts are recorded as liabilities in the financial statements. The liabilities are removed and revenues are recognized in subsequent periods when the District has legal claim to the resources.

**S. Other Benefits**

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

District employees may choose to participate in the District's elective deferred compensation plans established under Internal Revenue Code Sections 403(b) and 457.

In addition to providing pension benefits, the District provides postemployment health insurance coverage and survivor benefits to retired employees and their survivors in accordance with the provision of various employment contracts in effect at the time of retirement.

Substantially all of the District's employees may become eligible for these benefits if they reach normal retirement age while working for the District. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. The cost of providing post-retirement benefits is shared between the District and the retired employee. The District recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure.

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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**I. Summary of Significant Accounting Policies (Continued)**

**T. Short-Term Debt**

The School District may issue Revenue and Tax Anticipation Notes in anticipation of receipt of revenues. These notes are recorded as a liability of the fund that will actually receive the proceeds from the issuance of the notes. The revenue anticipation and tax anticipation notes represent a liability that will be extinguished by the use of expendable, available resources of the fund.

The District may issue budget notes up to an amount not to exceed 5% of the amount of the annual budget during any fiscal year for expenditures for which there is an insufficient or no provision made in the annual budget. The budget note must be repaid no later than the close of the second fiscal year succeeding the year in which the note was issued.

The School District may issue Bond Anticipation Notes in anticipation of proceeds from the subsequent sale of bonds. These notes are recorded as a current liability of the fund that will actually receive the proceeds from the issuance of bonds. State law requires that bond anticipation notes issued for capital purposes be converted to long-term financing within five years after the original issue date.

**U. Equity Classifications**

**1. Districtwide Statements**

In the districtwide statements there are three classes of net position:

**Net investment in capital assets** – consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, construction or improvement of those assets.

**Restricted net position** – reports net position when constraints placed on the assets are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

**Unrestricted net position** – reports all other net position that do not meet the definition of the above two classifications and are deemed to be available for general use by the District.

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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I. **Summary of Significant Accounting Policies (Continued)**

U. **Equity Classifications (Continued)**

2. **Fund Statements**

In the fund basis statements, there are five classifications of fund balance:

**Non-spendable** – includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Non-spendable fund balance includes the inventory recorded in the School Lunch Fund of \$54,859.

**Restricted** – includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. All encumbrances of funds other than the General Fund are classified as restricted fund balance. The School District has established the following restricted fund balances:

1. **Encumbrances**

Encumbrance accounting, under which purchase orders, contracts and commitments of expenditures are recorded for budgetary control purposes in order to reserve applicable appropriations, is employed as a control in preventing over-expenditure of established appropriations. Open encumbrances are reported as restricted fund balance in all funds other than the General Fund, since they do not constitute expenditures or liabilities and will be honored through budget appropriations in the subsequent year.

2. **Unemployment Insurance**

This reserve is used to pay the cost of reimbursement to the State Unemployment Insurance Fund for payments made to claimants where the employer has elected to use the benefit reimbursement method. The reserve may be established by Board action and is funded by budgetary appropriations and such other funds as may be legally appropriated. Within sixty days after the end of any fiscal year, excess amounts may either be transferred to another reserve or the excess applied to the appropriations of the next succeeding fiscal year's budget. This reserve is accounted for in the General Fund.

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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**I. Summary of Significant Accounting Policies (Continued)**

**U. Equity Classifications (Continued)**

**2. Fund Statements (Continued)**

**3. Employee Benefit Accrued Liability**

This reserve is used to set aside funds for the payment of accrued employee benefits due an employee upon termination of the employee's service. This reserve may be established by a majority vote of the Board, and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated. This reserve is accounted for in the General Fund.

**4. Tax Certiorari**

This reserve is used to accumulate funds to pay judgments and claims anticipated from tax certiorari proceedings. Any excess monies must be returned to the General Fund on or before the first day of the fourth fiscal year after the deposit of the monies. This reserve is accounted for in the General Fund.

**5. Employee Retirement Contributions**

This reserve is used for future employee's retirement obligations. This reserve may be established by a majority vote of the Board, and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated.

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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**I. Summary of Significant Accounting Policies (Continued)**

**U. Equity Classifications (Continued)**

**2. Fund Statements (Continued)**

Restricted fund balance includes the following:

General Fund:

Employee Benefit Accrued Liability	\$ 332,294
Unemployment Insurance	259,596
Employee Retirement Contributions	2,584,428
Tax Certiorari	550,917
Capital Fund	2,251,878
Debt Service Fund	2,313,041
Special Aid Fund	24,202
Total restricted funds	<u>\$ 8,316,356</u>

**Committed** – Includes amounts that can only be used for the specific purposes pursuant to constraints imposed by formal action of the School District's highest level of decision making, the Board of Education. The School District has no committed fund balances as of June 30, 2017.

**Assigned** – Includes amounts that are constrained by the School District's intent to be used for specific purposes, but are neither restricted nor committed. All encumbrances of the General Fund are classified as **Assigned Fund Balance** in the General Fund. Encumbrances reported in the General Fund amounted to \$330,645 and the assigned fund balance amounted to \$1,150,000.

**Unassigned** – Includes all other General Fund amounts that do not meet the definition of the above four classifications and are deemed to be available for general use by the District and could report a surplus or deficit. In funds other than the general fund, the unassigned classification is used to report a deficit fund balance resulting from over spending for specific purposes for which amounts had been restricted or assigned. In accordance with state guidelines, unassigned fund balance in the general fund includes the following reserve:

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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**I. Summary of Significant Accounting Policies (Continued)**

**U. Equity Classifications (Continued)**

**2. Fund Statements (Continued)**

NYS Real Property Tax Law 1318 limits the amount of unexpended surplus funds a School District can retain to no more than 4% of the School District's budget for the General Fund for the ensuing fiscal year. Nonspendable and restricted fund balance of the General Fund are excluded from the 4% limitation. Amounts appropriated for the subsequent year and encumbrances are also excluded from the 4% limitation.

**Order of Use of Fund Balance:**

The District's policy is to apply expenditures against nonspendable fund balance, restricted fund balance, committed fund balance, assigned fund balance and unassigned fund balance at the end of the fiscal year. For all funds, nonspendable fund balances are determined first and then restricted fund balances for specific purposes are determined. Any remaining fund balance amounts for funds other than the General Fund are classified as restricted fund balance. In the General Fund, committed fund balance is determined next and then assigned. The remaining amounts are reported as unassigned. Assignments of fund balance cannot cause a negative unassigned fund balance.

**V. New Accounting Standards**

The District has adopted all current Statements of the Governmental Accounting Standards Board (GASB) that are applicable. At June 30, 2017, the District implemented the following new standard issued by GASB:

GASB has issued Statement 77, *Tax Abatement Disclosures*, effective for the year ending June 30, 2017.

GASB has issued Statement 82, *Pension Issues*, effective for June 30, 2017.

**W. Future Changes in Accounting Standards**

GASB has issued Statement 75, *Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions*, effective for the year ending June 30, 2018. This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. For Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, established new accounting and financial reporting requirements for OPEB plans.

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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**I. Summary of Significant Accounting Policies (Continued)**

**W. Future Changes in Accounting Standards (Continued)**

GASB Statement 84, *Fiduciary Activities*, effective for the year ending June 30, 2019.

The school district will evaluate the impact each of these pronouncements may have on its financial statements and will implement them as applicable and when material.

**II. Explanation of Certain Differences between Governmental Fund Statements and Districtwide Statements**

Due to differences in the measurement focus and basis of accounting used in the governmental fund statements and the districtwide statements, certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items. The differences result primarily from the economic focus of the Statement of Activities, compared with the current financial resources focus of the governmental funds.

**1. Total Fund Balances of Governmental Funds vs. Net Position of Governmental Activities:**

Total fund balances of the District's governmental funds differ from "net position" of governmental activities reported in the Statement of Net Position. This difference primarily results from the additional long-term economic focus of the Statement of Net Position versus the solely current financial resources focus of the governmental fund balance sheets.

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

Differences between the funds Statement of Revenues, Expenditures and Changes in Fund Balance and the Statement of Activities fall into one of three broad categories:

**a. Long-term revenue differences:**

Long-term revenue differences arise because governmental funds report revenues only when they are considered "available", whereas the Statement of Activities reports revenues when earned. Differences in long-term expenses arise because governmental funds report on a modified accrual basis, whereas the accrual basis of accounting is used on the Statement of Activities.

# ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### II. Explanation of Certain Differences between Governmental Fund Statements and Districtwide Statements (Continued)

#### 2. Statement of Revenues, Expenditures, and Changes in Fund Balance vs. Statement of Activities (Continued):

##### b. Capital related differences:

Capital related differences include the difference between proceeds for the sale of capital assets reported on governmental fund statements and the gain or loss on the sale of assets as reported on the Statement of Activities, and the difference between recording an expenditure for the purchase of capital items in the governmental fund statements and depreciation expense on those items as recorded in the Statement of Activities.

##### c. Long-term debt transaction differences:

Long-term debt transaction differences occur because both interest and principal payments are recorded as expenditures in the governmental fund statements, whereas interest payments are recorded in the Statement of Activities as incurred, and principal payments are recorded as a reduction of liabilities in the Statement of Net Position.

##### d. Pension differences:

Pension differences occur as a result of changes in the District's proportion of the collective net pension asset/liability and differences between the District's contributions and its proportionate share of the total contributions to the pension systems.

The costs of building and acquiring capital assets (land, buildings, and equipment) financed from governmental funds are reported as expenditures in the year they are incurred, and the assets do not appear on the Balance Sheet. However, the Statement of Net Position includes those capital assets among the assets of the District as a whole, and their original costs are expensed annually of their useful lives.

Original cost of capital assets	\$143,517,861
Accumulated depreciation	<u>40,836,102</u>
Capital assets, net	<u>\$102,681,759</u>

Long-term liabilities are reported in the Statement of Net Position, but not in the governmental funds, because they are not due and payable in the current period. Balances at year end were:

Bonds payable	<u>\$48,853,270</u>
OPEB obligations	<u>\$ 9,579,251</u>
Compensated Absences	<u>\$ 163,195</u>
Net pension liability-proportionate share	<u>\$ 2,809,604</u>

# ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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### II. Explanation of Certain Differences between Governmental Fund Statements and Districtwide Statements (Continued)

#### 2. Statement of Revenues, Expenditures, and Changes in Fund Balance vs. Statement of Activities (Continued):

When the purchase or construction of capital assets is financed through governmental funds, the resources expended for those assets are reported as expenditures in the years they are incurred. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Depreciation of \$2,249,830 was less than capital expenditures of \$19,917,607 in the current year.

Repayment of bond principal of \$2,519,306 is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position, and does not affect the Statement of Activities.

Interest on long-term debt and short-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The interest reported in the Statement of Activities increased by \$102,043.

### III. Cash and Investments

#### A. Deposits

The Rotterdam-Mohonasen Central School District's investment policies are governed by State statutes. The Rotterdam-Mohonasen Central School District's monies must be deposited in FDIC-insured commercial banks or trust companies located within the State. The Treasurer is authorized to use demand accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury and U.S. Agencies, repurchase agreements, and obligations of New York State or its localities.

Collateral is required for demand and time deposits and certificates of deposit not covered by Federal Deposit Insurance. Obligations that may be pledged as collateral are: obligations of the United States and its agencies and obligations of the State and its municipalities and school districts.

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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**III. Cash and Investments (Continued)**

**A. Deposits (Continued)**

Custodial credit risk is the risk that in an event of a bank failure, the District's deposits may not be returned to it. GASB directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance and the deposits are as follows:

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

Deposits and investments at year end were entirely covered by Federal Deposit Insurance or by collateral held by the School District's custodial bank in the School District's name.

The District did not have any investments at year end or during the year.

**IV. Interfund Transaction**

Interfund balances at June 30, 2017 are as follows:

	Interfund		Interfund	
	Receivable	Payable	Revenues	Expenditures
General Fund	\$ 818,036	\$ 1,299,046	\$ 200,000	\$ 71,794
Special Aid Fund	-	295,876	71,794	-
School Lunch Fund	-	63,833	-	-
Capital Fund	1,174,996	188,273	-	-
Debt Service Fund	188,273	200,000	-	200,000
Total governmental activities	2,181,305	2,047,028	\$ 271,794	\$ 271,794
Fiduciary Agency Fund	124,051	258,328		
Totals	<u>\$ 2,305,356</u>	<u>\$ 2,305,356</u>		

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

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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**V. Capital Assets**

A summary of changes in general fixed assets follows:

	Balance 7/1/2016	Additions	Deletions	Balance 6/30/2017
<u>Capital assets-not depreciated:</u>				
Land	\$ 1,652,526	\$ -	\$ -	1,652,526
Construction in progress	27,586,438	19,304,236	-	46,890,674
Total capital assets-not depreciated:	29,238,964	19,304,236	-	48,543,200
<u>Other capital assets:</u>				
Buildings and improvements	84,916,751	-	-	84,916,751
Machinery and equipment	5,362,375	32,177	-	5,394,552
Vehicles	5,365,884	581,194	1,283,720	4,663,358
Total other capital assets:	95,645,010	613,371	1,283,720	94,974,661
<u>Less accumulated depreciation:</u>				
Buildings and improvements	30,316,080	2,097,305	-	32,413,385
Machinery and equipment	5,131,979	78,256	-	5,210,235
Vehicles	4,421,933	74,269	1,283,720	3,212,482
Total accumulated depreciation	39,869,992	2,249,830	1,283,720	40,836,102
Other capital assets, net	55,775,018	(1,636,459)	-	54,138,559
Total	\$ 85,013,982	\$ 17,667,777	\$ -	\$ 102,681,759

Depreciation expense for the period was shown as unallocated in the Statement of Activities.

# ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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### VI. Pension Plans

#### 1. General Information

New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems).

#### 2. Plan Descriptions and Benefits Provided

##### **Teachers' Retirement System (TRS)**

The District participates in the New York State Teachers' Retirement System (TRS). This is a cost-sharing multiple-employer retirement system. The System provides retirement benefits as well as, death and disability benefits to plan members and beneficiaries as authorized by the Education Law and the Retirement and Social Security Law of the State of New York. The System is governed by a 10 member Board of Trustees. System benefits are established under New York State Law. Membership is mandatory and automatic for all full-time teachers, teaching assistants, guidance counselors and administrators employed in New York Public Schools and BOCES who elected to participate in TRS. Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. Additional information regarding the System, may be obtained by writing to the New York State Teachers' Retirement System, 10 Corporate Woods Drive, Albany, NY 12211-2395 or by referring to the NYSSTR Comprehensive Annual Financial report which can be found on the System's website at [www.nystrs.org](http://www.nystrs.org).

##### **Employees' Retirement System (ERS)**

The District participates in the New York State and Local Employees' Retirement System (ERS). This is a cost-sharing multiple-employer retirement system. The System provides retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund (the Fund), which was established to hold all net assets and record changes in plan net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. System benefits are established under the provisions of the New York State Retirement and Social Security Law (RSSL). Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The District also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The System is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits provided, may be found at [www.osc.state.ny.us/retire/publications/index.php](http://www.osc.state.ny.us/retire/publications/index.php) or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

# ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### VI. Pension Plans (Continued)

#### Funding Policies:

The Systems are noncontributory except for employees who joined after July 27, 1976, who contribute 3 percent of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 who generally contribute 3.0 to 3.5 percent of their salary for their entire length of service. In addition, employee contribution rates under ERS tier VI vary based on a sliding salary scale. For ERS, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the Systems' fiscal year ending March 31. For TRS, contribution rates are established annually by the New York State Teachers' Retirement Board pursuant to Article 11 of the Education law.

Contributions for the current year and two preceding years were equal to 100 percent of the contributions required, and were as follows:

#### Contributions

	ERS	TRS
2017	\$773,702	\$2,587,165
2016	\$903,280	\$3,181,882
2015	\$927,463	\$3,040,705

### 3. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2017, the District reported the following asset/(liability) for its proportionate share of the net pension asset/(liability) for each of the Systems. The net pension asset/(liability) was measured as of March 31, 2017 for ERS and June 30, 2016 for TRS. The total pension asset/(liability) used to calculate the net pension asset/(liability) was determined by an actuarial valuation. The District's proportion of the net pension asset/(liability) was based on a projection of the District's long-term share of contributions to the Systems relative to the projected contributions of all participating members, actuarially determined. This information was provided by the ERS and TRS Systems in reports provided to the District.

	ERS	TRS
Actuarial valuation date	31-Mar-17	30-Jun-16
Net pension asset/(liability)	(\$1,508,520)	(\$1,301,084)
District's portion of the Plan's total net pension asset/(liability)	0.0160545%	.121478%
Change in proportion since the prior measurement date	0.0014715%	.004159%

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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**VI. Pension Plans (Continued)**

For the year ended June 30, 2017, the District's recognized pension expense of \$773,702 for ERS and \$2,128,244 for TRS. At June 30, 2017 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resource</u>		<u>Deferred Inflows of Resources</u>	
	<u>ERS</u>	<u>TRS</u>	<u>ERS</u>	<u>TRS</u>
Differences between expected and actual experience	\$37,802	\$0	\$229,077	\$422,665
Changes of assumptions	515,366	7,411,802	0	0
Net difference between projected and actual earnings on pension plan investments	301,313	2,925,521	0	0
Changes in proportion and differences between the District's contributions and proportionate share of contributions	236,546	131,315	47,915	258,567
District's contributions subsequent to the measurement date	237,262	2,352,731	0	0
Total	<u>\$1,328,289</u>	<u>\$12,821,369</u>	<u>\$276,992</u>	<u>\$681,232</u>

District contributions subsequent to the measurement date which will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	<u>ERS</u>	<u>TRS</u>
Year ended:		
2017	\$ -	\$ 881,059
2018	\$348,615	\$ 881,059
2019	\$348,615	\$ 3,153,100
2020	\$303,415	\$ 2,446,202
2021	(\$186,610)	\$ 1,108,975
Thereafter	\$0	\$ 1,317,011

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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**VI. Pension Plans (Continued)**

4. Actuarial Assumptions

The total pension liability as of the measurement date was determined by using an actuarial valuation as noted in the table below, with update procedures used to roll forward the total pension liability to the measurement date. The actuarial valuations used the following actuarial assumptions:

Significant actuarial assumptions used in the valuations were as follows:

	<u>ERS</u>	<u>TRS</u>
Measurement date	March 31, 2017	June 30, 2016
Actuarial valuation date	April 1, 2016	June 30, 2015
Interest rate	7.0%	7.5%
Salary scale	3.80%	4.01% - 10.91%
Decrement tables	April 1, 2010 - March 31, 2015 System's Experience	July 1, 2005 - June 30, 2010 System's Experience
Inflation rate	2.5%	2.5%

For ERS, annuitant mortality rates are based on April 1, 2010 – March 31, 2015 System's experience with adjustments for mortality improvements based on MP-2014. For TRS, annuitant mortality rates are based on July 1, 2005 – June 30, 2010 System's experience with adjustments for mortality improvements based on Society of Actuaries Scale AA.

For ERS, the actuarial assumptions used in the April 1, 2016 valuation are based on the results of an actuarial experience study for the period April 1, 2010 – March 31, 2015. For TRS, the actuarial assumptions used in the June 30, 2015 valuation are based on the results of an actuarial experience study for the period July 1, 2005 – June 30, 2010.

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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**VI. Pension Plans (Continued)**

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

Measurement date	<u>ERS</u> March 31, 2017	<u>TRS</u> June 30, 2016
<u>Asset Type</u>	<u>%</u>	<u>%</u>
Domestic Equity	36%	37%
International Equity	14%	18%
Private Equity	10%	7%
Real Estate	10%	10%
Domestic fixed income securities	0%	17%
Global fixed income securities	0%	2%
Bonds and Mortgages	17%	8%
Short-term	0%	1%
Absolute return strategies	2%	0%
Opportunistic portfolio	3%	0%
Real Assets	3%	0%
Cash Equivalents	1%	0%
Inflation-Indexed bonds	4%	0%

**5. Discount Rate**

The discount rate used to calculate the total pension liability was 7.0 % for ERS and 7.5 % for TRS. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the Systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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**VI. Pension Plans (Continued)**

6. Sensitivity of the Proportionate Share of Net Pension Liability to the Discount Rate Assumption

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.0% for ERS and 7.5% for TRS, as well as what the District's proportionate share of the net pension asset/(liability) would be if it were calculated using a discount rate that is 1-percentage point lower (6.0% or ERS and 6.5% for TRS ) or 1-percentage point higher (8.0% for ERS and 8.5% for TRS) than the current rate :

ERS	1% Decrease (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
Employer's proportionate share Of the net pension (asset) liability	\$4,817,915	\$1,508,520	(\$1,289,567)

TRS	1% Decrease (6.5%)	Current Assumption (7.5%)	1% Increase (8.5%)
Employer's proportionate share Of the net pension (asset) liability	\$16,975,596	\$1,301,084	(\$11,845,876)

7. Pension Plan Fiduciary Net Position

The components of the current-year net pension asset/(liability) of the employers as of the respective valuation dates, were as follows:

	(Dollars in Thousands)	
	<u>ERS</u>	<u>TRS</u>
Measurement date	March 31, 2017	June 30, 2016
Employers' total pension liability	\$ 177,400,586	\$ 108,577,184,039
Plan Fiduciary Net Position	(168,004,363)	107,506,142,099
Employers' net pension liability	9,396,223	1,071,041,940
Ration of plan fiduciary net position to the Employers' total pension liability	94.7000%	99.0100%

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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**VI. Pension Plans (Continued)**

8. Payables to the Pension Plan

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31<sup>st</sup>. Accrued retirement contributions as of June 30, 2017 represent the projected employer contribution for the period of April 1, 2017 through June 30, 2017 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2017 amounted to \$237,262.

For TRS, employer and employee contributions for the fiscal year ended June 30, 2017 are paid to the System in September, October and November 2017 through a state aid intercept. Accrued retirement contributions as of June 30, 2017 represent employee and employer contributions for the fiscal year ended June 30, 2017 based on paid TRS wages multiplied by the employer's contribution rate, by tier and employee contributions for the fiscal year as reported to the TRS System. Accrued retirement contributions as of June 30, 2017 amounted to \$2,470,933.

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

**VII. Short-Term Debt Obligations**

Transactions in short-term debt for the year are summarized below:

	Maturity	Interest Rate	Balance 7/1/2016	Issued	Redeemed	Balance 6/30/2017
BAN	2017	2.00%	\$ 34,924,795	\$ -	\$ 34,924,795	\$ -
BAN	2017	2.00%	-	26,200,000	26,200,000	-
BAN	2018	2.50%	-	11,809,795	-	11,809,795
Totals			<u>\$ 34,924,795</u>	<u>\$ 38,009,795</u>	<u>\$ 61,124,795</u>	<u>\$ 11,809,795</u>

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

Interest paid	\$778,431
Less interest accrued in the prior year	(84,815)
Plus interest accrued in the current year	<u>87,740</u>
Total expense	<u>\$781,356</u>

**VIII. Long-Term Debt Obligations**

Long-term liability balances and activity for the year are summarized below:

**1. Long-Term Debt Interest**

Interest paid	\$ 990,258
Less interest accrued in the prior year	(181,509)
Plus interest accrued in the current year	<u>280,627</u>
Total expense	<u>\$1,089,376</u>

**2. Changes**

	Restated Balance 7/1/2016	Additions	Deletions	Balance 6/30/2017	Due Within One Year
Serial Bonds	\$ 26,915,283	\$ 24,457,293	\$ 2,519,306	\$ 48,853,270	<u>\$ 2,706,562</u>
Compensated Absences	206,473	-	43,278	163,195	
OPEB Obligations	8,340,534	1,238,717	-	9,579,251	
Net Pension Liability- Proportionate Share	-	2,809,604	-	2,809,604	
Totals	<u>\$ 35,462,290</u>	<u>\$ 28,505,614</u>	<u>\$ 2,562,584</u>	<u>\$ 61,405,320</u>	

Additions and deletions to compensated absences are shown net since it is impractical to determine these amounts separately.

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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**VIII. Long-Term Debt Obligations (Continued)**

**3. Maturity**

a. The following is a summary of the debt issued:

Purpose	Issue Date	Final Maturity	Interest Rate	Outstanding 6/30/2017
Serial Bonds:				
Advanced refunding	2015	2027	2-5%	\$ 3,695,000
Construction	2016	2031	2-3%	9,515,000
Construction	2017	2046	3-5%	23,900,000
Construction	2012	2025	3-5%	10,385,000
Buses	2014	2019	1.42%	200,341
Buses	2013	2018	1.52%	181,709
Buses	2012	2017	1.68%	56,979
Buses	2017	2022	2.56%	557,293
Buses	2015	2020	2.80%	361,948
Total				<u>\$ 48,853,270</u>

b. The following is a summary of maturing principal debt service requirements:

	Year	Principal	Interest	Total
Serial Bonds:	2018	\$ 2,706,562	\$ 2,350,369	\$ 5,056,931
	2019	3,089,580	1,910,173	4,999,753
	2020	3,103,725	1,797,407	4,901,132
	2021	3,151,945	1,677,122	4,829,067
	2022	2,821,458	1,559,309	4,380,767
	2023 and thereafter	33,980,000	15,871,087	49,851,087
	Total	<u>\$ 48,853,270</u>	<u>\$ 25,165,467</u>	<u>\$ 74,018,737</u>

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

**VIII. Long-Term Debt Obligations (Continued)**

**Prior-Year Defeasance of Debt**

In prior years, certain general obligation bonds were defeased by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the liability for the defeased bonds and the trust account assets are not included in the financial statements.

**IX. Postemployment (Health Insurance) Benefits**

The District provides postemployment (health insurance, life insurance, etc.) coverage to retired employees in accordance with the provisions of various employment contracts. The benefit levels, employee contributions and employer contributions are governed by the District's contractual agreements.

The District implemented GASB Statement #45, Accounting and Financial Reporting by employers for Postemployment Benefits Other than Pensions, in the school year ended June 30, 2009. This required the District to calculate and record a net other postemployment benefit obligation at year end. The net other postemployment benefit obligation is basically the cumulative difference between the actuarially required contribution and the actual contributions made.

The District recognizes the cost of providing health insurance annually as expenditures in the General Fund of the funds financial statements as payments are made. For the year ended June 30, 2017, the District recognized \$1,025,195 for its share of insurance premiums for currently enrolled retirees.

The District has obtained an actuarial valuation report as of July 1, 2016 which indicates that the total liability for other postemployment benefits is \$9,579,251, which is reflected in the Statement of Net Position.

The District currently pays for postemployment health care benefits on a pay-as-you-go basis. Once New York State Law allows for the establishment of a trust to fund and invest assets necessary to pay for the accumulated liability, the District will study the establishment of such a trust. These financial statements assume that pay-as-you-go funding will continue.

**Annual OPEB Cost and Net OPEB Obligation**

The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. 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 (or funding excess) over a period not to exceed thirty years.

# ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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### **IX. Postemployment (Health Insurance) Benefits (Continued)**

The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation to HP:

Annual required contribution	\$ 2,159,276
Interest on net OPEB obligation	417,027
Adjustment to annual required contribution	(312,391)
Annual OPEB cost (expense)	<u>2,263,912</u>
Contributions made	<u>1,025,195</u>
Increase in net OPEB obligation	1,238,717
Net OPEB obligation-beginning of year (restated)	<u>8,340,534</u>
Net OPEB obligation-end of year	<u>\$ 9,579,251</u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2015	\$1,931,160	70.2%	\$7,427,741
6/30/2016	\$2,021,175	54.8%	\$8,340,534
6/30/2017	\$2,263,912	45.3%	\$9,579,251

### **Funded Status and Funding Progress**

As of July 1, 2016, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$27,162,158, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$27,162,158. The covered payroll (annual payroll of active employees covered by the plan) was \$23,307,187 and the ratio of the UAAL to the covered payroll was 116.5%. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future.

Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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**IX. Postemployment (Health Insurance) Benefits (Continued)**

**Actuarial Methods and Assumptions**

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2016 actuarial valuation, the Projected Unit Credit Cost method was used. The actuarial assumptions included a 5% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 5.6% initially, decreased by increments to an ultimate rate of 3.94% in the final year. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a 30 year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period, at June 30, 2017, was 21 years.

**X. Commitments and Contingencies**

**A. Risk Financing and Related Insurance**

1. General Information

The Rotterdam-Mohonasen Central School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past two years.

2. Workers' Compensation Insurance

The Rotterdam-Mohonasen Central School District participates in a risk-sharing pool, New York State Public Schools Statewide Workers' Compensation Trust, to insure workers' compensation claims. This is a public entity risk pool created under Article 5, Workers' Compensation Law, to finance liability and risks related to Workers' Compensation claims.

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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**X. Commitments and Contingencies (Continued)**

**A. Risk Financing and Related Insurance (Continued)**

3. Grants

The School District has received grants, which are subject to audit by agencies of the State and Federal government. Such audits may result in disallowances and a request for a return of funds. Based on prior audits, the School District's administration believes disallowances, if any, will be immaterial.

4. Litigation

There are currently pending tax certiorari proceedings, the results of which could require the payments 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. The School District has established a tax certiorari reserve to cover a portion of the potential refund exposure and the District has legal authority to borrow funds to repay school taxes when needed.

5. Operating Leases

The School District leases property and equipment under operating leases. Total rental expenditures on such leases for the fiscal year ended June 30, 2017 was approximately \$127,962. The future non-cancelable operating lease payments are as follows:

<u>Year Ended</u>	<u>Lease Payments</u>
2018	\$ 59,423
2019	59,423
	<u>\$ 118,846</u>

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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**XI. Other Disclosures**

**A. Summary of Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position**

Total governmental fund balance	\$ (50,163)
Capital assets (net)	102,681,759
Deferred outflows of resources	14,149,658
Bonds payable	(48,853,270)
Accrued interest payable	(368,367)
Net pension liability- proportionate share	(2,809,604)
Deferred inflows of resources	(958,224)
Compensated absences	(163,195)
OPEB obligations	(9,579,251)
Unearned revenue	4,060
Total net position	<u>\$ 54,053,403</u>

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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**XI. Other Disclosures (Continued)**

**B. Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities**

Net changes in fund balance – total governmental funds	\$ 7,089,620
Capital outlays are expenditures in governmental funds, but are capitalized in the Statement of Net Position	19,917,607
Depreciation is not recorded as an expenditure in the governmental funds, but is recorded in the Statement of Activities	(2,249,830)
Repayments of Long-term Debt are recorded as expenditures in the governmental funds, but are recorded as payments of liabilities in the Statement of Net Position	4,934,306
Interest is recognized as an expense in governmental funds when paid. For governmental activities, interest expense is recognized as it accrues. The increase in accrued interest during 2016/17 results in more expense.	(102,043)
Certain revenues deferred in the Governmental Funds must be recognized in the Statement of Activities	122
Proceeds from debt are recognized as revenue in the Governmental Funds, but not in the Statement of Activities	(26,872,293)
(Increases) Decreases in proportionate share of net pension asset/liability reported in the Statement of Activities do not provide for or require the use of current financial resources and therefore, are not reported as revenues or expenditures in the governmental funds:	
Teachers' Retirement System	72,565
Employee's Retirement System	(167,793)
Certain expenses in the Statement of Activities do not require the expenditure of current resources and are, therefore, not reported as expenditures in the governmental funds:	
OPEB obligations	(1,238,717)
Compensated absences	<u>43,278</u>
Change in Net Position – Governmental Activities	<u>\$ 1,426,822</u>

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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**XII. Stewardship, Compliance and Accountability**

**A. Budgetary Procedures and Budgetary Accounting**

**1. Budget Policies**

The budget policies are as follows:

- a. The School District's administration prepares a proposed budget for approval by the Board of Education for the General Fund.
- b. The proposed appropriation budget for the General Fund is approved by the voters within the School District.
- c. Appropriations are adopted at the program level.
- d. Appropriations established by adoption of the budget constitute a limitation on expenditures (and encumbrances), which may be incurred. Appropriations lapse at the fiscal year end. Supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need that exists which was not determined at the time the budget was adopted.
- e. The General Fund budget was increased to reflect the receipt of additional unanticipated revenue in the amount of \$142,401. The increase relates to State Aid, Summer School and revenue generated from School Plays.

**2. Budgets**

The District administration prepares a proposed budget for approval by the Board of Education for the following governmental funds for which legal (appropriated) budgets are adopted:

The voters of the District approved the proposed appropriation budget for the General Fund.

Appropriations are adopted at the program line item level.

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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**XII. Stewardship, Compliance and Accountability (Continued)**

**A. Budgetary Procedures and Budgetary Accounting (Continued)**

**2. Budgets**

Budgets are adopted annually on a basis consistent with GAAP. Appropriations authorized for the year are increased by the amount of encumbrances carried forward from the prior year.

Appropriations are established by the adoption of the budget constitute a limitation on expenditures (and encumbrances) that may be incurred. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. Appropriations authorized for the current year are increased by the planned use of specific reserves, and budget amendments approved by the Board of Education as a result of selected new revenue sources not included in the original budget (when permitted by law). These supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need that exists which was not determined at the time the budget was adopted. No supplemental appropriations occurred during the year.

Special Aid Fund and School Lunch Fund have not been included in the comparison because they do not have legally authorized budgets.

Budgets are established and used for individual capital project funds expenditures as approved by a special referendum of the District's voters. The maximum project amount authorized is based primarily upon the cost of the project, plus any requirements for external borrowings, not annual appropriations. The budgets do not lapse and are carried over to subsequent fiscal years until the completion of the projects.

3. Encumbrance accounting is used for budget control and monitoring purposes and is reported as a part of the governmental funds. Under this method, purchase orders, contracts and other commitments for the expenditure of monies are recorded to reserve applicable appropriations. Outstanding encumbrances as of year-end are presented as reservations of fund balance and do not represent expenditures or liabilities. These commitments will be honored in the subsequent period. Related expenditures are recognized at that time as the liability is incurred or the commitment is paid.
4. The Capital Fund has a deficit fund balance of \$9,669,215 at June 30, 2017. The deficit will be eliminated when the District issues serial bonds for the current capital project.

**XIII. Subsequent Events**

There were no significant subsequent events to report from the period of July 1, 2017 to August 28, 2017.

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT  
SCHEDULE OF REVENUES COMPARED TO BUDGET- GENERAL FUND  
For Year Ended June 30, 2017

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	Original Budget	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Local Sources				
Real property taxes	\$ 21,751,603	\$ 21,751,603	\$ 21,708,106	\$ (43,497)
Other tax items	3,993,097	3,993,097	3,963,097	(30,000)
Charges for services	262,500	266,648	222,401	(44,247)
Use of money and property	407,250	407,250	578,165	170,915
Sale of property and compensation for loss	1,500	1,500	1,328	(172)
Miscellaneous	65,000	103,253	329,728	226,475
<b>Total Local Sources</b>	<u>26,480,950</u>	<u>26,523,351</u>	<u>26,802,825</u>	<u>279,474</u>
State sources	19,889,459	19,989,459	19,593,821	(395,638)
Federal sources	120,000	120,000	147,775	27,775
<b>Total Revenues</b>	<u>46,490,409</u>	<u>46,632,810</u>	<u>46,544,421</u>	<u>(88,389)</u>
<b>Other Financing Sources</b>				
Operating transfers in	200,000	200,000	200,000	-
<b>Total Revenue and Other Financing Sources</b>	<u>46,690,409</u>	<u>46,832,810</u>	<u>46,744,421</u>	<u>\$ (88,389)</u>
<b>Appropriated Fund Balance</b>	1,075,000	1,075,000		
<b>Appropriated Reserves</b>	<u>600,000</u>	<u>1,170,170</u>		
<b>Total Revenues, Other Sources, Appropriated Reserves and Fund Balance</b>	<u>\$ 48,365,409</u>	<u>\$ 49,077,980</u>		

See paragraph on required supplementary information included in auditor's report.

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES, OTHER USES AND ENCUMBRANCES COMPARED TO BUDGET-  
GENERAL FUND  
For Year Ended June 30, 2017  
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	Original Budget	Revised Budget	Actual	Encumbrances	Variance Favorable (Unfavorable)
<b>EXPENDITURES</b>					
General Support					
Board of education	\$ 38,279	\$ 38,314	\$ 29,584	\$ 5,000	\$ 3,730
Central administration	236,670	237,370	235,345	20	2,005
Finance	524,945	542,324	527,632	6,760	7,932
Staff	331,500	333,794	259,287	1,062	73,445
Central services	2,932,565	3,026,712	2,760,970	131,733	134,009
Special items	580,355	608,317	586,388	-	21,929
<b>Total General Support</b>	<b>4,644,314</b>	<b>4,786,831</b>	<b>4,399,206</b>	<b>144,575</b>	<b>243,050</b>
Instructional					
Instruction, administration and improvement	2,095,365	2,242,006	2,218,079	3,664	20,263
Teaching - regular school	15,168,816	15,509,331	15,064,765	88,396	356,170
Programs for children with handicapping conditions	4,179,915	4,098,888	3,753,724	29,968	315,196
Occupational education	738,000	738,000	737,022	-	978
Teaching - special school	254,250	259,344	212,876	-	46,468
Instructional media	1,341,943	1,309,274	1,259,131	1,656	48,487
Pupil services	2,433,881	2,524,935	2,418,593	3,377	102,965
<b>Total Instructional</b>	<b>26,212,170</b>	<b>26,681,778</b>	<b>25,664,190</b>	<b>127,061</b>	<b>890,527</b>
Pupil transportation	2,357,490	2,356,823	1,898,809	59,009	399,005
Community services	2,832	2,832	1,832	-	1,000
Employee benefits	11,294,000	11,314,463	10,986,929	-	327,534
Debt Service					
Principal	2,519,306	2,519,306	2,519,306	-	-
Interest	1,245,297	1,325,947	1,325,908	-	39
<b>Total Expenditures</b>	<b>48,275,409</b>	<b>48,987,980</b>	<b>46,796,180</b>	<b>330,645</b>	<b>1,861,155</b>
<b>OTHER USES</b>					
Operating transfers out	90,000	90,000	71,794	-	18,206
<b>Total Expenditures and Other Uses</b>	<b>\$ 48,365,409</b>	<b>\$ 49,077,980</b>	<b>46,867,974</b>	<b>\$ 330,645</b>	<b>\$ 1,879,361</b>
<b>Net change in fund balance</b>			(123,553)		
<b>Fund balance- Beginning</b>			7,369,033		
<b>Fund balance- Ending</b>			<u>\$ 7,245,480</u>		

See paragraph on required supplementary information included in auditor's report.

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT  
SCHEDULE OF FUNDING PROGRESS OF OTHER POSTEMPLOYMENT BENEFITS  
For Year Ended June 30, 2017

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
July 1, 2016	\$ -	\$ 27,162,158	\$ 27,162,158	0%	\$23,307,187	116.50%
July 1, 2015	\$ -	\$ 25,829,477	\$ 25,829,477	0%	\$21,273,884	121.40%
July 1, 2014	\$ -	\$ 24,676,952	\$ 24,676,952	0%	\$20,654,256	119.50%

See paragraph on required supplementary information included in auditor's report.

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION ASSET/LIABILITY  
June 30, 2017  
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	<u>Teachers' Retirement System</u>	
	<u>2017</u>	<u>2016</u>
District 's proportion of the net pension asset	0.121478%	.117319%
District's proportionate share of the net pension asset	\$ 1,301,084	\$12,185,672
District's covered-employee payroll	\$ 20,281,231	\$19,263,919
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	6.40%	63.26%
Plan fiduciary net position as a percentage of the total pension liability	99.01%	110.46%
	<u>Employees' Retirement System</u>	
	<u>2017</u>	<u>2016</u>
District 's proportion of the net pension liability	.0160545%	.0175%
District's proportionate share of the net pension liability	\$ 1,508,520	\$ 2,813,016
District's covered-employee payroll	\$ 5,285,296	\$ 4,847,745
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	28.54%	58.00%
Plan fiduciary net position as a percentage of the total pension liability	94.70%	90.70%

See paragraph on required supplementary information included in auditor's report.

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT  
SCHEDULE OF DISTRICT CONTRIBUTIONS  
June 30, 2017

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	<u>Teachers' Retirement System</u>				
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 2,352,731	\$ 2,536,001	\$ 3,181,882	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>2,352,731</u>	<u>2,536,001</u>	<u>3,181,882</u>		
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	<u>\$ 20,281,231</u>	<u>\$ 19,263,919</u>	<u>\$ 18,031,677</u>	<u>\$ -</u>	<u>\$ -</u>
Contributions as a percentage of covered employee payroll	11.6%	13.2%	16.7%		

	<u>Employees' Retirement System</u>				
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2013</u>	<u>2012</u>
Contractually required contribution	\$ 773,702	\$ 903,280	\$ 927,463	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>773,702</u>	<u>903,280</u>	<u>927,463</u>		
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	<u>\$ 5,285,296</u>	<u>\$ 4,847,745</u>	<u>\$ 4,878,507</u>	<u>\$ -</u>	<u>\$ -</u>
Contributions as a percentage of covered employee payroll	14.6%	18.6%	19.0%		

See paragraph on required supplementary information included in auditor's report.

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT  
SCHEDULE OF CHANGE FROM ORIGINAL BUDGET TO FINAL BUDGET AND  
THE REAL PROPERTY TAX LIMIT  
For Year Ended June 30, 2017  
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**CHANGE FROM ORIGINAL BUDGET TO FINAL BUDGET**

<b>Original Budget</b>		\$ 48,365,409
<b>Additions:</b>		
Prior year's encumbrances	\$ 431,910	
Budget revisions- Reserves	138,260	
- State Aid	100,000	
- Drama	38,253	
- Summer School	4,148	
	<u>712,571</u>	
<b>Final Budget</b>		<u><u>\$ 49,077,980</u></u>

**SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION**

2017-18 Voter-approved Expenditure Budget	\$ 50,940,000
Maximum allowed (4% of 2017-2018 Budget)	<u>\$ 2,037,600</u>

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

Unrestricted fund balance:	
Committed fund balance	\$ -
Assigned fund balance	1,480,645
Unassigned fund balance	2,037,600
Total unrestricted fund balance	<u>\$ 3,518,245</u>

Less:	
Appropriated fund balance	\$ 1,150,000
Encumbrances included in committed and assigned fund balance	330,645
Total adjustments	<u>\$ 1,480,645</u>

General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law	<u><u>\$ 2,037,600</u></u>
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Actual percentage	4.00%
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\* Per Office of the State Comptroller's "Fund Balance Reporting and Governmental Fund Type Definitions", Updated April 2011 (originally Issued November 2010), the portion of General Fund Fund Balance subject to Section 1318 of the Real Property Tax Law is: unrestricted fund balance (i.e., the total of the committed, assigned and unassigned classifications), minus appropriated fund balance, amounts reserved for insurance recovery, amounts reserved for tax reduction, and encumbrances included in committed and assigned fund balance.

See paragraph on required supplementary information included in auditor's report.

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT  
SCHEDULE OF PROJECT EXPENDITURES- CAPITAL PROJECTS FUND  
For Year Ended June 30, 2017

PROJECT TITLE	Original Budget	Revised Budget	Expenditures			Unexpended Balance	Revenues			Fund Balance June 30, 2017	
			Prior Years	Current Year	Total		Proceeds of Obligations	NYS Sources	Local Sources		Total
Buses	\$ 557,294	\$ 557,294	\$ -	\$ 557,294	\$ 557,294	\$ -	\$ 557,293	\$ -	\$ -	\$ 557,293	\$ (1)
Smart Schools Bond Act	927,140	927,140	-	831,256	831,256	95,884	-	831,254	-	831,254	(2)
Districtwide	48,166,300	48,166,300	27,586,438	18,472,980	46,059,418	2,106,882	33,975,205	-	2,415,000	36,390,205	(9,669,213)
Totals	<u>\$ 49,650,734</u>	<u>\$ 49,650,734</u>	<u>\$ 27,586,438</u>	<u>\$ 19,861,530</u>	<u>\$ 47,447,968</u>	<u>\$ 2,202,766</u>	<u>\$ 34,532,498</u>	<u>\$ 831,254</u>	<u>\$ 2,415,000</u>	<u>\$ 37,778,752</u>	<u>\$ (9,669,216)</u>

See paragraph on required supplementary information included in auditor's report.

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT  
SCHEDULE OF INVESTMENT IN CAPITAL ASSETS, NET OF RELATED DEBT  
FOR THE YEAR ENDED JUNE 30, 2017

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Capital assets, net			\$102,681,759
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Deduct:

Bond anticipation notes payable	\$ 11,809,795		
Short-term portion of bonds payable	2,706,562		
Long-term portion of bonds payable	<u>46,146,708</u>	<u>60,663,065</u>	

Net investment in Capital Assets			<u><u>\$ 42,018,694</u></u>
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See paragraph on required supplementary information included in auditor's report.

# RAYMOND G. PREUSSER, CPA, P.C.

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## INDEPENDENT AUDITOR'S 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  
Rotterdam-Mohonasen Central School District:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the fiduciary funds of the Rotterdam-Mohonasen Central School District as of and for the year ended June 30, 2017, and the related notes to the financial statements which collectively comprise the District's basic financial statements and have issued our report thereon dated August 28, 2017.

### **Internal Control Over Financial Reporting**

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

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

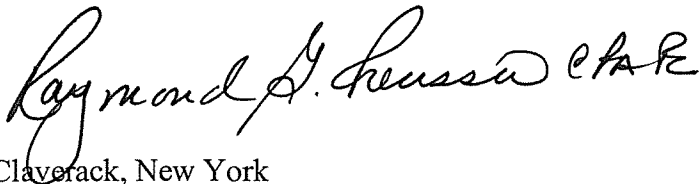
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not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

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Rotterdam-Mohonasen Central 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*.

## Purpose of This Report

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

A handwritten signature in black ink that reads "Raymond G. Leussu CPA". The signature is written in a cursive, flowing style.

Claverack, New York  
August 28, 2017