

ROTTERDAM-MOHONASEN
CENTRAL SCHOOL DISTRICT

FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

Year Ended June 30, 2014

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT

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RAYMOND G. PREUSSER, CPA, P.C.

Certified Public Accountants

P.O. Box 538

Claverack, New York 12513

Telephone: (518) 851-6650

Fax: (518) 851-6675

www.rgpreusser-cpa.com

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, 2014, 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, 2014, 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 on pages M1-M10 and 40-42 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 27, 2014 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 J. Schenck CPA". The signature is written in a cursive style with a large, stylized "R" and "S".

Claverack, New York
August 27, 2014

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT
Management's Discussion and Analysis (MD&A)
For the Fiscal Year Ended June 30, 2014

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, 2014. 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 \$40 million (net position).
- The District's total net position decreased \$1,625,967 compared to the 2012-13 reporting period. This change results primarily from the decrease in assets and an increase in liabilities.
- A capital project of \$48,166,300 was started during the 2013-2014 fiscal year.

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

	Districtwide Statements	Fund Statements	
		<u>Governmental Funds</u>	<u>Fiduciary Funds</u>
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.

Districtwide Financial Analysis

Rotterdam-Mohonasen Central School District's Net Position June 30, 2013 and 2014

	Governmental Activities		Variance Increase (Decrease)
	2013	2014	
Current Assets	\$ 14,015,538	\$ 12,970,303	\$ (1,045,235)
Capital Assets	64,046,020	62,711,535	(1,334,485)
Total Assets	78,061,558	75,681,838	(2,379,720)
Current Outflows of Resources	28,335	-	(28,335)
Deferred Outflows of Resources	85,005	-	(85,005)
Total Assets and Outflows of Resources	78,174,898	75,681,838	(2,493,060)
Current Liabilities	7,625,117	8,479,145	854,028
Noncurrent Liabilities	28,323,692	26,602,571	(1,721,121)
Total Liabilities	35,948,809	35,081,716	(867,093)
Net Position:			
Net Investment in Capital Assets	37,710,803	39,242,153	1,531,350
Restricted	6,241,668	5,474,162	(767,506)
Unrestricted	(1,726,382)	(4,116,193)	(2,389,811)
Total Net Position	\$ 42,226,089	\$ 40,600,122	\$ (1,625,967)

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.

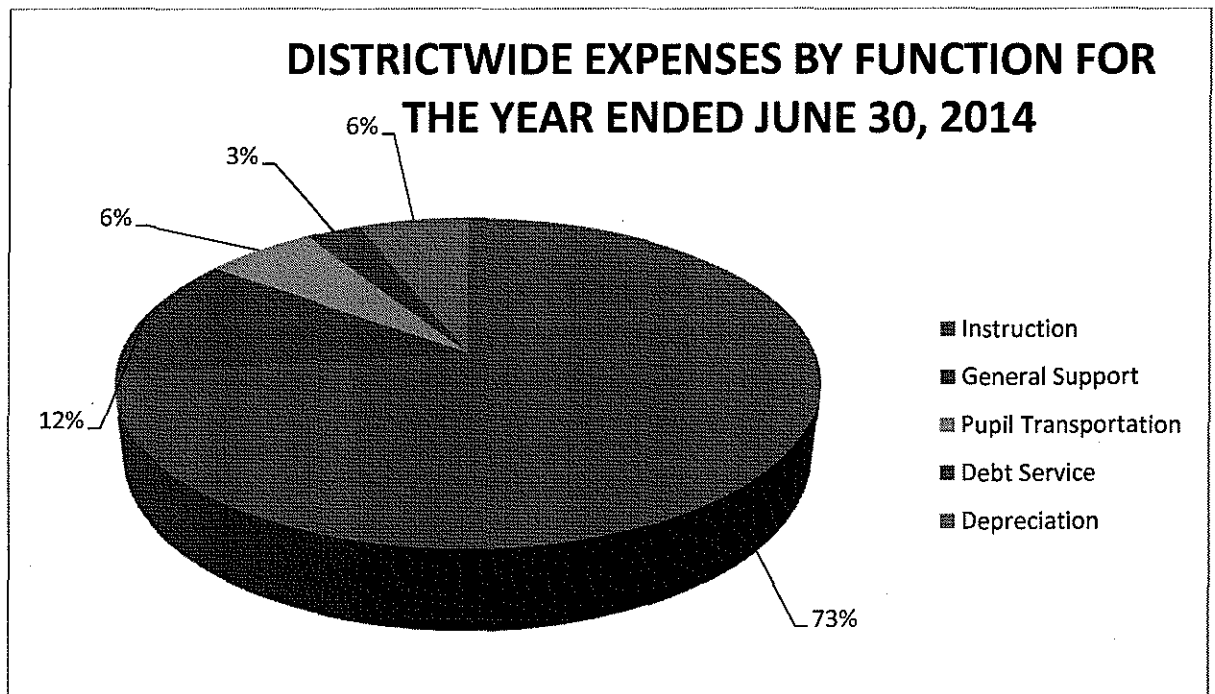
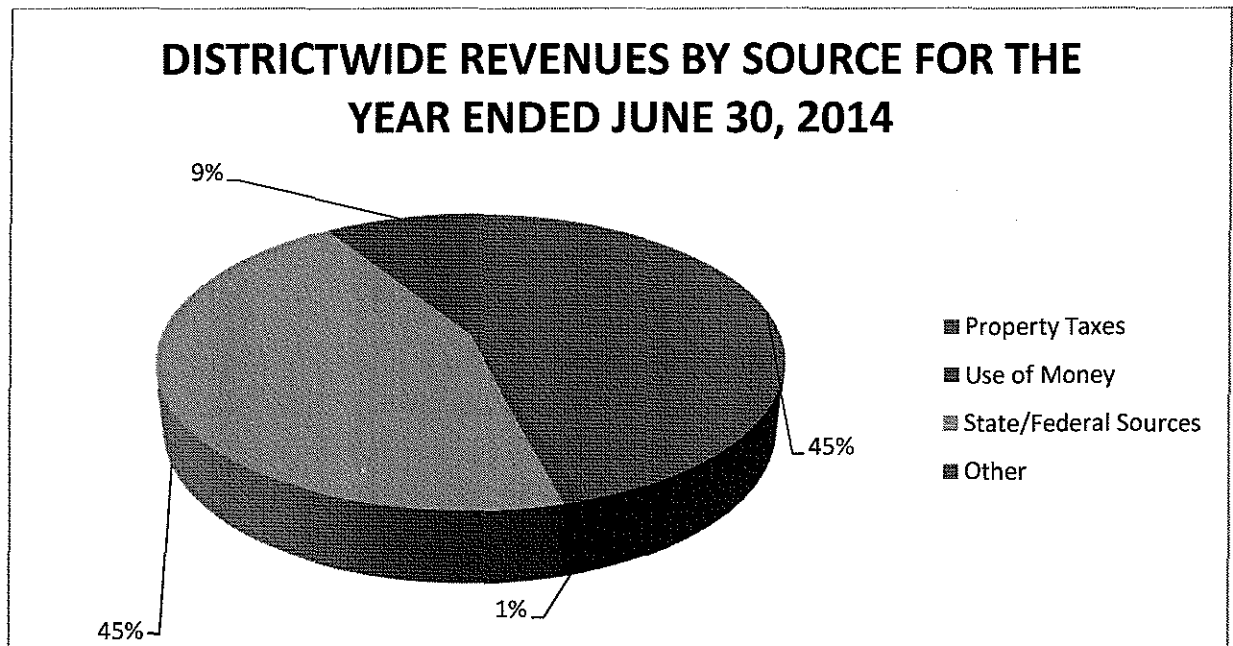
The largest portion of the District's net position reflects its investment in capital assets (e.g., land, buildings, improvements, machinery, and equipment); less any related outstanding debt used to acquire those assets. The District uses these capital assets to provide educational services. Consequently, 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, 2013 and 2014**

	Governmental Activities		Variance Increase (Decrease)
	2013	2014	
<u>Revenues:</u>			
Program Revenues:			
Charges for Services	\$ 941,242	\$ 974,421	\$ 33,179
Operating Grants and Contributions	2,983,960	3,541,004	557,044
Total Program Revenues	<u>\$ 3,925,202</u>	<u>\$ 4,515,425</u>	<u>\$ 590,223</u>
General Revenues:			
Real Property Taxes	18,980,350	19,834,116	\$ 853,766
Other Tax Items	3,980,804	4,010,738	29,934
Use of Money and Property	202,959	182,086	(20,873)
Sale of Property and Compensation for Loss	8,469	2,657	(5,812)
Miscellaneous	168,232	281,508	113,276
State Sources	18,587,139	18,085,780	(501,359)
Federal Sources	177,702	246,200	68,498
Premium on Obligations	2,651,339	-	(2,651,339)
Total General Revenues	<u>44,756,994</u>	<u>42,643,085</u>	<u>(2,113,909)</u>
<u>Expenses:</u>			
Instruction	30,515,454	32,360,333	1,844,879
General Support	4,702,525	5,023,695	321,170
Transportation	2,708,970	2,823,147	114,177
Community Service	1,820	2,418	598
Debt Service-Interest	1,506,451	1,173,106	(333,345)
Depreciation	2,670,253	2,691,349	21,096
Amortization	28,335	-	(28,335)
School Lunch	85,611	81,665	(3,946)
Total Expenses	<u>42,219,419</u>	<u>44,155,713</u>	<u>1,936,294</u>
Increase (Decrease) in Net Position	<u>\$ 2,537,575</u>	<u>\$ (1,512,628)</u>	<u>\$ (4,050,203)</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:

	<u>Fund Balance</u> <u>2013</u>	<u>Fund Balance</u> <u>2014</u>	<u>Variance</u> <u>Increase</u> <u>(Decrease)</u>
General	\$ 6,291,717	\$ 6,396,035	\$ 104,318
School Lunch	232,638	150,561	(82,077)
Special Aid	137,451	47,485	(89,966)
Capital	-	(837,787)	(837,787)
Debt Service	3,212,567	2,422,579	(789,988)
Totals	<u>\$ 9,874,373</u>	<u>\$ 8,178,873</u>	<u>\$ (1,695,500)</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 \$1,856,000 which is 4% of the 2014-15 General Fund Budget of \$46.4 million. The assigned fund balance of \$1,535,937 is composed of \$410,937 for encumbrances and \$1,125,000 as revenue to support the 2014-15 General Fund budget.

Capital Assets (Net of Depreciation)

	<u>June 30, 2013</u>	<u>June 30, 2014</u>	<u>Increase</u> <u>(Decrease)</u>
Land	\$ 1,652,526	\$ 1,652,526	\$ 0
Construction in Progress	0	837,788	837,788
Buildings and Improvements	60,903,360	58,795,281	(2,108,079)
Buses	1,123,834	1,092,014	(31,820)
Machinery and Equipment	<u>366,300</u>	<u>333,926</u>	<u>(32,374)</u>
Total	<u>\$ 64,046,020</u>	<u>\$ 62,711,535</u>	<u>\$(1,334,485)</u>

General Fund Budgetary Highlights

For the 2013-14 school year, the voters of the District approved a budget of \$45,377,864. That budget was subsequently increased by \$616,775. This total is comprised of several different components listed in more detail below:

- \$459,953 represents encumbrances carried over from the prior school year.
- \$55,916 is the result of reserve activities such as employee benefit accruals, tax certiorari claims and unemployment insurance claims.
- \$100,906 is increases to the budget representing the appropriation of miscellaneous expenditures and revenues generated by District programs such as theater arts/drama, summer school and a special legislative grant (\$50,000) received by the District.

The District considers the results achieved regarding the 2013-14 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.

Enrollment

Public school enrollment gathered by the state each October has shown a slight decline over the past several years. However, at this point the change is not significant enough to change the overall instructional needs of the district.

Debt Administration

The District issued a new five-year bond with a principal amount of \$454,272 in December 2013 to finance the purchase of school buses. The voters of the district authorized the purchase during the annual vote held May 2013.

The Mohonasen School District has a bond rating of A1 with an underlying rating of A1. 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 \$23.5 million dollars as of June 30, 2014, which is well within the stipulated limitation of approximately \$142 million (10% of total assessed value).

Outstanding Long-Term Debt

	<u>2013</u>	<u>2014</u>	<u>Increase (Decrease)</u>
General Obligation Bonds	\$26,335,217	\$23,469,382	\$ (2,865,835)

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 2013-14 was .703, (a ratio of resident income and property values). The state foundation aid formula is 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. Mohonasen relies heavily on state aid as a revenue source. Approximately 40% of the district's revenue is from state aid. There was a small increase in State aid for 2013-14. This was mainly due to a reduction in the "gap elimination adjustment", a reduction applied to the general formula.

The District has been very aggressive in securing competitive grants over the past several years. These grants have been important in mitigating potential lay-offs and continuing to provide a sound education for the students of the District. However, these grants are awarded for a finite number of years. As these grant funds run out it will be a challenge for the District to continue to provide these level of services. One significant grant which will be ending after the 2014-15 school year is the School District Performance Improvement Grant which will provide \$721,817 toward salaries, contracted services and supplies in the upcoming year. The District will continue to seek out and apply for these grants and believe that the new Advanced Technology Regional Education Center, which is a part of the newly approved capital project, will be instrumental in securing these funds.

The financial audit for the year-end 2013-14 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. However, recent indicators suggest that contributions to these retirement systems are beginning to plateau, and may even decrease, in the next few years. This would have a significant positive impact on the overall financial stability of the District.

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, 2014

ASSETS

Unrestricted cash	\$ 5,468,859
Restricted cash	5,426,217
Other receivables, net	104,445
State and federal aid receivable	1,384,142
Due from other governments	468,133
Due from fiduciary funds	64,336
Inventories	54,171
Capital assets, net	<u>62,711,535</u>
Total Current Assets	<u>75,681,838</u>

LIABILITIES

Current Liabilities:

Accounts payable	249,299
Accrued liabilities	1,099,530
Bonds payable	3,525,962
Due to teachers' retirement system	3,149,917
Due to employees' retirement system	238,034
Unearned revenue	92,994
Due to fiduciary funds	<u>123,409</u>
Total Current Liabilities	<u>8,479,145</u>

Long-Term Obligations:

Bonds payable	19,943,420
Compensated absences	134,237
Other post employment benefits payable	<u>6,524,914</u>
Total Long-Term Obligations	<u>26,602,571</u>

Total Liabilities	<u>35,081,716</u>
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NET POSITION

Investment in capital assets, net of related debt	39,242,153
Restricted	5,474,162
Unrestricted	<u>(4,116,193)</u>
Total Net Position	<u>\$ 40,600,122</u>

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

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For Year Ended June 30, 2014

	Expenses	Expenses Allocation	Program Revenues		Net (Expense) Revenue and Changes in Net Position
			Charges for Services	Operating Grants	
FUNCTIONS/PROGRAMS					
General support	\$ 3,903,438	\$ 1,120,257	\$ -	\$ -	\$ (5,023,695)
Instruction	25,115,124	10,430,942	327,457	2,858,276	(32,360,333)
Pupil transportation	2,050,001	864,855	-	91,709	(2,823,147)
Community services	1,725	693	-	-	(2,418)
Employee benefits	12,556,609	(12,556,609)	-	-	-
Debt service-Interest	1,173,106	-	-	-	(1,173,106)
Depreciation-unallocated	2,691,349	-	-	-	(2,691,349)
School lunch program	1,179,786	139,862	646,964	591,019	(81,665)
Total Functions and Programs	<u>\$ 48,671,138</u>	<u>\$ -</u>	<u>\$ 974,421</u>	<u>\$ 3,541,004</u>	<u>(44,155,713)</u>
GENERAL REVENUES					
Real property taxes					19,834,116
Other tax items					4,010,738
Use of money and property					182,086
Sale of property and compensation for loss					2,657
Miscellaneous					281,508
State sources					18,085,780
Medicaid reimbursement					246,200
Total General Revenues					<u>42,643,085</u>
Change in Net Position					<u>(1,512,628)</u>
Total Net Position - Beginning of year, Restated					<u>42,112,750</u>
Total Net Position - End of year					<u>\$ 40,600,122</u>

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, 2014

	Total Governmental Funds	Long-term Assets, Liabilities	Reclassifications and Eliminations	Statement of Net Position Totals
ASSETS				
Unrestricted cash	\$ 5,468,859	\$ -	\$ -	\$ 5,468,859
Restricted cash	5,426,217	-	-	5,426,217
Accounts receivable, net	104,445	-	-	104,445
Due from other funds	1,802,393	-	(1,802,393)	-
Due from fiduciary funds	-	-	64,336	64,336
State and federal aid receivable	1,384,142	-	-	1,384,142
Due from other governments	468,133	-	-	468,133
Inventories	54,171	-	-	54,171
Land, buildings and equipment (net)	-	62,711,535	-	62,711,535
Total Assets	<u>\$ 14,708,360</u>	<u>\$ 62,711,535</u>	<u>\$ (1,738,057)</u>	<u>\$ 75,681,838</u>
LIABILITIES				
Accounts payable	\$ 249,299	\$ -	\$ -	\$ 249,299
Accrued liabilities	936,425	163,105	-	1,099,530
Bonds payable	-	23,469,382	-	23,469,382
Other post employment benefits payable	-	6,524,914	-	6,524,914
Compensated absences	-	134,237	-	134,237
Due to other funds	1,861,466	-	(1,861,466)	-
Due to fiduciary funds	-	-	123,409	123,409
Due to teachers' retirement system	3,149,917	-	-	3,149,917
Due to employees' retirement system	238,034	-	-	238,034
Unearned revenue	94,346	-	(1,352)	92,994
Total Liabilities	<u>6,529,487</u>	<u>30,291,638</u>	<u>(1,739,409)</u>	<u>35,081,716</u>
FUND BALANCE\NET POSITION				
Total Fund Balance\Net Position	<u>8,178,873</u>	<u>32,419,897</u>	<u>1,352</u>	<u>40,600,122</u>
Total Liabilities and Fund Balance/Net Position	<u>\$ 14,708,360</u>	<u>\$ 62,711,535</u>	<u>\$ (1,738,057)</u>	<u>\$ 75,681,838</u>

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, 2014

	Total Governmental Funds	Long-term Revenue, Expenses	Capital Related Items	Long-term Debt Transactions	Statement of Activities Totals
REVENUES					
Real property taxes	\$ 19,834,116	\$ -	\$ -	\$ -	\$ 19,834,116
Other tax items	4,010,738	-	-	-	4,010,738
Charges for services	336,048	(8,591)	-	-	327,457
Use of money and property	182,086	-	-	-	182,086
Sale of property and compensation for loss	2,657	-	-	-	2,657
Miscellaneous	281,725	-	-	-	281,725
Local sources	13,973	-	-	-	13,973
State sources	19,154,775	-	-	-	19,154,775
Federal sources	2,704,236	-	-	-	2,704,236
Sales - school lunch	646,747	-	-	-	646,747
Total Revenues	<u>47,167,101</u>	<u>(8,591)</u>	<u>-</u>	<u>-</u>	<u>47,158,510</u>
EXPENDITURES\EXPENSES					
General support	3,913,573	-	(10,135)	-	3,903,438
Instruction	25,164,569	5,225	(54,670)	-	25,115,124
Pupil transportation	2,050,001	-	-	-	2,050,001
Community services	1,725	-	-	-	1,725
Employee benefits	11,211,265	1,345,344	-	-	12,556,609
Debt service-Principal	3,320,107	-	-	(3,320,107)	-
-Interest	1,183,788	(10,682)	-	-	1,173,106
Cost of sales	1,179,786	-	-	-	1,179,786
Capital outlay	1,292,059	-	(1,292,059)	-	-
Depreciation	-	-	2,691,349	-	2,691,349
Total Expenditures	<u>49,316,873</u>	<u>1,339,887</u>	<u>1,334,485</u>	<u>(3,320,107)</u>	<u>48,671,138</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(2,149,772)</u>	<u>(1,348,478)</u>	<u>(1,334,485)</u>	<u>3,320,107</u>	<u>(1,512,628)</u>
OTHER SOURCES AND USES					
Proceeds from debt	454,272	-	-	(454,272)	-
Operating transfers in	883,497	(883,497)	-	-	-
Operating transfers (out)	(883,497)	883,497	-	-	-
Total Other Sources (Uses)	<u>454,272</u>	<u>-</u>	<u>-</u>	<u>(454,272)</u>	<u>-</u>
Net Change for the Year	<u>\$ (1,695,500)</u>	<u>\$ (1,348,478)</u>	<u>\$ (1,334,485)</u>	<u>\$ 2,865,835</u>	<u>\$ (1,512,628)</u>

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

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT
BALANCE SHEET- GOVERNMENTAL FUNDS
June 30, 2014

	General	Special Aid	School Lunch	Debt Service	Capital Projects	Total Governmental Funds
ASSETS						
Unrestricted cash	\$ 5,338,619	\$ 103,129	\$ 26,382	\$ -	\$ 729	\$ 5,468,859
Restricted cash	3,004,098	-	-	2,422,119	-	5,426,217
State and federal aid receivable	454,470	879,729	49,943	-	-	1,384,142
Due from other governments	468,089	-	44	-	-	468,133
Accounts receivable, net	104,445	-	-	-	-	104,445
Due from other funds	1,736,557	4,945	60,431	460	-	1,802,393
Inventories	-	-	54,171	-	-	54,171
Total Assets	<u>\$ 11,106,278</u>	<u>\$ 987,803</u>	<u>\$ 190,971</u>	<u>\$ 2,422,579</u>	<u>\$ 729</u>	<u>\$ 14,708,360</u>
LIABILITIES						
Accounts payable	\$ 237,071	\$ 12,228	\$ -	\$ -	\$ -	\$ 249,299
Accrued liabilities	899,570	21,614	15,241	-	-	936,425
Due to other funds	184,299	833,706	4,945	-	838,516	1,861,466
Due to teachers' retirement system	3,149,917	-	-	-	-	3,149,917
Due to employees' retirement system	238,034	-	-	-	-	238,034
Unearned revenue	1,352	72,770	20,224	-	-	94,346
Total Liabilities	<u>4,710,243</u>	<u>940,318</u>	<u>40,410</u>	<u>-</u>	<u>838,516</u>	<u>6,529,487</u>
FUND BALANCES						
Non-spendable	-	-	54,171	-	-	54,171
Restricted	3,004,098	47,485	-	2,422,579	-	5,474,162
Assigned	1,535,937	-	96,390	-	-	1,632,327
Unassigned	1,856,000	-	-	-	(837,787)	1,018,213
Total Fund Balances	<u>6,396,035</u>	<u>47,485</u>	<u>150,561</u>	<u>2,422,579</u>	<u>(837,787)</u>	<u>8,178,873</u>
Total Liabilities and Fund Balances	<u>\$ 11,106,278</u>	<u>\$ 987,803</u>	<u>\$ 190,971</u>	<u>\$ 2,422,579</u>	<u>\$ 729</u>	<u>\$ 14,708,360</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, 2014

	General	Special Aid	School Lunch	Debt Service	Capital Projects	Total Governmental Funds
REVENUES						
Real property taxes	\$ 19,834,116	\$ -	\$ -	\$ -	\$ -	\$ 19,834,116
Other tax items	4,010,738	-	-	-	-	4,010,738
Charges for services	336,048	-	-	-	-	336,048
Use of money and property	171,986	-	88	10,012	-	182,086
Sale of property and compensation for loss	2,657	-	-	-	-	2,657
Miscellaneous	281,508	-	217	-	-	281,725
Local sources	-	13,973	-	-	-	13,973
State sources	18,085,780	1,042,012	26,983	-	-	19,154,775
Federal sources	246,200	1,894,000	564,036	-	-	2,704,236
Sales	-	-	646,747	-	-	646,747
Total Revenues	42,969,033	2,949,985	1,238,071	10,012	-	47,167,101
EXPENDITURES						
General support	3,913,573	-	-	-	-	3,913,573
Instruction	22,133,330	3,031,239	-	-	-	25,164,569
Pupil transportation	1,958,292	91,709	-	-	-	2,050,001
Community services	1,725	-	-	-	-	1,725
Employee benefits	11,071,403	-	139,862	-	-	11,211,265
Debt service-Principal	3,320,107	-	-	-	-	3,320,107
-Interest	1,183,788	-	-	-	-	1,183,788
Cost of sales	-	-	1,179,786	-	-	1,179,786
Capital outlay	-	-	-	-	1,292,059	1,292,059
Total Expenditures	43,582,218	3,122,948	1,319,648	-	1,292,059	49,316,873
Excess (Deficiency) of Revenues Over Expenditures	(613,185)	(172,963)	(81,577)	10,012	(1,292,059)	(2,149,772)
OTHER SOURCES AND USES						
Proceeds from debt	-	-	-	-	454,272	454,272
Operating transfers in	800,500	82,997	-	-	-	883,497
Operating transfers (out)	(82,997)	-	(500)	(800,000)	-	(883,497)
Total Other Sources (Uses)	717,503	82,997	(500)	(800,000)	454,272	454,272
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other (Uses)	104,318	(89,966)	(82,077)	(789,988)	(837,787)	(1,695,500)
Fund Balance - Beginning of year	6,291,717	137,451	232,638	3,212,567	-	9,874,373
Fund Balance (Deficit) - End of year	\$ 6,396,035	\$ 47,485	\$ 150,561	\$ 2,422,579	\$ (837,787)	\$ 8,178,873

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

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
June 30, 2014

	<u>Private Purpose Trusts</u>	<u>Agency</u>
ASSETS		
Cash	\$ 16,491	\$ 950,343
Due from governmental funds	<u>123,409</u>	<u>-</u>
Total Assets	<u><u>\$ 139,900</u></u>	<u><u>\$ 950,343</u></u>
 LIABILITIES		
Extraclassroom activity balances	\$ -	\$ 59,173
Due to governmental funds	-	64,336
Other liabilities	<u>-</u>	<u>826,834</u>
Total Liabilities	<u>-</u>	<u><u>\$ 950,343</u></u>
 NET POSITION		
Reserved for scholarships	<u><u>\$ 139,900</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, 2014

	Private Purpose Trusts
	<u> </u>
ADDITIONS	
Contributions	\$ 8,837
Interest	<u>125</u>
Total Additions	<u>8,962</u>
 DEDUCTIONS	
Scholarships and awards	<u>7,898</u>
 Change in Net Position	 1,064
 Net Position - Beginning of year	 <u>138,836</u>
 Net Position - End of year	 <u><u>\$ 139,900</u></u>

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

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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.

See auditor's report.

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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, 2014, the Rotterdam-Mohonasen Central School District was billed \$2,689,649 for BOCES administrative and program costs. The District's share of BOCES Aid amounted to \$957,984. 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,

See auditor's report.

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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 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.

See auditor's report.

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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.

See auditor's report.

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

I. Summary of Significant Accounting Policies (Continued)

D. Measurement Focus and Basis of Accounting

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.

See auditor's report.

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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 19. Taxes are collected during the period September 1 to November 8.

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.

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.

See auditor's report.

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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 inventoriable 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 districtwide and fund financial statements. These items are reported as assets on the Statement of Net Position or balance sheet using 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.

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.

In the districtwide financial statements and in the fund statements, bond issuance costs are netted against bond proceeds and recognized in the period of issuance.

See auditor's report.

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

I. Summary of Significant Accounting Policies (Continued)

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.

Consistent with GASB Statement 16, Accounting for Compensated Absences, the liability has been calculated using the vested/termination method. 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.

See auditor's report.

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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, other postemployment benefits payable 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 and Inflows of Resources**

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

Q. **Unearned Revenue**

The District reports unearned revenues on its Statement of Net Position and its balance sheet. On the Statement of Net Position, unearned revenue arises when resources are received by the District before it has legal claim to them, as when grant monies are received prior to incurrence of qualifying expenditures. In subsequent periods, when the District has legal claim to resources, the liability for unearned revenue is removed and revenue is recognized.

R. **Postemployment Benefits**

In addition to providing pension benefits, the School District provides health insurance coverage and survivor benefits for retired employees and their survivors. Substantially all of the School District's employees may become eligible for these benefits if they reach normal retirement age while working for the School 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 School District and the retired employee. The School District recognizes the cost of providing health insurance by recording its share of insurance premiums (for retirees and their dependents) as an expenditure in the General Fund in the year paid.

See auditor's report.

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

I. Summary of Significant Accounting Policies (Continued)

S. 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 bonds 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.

T. 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.

See auditor's report.

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

T. **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 \$54,171.

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.

See auditor's report.

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

I. Summary of Significant Accounting Policies (Continued)

T. 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)

I. Summary of Significant Accounting Policies (Continued)

T. Equity Classifications (Continued)

2. Fund Statements (Continued)

Restricted fund balance includes the following:

General Fund:

Employee Benefit Accrued Liability	\$ 421,816
Unemployment Insurance	320,202
Employee Retirement Contributions	1,222,038
Tax Certiorari	1,040,042
Debt Service Fund	2,422,579
Special Aid Fund	47,485
Total restricted funds	<u>\$ 5,474,162</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, 2014.

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 \$410,937 and the assigned fund balance amounted to \$1,125,000.

Unassigned – Includes all other General Fund net assets that do not meet the definition of the above four classifications and are deemed to be available for general use by the School District.

See auditor's report.

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

I. Summary of Significant Accounting Policies (Continued)

T. 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.

U. New Accounting Standards

The District has adopted all current Statements of the Governmental Accounting Standards Board (GASB) that are applicable. At June 30, 2014, the District implemented the following new standard issued by GASB:

GASB has issued Statement 65, *Items Previously Reported as Assets and Liabilities*, effective for the year ending June 30, 2014.

GASB has issued Statement 66, *GASB Technical Corrections- 2012 --an Amendment of Statements 10 and 62*, effective for the year ending June 30, 2014.

V. Future Changes in Accounting Standards

GASB has issued Statement 68, *Accounting and Financial Reporting for Pensions- an Amendment of GASB Statement 27*, effective for the year ending June 30, 2015.

GASB has issued Statement 69, *Government Combinations and Disposals of Government Operations*, effective for the year ending June 30, 2015.

See auditor's report.

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

I. Summary of Significant Accounting Policies (Continued)

V. Future Changes in Accounting Standards (Continued)

GASB has issued Statement 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, effective for the year ending June 30, 2015.

GASB has issued Statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date-an amendment of GASB Statement No. 68*, effective for the year ending June 30, 2015.

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.

See auditor's report.

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.

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	\$97,785,968
Accumulated depreciation	<u>35,074,433</u>
Capital assets, net	<u>\$62,711,535</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>\$23,469,382</u>
OPEB obligations	<u>\$ 6,524,914</u>
Compensated Absences	<u>\$ 134,237</u>

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 \$2,691,349 was more than capital expenditures of \$1,356,864 in the current year.

See auditor's report.

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):

Repayment of bond principal of \$3,320,107 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 decreased by \$10,682.

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.

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.

See auditor's report.

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

IV. Interfund Transaction

Interfund balances at June 30, 2014 are as follows:

	Interfund		Interfund	
	Receivable	Payable	Revenues	Expenditures
General Fund	\$ 1,736,557	\$ 184,299	\$ 800,500	\$ 82,997
Special Aid Fund	4,945	833,706	82,997	-
School Lunch Fund	60,431	4,945	-	500
Capital Fund	-	838,516	-	-
Debt Service Fund	460	-	-	800,000
	<u>1,802,393</u>	<u>1,861,466</u>	<u>\$ 883,497</u>	<u>\$ 883,497</u>
Total governmental activities				
	<u>123,409</u>	<u>64,336</u>		
Fiduciary Agency Fund				
Totals	<u>\$ 1,925,802</u>	<u>\$ 1,925,802</u>		

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

See auditor's report.

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

V. Capital Assets

A summary of changes in general fixed assets follows:

	Balance 7/1/2013	Additions	Deletions	Balance 6/30/2014
<u>Capital assets-not depreciated:</u>				
Land	\$ 1,652,526	\$ -	\$ -	\$ 1,652,526
Construction in progress	-	837,788	-	837,788
Total capital assets-not depreciated:	1,652,526	837,788	-	2,490,314
<u>Other capital assets:</u>				
Buildings and improvements	84,916,751	-	-	84,916,751
Machinery and equipment	5,258,919	64,805	-	5,323,724
Buses	4,851,038	454,271	250,130	5,055,179
Total other capital assets:	95,026,708	519,076	250,130	95,295,654
<u>Less accumulated depreciation:</u>				
Buildings and improvements	24,013,391	2,108,079	-	26,121,470
Machinery and equipment	4,892,619	97,179	-	4,989,798
Buses	3,727,204	486,091	250,130	3,963,165
Total accumulated depreciation	32,633,214	2,691,349	250,130	35,074,433
Other capital assets, net	62,393,494	(2,172,273)	-	60,221,221
Total	\$ 64,046,020	\$ (1,334,485)	\$ -	\$ 62,711,535

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

See auditor's report.

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

VI. Pension Plans

1. General Information

The Rotterdam-Mohonasen Central School District participates in the New York State and Local Employees' Retirement System (ERS), and the New York State Teachers' Retirement System (TRS). These Systems are cost sharing multiple employer, public employee retirement systems. The Systems offer a wide range of plans and benefits which are related to years of service and final average salary, vesting of retirement benefits, death and disability.

2. Plan Descriptions

a. **Teachers' Retirement System (TRS)**

As an employer, the school district makes contributions to the New York State Teachers' Retirement System (TRS), a cost sharing, multiple employer defined benefit pension plan administered by the New York State Teachers' Retirement Board. The System provides retirement, disability, withdrawal and death 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 issues a publicly available financial report that contains financial statements and required supplementary information for the System. The report may be obtained by writing to the New York State Teachers' Retirement System, 10 Corporate Woods Drive, Albany, NY 12211-2395.

b. **Employees' Retirement System (ERS)**

The New York State and Local Employees' Retirement System provides retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). The System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

3. Funding Policies

For the Teachers' Retirement System, plan members who joined the system before July 27, 1976 are not required to make contributions. Those joining after July 26, 1976 and before January 1, 2010 with less than ten years of membership are required to contribute 3% of their annual salary. Those joining on or after January 1, 2010 and before April 1, 2013 are required to contribute 3.5% of their annual salary for their entire working career. Those joining on or after April 1, 2013 are required to contribute between 3% and 6%, dependent upon their salary, for their entire working career.

See auditor's report.

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

VI. Pension Plans (Continued)

3. Funding Policies (Continued)

Employers are required to contribute at an actuarially determined rate, currently 16.25% of the annual covered payroll for the fiscal year ended June 30, 2014. Rates applicable to the fiscal years ended June 30, 2013 and 2012 were respectively, 11.84%, and 11.11%.

For the New York State and Local Employees' Retirement System, Chapter 126 of the laws of 2000 provide for the cessation of the 3% employee contribution for those Tier 3 and 4 members who, as of October 1, 2001, have either 10 years of membership or credited service. Members who joined on or after January 1, 2010 and before April 1, 2013 are required to contribute 3% of their salary throughout active membership. From April 1, 2012 through March 31, 2013, members contribute 3% of their salary. Beginning April 1, 2013, the contribution rate will be based on the member's annual wage.

The required and actual contributions for the current year and two preceding years were:

<u>Year</u>	<u>ERS</u>	<u>TRS</u>
2014	\$979,905	\$2,183,706
2013	\$825,508	\$2,062,167
2012	\$775,325	\$1,776,635

The School District contributions made to the Systems were equal to 100% of the contribution required for each year.

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

VII. Long-Term Debt Obligations

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

1. Long-Term Debt Interest

Interest paid	\$1,183,788
Less interest accrued in the prior year	(173,787)
Plus interest accrued in the current year	<u>163,105</u>
Total expense	<u>\$1,173,106</u>

2. Changes

	Balance 7/1/2013	Additions	Deletions	Balance 6/30/2014	Due Within One Year
Serial Bonds	\$ 26,335,217	\$ 454,272	\$ 3,320,107	\$ 23,469,382	<u>\$ 3,525,962</u>
Compensated Absences	129,012	5,225	-	134,237	
OPEB Obligations	<u>5,179,570</u>	<u>1,345,344</u>	<u>-</u>	<u>6,524,914</u>	
Totals	<u>\$ 31,643,799</u>	<u>\$ 1,804,841</u>	<u>\$ 3,320,107</u>	<u>\$ 30,128,533</u>	

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

See auditor's report.

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

VII. Long-Term Debt Obligations (Continued)

3. Maturity

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

<u>Purpose</u>	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Outstanding 6/30/2014</u>
Serial Bonds:				
Advanced refunding	2012	2016	3-5%	\$ 2,930,000
Advanced refunding	2012	2016	2-3%	450,000
Construction	2005	2021	3.5-3.9%	2,320,000
Construction	2006	2027	4.2-4.375%	3,210,000
Construction	2012	2025	3-5%	13,375,000
Buses	2012	2017	1.68%	227,916
Buses	2011	2016	1.96%	222,000
Buses	2009	2014	2.95%	128,063
Buses	2010	2015	2.35%	152,131
Buses	2013	2018	1.52%	454,272
Total				<u>\$ 23,469,382</u>

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

	<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Serial Bonds:	2015	\$ 3,525,962	\$ 1,065,853	\$ 4,591,815
	2016	3,542,899	911,370	4,454,269
	2017	1,806,833	753,773	2,560,606
	2018	1,812,833	676,332	2,489,165
	2019	1,835,855	596,265	2,432,120
	2020 and thereafter	10,945,000	1,863,102	12,808,102
	Total	<u>\$ 23,469,382</u>	<u>\$ 5,866,695</u>	<u>\$ 29,336,077</u>

In prior years, the District defeased certain general obligations and other bonds 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 trust account assets and the liability for the defeased bonds are not included in the District's financial statements.

See auditor's report.

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

VIII. 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, 2014, the District recognized \$904,072 for its share of insurance premiums for currently enrolled retirees.

The District has obtained an actuarial valuation report as of July 1, 2013 which indicates that the total liability for other postemployment benefits is \$6,524,914, 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.

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.

See auditor's report.

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

VIII. 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	\$ 2,184,436
Interest on net OPEB obligation	258,979
Adjustment to annual required contribution	(193,999)
Annual OPEB cost (expense)	2,249,416
Contributions made	904,072
Increase in net OPEB obligation	1,345,344
Net OPEB obligation-beginning of year	5,179,570
Net OPEB obligation-end of year	\$ 6,524,914

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</u> <u>Year Ended</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Percentage of</u> <u>Annual OPEB Cost</u> <u>Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
6/30/2012	\$2,258,694	51.70%	\$4,326,920
6/30/2013	\$2,079,462	59.0%	\$5,179,570
6/30/2014	\$2,249,416	40.2%	\$6,524,914

Funded Status and Funding Progress

As of July 1, 2013, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$27,288,024, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$27,288,024. The covered payroll (annual payroll of active employees covered by the plan) was \$19,112,261 and the ratio of the UAAL to the covered payroll was 142.8%. 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.

See auditor's report.

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

VIII. 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, 2013 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 3.34% initially, increased by increments to an ultimate rate of 4.24% after 1 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, 2014, was 24 years.

IX. 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.

See auditor's report.

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

IX. Commitments and Contingencies (Continued)

A. Risk Financing and Related Insurance (Continued)

3. Other Items

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, 2014 was approximately \$131,213. The future non-cancelable operating lease payments are as follows:

<u>Year Ended</u>	<u>Lease Payments</u>
2015	\$ 81,868
2016	76,076
2017	27,805
	<u>\$ 185,749</u>

See auditor's report.

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

X. Other Disclosures

A. Prior Period Adjustment

The reconciliation of restated amounts to the June 30, 2013 year end balance is:

Beginning Net Position	\$42,226,089
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The following adjustment is necessary to determine the revised beginning Net Position for the Statement of Activities:

Rounding	1
Prior Periods- Debt issuance costs from advanced refunding	<u>(113,340)</u>

Beginning Net Position reported on Statement of Activities for governmental activities, July 1, 2013	<u>\$42,112,750</u>
--	---------------------

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

Total governmental fund balance	\$ 8,178,873
Capital assets (net)	62,711,535
Bonds payable	(23,469,382)
Accrued interest payable	(163,105)
Unearned revenue	1,352
Compensated absences	(134,237)
OPEB obligations	<u>(6,524,914)</u>
Total net position	<u>\$ 40,600,122</u>

See auditor's report.

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

X. Other Disclosures (Continued)

C. 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	\$(1,695,500)
Capital outlays are expenditures in governmental funds, but are capitalized in the Statement of Net Position	1,356,864
Depreciation is not recorded as an expenditure in the governmental funds, but is recorded in the Statement of Activities	(2,691,349)
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	3,320,107
Interest is recognized as an expense in governmental funds when paid. For governmental activities, interest expense is recognized as it accrues. The decrease in accrued interest during 2013/14 results in less expense.	10,682
Certain revenues deferred in the Governmental Funds must be recognized in the Statement of Activities	(8,591)
Proceeds from debt are recognized as revenue in the Governmental Funds, but not in the Statement of Activities	(454,272)
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	(1,345,344)
Compensated absences	<u>(5,225)</u>
Change in Net Position – Governmental Activities	<u>\$(1,512,628)</u>

See auditor's report.

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

XI. 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.

2. Budget Basis of Accounting

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

The budget and actual comparison in the Schedule of Revenues and Expenditures-Budget and Actual, reflects budgeted and actual amounts for the General Fund which is a legally authorized (appropriated) budget.

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.

See auditor's report.

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

XI. Stewardship, Compliance and Accountability (Continued)

A. Budgetary Procedures and Budgetary Accounting (Continued)

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 had a deficit fund balance of \$837,787. This will be eliminated when the District obtains permanent financing for the new Districtwide Capital Project.

XII. Subsequent Events

There were no significant subsequent events to report from the period of July 1, 2014 to August 27, 2014.

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT
SCHEDULE OF REVENUES COMPARED TO BUDGET- GENERAL FUND
For Year Ended June 30, 2014

	Original Budget	Revised Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Local Sources				
Real property taxes	\$ 19,835,275	\$ 19,835,275	\$ 19,834,116	\$ (1,159)
Other tax items	4,009,309	4,009,309	4,010,738	1,429
Charges for services	304,250	309,174	336,048	26,874
Use of money and property	181,250	181,250	171,986	(9,264)
Sale of property and compensation for loss	1,500	1,500	2,657	1,157
Miscellaneous	100,000	145,982	281,508	135,526
Total Local Sources	24,431,584	24,482,490	24,637,053	154,563
State sources	18,193,280	18,243,280	18,085,780	(157,500)
Federal sources	75,000	75,000	246,200	171,200
Total Revenues	42,699,864	42,800,770	42,969,033	168,263
Other Financing Sources				
Operating transfers in	803,000	803,000	800,500	(2,500)
Total Revenue and Other Financing Sources	43,502,864	43,603,770	43,769,533	\$ 165,763
Appropriated Fund Balance	1,125,000	1,125,000		
Appropriated Reserves	750,000	1,265,869		
Total Revenues, Other Sources, Appropriated Reserves and Fund Balance	\$ 45,377,864	\$ 45,994,639		

See 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, 2014

	Original Budget	Revised Budget	Actual	Encumbrances	Variance Favorable (Unfavorable)
EXPENDITURES					
General Support					
Board of education	\$ 33,399	\$ 41,739	\$ 33,946	\$ 4,380	\$ 3,413
Central administration	247,562	251,036	250,255	-	781
Finance	530,335	531,591	517,692	-	13,899
Staff	261,740	290,820	249,960	15,312	25,548
Central services	2,528,394	2,754,909	2,349,414	91,347	314,148
Special items	548,891	532,218	512,306	-	19,912
Total General Support	4,150,321	4,402,313	3,913,573	111,039	377,701
Instructional					
Instruction, administration and improvement	1,880,117	1,846,513	1,656,008	-	190,505
Teaching - regular school	13,277,563	13,205,311	12,791,284	44,945	369,082
Programs for children with handicapping conditions	3,843,790	3,991,386	3,475,802	184,834	330,750
Occupational education	682,572	682,572	682,572	-	-
Teaching - special school	193,979	222,667	210,697	-	11,970
Instructional media	1,094,353	1,150,559	1,124,097	12,629	13,833
Pupil services	2,204,898	2,256,421	2,192,870	9,621	53,930
Total Instructional	23,177,272	23,355,429	22,133,330	252,029	970,070
Pupil transportation	2,062,204	2,135,021	1,958,292	47,869	128,860
Community services	2,725	2,725	1,725	-	1,000
Employee benefits	11,416,512	11,510,221	11,071,403	-	438,818
Debt Service					
Principal	3,320,108	3,320,108	3,320,107	-	1
Interest	1,183,722	1,183,822	1,183,788	-	34
Total Expenditures	45,312,864	45,909,639	43,582,218	410,937	1,916,484
OTHER USES					
Operating transfers out	65,000	85,000	82,997	-	2,003
Total Expenditures and Other Uses	\$ 45,377,864	\$ 45,994,639	43,665,215	\$ 410,937	\$ 1,918,487
Net change in fund balance			104,318		
Fund balance- Beginning			6,291,717		
Fund balance- Ending			\$ 6,396,035		

See auditor's report.

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS OF OTHER POSTEMPLOYMENT BENEFITS
For Year Ended June 30, 2014

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, 2013	\$ -	\$ 27,288,024	\$ 27,288,024	0%	\$19,112,261	142.80%
July 1, 2012	\$ -	\$ 26,082,795	\$ 26,082,795	0%	\$18,646,108	139.90%
July 1, 2011	\$ -	\$ 25,318,829	\$ 25,318,829	0%	\$18,103,017	139.90%
July 1, 2010	\$ -	\$ 24,051,998	\$ 24,051,998	0%	\$16,600,000	144.90%
March 1, 2010	\$ -	\$ 22,094,816	\$ 22,094,816	0%	\$15,937,950	138.60%

See 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, 2014

CHANGE FROM ORIGINAL BUDGET TO FINAL BUDGET

Original Budget		\$	45,377,864
Additions:			
Prior year's encumbrances	\$	459,953	
Budget revisions- Reserves		55,916	
- Special Legislative Grant		50,000	
- Drama		45,982	
- Summer School		4,924	
			<u>616,775</u>
Final Budget		\$	<u>45,994,639</u>

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2014-15 Voter-approved Expenditure Budget	\$	46,408,029
Maximum allowed (4% of 2014-2015 Budget)	\$	1,856,321

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

Unrestricted fund balance:		
Committed fund balance	\$	-
Assigned fund balance		1,535,937
Unassigned fund balance		<u>1,856,000</u>
Total unrestricted fund balance	\$	<u>3,391,937</u>

Less:

Appropriated fund balance	\$	1,125,000
Encumbrances included in committed and assigned fund balance		<u>410,937</u>
Total adjustments	\$	<u>1,535,937</u>

General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law	\$	<u>1,856,000</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 auditor's report.

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT
SCHEDULE OF PROJECT EXPENDITURES- CAPITAL PROJECTS FUND
For Year Ended June 30, 2014

PROJECT TITLE	Original Budget	Revised Budget	Expenditures			Unexpended Balance	Revenues				Fund Balance June 30, 2014
			Prior Years	Current Year	Total		Proceeds of Obligations	NYS Sources	Local Sources	Total	
Buses	\$ 454,272	\$ 454,272	\$ -	\$ 454,271	\$ 454,271	\$ 1	\$ 454,272	\$ -	\$ -	\$ 454,272	\$ 1
Districtwide	48,166,300	48,166,300	-	837,788	837,788	47,328,512	-	-	-	-	(837,788)
Totals	<u>\$ 48,620,572</u>	<u>\$ 48,620,572</u>	<u>\$ -</u>	<u>\$ 1,292,059</u>	<u>\$ 1,292,059</u>	<u>\$ 47,328,513</u>	<u>\$ 454,272</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 454,272</u>	<u>\$ (837,787)</u>

See auditor's report.

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT
SCHEDULE OF INVESTMENT IN CAPITAL ASSETS, NET OF RELATED DEBT
FOR THE YEAR ENDED JUNE 30, 2014

Capital assets, net			\$ 62,711,535
Deduct:			
Short-term portion of bonds payable	\$	3,525,962	
Long-term portion of bonds payable		<u>19,943,420</u>	<u>23,469,382</u>
Investment in capital assets, net of related debt			<u>\$ 39,242,153</u>

See auditor's report.

RAYMOND G. PREUSSER, CPA, P.C.

Certified Public Accountants

P.O. Box 538

Claverack, New York 12513

Telephone: (518) 851-6650

Fax: (518) 851-6675

www.rgpreusser-cpa.com

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, 2014, 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 27, 2014.

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.

See auditor's report.


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 that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that we have reported to management in our accompanying management letter.

Purpose of This Report

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

A handwritten signature in black ink, appearing to read "Raymond J. Shusen". The signature is fluid and cursive, with a large initial "R" and "S".

Claverack, New York
August 27, 2014

See auditor's report.

RAYMOND G. PREUSSER, CPA, P.C.

Certified Public Accountants

P.O. Box 538

Claverack, New York 12513

Telephone: (518) 851-6650

Fax: (518) 851-6675

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

In planning and performing our audit of 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, 2014, in accordance with auditing standards generally accepted in the United States of America, we considered the Rotterdam-Mohonasen Central School District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Rotterdam-Mohonasen Central School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

During our audit, we noted certain matters involving the internal control and other operational matters that are presented for your consideration. This letter does not affect our report dated August 27, 2014 on the financial statements of the Rotterdam-Mohonasen Central School District. We will review the status of these comments during our next audit engagement. Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the internal control or result in other operating efficiencies.

See auditor's report.

We will be pleased to discuss these comments in further detail at your convenience, perform any additional study of these matters, or assist you in implementing the recommendations. Our comments are summarized as follows:

Other Matters:

Fixed Assets:

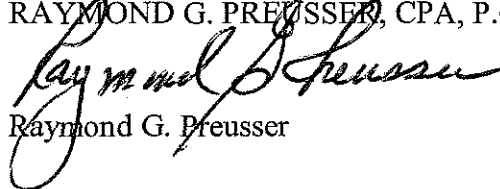
During our audit of the fixed assets, we noted that the District had not recently performed a physical inspection of their asset inventory to determine that all assets are intact.

We recommend that such a physical inventory be performed at least every three years to strengthen the control over inventory and also to ensure proper insurance coverage.

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

We would like to acknowledge the Business Office personnel for their courtesies received during the course of our audit.

Very truly yours,
RAYMOND G. PREUSSER, CPA, P.C.



Raymond G. Preusser

See auditor's report.