

**ROTTERDAM-MOHONASEN CENTRAL  
SCHOOL DISTRICT**

**FEDERAL AWARDS**

**FOR THE YEAR ENDED JUNE 30, 2010**

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT

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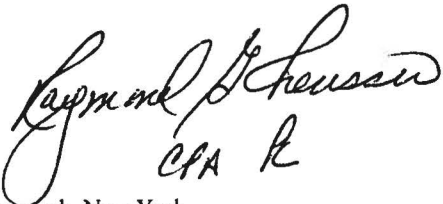
**INDEPENDENT AUDITOR'S REPORT ON  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

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

We have audited 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, 2010, which collectively comprise the District's basic financial statements. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on the financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the provisions of Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was performed for the purpose of forming an opinion on the financial statements of the Rotterdam-Mohonasen Central School District taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements as a whole.

Handwritten signature of Raymond G. Preusser, CPA, P.C. The signature is in cursive and includes the letters "CPA R" below it.

Claverack, New York  
September 1, 2010

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2010

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Agency or Pass-through Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Education:</u>			
Pass-through from New York			
State Education Department:			
<u>Special Education Cluster:</u>			
IDEA, Part B, Sec. 611	84.027A	0032-10-0834	\$ 625,528
IDEA, Part B, Sec. 611	84.027A	0032-09-0834	73,894
ARRA-IDEA, Part B, Sec. 611	84.391A	5032-10-0834	353,235
IDEA, Part B, Disc.	84.027A	0031-09-2564	58,249
IDEA, Preschool, Sec. 619	84.173A	0033-10-0834	32,238
IDEA, Preschool, Sec. 619	84.173A	0033-09-0834	3,828
ARRA-IDEA, Preschool, Sec. 619	84.392A	5033-10-0834	16,299
Total Special Education Cluster			<u>1,163,271</u>
<u>Title I Part A Cluster:</u>			
Title I	84.010A	0021-10-2750	283,006
Title I	84.010A	0021-09-2750	16,367
ARRA-Title I	84.389A	5021-10-2750	69,410
Total Title I Part A Cluster			<u>368,783</u>
ARRA-Education Stabilization Fund	84.394	5000-10-2750	2,160,771
Title IV, Drug Free	84.186A	0180-10-2750	10,202
Title II A	84.367A	0147-10-2750	101,879
Title II A	84.367A	0147-09-2750	20,299
Title II Pt. D	84.318X	0292-10-2750	991
Title II Pt. D	84.318X	0292-09-2750	2,079
Total U.S. Department of Education			<u>3,828,275</u>
<u>U.S. Department of Agriculture:</u>			
Pass-through from New York			
State Education Department:			
<u>Child Nutrition Cluster:</u>			
Cash Assistance			
School Breakfast Program	10.553		93,560
National School Lunch Program	10.555		319,176
Cash assistance subtotal			<u>412,736</u>
Non-Cash Assistance (food distribution)			
National School Lunch Program	10.555		72,514
Non-cash assistance subtotal			<u>72,514</u>
Total U.S. Department of Agriculture Child Nutrition Cluster			<u>485,250</u>
Total Expenditures of Federal Awards			<u>\$ 4,313,525</u>

See notes to schedule of expenditures of federal awards.



ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2010

**Note 1.      Summary of Certain Significant Accounting Policies:**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Rotterdam-Mohonasen Central School District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

Indirect costs may be included in the reported expenditures, to the extent that they are included in the federal financial reports used as the source for the data presented.

The amounts reported as federal expenditures were obtained from the federal financial reports for the applicable program and periods. The amounts reported in these reports are prepared from records maintained for each program, which are reconciled with the District's financial reporting system.

**Note 2.      Food Distribution**

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed.

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

Compliance

We have audited the compliance of the Rotterdam-Mohonasen Central School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Rotterdam-Mohonasen Central School District's major federal programs for the year ended June 30, 2010. The Rotterdam-Mohonasen Central School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Rotterdam-Mohonasen Central School District's management. Our responsibility is to express an opinion on the Rotterdam-Mohonasen Central School District's compliance based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the provisions of Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Rotterdam-Mohonasen Central School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Rotterdam-Mohonasen Central School District's compliance with those requirements.

In our opinion, Rotterdam-Mohonasen Central School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

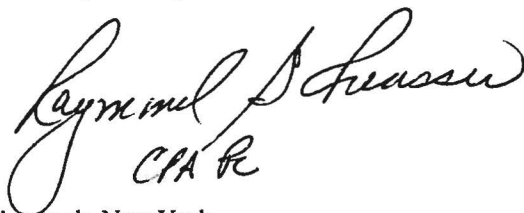
### Internal Control Over Compliance

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

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

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

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

Handwritten signature of Raymond S. Heussen, CPA. The signature is in cursive and includes the letters "CPA" and a checkmark.

Claverack, New York  
September 1, 2010

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2010

**A. SUMMARY OF AUDIT RESULTS**

1. The auditor's report expresses an unqualified opinion on the financial statements of the Rotterdam-Mohonasen Central School District.
2. No significant deficiencies relating to the audit of the financial statements were reported.
3. No instances of noncompliance material to the financial statements of the Rotterdam-Mohonasen Central School District were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs were reported.
5. The auditor's report on compliance for the major federal award programs for the Rotterdam-Mohonasen Central School District expresses an unqualified opinion.
6. There were no audit findings relative to the major federal award programs for the Rotterdam-Mohonasen Central School District.
7. The programs tested as major programs include:

Special Education Cluster

IDEA, Part B, Sec. 611 #84.027A

IDEA, Preschool, Sec. 619 #84.173A

ARRA-IDEA, Part B, Sec.611 #84.391A

ARRA-IDEA, Preschool, Sec. 619 #84.392A

ARRA-Education Stabilization Fund #84.394

Title I Part A Cluster

Title I #84.010A

ARRA-Title I #84.389A

Child Nutrition Cluster

National School Lunch Program #10.555

School Breakfast Program #10.553

National School Lunch Program (food distribution) #10.555

8. The threshold for distinguishing Types A and B programs was \$300,000.
9. The Rotterdam-Mohonasen Central School District was determined to be a low-risk auditee.

**B. FINDINGS-FINANCIAL STATEMENTS AUDIT**

None

**C. FINDINGS AND QUESTIONED COSTS-MAJOR FEDERAL AWARD PROGRAMS AUDIT**

None

**D. FINDINGS- PRIOR YEAR**

None

ROTTERDAM-MOHONASEN CENTRAL  
SCHOOL DISTRICT

FINANCIAL STATEMENT  
AND SUPPLEMENTARY INFORMATION

Year Ended June 30, 2010

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT

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**INDEPENDENT AUDITORS' 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, 2010, which collectively comprise the District's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on the financial statements based on our audit.

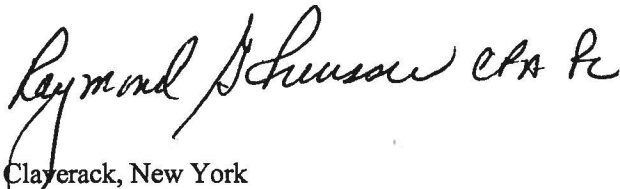
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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 funds of the Rotterdam-Mohonasen Central School District as of June 30, 2010, and the respective changes in financial position thereof for the year the ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 1, 2010 on our consideration of Rotterdam-Mohonasen Central School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Rotterdam-Mohonasen Central School District's basic financial statements. The other supplementary information is not a required part of the basic financial statements but is supplementary information required by the New York State Education Department. We have applied certain limited, procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the other supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in cursive script, reading "Raymond J. Schussler CPA PC". The signature is written in dark ink and is positioned above the typed name and date.

Claverack, New York  
September 1, 2010



**ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT**  
**Management's Discussion and Analysis (MD&A)**  
**June 30, 2010**

**Introduction**

The Rotterdam-Mohonasen Central School District (the District) offers readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2010. Please review it in conjunction with the District's financial statements and the accompanying notes to the financial statements.

**Financial Highlights**

- The total assets of the District exceeded its total liabilities at the close of the fiscal year by \$38.9 million (net assets).

The District's total net assets increased \$443,405 compared to the 2008-09 reporting period. This change results primarily from the increase in current assets.

**Overview of the Financial Statements**

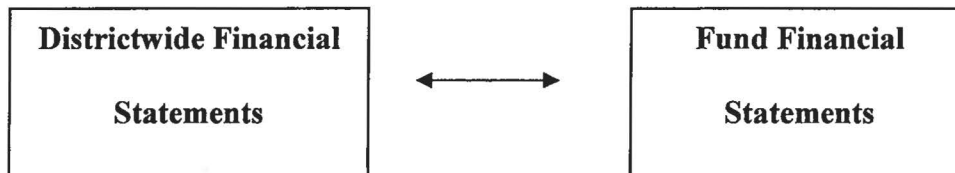
This Management's Discussion and Analysis narrative (required supplemental information) is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) district wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. In addition to these statements, this report also includes other supplemental information, as outlined on page 2.

## **Financial Statements**

### **Required Supplemental Information (Part A)**

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

## **Basic Financial Statements**



### **Notes to the Basic Financial Statements**

#### **Supplemental Information** **General Fund Budget & Fund Balance Information** **Capital Project Funds Schedule of Project Expenditures** **General Fund Budget to Actual Schedule**

Our auditor has provided assurance in his independent auditor's report that the Basic Financial Statements are fairly stated. A different degree of assurance is being provided by the auditor regarding the supplemental information identified above. A user of this report should read the independent auditor's report carefully to ascertain the level of assurance being provided for each part in the financial statements.

#### **Districtwide Financial Statements**

The districtwide financial statements are designed to provide readers with a broad overview of the District's finances in a manner similar to a private-sector business.

The statement of net assets presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the

financial position of the District is improving or deteriorating. This is the eighth school fiscal year for districtwide financial statements using the full accrual basis of accounting. Therefore, a comparison with the prior year is presented in this report.

The statement of activities presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. certain federal/state grants and earned but unused vacation leave).

All of the District's services are reported in the districtwide financial statements as governmental activities, including general support, instruction, pupil transportation, community services, and school lunch. Property taxes, sales tax, state/federal aid, and investment earnings finance most of these activities. Additionally, all capital and debt financing activities are reported here.

### **Districtwide Financial Analysis**

#### **Rotterdam-Mohonasen Central School District's Net Assets June 30, 2009 and 2010**

	Governmental Activities		Variance Increase (Decrease)
	2009	2010	
Current Assets	\$ 13,007,287	\$ 19,055,254	\$ 6,047,967
Capital Assets	53,942,653	65,757,039	11,814,386
Total Assets	66,949,940	84,812,293	17,862,353
Current Liabilities	9,528,283	27,365,373	17,837,090
Noncurrent Liabilities	18,948,778	18,530,636	(418,142)
Total Liabilities	28,477,061	45,896,009	17,418,948
Net Assets:			
Investment in capital assets, net of related debt	34,055,125	26,559,327	(7,495,798)
Restricted for encumbrances	14,078,277	2,872,039	(11,206,238)
Restricted for other specific purposes	4,410,852	7,224,860	2,814,008
Restricted for subsequent year's expenditure	350,000	850,000	500,000
Unrestricted	(14,421,375)	1,410,058	15,831,433
Total Net Assets	\$ 38,472,879	\$ 38,916,284	\$ 443,405

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.

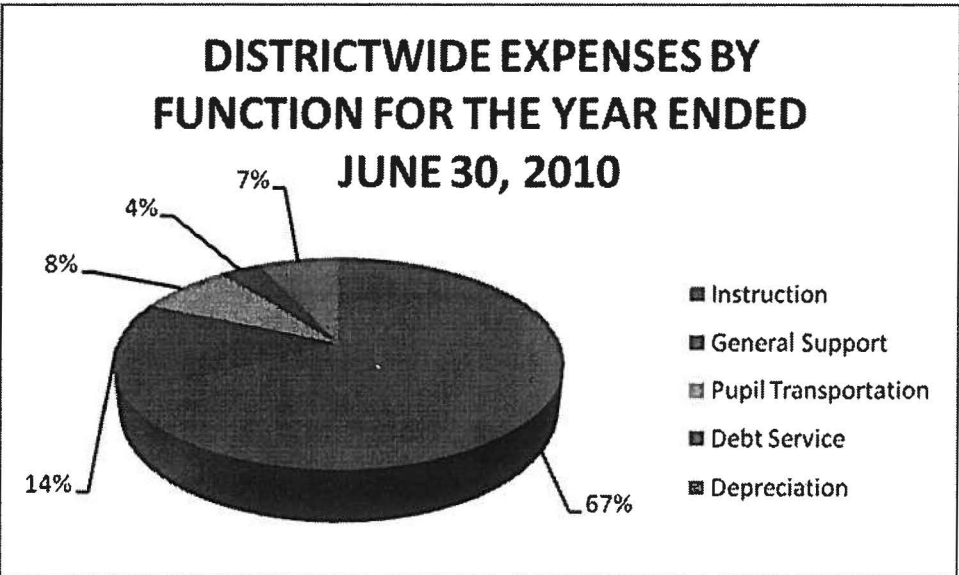
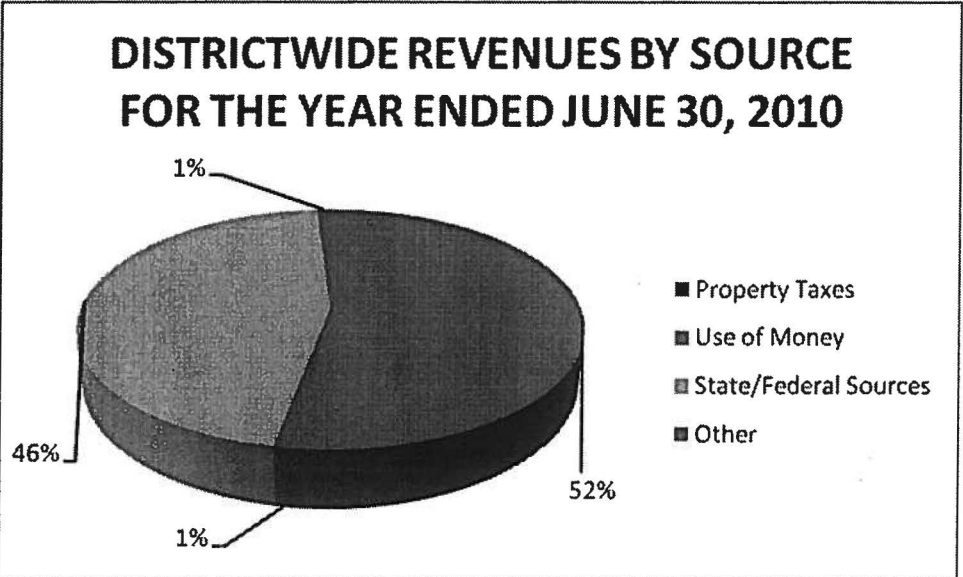
The largest portion of the District's net assets reflects its investment in capital assets (e.g., land, buildings, improvements, machinery, and equipment); less any related outstanding debt used to acquire those assets. The District uses these capital assets to provide educational services. Consequently,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

**Rotterdam-Mohonasen Central School District's  
Changes in Net Assets  
For the Years Ended June 30, 2009 and 2010**

	Governmental Activities		Variance Increase (Decrease)
	2009	2010	
<b><u>Revenues:</u></b>			
Program Revenues:			
Charges for Services	\$ 1,113,379	\$ 1,082,541	\$ (30,838)
Operating Grants and Contributions	1,942,561	2,405,072	462,511
Total Program Revenues	<u>\$ 3,055,940</u>	<u>\$ 3,487,613</u>	<u>\$ 431,673</u>
General Revenues:			
Real Property Taxes	16,582,598	17,216,551	\$ 633,953
Other Tax Items	4,913,765	4,289,990	(623,775)
Use of Money and Property	414,633	258,842	(155,791)
Sale of Property and Compensation for Loss	5,387	3,551	(1,836)
Miscellaneous	284,772	586,011	301,239
State Sources	18,993,397	17,304,425	(1,688,972)
Federal Sources	286,860	2,211,631	1,924,771
Premium on Obligations	-	217,057	217,057
Total General Revenues	<u>41,481,412</u>	<u>42,088,058</u>	<u>606,646</u>
<b><u>Expenses:</u></b>			
Instruction	29,386,971	28,000,554	(1,386,417)
Support Services:			
General Support	5,281,553	5,934,375	652,822
Pupil Transportation	2,638,574	3,398,517	759,943
Community Service	1,500	1,575	75
Debt Service-Interest	1,015,771	1,410,788	395,017
Depreciation-Unallocated	1,412,266	2,917,781	1,505,515
School Lunch	(13,000)	(18,937)	(5,937)
Total Expenses	<u>39,723,635</u>	<u>41,644,653</u>	<u>1,921,018</u>
Change in Net Assets	<u>\$ 1,757,777</u>	<u>\$ 443,405</u>	<u>\$ (1,314,372)</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 detailed information about the District's most significant (major) funds.

A fund is a grouping of related accounts, and is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

**Governmental Funds.** All of the District's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds, and the balances left at year-end that are available for spending. They are reported using modified accrual accounting, which measures cash and all other financial assets that can be readily converted into cash. The governmental fund statements provide a detailed short-term view of the District's operations and the services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources available to be spent in the near future to finance the District's programs. We describe the relationship or differences between governmental activities (reported in the *Statement of Net Assets and the Statement of Activities*) and governmental funds on the *Reconciliation of the Government Funds*.

The District maintains five individual governmental funds. Information is presented separately in the governmental fund *Balance Sheet* and in the governmental fund *Statement of Revenues, Expenditures, and Changes in Fund Balances*.

The District adopts an annual budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

**Fiduciary Funds.** Fiduciary funds are used to account for resources held for the benefit of parties not otherwise associated with the District. Fiduciary funds are not reflected in the districtwide financial statement because the resources of those funds are not available to support the District's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

## **Fund Financial Analysis (District-Wide Funds)**

### **Rotterdam Mohonasen School District June 30, 2010**

	<b>Total Governmental Funds</b>
Total Assets	\$ 21,943,187
Total Liabilities	\$ 27,503,269
Fund Balance:	
Reserved encumbrances	\$ 2,872,039
Reserved for debt service	1,349,178
Reserved for other specific purposes	5,875,682
Unreserved, Appropriated	850,000
Unreserved, Unappropriated	(16,506,981)*
Total Fund Balance	\$ (5,560,082)

At the end of the school year, the District's governmental funds reported combined -fund balances of \$(5,560,082) for a net decrease of \$11,255,045 from the prior year. This decrease represents the net result of the increases and decreases outlined below.

\*The negative \$16.5M unreserved balance is reflective of short term bond anticipation note funding for the capital project. This accounting will change when the district does the permanent serial bond borrowing for the capital project, which is planned for June 2011.

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

	<b>Fund Balance 2009</b>	<b>Fund Balance 2010</b>	<b>Variance Increase (Decrease)</b>
General	\$ 7,601,202	\$ 9,997,568	\$ 2,396,366
School Lunch	278,350	286,554	8,204
Special Aid	76,905	47,036	(29,869)
Capital	(3,337,062)	(17,240,418)	(13,903,356)
Debt Service	1,075,568	1,349,178	273,610
Totals	\$ 5,694,963	\$ (5,560,082)	\$ (11,255,045)



By law, school districts are only allowed to retain 4% of the subsequent year's general fund budget as unreserved or un-appropriated fund balance. The unreserved fund balance in the General Fund totals \$1,709,355 which is 4% of the 2010-11 General Fund Budget of \$42.720 million. The appropriated fund balance of \$850,000 is available as revenue to support the 2010-11 General Fund budget.

Mohonasen continues to maintain its financial stability by carefully monitoring and controlling General Fund expenditures and monitoring the receipt of revenues.

### **General Fund Budgetary Highlights**

For the 2009-10 school year, the voters of the District approved a budget of \$42,383,693. That budget was subsequently increased by \$1,410,486. Approximately 81% of the increase or \$1,145,003 represents encumbrances carried over from the prior school year. Approximately 13% or \$186,128 was the result of reserve activities such as employee benefit accruals, tax certiorari and unemployment insurance costs. The additional \$79,355 in increases to the budget represents the appropriation of miscellaneous expenditures and revenues generated by District programs such as theater arts/drama, summer school and distance learning.

The District considers the results achieved regarding the 2009-10 finances to be most commendable. Careful administration of the budget has enabled the district to continue to build reserve funds as well as fully fund the mandated accrual for the Teachers Retirement System and the Employees Retirement System. In addition, projections of increased contribution rates for ERS in the next few years prompted the board of education to add additional funds to the employee's retirement reserve.

### **Capital Assets**

The District's capital assets (net of accumulated depreciation) status as of June 30, 2010 is as follows:

	<u>June 30, 2010</u>
Land	\$ 282,045
Construction in Progress	17,307,366
Buildings and Improvements	46,190,448
Buses	1,626,025
Machinery and Equipment	<u>351,155</u>
Total	<u>\$65,757,039</u>

The total increase in the District's capital assets (net of accumulated depreciation) for the 2009-10 school year was \$11,814,386. The increase is attributable primarily to the decrease in value of capital assets (other than land) from depreciation, offset by the acquisition of new buses and capital expenditures.

## **Enrollment**

Public school enrollment gathered by the state each October has remained relatively stable for the district. Current enrollment patterns suggest a slight decrease even though several new condominiums were constructed during 2008-09. Another large development is expected to begin construction during 2009-10. It is anticipated that several single family homes and additional condominiums will be constructed on this site. If this project is completed, it could have a significant impact on student enrollment over the next five years.

## **Debt Administration**

The District issued a new five-year bond with a principal amount of \$640,313 in December 2009 to finance the purchase of school buses. The voters of the district authorized the purchase during the annual vote held May 2009. Principal payments on debt issues decreased by a net of \$33,663 between June 30, 2009 and June 30, 2010. This was due to the early payoff of two bus bonds.

The Mohonasen School District has a bond rating of A2 with an underlying rating of A3. 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 \$39.1 million dollars as of June 30, 2010, which is well within the stipulated limitation of approximately \$142 million (10% of total assessed value).

## **Outstanding Long-Term Debt**

	<u>2009</u>	<u>2010</u>	<u>Increase (Decrease)</u>
General Obligation Bonds	\$19,887,528	\$18,410,762	\$(1,476,766)
Bond Anticipation Note	3,000,000	20,786,950	17,786,950

## **Factors Bearing on the District's Future**

In October 2007, the voters approved a \$21,881,000 EXCEL capital project referendum. The project encompassed many needed safety, energy, accessibility and security upgrades to all four of the district's school buildings. In addition, the project funded the addition of a fine arts wing at the high school. The district's state building aid ratio for this project was 95%. The remaining 5% of the EXCEL project will be funded by the \$1,094,000 in EXCEL monies provided by the State. Construction commenced in the summer and fall of 2009.

For two years, the board and administration have been working on a Long Range Plan for a future capital project. Whereas the EXCEL project was to address infrastructure needs, this project is to address the programmatic needs of the district. Also included in this

project is a proposal to build a new transportation facility adjacent to the high school campus. In May 2009, the voters approved the purchase of approximately 36 acres of land for this purpose and for additional sports fields. A voter referendum for the LRP building project is planned for sometime in 2010-11.

The Town of Rotterdam completed the first reassessment of properties in over 50 years during the 2006-07 school year. The reassessment and increase in property values raised taxes for many homeowners who had not had their homes reassessed in many years. The reassessment also caused several business and homeowners to challenge their assessments. This has continued to result in a number of large tax certiorari petitions being filed with the Supreme Court challenging these assessments. The impact for the district has been an increase in tax certiorari judgments that the district may be required to pay. Fortunately, due to careful budget administration, the district has been able to set aside funds in the Tax Certiorari Reserve to address some of these petitions.

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 2009-10 was .585, (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 46% of the district's revenue is from state aid. Initial projections were for a decrease in state aid of \$1.6M. Ultimately, the Federal government came through with funding to restore this amount. The ARRA funding or stimulus funds were to be for a two year period with equal amounts filtered to the schools each year. The funds were not free to support the general operations of the district, but had to be used for the specific purpose outlined by the Federal Government. A detailed application process had to be followed along with detailed accounting and reporting to receive the funds.

The unprecedented downturn in the economy sparked talks by Governor Patterson of a mid-year take back in state aid. Mohonasen was targeted to lose approximately \$600,000 of the budgeted state aid for 2009-10. Instead of making the promised cuts, the Governor borrowed funds from the 2010-11 stimulus money to fill the gap. This reduced the amount of funding available under ARRA for 2010-11 by \$550,000. Overall the Governor's Executive Budget reduced aid to the district for 2010-11 by \$1.9m.

Going forward, the CWR may increase substantially due to the full value assessment completed by the Town of Rotterdam during 2006-07. Because property wealth values are used in state aid formulas, the increase in property values could impact the combined wealth ratio and ultimately impact the aid generated for the district.

During the 2005-06 school year, the independent auditor for the district reported that the district was headed toward fiscal distress. The district had less than one percent in un-appropriated/unreserved fund balance and most district reserve funds had been depleted. Recognizing the importance of fiscal stability, the Board of Education and

Administration made a commitment to rebuild the district's fund balance and reserves in order to support the educational programs and student learning.

Several initiatives were implemented that have resulted in substantial savings for the school district.

- The district has instituted a number of measures to address escalating health insurance costs and to facilitate cost containment. These measures include, but are not limited to: securing new health insurance brokers who have offered the district different options in terms of configurations for HMO components in order to contain costs, looking at different prescription drug options/co-pays to contain costs, implementation of the Medicare advantage program for retirees, Cana-Rx prescription drug program that provides a low cost prescription option for employees. The district was also successful negotiating increased office co-pays and prescription co-pays for all staff with the recent contract settlements.
- The district continues to analyze each and every open staffing position to determine whether it is necessary to replace the person leaving or retiring. Positions have been combined and re-arranged to increase efficiency and achieve a cost savings.
- The energy education program has contained costs and ultimately saved the district thousands of dollars. Three of the districts four school buildings received energy star awards for these achievements. The district recently entered into an energy curtailment program aimed to generate revenue for decreased utilization during peak electrical demands.
- A major part of the completed EXCEL capital construction project was targeted to infrastructure upgrades that included items like replacement of hot water tanks, lighting upgrades, and window and door replacements. All of these upgrades will result in additional energy savings for the district.
- The district has participated in co-operative purchasing projects with other Schenectady County schools and the Capital Region BOCES. This has enabled the district to secure materials, supplies and buses in the most cost effective and efficient manner.
- A careful analysis of regular bus runs and field trips continues to cut costs and maximize efficiency.

While these programs benefited the district through cost containment and savings, the main focus of maintaining the financial condition begins with the development of a line-by-line budget that is centered on district priorities, justification, accuracy and accountability. The Board of Education, district administration, staff and community work together to build a budget that meets the educational needs and priorities of the district while at the same time balancing the impact to the community.

Beginning with the 2008-09 school year, the District had to comply with a federal standard (GASB-45) regarding accounting for Other Post Employment Benefits (OPEB). These benefits include such items as health insurance and prescription medicines for retired employees. Current accounting for OPEB employs a "pay-as-you-go" method. GASB-45 will require the recording of the District's potential future liability on an accrual basis measurement for a number of years based on the age of the employee when he/she retired. The District conducted an actuarial study of OPEB potential liability during the past year. The accrued liability is reported at \$20,787,200. For the 2009-10 school year, the current liability is reported at \$2,275,698.

The financial audit for the year-end 2009-10 shows that the district was able to maintain the 4% un-appropriated fund balance allowed by law, and fully accrue both the Teacher's and Employee's retirement system obligations. In addition, reserves were funded to address unemployment and tax certiorari claims as well as retiree health insurance obligations. A reserve for retirement contributions was established in 2009-10 to help address the expected double digit increases for future mandated retiree contributions. The capital reserve fund was increased to address future building projects. Clearly, the measures implemented over the past four years have been instrumental in maintaining the financial status of the district and the same strategies will continue to maintain the financial status into the future. The district has made great progress toward rebuilding its fiscal stability and position itself to support the educational programs of the future.

The economic down turn and projected uncertainties for the next few years is unprecedented. The Board of Education and administration have worked hard over the past few years to re-establish the financial stability of the district. Recognizing how the impact of the economic climate has and will significantly impact education, and the community, the board and administration have taken a fiscally responsible approach by funding reserve accounts and maintaining the maximum un-appropriated fund balance allowed by law.

### **Requests for Information**

It is the intent of this report 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 funds it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the following:

Rotterdam-Mohonasen Central School District  
Office of the Assistant Superintendent for Business  
2072 Curry Road  
Schenectady, New York 12303  
Phone: 518-356-8210  
Fax: 518-356-8247

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
June 30, 2010  
-----

**ASSETS**

**Current Assets:**

Unrestricted cash	\$ 10,325,017
Restricted cash	5,875,682
State and federal aid receivable	1,925,944
Due from other governments	841,104
Due from fiduciary funds	16,454
Other receivables, net	26,347
Inventories	44,706
Total Current Assets	<u>19,055,254</u>

**Noncurrent Assets:**

Capital assets, net depreciation	<u>65,757,039</u>
Total Noncurrent Assets	<u>65,757,039</u>

<b>Total Assets</b>	<u>84,812,293</u>
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**LIABILITIES**

**Current Liabilities:**

Accounts payable	895,705
Accrued liabilities	1,672,106
Bonds payable	2,155,824
Bond anticipation note payable	20,786,950
Due to other governments	161
Due to teachers' retirement system	1,408,188
Due to employees' retirement system	166,655
Deferred revenue	155,356
Due to fiduciary funds	124,428
Total Current Liabilities	<u>27,365,373</u>

**Long-Term Obligations:**

Bonds payable	16,254,938
Other post employment benefits payable	<u>2,275,698</u>
Total Long-Term Obligations	<u>18,530,636</u>

<b>Total Liabilities</b>	<u>45,896,009</u>
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**NET ASSETS**

Investment in capital assets, net of related debt	26,559,327
Restricted for:	
Encumbrances	2,872,039
Reserves	7,224,860
Subsequent year's expenditures	850,000
Unrestricted	<u>1,410,058</u>
<b>Total Net Assets</b>	<u>\$ 38,916,284</u>

See auditors' report. See notes to financial statements.

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
For Year Ended June 30, 2010  
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	Expenses	Expenses Allocation	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
			Charges for Services	Operating Grants	
<b>FUNCTIONS/PROGRAMS</b>					
General support	\$ 4,240,594	\$ 828,121	\$ -	\$ -	\$ (5,068,715)
Instruction	23,781,737	7,887,359	298,962	1,816,031	(29,554,103)
Pupil transportation	2,075,401	708,360	-	73,253	(2,710,508)
Community services	1,575	121	-	-	(1,696)
Employee benefits	9,537,124	(9,537,124)	-	-	-
Debt service-Interest	1,410,788	-	-	-	(1,410,788)
Depreciation-unallocated	2,917,781	-	-	-	(2,917,781)
School lunch program	1,167,266	113,163	783,579	515,788	18,938
<b>Total Functions and Programs</b>	<b>\$ 45,132,266</b>	<b>\$ -</b>	<b>\$ 1,082,541</b>	<b>\$ 2,405,072</b>	<b>(41,644,653)</b>
<b>GENERAL REVENUES</b>					
Real property taxes					17,216,551
Other tax items					4,289,990
Use of money and property					258,842
Sale of property and compensation for loss					3,551
Miscellaneous					586,011
State sources					17,304,425
Federal sources					2,173,237
Medicaid reimbursement					38,392
Premium on obligations					217,057
<b>Total General Revenues</b>					<b>42,088,056</b>
<b>Change in Net Assets</b>					<b>443,403</b>
<b>Total Net Assets - Beginning of year</b>					<b>38,472,879</b>
<b>Total Net Assets - End of year</b>					<b>\$ 38,916,282</b>

See auditors' report. See notes to financial statements.



ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT  
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF  
NET ASSETS  
June 30, 2010

	Total Governmental Funds	Long-term Assets, Liabilities	Reclassifications and Eliminations	Statement of Net Assets Totals
<b>ASSETS</b>				
Unrestricted cash	\$ 10,325,017	\$ -	\$ -	\$ 10,325,017
Restricted cash	5,875,682	-	-	5,875,682
Accounts receivable, net	26,347	-	-	26,347
Due from other funds	2,904,387	-	(2,904,387)	-
Due from fiduciary funds	-	-	16,454	16,454
State and federal aid receivable	1,925,944	-	-	1,925,944
Due from other governments	841,104	-	-	841,104
Inventories	44,706	-	-	44,706
Land, buildings and equipment (net)	-	65,757,039	-	65,757,039
<b>Total Assets</b>	<b>\$ 21,943,187</b>	<b>\$ 65,757,039</b>	<b>\$ (2,887,933)</b>	<b>\$ 84,812,293</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 895,705	\$ -	\$ -	\$ 895,705
Accrued liabilities	1,060,290	611,816	-	1,672,106
Bond anticipation note payable	20,786,950	-	-	20,786,950
Bonds payable	-	18,410,762	-	18,410,762
Other post employment benefits payable	-	2,275,698	-	2,275,698
Due to other funds	3,012,361	-	(3,012,361)	-
Due to fiduciary funds	-	-	124,428	124,428
Due to other governments	161	-	-	161
Due to teachers' retirement system	1,408,188	-	-	1,408,188
Due to employees' retirement system	166,655	-	-	166,655
Deferred revenue	172,959	-	(17,603)	155,356
<b>Total Liabilities</b>	<b>27,503,269</b>	<b>21,298,276</b>	<b>(2,905,536)</b>	<b>45,896,009</b>
<b>FUND EQUITY\NET ASSETS</b>				
<b>Total Fund Equity\Net Assets</b>	<b>(5,560,082)</b>	<b>44,458,763</b>	<b>17,603</b>	<b>38,916,284</b>
<b>Total Liabilities, Equity and Other Credits</b>	<b>\$ 21,943,187</b>	<b>\$ 65,757,039</b>	<b>\$ (2,887,933)</b>	<b>\$ 84,812,293</b>

See auditors' report. See notes to financial statements.



ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT  
RECONCILIATION OF GOVERNMENTAL FUNDS REVENUES, EXPENDITURES, AND CHANGES IN  
FUND EQUITY TO THE STATEMENT OF ACTIVITIES  
For Year Ended June 30, 2010

	Total Governmental Funds	Long-term Revenue, Expenses	Capital Related Items	Long-term Debt Transactions	Statement of Activities Totals
<b>REVENUES</b>					
Real property taxes	\$ 17,216,551	\$ -	\$ -	\$ -	\$ 17,216,551
Other tax items	4,289,990	-	-	-	4,289,990
Charges for services	293,081	5,881	-	-	298,962
Use of money and property	258,842	-	-	-	258,842
Sale of property and compensation for loss	3,551	-	-	-	3,551
Miscellaneous	591,062	-	-	-	591,062
Local sources	28,410	-	-	-	28,410
State sources	17,556,735	-	-	-	17,556,735
Federal sources	4,335,983	-	-	-	4,335,983
Sales - school lunch	778,528	-	-	-	778,528
<b>Total Revenues</b>	<b>45,352,733</b>	<b>5,881</b>	<b>-</b>	<b>-</b>	<b>45,358,614</b>
<b>EXPENDITURES\EXPENSES</b>					
General support	4,254,815	-	(14,221)	-	4,240,594
Instruction	23,830,011	-	(48,274)	-	23,781,737
Pupil transportation	2,075,401	-	-	-	2,075,401
Community services	1,575	-	-	-	1,575
Employee benefits	8,319,543	1,217,581	-	-	9,537,124
Debt service-Principal	2,117,079	-	-	(2,117,079)	-
- Interest	1,029,786	381,002	-	-	1,410,788
Cost of sales	1,167,266	-	-	-	1,167,266
Capital outlay	14,669,672	-	(14,669,672)	-	-
Depreciation	-	-	2,917,781	-	2,917,781
<b>Total Expenditures</b>	<b>57,465,148</b>	<b>1,598,583</b>	<b>(11,814,386)</b>	<b>(2,117,079)</b>	<b>45,132,266</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(12,112,415)</b>	<b>(1,592,702)</b>	<b>11,814,386</b>	<b>2,117,079</b>	<b>226,348</b>
<b>OTHER SOURCES AND USES</b>					
Premium on obligations	217,057	-	-	-	217,057
Proceeds from debt	640,313	-	-	(640,313)	-
Operating transfers in	141,769	(141,769)	-	-	-
Operating transfers (out)	(141,769)	141,769	-	-	-
<b>Total Other Sources (Uses)</b>	<b>857,370</b>	<b>-</b>	<b>-</b>	<b>(640,313)</b>	<b>217,057</b>
<b>Net Change for the Year</b>	<b>\$ (11,255,045)</b>	<b>\$ (1,592,702)</b>	<b>\$ 11,814,386</b>	<b>\$ 1,476,766</b>	<b>\$ 443,405</b>

See auditors' report. See notes to financial statements.

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT  
BALANCE SHEET- GOVERNMENTAL FUNDS  
June 30, 2010  
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	General	Special Aid	School Lunch	Debt Service	Capital Projects	Total Governmental Funds
<b>ASSETS</b>						
Unrestricted cash	\$ 4,357,517	\$ 48,282	\$ 181,955	\$ -	\$ 5,737,263	\$ 10,325,017
Restricted cash	5,875,682	-	-	-	-	5,875,682
State and federal aid receivable	1,172,839	709,786	43,319	-	-	1,925,944
Due from other governments	841,104	-	-	-	-	841,104
Accounts receivable, net	26,298	-	49	-	-	26,347
Due from other funds	1,032,616	804	41,463	1,804,199	25,305	2,904,387
Inventories	-	-	44,706	-	-	44,706
<b>Total Assets</b>	<u>\$ 13,306,056</u>	<u>\$ 758,872</u>	<u>\$ 311,492</u>	<u>\$ 1,804,199</u>	<u>\$ 5,762,568</u>	<u>\$ 21,943,187</u>
<b>LIABILITIES</b>						
Accounts payable	\$ 474,489	\$ 9,379	\$ -	\$ -	\$ 411,837	\$ 895,705
Accrued liabilities	1,051,865	-	8,425	-	-	1,060,290
Bond anticipation note payable	-	-	-	-	20,786,950	20,786,950
Due to other governments	-	-	161	-	-	161
Due to other funds	189,688	561,555	1,898	455,021	1,804,199	3,012,361
Due to teachers' retirement system	1,408,188	-	-	-	-	1,408,188
Due to employees' retirement system	166,655	-	-	-	-	166,655
Deferred revenue	17,603	140,902	14,454	-	-	172,959
<b>Total Liabilities</b>	<u>3,308,488</u>	<u>711,836</u>	<u>24,938</u>	<u>455,021</u>	<u>23,002,986</u>	<u>27,503,269</u>
<b>FUND EQUITY</b>						
Reserved for encumbrances	1,562,531	47,036	-	-	1,262,472	2,872,039
Reserved for other	5,875,682	-	-	1,349,178	-	7,224,860
Unreserved- designated	850,000	-	-	-	-	850,000
Unreserved - undesignated (deficit)	1,709,355	-	286,554	-	(18,502,890)	(16,506,981)
<b>Total Fund Equity</b>	<u>9,997,568</u>	<u>47,036</u>	<u>286,554</u>	<u>1,349,178</u>	<u>(17,240,418)</u>	<u>(5,560,082)</u>
<b>Total Liabilities and Fund Equity</b>	<u>\$ 13,306,056</u>	<u>\$ 758,872</u>	<u>\$ 311,492</u>	<u>\$ 1,804,199</u>	<u>\$ 5,762,568</u>	<u>\$ 21,943,187</u>

See auditors' report. See notes to financial statements.

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND EQUITY- GOVERNMENTAL  
FUNDS

For Year Ended June 30, 2010

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	General	Special Aid	School Lunch	Debt Service	Capital Projects	Total Governmental Funds
<b>REVENUES</b>						
Real property taxes	\$ 17,216,551	\$ -	\$ -	\$ -	\$ -	\$ 17,216,551
Other tax items	4,289,990	-	-	-	-	4,289,990
Charges for services	293,081	-	-	-	-	293,081
Use of money and property	201,702	-	587	56,553	-	258,842
Sale of property and compensation for loss	3,551	-	-	-	-	3,551
Miscellaneous	586,011	-	5,051	-	-	591,062
Local sources	-	28,410	-	-	-	28,410
State sources	17,253,422	221,772	30,538	-	51,003	17,556,735
Federal sources	2,211,631	1,639,102	485,250	-	-	4,335,983
Sales	-	-	778,528	-	-	778,528
<b>Total Revenues</b>	<u>42,055,939</u>	<u>1,889,284</u>	<u>1,299,954</u>	<u>56,553</u>	<u>51,003</u>	<u>45,352,733</u>
<b>EXPENDITURES</b>						
General support	4,254,815	-	-	-	-	4,254,815
Instruction	21,928,663	1,901,348	-	-	-	23,830,011
Pupil transportation	2,002,148	73,253	-	-	-	2,075,401
Community services	1,575	-	-	-	-	1,575
Employee benefits	8,206,380	-	113,163	-	-	8,319,543
Debt service-Principal	2,117,079	-	-	-	-	2,117,079
- Interest	1,029,786	-	-	-	-	1,029,786
Cost of sales	-	-	1,167,266	-	-	1,167,266
Capital outlay	-	-	-	-	14,669,672	14,669,672
<b>Total Expenditures</b>	<u>39,540,446</u>	<u>1,974,601</u>	<u>1,280,429</u>	<u>-</u>	<u>14,669,672</u>	<u>57,465,148</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>2,515,493</u>	<u>(85,317)</u>	<u>19,525</u>	<u>56,553</u>	<u>(14,618,669)</u>	<u>(12,112,415)</u>
<b>OTHER SOURCES AND USES</b>						
Premium on obligations	-	-	-	217,057	-	217,057
Proceeds from debt	-	-	-	-	640,313	640,313
Operating transfers in	11,321	55,448	-	-	75,000	141,769
Operating transfers (out)	(130,448)	-	(11,321)	-	-	(141,769)
<b>Total Other Sources (Uses)</b>	<u>(119,127)</u>	<u>55,448</u>	<u>(11,321)</u>	<u>217,057</u>	<u>715,313</u>	<u>857,370</u>
<b>Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other (Uses)</b>	<u>2,396,366</u>	<u>(29,869)</u>	<u>8,204</u>	<u>273,610</u>	<u>(13,903,356)</u>	<u>(11,255,045)</u>
<b>Fund Equity (Deficit)- Beginning of year</b>	<u>7,601,202</u>	<u>76,905</u>	<u>278,350</u>	<u>1,075,568</u>	<u>(3,337,062)</u>	<u>5,694,963</u>
<b>Fund Equity (Deficit)- End of year</b>	<u>\$ 9,997,568</u>	<u>\$ 47,036</u>	<u>\$ 286,554</u>	<u>\$ 1,349,178</u>	<u>\$ (17,240,418)</u>	<u>\$ (5,560,082)</u>

See auditors' report. See notes to financial statements.

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET ASSETS- FIDUCIARY FUNDS

June 30, 2010  
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	<u>Private Purpose Trusts</u>	<u>Agency</u>
<b>ASSETS</b>		
Cash	\$ 25,062	\$ 998,516
Due from governmental funds	<u>122,116</u>	<u>2,312</u>
<b>Total Assets</b>	<u><u>\$ 147,178</u></u>	<u><u>\$ 1,000,828</u></u>
<b>LIABILITIES</b>		
Extraclassroom activity balances	\$ -	\$ 118,365
Due to governmental funds	-	16,454
Other liabilities	<u>-</u>	<u>866,009</u>
<b>Total Liabilities</b>	<u>-</u>	<u><u>\$ 1,000,828</u></u>
<b>NET ASSETS</b>		
Reserved for scholarships	<u><u>\$ 147,178</u></u>	

See auditors' report. See notes to financial statements.

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS- FIDUCIARY FUNDS  
For Year Ended June 30, 2010  
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	Private Purpose Trusts
<b>ADDITIONS</b>	
Contributions	\$ 6,370
Interest	<u>725</u>
<b>Total Additions</b>	<u>7,095</u>
 <b>DEDUCTIONS</b>	
Scholarships and awards	<u>11,275</u>
<b>Change in Net Assets</b>	(4,180)
<b>Net Assets - Beginning of year</b>	<u>151,358</u>
<b>Net Assets - End of year</b>	<u><u>\$ 147,178</u></u>

See auditors' report. See notes to financial statements.

# ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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### I. Summary of Significant Accounting Policies

The financial statements of 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.

#### 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 auditors' report.

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

**B. Joint Venture**

The Rotterdam-Mohonasen Central School District is one of 18 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).

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, 2010, the Rotterdam-Mohonasen Central School District was billed \$2,869,855 for BOCES administrative and program costs. The District's share of BOCES Aid amounted to \$1,117,959. 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 Assets 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, 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.

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

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 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.
- (3) **School Lunch Fund-** Used to account for transactions of the District's lunch and breakfast programs.
- (4) **Capital Projects Fund-** This fund is used to account for the financial resources used for acquisition, construction, or major repair of capital facilities.
- (5) **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.

See auditors' 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)

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.

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.

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

**D. Measurement Focus and Basis of Accounting (Continued)**

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. 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.

**F. Property Taxes**

Real property taxes are levied by the Board of Education no later than September 1, and become a lien on August 16. Taxes were collected during the period beginning September 1, and ending October 31.

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

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

**H. Interfund Transactions (Continued)**

In the districtwide statements, the amounts reported on the Statement of Net Assets 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.

**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 which 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.

A reserve for these non-liquid assets (inventories and prepaid items) has been recognized to signify that a portion of fund balance is not available for other subsequent expenditures.

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

**L. 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

**M. 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 and an accrual for that liability is included in the districtwide financial statements. The compensated absences liability is calculated based on the pay rates in effect at year-end.

See auditors' report.

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

**M. Compensated Absences (Continued)**

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.

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

Payables, accrued liabilities and long-term obligations are reported in the districtwide financial statements. In the governmental funds, payables and accrued liabilities are paid in a timely manner and in full from current financial resources. Claims and judgments, and compensated absences that will be paid from governmental funds, are reported as a liability in the funds financial statements only to the extent that they are due for payment in the current year. Bonds and other long-term obligations that will be paid from governmental funds are recognized as a liability in the fund financial statements when due.

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

**O. Deferred Revenue**

Deferred revenues are reported on the combined balance sheet. Deferred revenues arise when potential revenues do not meet both the measurable and available criteria for recognition in the current period. Consequently, such amounts are recognized as a revenue in the subsequent fiscal year rather than when measurable and available.

**P. Other 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. Post-employment benefits aggregated \$880,024 for fiscal year ended June 30, 2010.

In accordance with Government Accounting Standard No. 45, the School District reports Other Post Employment Benefits. This requires employers to perform periodic actuarial valuations to determine annual accounting costs for benefits provided after retirement including medical insurance, dental, vision and life insurance. The cost of these benefits are being amortized.

See auditors' report.

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

I. Summary of Significant Accounting Policies (Continued)

Q. Fund Balance- Reservations and Designations

Reservations of fund balances are created to either satisfy legal restrictions or to plan for future expenditures. A designation of unreserved fund balances in governmental funds indicates the use of these resources in the subsequent year's budget. The following is a description of the reserves utilized by the School District.

1. Tax Certiorari Reserve

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.

2. Reserve for Encumbrances

This reserve represents the amount of outstanding encumbrances at the end of the fiscal year to be potentially expended in the subsequent year.

3. Employee Benefit Accrued Liability Reserve

This reserve is used to reserve funds for the payment of an 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. Unemployment Insurance Reserve

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.

5. Capital Reserve

This reserve is used to pay the cost of any object or purpose for which bonds may be issued. The creation of a capital reserve fund requires authorization by a majority of the voters establishing the purpose of the reserve; the ultimate amount, its probable term and source of the funds. Expenditure may be made from the reserve only for a specific purpose further authorized by the voters. The form for the required legal notice for the vote on establishing and funding the reserve and the form of the proposition to be placed on the ballot are set forth in 3651 of the Education Law. This reserve is accounted for in the General Fund.

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

**Q. Fund Balance- Reservations and Designations (Continued)**

**6. Reserve for Debt Service**

The Reserve for Debt Service is used for the purpose of retiring the outstanding obligations upon the sale of District property or capital improvement that was financed by obligations which remain outstanding at the time of sale. The funding of the reserve is from the proceeds of the sale of District property or capital improvements. This reserve is accounted for in the Debt Service Fund.

**7. Reserve for Employee Retirement Contributions**

This reserve is used to reserve funds 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.

**R. Budgetary Procedures and Budgetary Accounting**

**1. Budget Policies**

The budget policies are as follows:

- a. The School District 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.

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

**S. New Accounting Standards**

The District has adopted all current Statements of the Governmental Accounting Standards Board (GASB) that are applicable. At June 30, 2009, the District implemented the following new standards issued by GASB:

1. GASB Statement 43, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*

GASB Statement 43 establishes the uniform standards of reporting for postemployment benefits (OPEB) for governmental entities. OPEB refers to benefits provided to retirees other than pensions, which includes healthcare benefits. The Statement provides standards for financial reporting of the plan and disclosure of actuarial information about the funded status of the plan and the progress toward funding the postemployment liability. The financial disclosures relating to the District's other postemployment benefits have changed and those changes are reflected in Note IX.

2. GASB Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*

GASB Statement 45 establishes standards for the accrual basis measurement and recognition of OPEB costs over a period that relates to when the service is provided to the employer, rather than recognizing those costs on a pay-as-you-go basis. The Statement provides information about the actuarial accrued liabilities for OPEB and its funding status. The Statement was implemented prospectively, with no beginning net OPEB obligation.

**T. Future Changes in Accounting Standards**

GASB has issued Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The District is currently studying the statement and plans on adoption if and when required, which will be for the June 30, 2012 financial statements.

**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.



ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

**II. Explanation of Certain Differences Between Governmental Fund Statements and Districtwide Statements (Continued)**

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

Total fund balances of the District's governmental funds differ from "net assets" of governmental activities reported in the Statement of Net Assets. This difference primarily results from the additional long-term economic focus of the Statement of Net Assets 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.

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 Assets.

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)**

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 Assets includes those capital assets among the assets of the District as a whole, and their original costs are expensed annually over their useful lives.

Original cost of capital assets	<u>\$ 92,676,263</u>
Accumulated depreciation	<u>\$ 26,919,224</u>

Long-term liabilities are reported in the Statement of Net Assets, 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>\$ 18,410,762</u>
OPEB obligation	<u>\$ 2,275,698</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 \$2,917,781 was less than capital expenditures of \$14,742,435 in the current year.

Repayment of bond principal of \$2,117,079 is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets, and does not affect the Statement of Activities.

Interest on long-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, interest expense is recognized as the interest accrues, regardless of when it is due. The interest expense increased in the Statement of Activities by \$381,002.

**III. Cash and Investments**

**A. Deposits**

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

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

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

III. Cash and Investments (Continued)

A. Deposits (Continued)

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.

B. Investment Pool

The School District participates in a multi-municipal cooperation investment pool agreement pursuant to New York State General Municipal Law Article 5-G, Section 119-0, whereby it holds a portion of the investments in cooperation with other participants. At June 30, 2010, the School District held \$111,785 in investments consisting of various investments in securities issued by the United States and its agencies. The investments are highly liquid and considered to be cash equivalents. The investment pool is categorically exempt from the New York State collateralization requirements.

IV. Interfund Transactions

Interfund balances at June 30, 2010, are as follows:

	Interfund		Interfund	
	Receivable	Payable	Revenues	Expenditures
General Fund	\$ 1,032,616	\$ 189,688	\$ 11,321	\$ 130,448
Special Aid Fund	804	561,555	55,448	-
School Lunch Fund	41,463	1,898	-	11,321
Capital Fund	25,305	1,804,199	75,000	-
Debt Service Fund	1,804,199	455,021	-	-
Total governmental activities	2,904,387	3,012,361	\$ 141,769	\$ 141,769
Fiduciary Agency Fund	124,428	16,454		
Totals	\$ 3,028,815	\$ 3,028,815		

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

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

**V. Capital Assets**

A summary of changes in general fixed assets follows:

	Balance 7/1/2009	Additions	Deletions	Balance 6/30/2010
<u>Capital assets that are not depreciated:</u>				
Land	\$ 207,045	\$ 75,000	\$ -	\$ 282,045
Construction in Progress	3,353,007	13,954,359	-	17,307,366
Total capital assets that are not depreciated	3,560,052	14,029,359	-	17,589,411
<u>Other capital assets:</u>				
Buildings and improvements	65,396,397	-	-	65,396,397
Machinery and equipment	4,968,664	72,763	14,000	5,027,427
Buses	4,371,187	640,313	348,472	4,663,028
Total other capital assets	74,736,248	713,076	362,472	75,086,852
<u>Less accumulated depreciation:</u>				
Buildings and improvements	16,688,215	2,517,734	-	19,205,949
Machinery and equipment	4,630,148	49,856	3,732	4,676,272
Buses	3,035,284	350,191	348,472	3,037,003
Total accumulated depreciation	24,353,647	2,917,781	352,204	26,919,224
Other capital assets, net	50,382,601	(2,204,705)	10,268	48,167,628
Total	\$ 53,942,653	\$ 11,824,654	\$ 10,268	\$ 65,757,039

Depreciation expense for the period was unallocated to governmental functions.

**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.

See auditors' report.

# ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### VI. Pension Plans (Continued)

#### 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 12236.

#### 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 who have less than 10 years of service or membership are required to contribute 3% of their salary. Employers are required to contribute at an actuarially determined rate. Rates applicable to the fiscal years ended June 30, 2010, 2009, and 2008 were 6.19%, 7.63%, and 8.73%. 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.

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

Year	ERS	TRS
2010	\$ 337,873	\$ 1,470,575
2009	\$ 358,411	\$ 1,599,160
2008	\$ 330,080	\$ 1,522,244

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. Short-Term Debt Obligations**

	Maturity Date	Interest Rate	Balance 7/1/2009	Additions	Deletions	Balance 6/30/2010
BANS	2009	1.92%	\$ 3,000,000	\$ -	\$ 3,000,000	\$ -
BANS	2010	2.00%	-	20,786,950	-	20,786,950
			<u>\$ 3,000,000</u>	<u>\$ 20,786,950</u>	<u>\$ 3,000,000</u>	<u>\$ 20,786,950</u>

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

Interest Paid	\$ 75,000
Less interest accrued in the prior year	-
Plus interest accrued in the current year	<u>395,233</u>
Total expense	<u>\$ 470,233</u>

**VIII. Long-Term Debt Obligations**

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

**1. Long-Term Debt Interest**

Interest Paid	\$ 954,786
Less interest accrued in the prior year	(230,814)
Plus interest accrued in the current year	<u>216,583</u>
Total expense	<u>\$ 940,555</u>

**2. Changes**

	Balance 7/1/2009	Additions	Deletions	Balance 6/30/2010	Due Within One Year
Serial Bonds	\$ 19,887,528	\$ 640,313	\$ 2,117,079	\$ 18,410,762	<u>\$ 2,155,824</u>
Bond Anticipation Notes	3,000,000	20,786,950	3,000,000	20,786,950	
OPEB Obligations	1,058,117	1,217,581	-	2,275,698	
Totals	<u>\$ 23,945,645</u>	<u>\$ 22,644,844</u>	<u>\$ 5,117,079</u>	<u>\$ 41,473,410</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.

**3. Maturity**

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

	Purpose	Issue Date	Final Maturity	Interest Rate	Outstanding 6/30/2010
Serial Bonds:	Construction	1998	2031	5.25-5.75%	\$ 8,602,000
	Construction	2002	2032	5.25-5.75%	1,254,000
	Construction	2005	2021	3.5-3.9%	3,390,000
	Construction	2006	2027	4.2-4.375%	3,945,000
	Buses	2006	2011	3.20%	250,788
	Buses	2008	2013	2.84%	328,661
	Buses	2009	2014	2.95%	<u>640,313</u>
Total					<u>\$ 18,410,762</u>

See auditors' report.

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

**3. Maturity (Continued)**

	Purpose	Issue Date	Final Maturity	Interest Rate	Outstanding 6/30/2010
Notes:					
Bond Anticipation Note	Construction	2009	2010	2.00%	<u>\$ 20,786,950</u>

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

Year	Principal	Interest	Total
2011	2,155,824	873,933	3,029,757
2012	2,241,824	772,722	3,014,546
2013	2,335,824	667,643	3,003,467
2014	2,367,228	549,722	2,916,950
2015	2,403,062	428,433	2,831,495
2016 and thereafter	6,907,000	1,158,676	8,065,676
Total	<u>\$ 18,410,762</u>	<u>\$ 4,451,129</u>	<u>\$ 22,861,891</u>

**IX. Post-Employment (Health Insurance) Benefits**

The District provides post-employment (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 Post-employment Benefits Other than Pensions, in the school year ended June 30, 2010. This required the District to calculate and record a net other post-employment benefit obligation at year-end. The net other post-employment 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, 2010 the District recognized \$880,024 for its share of insurance premiums for currently enrolled retirees.

The District has obtained an actuarial valuation report as of June 30, 2010 which indicates that the total liability for other post-employment benefits is \$2,275,698, which is reflected in the Statement of Net Assets.

The District currently pays for post-employment 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.

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

**IX. Post-Employment (Health Insurance) Benefits (Continued)**

**1. Annual OPEB Cost and Net OPEB Obligation**

The District's annual other post-employment 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. 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	\$ 2,097,744
Interest on net OPEB obligation	52,906
Adjustment to annual required contribution	(42,045)
Annual OPEB cost (expense)	2,108,605
Contributions made	891,024
Increase in net OPEB obligation	1,217,581
Net OPEB obligation-beginning of year	1,058,117
Net OPEB obligation-end of year	<u>\$ 2,275,698</u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2010:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2010	\$ 2,108,605	42.25%	\$ 1,217,581

**2. Funded Status and Funding Progress**

As of June 30, 2010, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$22,094,816, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability(UAAL) of \$22,094,816. The covered payroll (annual payroll of active employees covered by the plan) was \$15,937,950, and the ratio of the UAAL to the covered payroll was 138.6%. 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 following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.



ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

**IX. Post-Employment (Health Insurance) Benefits (Continued)**

**3. 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 March 1, 2008, 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 10%, 23% and 38% respectively initially, reduced by decrements to an ultimate rate of 5% after 10 years. Both rates included a 10% inflation assumption. 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, 2010, was 28 years.

**X. Commitments and Contingencies**

**A. Risk Financing and Related Insurance**

**1. General Information**

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

**2. Workers' Compensation Insurance**

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

**3. 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, 2010 was approximately \$118,512. The future non-cancelable operating lease payments are as follows:

<u>Year-Ended</u>	<u>Lease Payments</u>
2011	\$ 114,970
2012	8,545
2013	8,545
	<u>\$ 132,060</u>

See auditors' report.

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

X. Commitments and Contingencies (Continued)

B. 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.

C. Excel Project

The voters approved an Excel Project for \$21,881,000. The borrowing for this project started with \$3,000,000 in July 2008. Projects completed were a new roof at Draper Middle School and boiler replacements at Bradt Elementary. Additions and renovations including a new art wing at the High School were started in June 2009.

XI. Other Disclosures

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

Total governmental fund balance	\$ (5,560,082)
Capital assets, (net)	65,757,039
Bonds payable	(18,410,762)
Accrued interest	(611,816)
OPEB obligations	(2,275,698)
Deferred revenues	17,603
Total net assets	<u>\$ 38,916,284</u>

B. Reserves

The following is a summary of reserves as of June 30, 2010:

<u>General Fund</u>	
Unemployment Insurance	\$ 91,118
Tax Certiorari	2,256,085
Capital Reserve	2,482,691
Retirement Contribution	525,000
Employee Benefit	520,788
	<u>\$ 5,875,682</u>

See auditors' report.

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

**XI. Other Disclosures (Continued)**

**C. Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Equity to the Statement of Activities**

Net changes in fund balance- total governmental funds	\$ (11,255,045)
Capital outlays are expenditures in governmental funds, but are capitalized in the Statement of Net Assets.	14,732,167
Depreciation is not recorded as an expenditure in the governmental funds, but is recorded in the Statement of Activities.	(2,917,781)
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 Assets.	2,117,079
Interest is recognized as an expense in governmental funds when paid. For governmental activities interest expense is recognized as it accrues. The increase in accrued interest during 2009/10 results in more expense.	(381,002)
Certain revenues deferred in the Governmental Funds, must be recognized in the Statement of Activities.	5,881
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)	(1,217,581)
Proceeds from debt are recognized as revenue in the Governmental Funds, but not in the Statement of Activities.	(640,313)
Change in Net Assets- Governmental Activities	<u>\$ 443,405</u>

**XII. Stewardship, Compliance and Accountability**

The Capital Fund had a deficit fund balance at June 30, 2010 in the amount of \$18,502,890. This will be funded when the District obtains permanent financing for the ongoing Capital Project.

**XIII. Additional Disclosures**

**Interfund Transfer**

The 2009-2010 interfund transfer budget was increased as follows:

Original Budget	\$ 50,000
Revisions:	
Special Aid for Summer Handicap Program	6,174
Capital Reserve-Land Deposit	75,000
Revised Budget	<u>\$ 131,174</u>

See auditors' report.

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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**XIV. Subsequent Event**

On July 8, 2010, the School District issued a bond anticipation note totaling \$20,641,950. The note is to be used to cover expenditures in the Capital Projects until bonds are issued.

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT  
SCHEDULE OF REVENUES COMPARED TO BUDGET- GENERAL FUND  
For Year Ended June 30, 2010

	Original Budget	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Local Sources				
Real property taxes	\$ 17,229,008	\$ 17,229,008	\$ 17,216,551	\$ (12,457)
Other tax items	4,392,644	4,392,644	4,289,990	(102,654)
Charges for services	310,250	310,250	293,081	(17,169)
Use of money and property	311,250	311,250	201,702	(109,548)
Sale of property and compensation for loss	-	-	3,551	3,551
Miscellaneous	100,000	180,053	586,011	405,958
<b>Total Local Sources</b>	<u>22,343,152</u>	<u>22,423,205</u>	<u>22,590,886</u>	<u>167,681</u>
State sources	17,679,981	17,129,770	17,253,422	123,652
Federal sources	1,660,560	2,210,771	2,211,631	860
<b>Total Revenues</b>	<u>41,683,693</u>	<u>41,763,746</u>	<u>42,055,939</u>	<u>292,193</u>
<b>Other Financing Sources</b>				
Operating transfers in	350,000	349,302	11,321	(337,981)
<b>Total Revenue and Other Financing Sources</b>	<u>42,033,693</u>	<u>42,113,048</u>	<u>42,067,260</u>	<u>\$ (45,788)</u>
<b>Appropriated Fund Balance</b>	350,000	1,495,003		
<b>Appropriated Reserves</b>	<u>-</u>	<u>186,128</u>		
<b>Total Revenues, Other Sources, Appropriated Reserves and Fund Balance</b>	<u>\$ 42,383,693</u>	<u>\$ 43,794,179</u>		

See auditors' report.

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES, OTHER USES AND ENCUMBRANCES COMPARED TO BUDGET-  
GENERAL FUND  
For Year Ended June 30, 2010  
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	Original Budget	Revised Budget	Actual	Encumbrances	Variance Favorable (Unfavorable)
<b>EXPENDITURES</b>					
General Support					
Board of education	\$ 30,020	\$ 35,646	\$ 34,849	\$ 58	\$ 739
Central administration	225,898	223,130	213,618	-	9,512
Finance	565,424	576,071	527,947	14,216	33,908
Staff	297,075	343,029	274,672	16,605	51,752
Central services	2,842,766	3,195,815	2,622,844	384,287	188,684
Special items	640,780	746,657	580,885	64,494	101,278
<b>Total General Support</b>	<b>4,601,963</b>	<b>5,120,348</b>	<b>4,254,815</b>	<b>479,660</b>	<b>385,873</b>
Instructional					
Instruction, administration and improvement	1,954,789	1,966,936	1,818,634	10,049	138,253
Teaching - regular school	13,725,315	14,023,227	13,272,844	265,478	484,905
Programs for children with handicapping conditions	3,605,859	3,725,411	2,976,146	342,039	407,226
Occupational education	627,000	627,000	624,631	-	2,369
Teaching - special school	221,470	207,197	190,383	-	16,814
Instructional media	1,132,591	1,147,627	1,055,886	7,780	83,961
Pupil services	2,144,758	2,174,750	1,990,139	31,751	152,860
<b>Total Instructional</b>	<b>23,411,782</b>	<b>23,872,148</b>	<b>21,928,663</b>	<b>657,097</b>	<b>1,286,388</b>
Pupil transportation	2,252,645	2,411,732	2,002,148	80,847	328,737
Community services	3,750	3,750	1,575	-	2,175
Employee benefits	8,981,150	8,763,650	8,206,380	1,245	556,025
Debt Service					
Principal	2,051,787	2,262,079	2,117,079	145,000	-
Interest	1,030,616	1,229,298	1,029,786	198,682	830
<b>Total Expenditures</b>	<b>42,333,693</b>	<b>43,663,005</b>	<b>39,540,446</b>	<b>1,562,531</b>	<b>2,560,028</b>
<b>OTHER USES</b>					
Operating transfers out	50,000	131,174	130,448	-	726
<b>Total Expenditures and Other Uses</b>	<b>\$ 42,383,693</b>	<b>\$ 43,794,179</b>	<b>39,670,894</b>	<b>\$ 1,562,531</b>	<b>\$ 2,560,754</b>
<b>Excess of Revenues and Other Sources Over Expenditures and Other Uses</b>			<b>\$ 2,396,366</b>		

See auditors' report.

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT  
SCHEDULE OF CHANGE FROM ORIGINAL BUDGET TO REVISED BUDGET AND USE OF  
UNRESERVED FUND BALANCE- GENERAL FUND  
For Year Ended June 30, 2010  
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<b>Original Budget</b>	<b>\$ 42,383,693</b>
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**Additions:**

Prior year's encumbrances	\$ 1,145,003	
Budget revisions- Reserves	186,128	
- Distance Learning	47,449	
- Drama	32,604	
- Interfund Transfer	(698)	
	<u>1,410,486</u>	

<b>Revised Budget</b>	<b>\$ <u>43,794,179</u></b>
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**USE OF UNRESERVED FUND BALANCE**

Unreserved Fund Balance - As of the beginning of the year	<b>\$ 2,045,347</b>
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Designated fund balance used for the levy of taxes - Original budget	<u>350,000</u>
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Undesignated Fund Balance - As of the beginning of the year	<b>\$ <u>1,695,347</u></b>
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See auditors' report.

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT  
SCHEDULE OF PROJECT EXPENDITURES- CAPITAL PROJECTS FUND  
For Year Ended June 30, 2010  
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PROJECT TITLE	Original Budget	Revised Budget	Expenditures			Unexpended Balance	Revenues				Fund Balance June 30, 2010
			Prior Years	Current Year	Total		Proceeds of Obligations	NYS Sources	Local Sources	Total	
Buses	\$ 640,313	\$ 640,313	\$ -	\$ 640,313	\$ 640,313	\$ -	\$ 640,313	\$ -	\$ -	\$ 640,313	\$ -
Excel Project	21,881,000	21,881,000	3,353,004	13,954,359	17,307,363	4,573,637	-	66,945	-	66,945	(17,240,418)
Land	75,000	75,000	-	75,000	75,000	-	-	-	75,000	75,000	-
Totals	<u>\$ 22,596,313</u>	<u>\$ 22,596,313</u>	<u>\$ 3,353,004</u>	<u>\$ 14,669,672</u>	<u>\$ 18,022,676</u>	<u>\$ 4,573,637</u>	<u>\$ 640,313</u>	<u>\$ 66,945</u>	<u>\$ 75,000</u>	<u>\$ 782,258</u>	<u>\$ (17,240,418)</u>

See auditors' report.



ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT  
SCHEDULE OF CERTAIN REVENUES AND EXPENDITURES COMPARED TO ST-3 DATA  
For Year Ended June 30, 2010  
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	<u>Code</u>	<u>ST-3 Amount</u>	<u>Audited Amount</u>
<b>REVENUES</b>			
Real Property Taxes	A -1001	\$ 17,216,551	\$ 17,216,551
Non-Property Taxes	AT-1199	\$ -	\$ -
State Aid	AT-3999	\$ 17,253,422	\$ 17,253,422
Federal Aid	AT-4999	\$ 2,211,631	\$ 2,211,631
Total Revenues	AT-5999	\$ 42,067,260	\$ 42,067,260
<b>EXPENDITURES</b>			
General Support	AT-1999	\$ 4,254,815	\$ 4,254,815
Pupil Transportation	AT-5599	\$ 2,002,148	\$ 2,002,148
Debt Service - Principal	AT-9798.6	\$ 2,117,079	\$ 2,117,079
Debt Service - Interest	AT-9798.7	\$ 1,029,786	\$ 1,029,786
Total Expenditures	AT-9999	\$ 39,670,894	\$ 39,670,894

See auditors' report.

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT  
SCHEDULE OF INVESTMENT IN CAPITAL ASSETS, NET OF RELATED DEBT  
FOR THE YEAR ENDED JUNE 30, 2010  
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Capital assets, net	\$ 65,757,039
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Deduct:

Bond anticipation notes payable	\$ 20,786,950	
Short-term portion of bonds payable	2,155,824	
Long-term portion of bonds payable	16,254,938	
Less: unspent bond proceeds	<u>-</u>	<u>39,197,712</u>

Investment in capital assets, net of related debt	<u><u>\$ 26,559,327</u></u>
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See auditors' report.

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

Certified Public Accountants

P.O. Box 538

Claverack, New York 12513

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
*GOVERNMENT AUDITING STANDARDS.*

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

We have audited 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, 2010, which collectively comprise the District's basic financial statements and have issued our report thereon dated September 1, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting:

In planning and performing our audit, we considered Rotterdam-Mohonasen Central School District's internal control over financial reporting as a basis for designing auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Rotterdam-Mohonasen Central School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Rotterdam-Mohonasen Central School District's internal control over financial reporting.

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

See auditors' report.

Internal Control Over Financial Reporting: (Continued)

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

Compliance and Other Matters:

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

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

This report 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.

  
Claverack, New York  
September 1, 2010

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

Certified Public Accountants

P.O. Box 538

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To the Board of Education of  
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 Rotterdam-Mohonasen Central School District as of and for the year ended June 30, 2010, in accordance with auditing standards generally accepted in the United States of America, we considered 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 opinions 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 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 or 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.

See auditors' report.

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 September 1, 2010 on the financial statements of 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. 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:

Computer Permissions:

During our audit we reviewed the District's Computer Permissions Report. To ensure proper controls individuals should only have access to areas that are directly related to their jobs.

Our review revealed six individuals who had access to areas that were unrelated to their specific jobs.

Management immediately removed these individuals from such access.

Documentation of Invoice Processing:

An important element of the auditor's function is to perform a proper evaluation of the existing system of internal control in order to determine the degree of reliance which may be placed on the system in performing the various auditing procedures. As part of our audit of the School District's financial statements, we reviewed, evaluated and tested the controls with respect to purchasing.

During our audit, we noted one instance where quotes were not obtained for a purchase per Board Policy. Other items tested had quotes properly obtained.

Fixed Assets:

During our audit of the fixed assets, we noted that the District did not perform a physical inspection of their asset inventory to determine that all assets are present. This is necessary to strengthen internal control over inventory and also to ensure proper insurance coverage.

Due to and Due From Other Funds


It was noted during our audit that sizeable due to and due from other funds exist, particularly between the Capital Fund, Debt Service Fund and the General Fund. Such balances should be temporary in nature and repaid as soon as possible.

We recommend that a bank account be opened for the Debt Service Fund, so that amounts due to and from this fund can be alleviated with all funds, thus reducing the current balances.

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

RGP/srp

**Mohonasen Central School District**  
**Corrective Action Plan - Auditors' Findings and Evaluation**

**6/30/2010**

<b>Management Letter - Auditors' Findings and Evaluation</b>	<b>Responsible Person Completion Date</b>	<b>Corrective Action Planned</b>
Internal Controls - Computer Permissions - The District's computer permissions report indicated that six individuals had access to areas unrelated to their specific job.	Assistant Supt. for Business Implementation 2010	Computer permissions have been reviewed and updated. They will be reviewed periodically to ensure individuals only have access to areas that they are directly involved with.
Invoice Processing - One instance was noted where quotes were not obtained for a purchase per Board Policy.	Assistant Supt. for Business Implementation 2009-10	A Business Office Procedures manual has been developed that outlines purchasing procedures and guidelines for staff reference. Meetings have been held with appropriate staff members to review the proper procedures for and protocol for using claim forms and purchase orders.
Fixed Assets - The District did not perform an annual physical inspection of their asset inventory to determine that all assets are present.	Assistant Supt. for Business - Consideration for 2010-11	The district maintains a database of assets that is updated annually. As new equipment is purchased it is added and obsolete equipment is deleted. The technology department monitors the listing to ensure accountability of these items. The district is considering an RFP for a physical inventory by building over the next few years.
Due to and Due From Other Funds - Sizeable due to and due from other funds were noted during the audit. Such balances should be temporary in nature and repaid as soon as possible. A separate bank account should be opened for the Debt Service Fund.	Assistant Supt. for Business - Consideration for 2010-11	Reconciliation of the due to and due from accounts will be done on a monthly basis. The district will explore the suggestion of a separate bank account for the Debt Service Fund.