

ROTTERDAM-MOHONASEN CENTRAL
SCHOOL DISTRICT

FINANCIAL STATEMENT
AND SUPPLEMENTARY INFORMATION

Year Ended June 30, 2011

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the fiduciary funds of the Rotterdam-Mohonasen Central School District, as of and for the year ended June 30, 2011, 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, 2011, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 6, 2011 on our consideration of Rotterdam-Mohonasen Central School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Rotterdam-Mohonasen Central School District's basic financial statements as a whole. The other supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements, but is supplementary information required by the New York State Education Department. The other supplementary information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The other supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Handwritten signature of Raymond J. Schussler in cursive, with "CPA" and a small "K" written below it.

Claverack, New York
September 6, 2011

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT
Management's Discussion and Analysis (MD&A)
June 30, 2011

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, 2011. 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 \$39 million (net assets).

The District's total net assets increased \$85,214 compared to the 2009-10 reporting period. This change results primarily from the decrease in current liabilities.

Overview of the Financial Statements

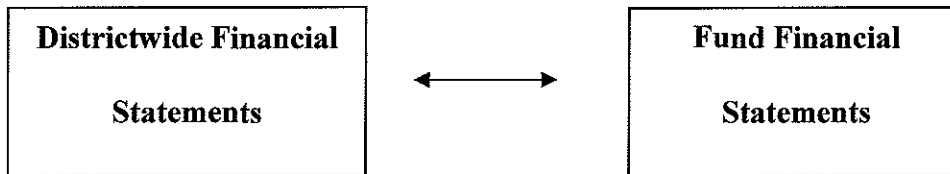
This Management's Discussion and Analysis narrative (required supplemental information) is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) district wide financial statements, 2) fund financial 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
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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 ninth 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, 2010 and 2011

	Governmental Activities		Variance Increase (Decrease)
	2010	2011	
Current Assets	\$ 19,055,254	\$ 17,932,262	\$ (1,122,992)
Capital Assets	65,757,039	65,646,592	(110,447)
Total Assets	84,812,293	83,578,854	(1,233,439)
Current Liabilities	27,365,373	26,981,441	(383,932)
Noncurrent Liabilities	18,530,636	17,595,915	(934,721)
Total Liabilities	45,896,009	44,577,356	(1,318,653)
Net Assets:			
Investment in capital assets, net of related debt	26,559,327	28,536,568	1,977,241
Restricted for encumbrances	2,872,039	1,523,758	(1,348,281)
Restricted for other specific purposes	7,224,860	6,163,304	(1,061,556)
Restricted for subsequent year's expenditure	850,000	1,000,000	150,000
Unrestricted	1,410,058	1,777,868	367,810
Total Net Assets	\$ 38,916,284	\$ 39,001,498	\$ 85,214

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.

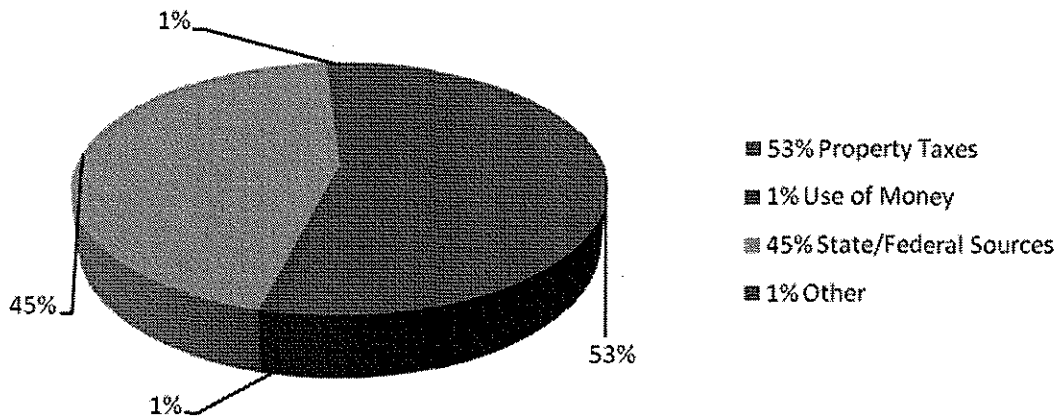
The District adopted GASB 54 which establishes criteria for classifying fund balances into specifically defined classifications and clarifies definitions for governmental fund types. Previously, fund balances were reserved or unreserved (designated and undesignated). Now fund balances are classified as nonspendable, restricted, committed, assigned and unassigned.

**Rotterdam-Mohonasen Central School District's
Changes in Net Assets
For the Years Ended June 30, 2010 and 2011**

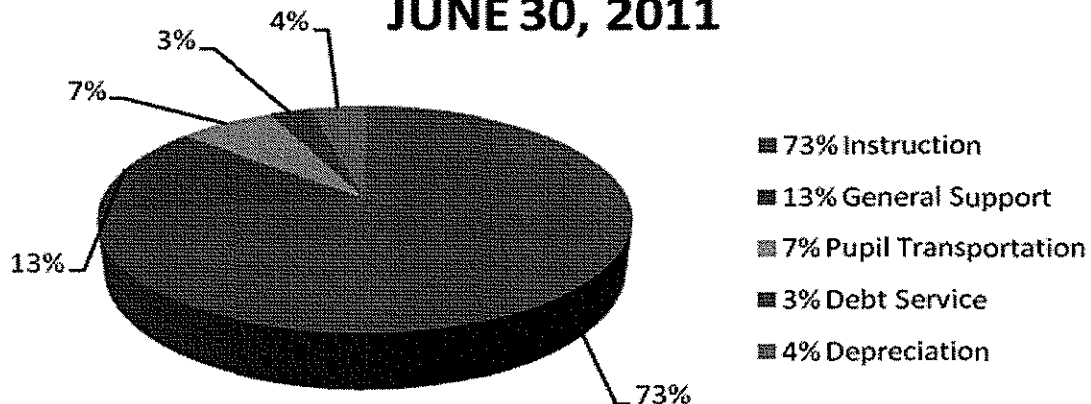
	Governmental Activities		Variance Increase (Decrease)
	2010	2011	
<u>Revenues:</u>			
Program Revenues:			
Charges for Services	\$ 1,082,541	\$ 1,061,031	\$ (21,510)
Operating Grants and Contributions	2,405,072	3,416,172	1,011,100
Total Program Revenues	<u>\$ 3,487,613</u>	<u>\$ 4,477,203</u>	<u>\$ 989,590</u>
General Revenues:			
Real Property Taxes	17,216,551	18,092,281	\$ 875,730
Other Tax Items	4,289,990	3,802,452	(487,538)
Use of Money and Property	258,842	267,111	8,269
Sale of Property and Compensation for Loss	3,551	9,271	5,720
Miscellaneous	586,011	360,518	(225,493)
State Sources	17,304,425	18,678,794	1,374,369
Federal Sources	2,211,631	40,000	(2,171,631)
Premium on Obligations	217,057	139,371	(77,686)
Total General Revenues	<u>42,088,058</u>	<u>41,389,798</u>	<u>(698,260)</u>
<u>Expenses:</u>			
Instruction	28,000,554	30,355,957	2,355,403
Support Services:			
General Support	5,934,375	5,218,384	(715,991)
Pupil Transportation	3,398,517	2,734,765	(663,752)
Community Service	1,575	1,749	174
Debt Service-Interest	1,410,788	1,150,265	(260,523)
Depreciation-Unallocated	2,917,781	1,884,613	(1,033,168)
School Lunch	(18,937)	(41,149)	(22,212)
Total Expenses	<u>41,644,653</u>	<u>41,304,584</u>	<u>(340,069)</u>
Change in Net Assets	<u>\$ 443,405</u>	<u>\$ 85,214</u>	<u>\$ (358,191)</u>

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

DISTRICTWIDE REVENUES BY SOURCE FOR THE YEAR ENDED JUNE 30, 2011



DISTRICTWIDE EXPENSES BY FUNCTION FOR THE YEAR ENDED JUNE 30, 2011



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, 2011

	Total Governmental Funds
Total Assets	\$ 22,322,340
Total Liabilities	\$ 28,690,310
Fund Balance:	
Non-spendable	\$ 49,264
Restricted	6,915,752
Assigned	2,164,740
Unassigned	(15,497,726)*
Total Fund Balance	\$ (6,367,970)

At the end of the school year, the District's governmental funds reported combined -fund balances of \$(6,397,970) for a net decrease of \$1,009,255 from the prior year. This decrease represents the net result of the increases and decreases outlined below.

*The negative \$15.5M 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 2012.

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

	Fund Balance 2010	Fund Balance 2011	Variance Increase (Decrease)
General	\$ 9,997,568	\$ 6,627,757	\$ (3,369,811)
School Lunch	286,554	317,531	30,977
Special Aid	47,036	86,111	39,075
Capital	(17,240,418)	(16,667,804)	572,614
Debt Service	1,349,178	3,268,435	1,919,257
Totals	\$ (5,560,082)	\$ (6,367,970)	\$ (807,888)

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 \$1,711,252 which is 3.98% of the 2011-12 General Fund Budget of \$42.9 million. The appropriated fund balance of \$1,000,000 is available as revenue to support the 2011-12 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 2010-11 school year, the voters of the District approved a budget of \$42,720,170. That budget was subsequently increased by \$5,657,670. Approximately 28% of the increase or \$1,562,531 represents encumbrances carried over from the prior school year. The largest increase, approximately 71% or \$4,017,711, was the result of reserve activities such as employee benefit accruals, tax certiorari claims, unemployment insurance claims, and the capital reserve which was used to purchase land. The additional \$77,428 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 2010-11 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, 2011 is as follows:

	<u>June 30, 2011</u>
Land	\$ 288,792
Construction in Progress	18,666,102
Buildings and Improvements	44,864,714
Buses	1,505,676
Machinery and Equipment	321,308
Total	<u>\$65,646,592</u>

The total decrease in the District's capital assets (net of accumulated depreciation) for the 2010-11 school year was \$110,447. The decrease 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. A large housing development began construction during 2010. 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 \$380,328 in December 2010 to finance the purchase of school buses. The voters of the district authorized the purchase during the annual vote held May 2010. Principal payments on debt issues increased by a net of \$205,937 between June 30, 2010 and June 30, 2011. This was mostly due to the principal due on the bond anticipation note due in July 2010.

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 \$37.1 million dollars as of June 30, 2011, which is well within the stipulated limitation of approximately \$142 million (10% of total assessed value).

Outstanding Long-Term Debt

	<u>2010</u>	<u>2011</u>	<u>Increase (Decrease)</u>
General Obligation Bonds	\$18,410,762	\$16,468,074	\$(1,942,688)
Bond Anticipation Note	20,786,950	20,641,950	(145,000)

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 and a half years, the board and administration worked on a Long Range Plan for a future capital project. Whereas the EXCEL project was to address infrastructure needs, this project was to address the programmatic needs of the district. Also included in this project was 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 a 43.4M

building project was held in December 2010. The project was not approved by the voters. The Board of Education may consider another capital project referendum in the future to address the district's needs.

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 was an increase in tax certiorari judgments that the district had to pay. Several of the cases have been settled, but a few spanning several years still remain. Fortunately, due to careful budget administration, the district has been able to set aside funds in the Tax Certiorari Reserve to address these petitions and claims.

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 2010-11 was .605, (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 45% of the district's revenue is from state aid. State aid for 2010-11 was flat for the third year in a row with a "gap elimination", reduction applied to the general formula. A portion of the aid was provided by the Federal government with stimulus funds for the second year. The ARRA funding or stimulus funds did not add to the aid received, it simply reduced the state reduction or gap elimination. The stimulus 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 expenditure reporting to receive the funds.

The continued unprecedented downturn in the economy resulted in former Governor Patterson implementing a mid-year take back in state aid. Mohonasen lost an additional \$126,888 in aid due to FMAP.

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 at that time and have continued to show a savings and sustain the district over the past few years.

- 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: participation in the Capital Area Schools Health Insurance Consortium (CASHIC), securing new health insurance brokers who have offered the district different options in terms of configurations for HMO components in order to contain costs, replacing the district's CDPHP HMO with a CDPHO EPO, reviewing 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. A number of staff positions were eliminated during the 2011-12 budget development process.
- 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. In addition, the district received a \$257K grant from NYSERDA to install a 50kw photovoltaic energy system at the high school.
- 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. The district has recently entered into a county wide local government efficiency grant study program to encourage municipalities to work together to study the benefits of shared services.
- 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 requires 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 \$24,051,998. For the 2010-11 school year, the current liability is reported at \$3,236,971.

The financial audit for the year-end 2010-11 shows that the district was able to maintain 3.98% of 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 closed on June 30, 2011. The funding was used to pay for 36 acres of land adjacent to the high school, which was approved for purchase by the voters in May 2010. The balance of the capital reserve was transferred to the debt service account to be applied to future debt as required by law. These savings measures implemented over the past few 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, 2011

ASSETS

Current Assets:

Unrestricted cash	\$ 12,462,713
Restricted cash	3,020,032
State and federal aid receivable	1,869,650
Due from other governments	487,679
Due from fiduciary funds	1,164
Other receivables, net	41,760
Inventories	49,264
Total Current Assets	<u>17,932,262</u>

Noncurrent Assets:

Capital assets, net depreciation	<u>65,646,592</u>
Total Noncurrent Assets	<u>65,646,592</u>

Total Assets	<u><u>83,578,854</u></u>
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LIABILITIES

Current Liabilities:

Accounts payable	234,596
Accrued liabilities	1,590,841
Bonds payable	2,234,293
Bond anticipation note payable	20,641,950
Due to other governments	98
Due to teachers' retirement system	1,838,633
Due to employees' retirement system	190,633
Deferred revenue	127,664
Due to fiduciary funds	122,733
Total Current Liabilities	<u>26,981,441</u>

Long-Term Obligations:

Bonds payable	14,233,781
Compensated absences	125,163
Other post employment benefits payable	3,236,971
Total Long-Term Obligations	<u>17,595,915</u>

Total Liabilities	<u><u>44,577,356</u></u>
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NET ASSETS

Investment in capital assets, net of related debt	28,536,568
Restricted for:	
Encumbrances	1,523,758
Debt service	3,268,435
Reserves	2,894,869
Subsequent year's expenditures	1,000,000
Unrestricted	<u>1,777,868</u>
Total Net Assets	<u><u>\$ 39,001,498</u></u>

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

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For Year Ended June 30, 2011

	Expenses	Expenses Allocation	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
			Charges for Services	Operating Grants	
FUNCTIONS/PROGRAMS					
General support	\$ 4,386,172	\$ 832,212	\$ -	\$ -	\$ (5,218,384)
Instruction	25,156,998	8,310,685	321,203	2,790,523	(30,355,957)
Pupil transportation	2,106,144	705,493	-	76,872	(2,734,765)
Community services	1,625	124	-	-	(1,749)
Employee benefits	9,965,276	(9,965,276)	-	-	-
Debt service-Interest	1,150,265	-	-	-	(1,150,265)
Depreciation-unallocated	1,884,613	-	-	-	(1,884,613)
School lunch program	1,130,694	116,762	739,828	548,777	41,149
Total Functions and Programs	\$ 45,781,787	\$ -	\$ 1,061,031	\$ 3,416,172	(41,304,584)
GENERAL REVENUES					
Real property taxes					18,092,281
Other tax items					3,802,452
Use of money and property					267,111
Sale of property and compensation for loss					9,271
Miscellaneous					360,518
State sources					18,678,794
Medicaid reimbursement					40,000
Premium on obligations					139,371
Total General Revenues					41,389,798
Change in Net Assets					85,214
Total Net Assets - Beginning of year					38,916,284
Total Net Assets - End of year					\$ 39,001,498

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

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF
NET ASSETS
June 30, 2011

	Total Governmental Funds	Long-term Assets, Liabilities	Reclassifications and Eliminations	Statement of Net Assets Totals
ASSETS				
Unrestricted cash	\$ 12,462,713	\$ -	\$ -	\$ 12,462,713
Restricted cash	3,020,032	-	-	3,020,032
Accounts receivable, net	41,760	-	-	41,760
Due from other funds	4,391,242	-	(4,391,242)	-
Due from fiduciary funds	-	-	1,164	1,164
State and federal aid receivable	1,869,650	-	-	1,869,650
Due from other governments	487,679	-	-	487,679
Inventories	49,264	-	-	49,264
Land, buildings and equipment (net)	-	65,646,592	-	65,646,592
Total Assets	\$ 22,322,340	\$ 65,646,592	\$ (4,390,078)	\$ 83,578,854
LIABILITIES				
Accounts payable	\$ 234,596	\$ -	\$ -	\$ 234,596
Accrued liabilities	1,118,649	472,192	-	1,590,841
Bond anticipation note payable	20,641,950	-	-	20,641,950
Bonds payable	-	16,468,074	-	16,468,074
Other post employment benefits payable	-	3,236,971	-	3,236,971
Compensated absences	-	125,163	-	125,163
Due to other funds	4,512,811	-	(4,512,811)	-
Due to fiduciary funds	-	-	122,733	122,733
Due to other governments	98	-	-	98
Due to teachers' retirement system	1,838,633	-	-	1,838,633
Due to employees' retirement system	190,633	-	-	190,633
Deferred revenue	152,940	-	(25,276)	127,664
Total Liabilities	28,690,310	20,302,400	(4,415,354)	44,577,356
FUND EQUITY\NET ASSETS				
Total Fund Equity\Net Assets	(6,367,970)	45,344,192	25,276	39,001,498
Total Liabilities, Equity and Other Credits	\$ 22,322,340	\$ 65,646,592	\$ (4,390,078)	\$ 83,578,854

See auditor's 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, 2011

	Total Governmental Funds	Long-term Revenue, Expenses	Capital Related Items	Long-term Debt Transactions	Statement of Activities Totals
REVENUES					
Real property taxes	\$ 18,092,281	\$ -	\$ -	\$ -	\$ 18,092,281
Other tax items	3,802,452	-	-	-	3,802,452
Charges for services	313,530	7,673	-	-	321,203
Use of money and property	267,111	-	-	-	267,111
Sale of property and compensation for loss	9,271	-	-	-	9,271
Miscellaneous	360,650	-	-	-	360,650
Local sources	30,997	-	-	-	30,997
State sources	18,943,592	-	-	-	18,943,592
Federal sources	3,160,377	-	-	-	3,160,377
Sales - school lunch	739,696	-	-	-	739,696
Total Revenues	45,719,957	7,673	-	-	45,727,630
EXPENDITURES\EXPENSES					
General support	4,386,172	-	-	-	4,386,172
Instruction	25,060,190	125,163	(28,355)	-	25,156,998
Pupil transportation	2,106,144	-	-	-	2,106,144
Community services	1,625	-	-	-	1,625
Employee benefits	9,004,003	961,273	-	-	9,965,276
Debt service-Principal	2,468,016	-	-	(2,468,016)	-
- Interest	1,289,889	(139,624)	-	-	1,150,265
Cost of sales	1,130,694	-	-	-	1,130,694
Capital outlay	1,745,811	-	(1,745,811)	-	-
Depreciation	-	-	1,884,613	-	1,884,613
Total Expenditures	47,192,544	946,812	110,447	(2,468,016)	45,781,787
Excess (Deficiency) of Revenues Over Expenditures	(1,472,587)	(939,139)	(110,447)	2,468,016	(54,157)
OTHER SOURCES AND USES					
Premium on obligations	139,371	-	-	-	139,371
Bond anticipation notes redeemed	145,000	-	-	(145,000)	-
Proceeds from debt	380,328	-	-	(380,328)	-
Operating transfers in	3,581,666	(3,581,666)	-	-	-
Operating transfers (out)	(3,581,666)	3,581,666	-	-	-
Total Other Sources (Uses)	664,699	-	-	(525,328)	139,371
Net Change for the Year	\$ (807,888)	\$ (939,139)	\$ (110,447)	\$ 1,942,688	\$ 85,214

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

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT
BALANCE SHEET- GOVERNMENTAL FUNDS
June 30, 2011

	General	Special Aid	School Lunch	Debt Service	Capital Projects	Total Governmental Funds
ASSETS						
Unrestricted cash	\$ 8,812,674	\$ 73,482	\$ 50,774	\$ 1,282,072	\$ 2,243,711	\$ 12,462,713
Restricted cash	3,020,032	-	-	-	-	3,020,032
State and federal aid receivable	746,430	829,485	35,885	-	257,850	1,869,650
Due from other governments	487,679	-	-	-	-	487,679
Accounts receivable, net	41,760	-	-	-	-	41,760
Due from other funds	695,486	-	209,393	1,986,363	1,500,000	4,391,242
Inventories	-	-	49,264	-	-	49,264
Total Assets	<u>\$ 13,804,061</u>	<u>\$ 902,967</u>	<u>\$ 345,316</u>	<u>\$ 3,268,435</u>	<u>\$ 4,001,561</u>	<u>\$ 22,322,340</u>
LIABILITIES						
Accounts payable	\$ 206,181	\$ 9,827	\$ -	\$ -	\$ 18,588	\$ 234,596
Accrued liabilities	1,105,920	2,543	10,186	-	-	1,118,649
Bond anticipation note payable	-	-	-	-	20,641,950	20,641,950
Due to other governments	-	-	98	-	-	98
Due to other funds	3,809,661	694,323	-	-	8,827	4,512,811
Due to teachers' retirement system	1,838,633	-	-	-	-	1,838,633
Due to employees' retirement system	190,633	-	-	-	-	190,633
Deferred revenue	25,276	110,163	17,501	-	-	152,940
Total Liabilities	<u>7,176,304</u>	<u>816,856</u>	<u>27,785</u>	<u>-</u>	<u>20,669,365</u>	<u>28,690,310</u>
FUND BALANCES						
Non-spendable	-	-	49,264	-	-	49,264
Restricted	3,020,032	86,111	-	3,268,435	541,174	6,915,752
Assigned	1,896,473	-	268,267	-	-	2,164,740
Unassigned	1,711,252	-	-	-	(17,208,978)	(15,497,726)
Total Fund Balances	<u>6,627,757</u>	<u>86,111</u>	<u>317,531</u>	<u>3,268,435</u>	<u>(16,667,804)</u>	<u>(6,367,970)</u>
Total Liabilities and Fund Balances	<u>\$ 13,804,061</u>	<u>\$ 902,967</u>	<u>\$ 345,316</u>	<u>\$ 3,268,435</u>	<u>\$ 4,001,561</u>	<u>\$ 22,322,340</u>

See auditor's 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, 2011

	General	Special Aid	School Lunch	Debt Service	Capital Projects	Total Governmental Funds
REVENUES						
Real property taxes	\$ 18,092,281	\$ -	\$ -	\$ -	\$ -	\$ 18,092,281
Other tax items	3,802,452	-	-	-	-	3,802,452
Charges for services	313,530	-	-	-	-	313,530
Use of money and property	247,343	-	270	19,498	-	267,111
Sale of property and compensation for loss	9,271	-	-	-	-	9,271
Miscellaneous	360,518	-	132	-	-	360,650
Local sources	-	30,997	-	-	-	30,997
State sources	18,420,944	234,126	30,672	-	257,850	18,943,592
Federal sources	1,048,029	1,594,243	518,105	-	-	3,160,377
Sales	-	-	739,696	-	-	739,696
Total Revenues	<u>42,294,368</u>	<u>1,859,366</u>	<u>1,288,875</u>	<u>19,498</u>	<u>257,850</u>	<u>45,719,957</u>
EXPENDITURES						
General support	4,386,172	-	-	-	-	4,386,172
Instruction	23,286,739	1,773,451	-	-	-	25,060,190
Pupil transportation	2,029,272	76,872	-	-	-	2,106,144
Community services	1,625	-	-	-	-	1,625
Employee benefits	8,887,241	-	116,762	-	-	9,004,003
Debt service-Principal	2,468,016	-	-	-	-	2,468,016
- Interest	1,072,832	-	-	217,057	-	1,289,889
Cost of sales	-	-	1,130,694	-	-	1,130,694
Capital outlay	-	-	-	-	1,745,811	1,745,811
Total Expenditures	<u>42,131,897</u>	<u>1,850,323</u>	<u>1,247,456</u>	<u>217,057</u>	<u>1,745,811</u>	<u>47,192,544</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>162,471</u>	<u>9,043</u>	<u>41,419</u>	<u>(197,559)</u>	<u>(1,487,961)</u>	<u>(1,472,587)</u>
OTHER SOURCES AND USES						
Premium on obligations	-	-	-	139,371	-	139,371
Bond anticipation notes redeemed	-	-	-	-	145,000	145,000
Proceeds from debt	-	-	-	-	380,328	380,328
Operating transfers in	10,442	58,532	-	1,977,445	1,535,247	3,581,666
Operating transfers (out)	(3,542,724)	(28,500)	(10,442)	-	-	(3,581,666)
Total Other Sources (Uses)	<u>(3,532,282)</u>	<u>30,032</u>	<u>(10,442)</u>	<u>2,116,816</u>	<u>2,060,575</u>	<u>664,699</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other (Uses)	<u>(3,369,811)</u>	<u>39,075</u>	<u>30,977</u>	<u>1,919,257</u>	<u>572,614</u>	<u>(807,888)</u>
Fund Equity (Deficit)- Beginning of year	<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>
Fund Equity (Deficit)- End of year	<u>\$ 6,627,757</u>	<u>\$ 86,111</u>	<u>\$ 317,531</u>	<u>\$ 3,268,435</u>	<u>\$ (16,667,804)</u>	<u>\$ (6,367,970)</u>

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

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS- FIDUCIARY FUNDS
June 30, 2011

	<u>Private Purpose Trusts</u>	<u>Agency</u>
ASSETS		
Cash	\$ 22,139	\$ 848,565
Due from governmental funds	<u>122,733</u>	<u>-</u>
Total Assets	<u><u>\$ 144,872</u></u>	<u><u>\$ 848,565</u></u>
 LIABILITIES		
Extraclassroom activity balances	\$ -	\$ 94,625
Due to governmental funds	-	1,164
Other liabilities	<u>-</u>	<u>752,776</u>
Total Liabilities	<u>-</u>	<u><u>\$ 848,565</u></u>
 NET ASSETS		
Reserved for scholarships	<u><u>\$ 144,872</u></u>	

See auditor's 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, 2011

	Private Purpose Trusts
	<u> </u>
ADDITIONS	
Contributions	\$ 6,355
Interest	<u>645</u>
Total Additions	<u>7,000</u>
 DEDUCTIONS	
Scholarships and awards	<u>9,306</u>
Change in Net Assets	(2,306)
 Net Assets - Beginning of year	<u>147,178</u>
 Net Assets - End of year	<u><u>\$ 144,872</u></u>

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

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

The financial statements of 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.

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

I. Summary of Significant Accounting Policies (Continued)

B. Joint Venture

The Rotterdam-Mohonasen Central School District is one of 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). In addition, component districts pay tuition or a service fee for programs in which its students participate.

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

During the year ended June 30, 2011, the Rotterdam-Mohonasen Central School District was billed \$2,862,608 for BOCES administrative and program costs. The District's share of BOCES Aid amounted to \$1,048,328. 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 (Continued)

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 auditor's report.

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

I. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

2. Fund Financial Statements (Continued)

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.

See auditor's report.

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

I. Summary of Significant Accounting Policies (Continued)

D. Measurement Focus and Basis of Accounting (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 became a lien on August 16, 2010. 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

Certain infrastructure capital assets are accounted for using the modified approach permitted for eligible assets under GASB 34. The modified approach requires that an asset management system be established which assures that an expenditure amount sufficient to preserve the assets in good condition for proper and efficient functioning is budgeted each year in lieu of depreciation. Accordingly, all expenditures made for those assets, other than additions and improvements that increase capacity or efficiency, are charged to expense in the period incurred instead of calculating depreciation. The school district is required to conduct a condition assessment of these assets at least once every three years.

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 auditor's report.

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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.

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 costs of these benefits are being amortized.

See auditor's report.

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

I. Summary of Significant Accounting Policies (Continued)

Q. Short-Term Debt

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

R. Equity Classifications

1. Districtwide Statements

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

Invested in capital assets, net related debt- consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, constructions or improvements of those assets.

Restricted net assets- reports net assets when constraints placed on the assets are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

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

2. Funds Statements

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

Non-spendable fund balance- Includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Non-spendable fund balance includes the inventory recorded in the School Lunch Fund of \$49,264 .

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

1. Tax Certiorari

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

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

I. Summary of Significant Accounting Policies (Continued)

R. Equity Classifications (Continued)

2. Employee Benefit Accrued Liability

This reserve is used to reserve funds for the payment of an accrued employee benefit 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.

3. Unemployment Insurance

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

4. Debt Service

This reserve 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.

5. Employee Retirement Contributions

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

6. Encumbrances

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

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

I. Summary of Significant Accounting Policies (Continued)

R. Equity Classifications (Continued)

2. Funds Statements (Continued)

Restricted fund balance includes the following:

General Fund:	
Employee Benefit Accrued Liability	\$ 468,701
Unemployment Insurance	324,420
Retirement Contributions	975,000
Tax Certiorari	1,251,911
Capital Fund	541,174
Debt Service Fund	3,268,435
Special Aid Fund	86,111
	<hr/>
Total restricted funds	<u>\$ 6,915,752</u>

Committed- Includes amounts that can only be used for the specific purposes pursuant to constraints imposed by formal action of the School District's highest level of decision making, the Board of Education. The School District has no committed fund balances as of June 30, 2011.

Assigned- Includes amounts that are constrained by the School District's intent to be used for specific purposes, but are neither restricted nor committed. All encumbrances of the General Fund are classified as **Assigned Fund Balance** in the General Fund. Encumbrances reported in the General Fund amounted to \$896,473.

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

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

Order of Use of Fund Balance:

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

See auditor's report.

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

I. Summary of Significant Accounting Policies (Continued)

S. 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.

T. New Accounting Standards

The District has adopted all current Statements of the Governmental Accounting Standards Board (GASB) that are applicable. As of June 30, 2011, the District has 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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

I. Summary of Significant Accounting Policies (Continued)

T. New Accounting Standards (Continued)

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.

3. GASB Statement 54, Fund Balance Reporting and Governmental Fund Type Definitions

GASB Statement 54 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 has implemented this Statement.

4. GASB Statement 51, Accounting and Reporting for Intangible Assets

GASB Statement 51 improves financial reporting by reducing inconsistencies that have developed in accounting and financial reporting for intangible assets.

II. Explanation of Certain Differences Between Governmental Fund Statements and Districtwide Statements

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

1. Total Fund Balances of Governmental Funds vs. Net 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.

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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

b. Capital related differences:

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

c. Long-term debt transaction differences:

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

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>\$ 94,180,004</u>
Accumulated depreciation	<u>\$ 28,533,412</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>\$ 16,468,074</u>
OPEB obligation	<u>\$ 3,236,971</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 \$1,884,613 was more than capital expenditures of \$1,774,166 in the current year.

Repayment of bond principal of \$2,323,016 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 decreased in the Statement of Activities by \$139,624.

See auditor's report.

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

III. Cash and Investments

A. Deposits

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

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

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

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, 2011, the School District held \$111,931 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, 2011, are as follows:

	Interfund		Interfund	
	Receivable	Payable	Revenues	Expenditures
General Fund	\$ 695,486	\$ 3,809,661	\$ 10,442	\$ 3,542,724
Special Aid Fund	-	694,323	58,532	28,500
School Lunch Fund	209,393	-	-	10,442
Capital Fund	1,500,000	8,827	1,535,247	-
Debt Service Fund	1,986,363	-	1,977,445	-
Total governmental activities	4,391,242	4,512,811	\$ 3,581,666	\$ 3,581,666
Fiduciary Agency Fund	122,733	1,164		
Totals	\$ 4,513,975	\$ 4,513,975		

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

See auditor's report.

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

V. Capital Assets

A summary of changes in general fixed assets follows:

	Balance 7/1/2010	Additions	Deletions	Balance 6/30/2011
<u>Capital assets that are not depreciated:</u>				
Land	\$ 282,045	\$ 6,747	\$ -	\$ 288,792
Construction in Progress	17,307,366	1,358,736	-	18,666,102
Total capital assets that are not depreciated	17,589,411	1,365,483	-	18,954,894
<u>Other capital assets:</u>				
Buildings and improvements	65,396,397	-	-	65,396,397
Machinery and equipment	5,027,427	28,355	-	5,055,782
Buses	4,663,028	380,328	270,425	4,772,931
Total other capital assets	75,086,852	408,683	270,425	75,225,110
<u>Less accumulated depreciation:</u>				
Buildings and improvements	19,205,949	1,325,734	-	20,531,683
Machinery and equipment	4,676,272	58,202	-	4,734,474
Buses	3,037,003	500,677	270,425	3,267,255
Total accumulated depreciation	26,919,224	1,884,613	270,425	28,533,412
Other capital assets, net	48,167,628	(1,475,930)	-	46,691,698
Total	\$ 65,757,039	\$ (110,447)	\$ -	\$ 65,646,592

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 auditor's 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. Those joining after December 31, 2009 are required to contribute 3.5% of their salary throughout active membership. Employers are required to contribute at an actuarially determined rate. Rates applicable to the fiscal years ended June 30, 2011, 2010, and 2009 were 8.62%, 6.19%, and 7.63%. For the New York State and Local Employees' Retirement System, Chapter 126 of the laws of 2000 provide for the cessation of the 3% employee contribution for those Tier 3 and 4 members who, as of October 1, 2001, have either 10 years of membership or credited service. Members who joined after December 31, 2009 are required to contribute 3% of their salary throughout active membership.

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

Year	ERS	TRS
2011	\$ 498,185	\$ 1,323,602
2010	\$ 337,873	\$ 1,470,575
2009	\$ 358,411	\$ 1,599,160

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

See auditor's report.

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

VII. Short-Term Debt Obligations

	Maturity Date	Interest Rate	Balance 7/1/2010	Additions	Deletions	Balance 6/30/2011
BANS	2010	2.00%	\$ 20,786,950	\$ -	\$ 20,786,950	\$ -
BANS	2011	0.57%	-	3,000,000	-	3,000,000
BANS	2011	1.50%	-	17,641,950	-	17,641,950
			<u>\$ 20,786,950</u>	<u>\$ 20,641,950</u>	<u>\$ 20,786,950</u>	<u>\$ 20,641,950</u>

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

Interest Paid	\$ 198,682
Less interest accrued in the prior year	(395,233)
Plus interest accrued in the current year	<u>274,782</u>
Total expense	<u>\$ 78,231</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	\$ 874,150
Less interest accrued in the prior year	(216,583)
Plus interest accrued in the current year	<u>197,410</u>
Total expense	<u>\$ 854,977</u>

2. Changes

	Balance 7/1/2010	Additions	Deletions	Balance 6/30/2011	Due Within One Year
Serial Bonds	\$ 18,410,762	\$ 380,328	\$ 2,323,016	\$ 16,468,074	<u>\$ 2,234,293</u>
Compensated Absences	-	125,163	-	125,163	
OPEB Obligations	2,275,698	961,273	-	3,236,971	
Totals	<u>\$ 20,686,460</u>	<u>\$ 1,466,764</u>	<u>\$ 2,323,016</u>	<u>\$ 19,830,208</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 6/30/2011
Serial Bonds:	Construction	1998	2031	5.25-5.75%	\$ 7,352,000
	Construction	2002	2032	5.25-5.75%	1,072,000
	Construction	2005	2021	3.5-3.9%	3,135,000
	Construction	2006	2027	4.2-4.375%	3,770,000
	Buses	2008	2013	2.84%	246,496
	Buses	2009	2014	2.95%	512,250
	Buses	2010	2015	2.35%	<u>380,328</u>
Total					<u>\$ 16,468,074</u>

See auditor's report.

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

VIII. Long-Term Debt Obligations (Continued)

3. Maturity (Continued)

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

Year	Principal	Interest	Total
2012	\$ 2,234,293	\$ 776,310	\$ 3,010,603
2013	2,328,293	672,118	3,000,411
2014	2,443,294	555,084	2,998,378
2015	2,479,128	432,008	2,911,136
2016	2,473,066	304,850	2,777,916
2017 and thereafter	4,510,000	855,614	5,365,614
Total	<u>\$ 16,468,074</u>	<u>\$ 3,595,984</u>	<u>\$ 20,064,058</u>

IX. Postemployment (Health Insurance) Benefits

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

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

The District recognizes the cost of providing health insurance annually as expenditures in the General Fund of the funds financial statements as payments are made. For the year ended June 30, 2011 the District recognized \$1,166,039 for its share of insurance premiums for currently enrolled retirees.

The District has obtained an actuarial valuation report as of June 30, 2011 which indicates that the total liability for other postemployment benefits is \$3,236,971, which is reflected in the Statement of Net Assets.

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

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

IX. Postemployment (Health Insurance) Benefits (Continued)

1. Annual OPEB Cost and Net OPEB Obligation

The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. 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	\$ 2,098,762
Interest on net OPEB obligation	113,785
Adjustment to annual required contribution	(85,235)
Annual OPEB cost (expense)	2,127,312
Contributions made	1,166,039
Increase in net OPEB obligation	961,273
Net OPEB obligation-beginning of year	2,275,698
Net OPEB obligation-end of year	\$ 3,236,971

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2011:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2009	\$ 1,987,700	46.80%	\$ 1,058,117
6/30/2010	\$ 2,108,605	42.25%	\$ 1,217,581
6/30/2011	\$ 2,127,312	54.80%	\$ 961,273

2. Funded Status and Funding Progress

As of June 30, 2011, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$24,051,998, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability(UAAL) of \$24,051,998. The covered payroll (annual payroll of active employees covered by the plan) was \$16,600,000, and the ratio of the UAAL to the covered payroll was 144.9%. 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 multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

See auditor's report.

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

IX. Postemployment (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 July 1, 2010, 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 7%, respectively initially, reduced by decrements to an ultimate rate of 6% after 1 year. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a 30-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2011, was 27 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, 2011 was approximately \$128,965. The future non-cancelable operating lease payments are as follows:

<u>Year-Ended</u>	<u>Lease Payments</u>
2012	\$ 94,634
2013	71,539
2014	67,267
	<u>\$ 233,440</u>

See auditor's 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.

D. Other Items

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

XI. Other Disclosures

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

Total governmental fund balance	\$ (6,367,970)
Capital assets, (net)	65,646,592
Bonds payable	(16,468,074)
Accrued interest	(472,192)
OPEB obligations	(3,236,971)
Compensated absences	(125,163)
Deferred revenues	25,276
Total net assets	<u>\$ 39,001,498</u>

See auditor's report.

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

XI. Other Disclosures (Continued)

B. 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	\$ (807,888)
Capital outlays are expenditures in governmental funds, but are capitalized in the Statement of Net Assets.	1,774,166
Depreciation is not recorded as an expenditure in the governmental funds, but is recorded in the Statement of Activities.	(1,884,613)
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.	2,468,016
Interest is recognized as an expense in governmental funds when paid. For governmental activities interest expense is recognized as it accrues. The decrease in accrued interest during 2010/11 results in less expense.	139,624
Certain revenues deferred in the Governmental Funds, must be recognized in the Statement of Activities.	7,673
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)	(961,273)
(Compensated absences)	(125,163)
Proceeds from debt are recognized as revenue in the Governmental Funds, but not in the Statement of Activities.	(525,328)
Change in Net Assets- Governmental Activities	<u>\$ 85,214</u>

XII. Stewardship, Compliance and Accountability

The Capital Fund had a deficit fund balance at June 30, 2011 in the amount of \$16,667,804. This will be funded when the District obtains permanent financing for the ongoing Capital Project.

Encumbrance accounting is used for budget control and monitoring purposes and is reported as a part of the governmental funds. Under this method, purchase orders, contracts and other commitments for the expenditure of monies are recorded to reserve applicable appropriations. Outstanding encumbrances as of year end are presented as reservations of fund balance and do not represent expenditures or liabilities. These commitments will be honored in the subsequent period. Related expenditures are recognized at that time as the liability is incurred or the commitment is paid.

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

XIII. Additional Disclosures

Interfund Transfer

The 2010-2011 interfund transfer budget was increased as follows:

Original Budget	\$ 105,000
Revisions:	
Capital Reserve-Land	1,506,747
Debt Service	1,977,445
Revised Budget	<u>\$ 3,589,192</u>

XIV. Subsequent Event

On July 7, 2011, the School District issued a bond anticipation note totaling \$20,131,950. The note is to be used to cover expenditures in the Capital Projects until bonds are issued.

See auditor's report.

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT
SCHEDULE OF REVENUES COMPARED TO BUDGET- GENERAL FUND
For Year Ended June 30, 2011

	Original Budget	Revised Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Local Sources				
Real property taxes	\$ 18,187,865	\$ 18,187,865	\$ 18,092,281	\$ (95,584)
Other tax items	3,842,411	3,842,411	3,802,452	(39,959)
Charges for services	281,425	286,730	313,530	26,800
Use of money and property	272,250	272,250	247,343	(24,907)
Sale of property and compensation for loss	-	-	9,271	9,271
Miscellaneous	81,000	153,124	360,518	207,394
Total Local Sources	<u>22,664,951</u>	<u>22,742,380</u>	<u>22,825,395</u>	<u>83,015</u>
State sources	17,644,190	17,644,190	18,420,944	776,754
Federal sources	1,008,029	1,008,029	1,048,029	40,000
Total Revenues	<u>41,317,170</u>	<u>41,394,599</u>	<u>42,294,368</u>	<u>899,769</u>
Other Financing Sources				
Operating transfers in	553,000	553,000	10,442	(542,558)
Total Revenue and Other Financing Sources	<u>41,870,170</u>	<u>41,947,599</u>	<u>42,304,810</u>	<u>\$ 357,211</u>
Appropriated Fund Balance	850,000	2,412,530		
Appropriated Reserves	<u>-</u>	<u>4,017,711</u>		
Total Revenues, Other Sources, Appropriated Reserves and Fund Balance	<u>\$ 42,720,170</u>	<u>\$ 48,377,840</u>		

See auditor's report.

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES, OTHER USES AND ENCUMBRANCES COMPARED TO BUDGET-
GENERAL FUND
For Year Ended June 30, 2011

	Original Budget	Revised Budget	Actual	Encumbrances	Variance Favorable (Unfavorable)
EXPENDITURES					
General Support					
Board of education	\$ 33,610	\$ 36,868	\$ 33,891	\$ -	\$ 2,977
Central administration	234,075	235,551	233,385	-	2,166
Finance	538,121	534,197	509,059	-	25,138
Staff	254,950	277,698	237,497	12,043	28,158
Central services	2,554,368	2,898,139	2,428,443	292,005	177,691
Special items	568,650	1,037,960	943,896	18,727	75,337
Total General Support	4,183,774	5,020,413	4,386,171	322,775	311,467
Instructional					
Instruction, administration and improvement	1,976,029	1,979,832	1,861,245	-	118,587
Teaching - regular school	14,177,557	14,434,356	13,793,590	144,210	496,556
Programs for children with handicapping conditions	3,601,954	3,843,689	3,534,395	188,484	120,810
Occupational education	645,650	645,142	623,838	-	21,304
Teaching - special school	218,459	239,240	237,890	-	1,350
Instructional media	1,145,247	1,163,075	1,096,658	1,066	65,351
Pupil services	2,183,634	2,233,964	2,139,123	22,678	72,163
Total Instructional	23,948,530	24,539,298	23,286,739	356,438	896,121
Pupil transportation	2,192,062	2,275,341	2,029,272	74,902	171,167
Community services	3,250	3,250	1,625	-	1,625
Employee benefits	9,059,114	9,210,574	8,887,241	-	323,333
Debt Service					
Principal	2,155,824	2,468,474	2,468,016	-	458
Interest	1,072,616	1,271,298	1,072,832	142,358	56,108
Total Expenditures	42,615,170	44,788,648	42,131,896	896,473	1,760,279
OTHER USES					
Operating transfers out	105,000	3,589,192	3,542,724	-	46,468
Total Expenditures and Other Uses	\$ 42,720,170	\$ 48,377,840	45,674,620	\$ 896,473	\$ 1,806,747
Net change in fund balance			(3,369,811)		
Fund balance- Beginning			9,997,568		
Fund balance- Ending			\$ 6,627,757		

See auditor's 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, 2011

Original Budget	\$ 42,720,170
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Additions:

Prior year's encumbrances	\$ 1,562,531	
Budget revisions- Reserves	4,017,711	
- Distance Learning	47,561	
- Drama	24,062	
- Donations	500	
- Summer School	5,305	
	<u>5,305</u>	<u>5,657,670</u>

Revised Budget	<u><u>\$ 48,377,840</u></u>
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USE OF UNRESERVED FUND BALANCE

Unreserved Fund Balance - As of the beginning of the year	\$ 2,559,355
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Designated fund balance used for the levy of taxes - Original budget	<u>850,000</u>
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Undesignated Fund Balance - As of the beginning of the year	<u><u>\$ 1,709,355</u></u>
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See auditor's report.

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT
SCHEDULE OF PROJECT EXPENDITURES- CAPITAL PROJECTS FUND
For Year Ended June 30, 2011

PROJECT TITLE	Original Budget	Revised Budget	Expenditures			Unexpended Balance	Proceeds of Obligations	Revenues			Fund Balance June 30, 2011
			Prior Years	Current Year	Total			NYS Sources	Local Sources	Total	
Buses	\$ 380,328	\$ 380,328	\$ -	\$ 380,328	\$ 380,328	\$ -	\$ 380,328	\$ -	\$ -	\$ 380,328	\$ -
Excel Project	21,881,000	21,881,000	17,307,366	1,340,759	18,648,125	3,232,875	145,000	66,945	-	211,945	(18,436,180)
NYSERDA Project	286,500	286,500	-	17,977	17,977	268,523	-	257,850	28,500	286,350	268,373
Land	75,000	1,581,747	75,000	6,747	81,747	1,500,000	-	-	1,581,747	1,581,747	1,500,000
Totals	<u>\$ 22,622,828</u>	<u>\$ 24,129,575</u>	<u>\$ 17,382,366</u>	<u>\$ 1,745,811</u>	<u>\$ 19,128,177</u>	<u>\$ 5,001,398</u>	<u>\$ 525,328</u>	<u>\$ 324,795</u>	<u>\$ 1,610,247</u>	<u>\$2,460,370</u>	<u>\$ (16,667,807)</u>

See auditor's report.

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT
SCHEDULE OF CERTAIN REVENUES AND EXPENDITURES COMPARED TO ST-3 DATA
For Year Ended June 30, 2011

	<u>Code</u>	<u>ST-3 Amount</u>	<u>Audited Amount</u>
REVENUES			
Real Property Taxes	A -1001	\$ 18,092,281	\$ 18,092,281
Non-Property Taxes	AT-1199	\$ -	\$ -
State Aid	AT-3999	\$ 18,420,944	\$ 18,420,944
Federal Aid	AT-4999	\$ 1,048,029	\$ 1,048,029
Total Revenues	AT-5999	\$ 42,304,810	\$ 42,304,810
EXPENDITURES			
General Support	AT-1999	\$ 4,386,171	\$ 4,386,171
Pupil Transportation	AT-5599	\$ 2,029,273	\$ 2,029,272 *
Debt Service - Principal	AT-9798.6	\$ 2,468,016	\$ 2,468,016
Debt Service - Interest	AT-9798.7	\$ 1,072,832	\$ 1,072,832
Total Expenditures	AT-9999	\$ 45,674,620	\$ 45,674,620

*- Rounding

See auditor's report.

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT
SCHEDULE OF INVESTMENT IN CAPITAL ASSETS, NET OF RELATED DEBT
FOR THE YEAR ENDED JUNE 30, 2011

Capital assets, net		\$ 65,646,592
Deduct:		
Bond anticipation notes payable	\$ 20,641,950	
Short-term portion of bonds payable	2,234,293	
Long-term portion of bonds payable	14,233,781	
Less: unspent bond proceeds	<u>-</u>	<u>37,110,024</u>
Investment in capital assets, net of related debt		<u>\$ 28,536,568</u>

See auditor's report.

RAYMOND G. PREUSSER, CPA, P.C.

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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, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated September 6, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting:

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 auditor's report.

Internal Control Over Financial Reporting: (Continued)

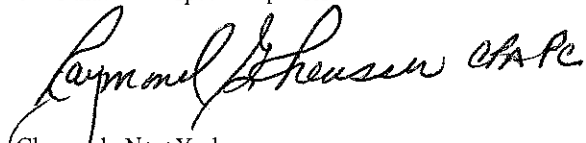
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material 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 6, 2011

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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, 2011, 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 auditor's 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 6, 2011 on the financial statements of the Rotterdam-Mohonasen Central School District. We will review the status of these comments during our next audit engagement. Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the internal control or result in other operating efficiencies.

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:

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 testing of the invoice process, we noted that the Claims Auditor simply affixes her initials to the invoices as approval. Some of these signings were not always legible as being her initials. As the Claims Auditor's function is extremely important, we suggest that the District perhaps have a stamp prepared whereby the Claims Auditor would affix her name, amount approved for payment and date approved, thus leaving no doubt of her approval.

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.

Payroll Procedures:

The preparation of accurate payroll is an extremely important process for any school district.

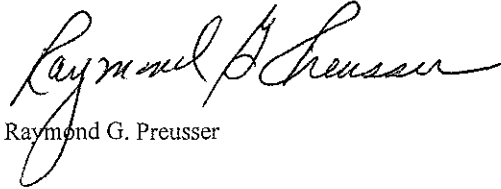
An important control procedure is for the District to obtain signed salary agreements from all employees so that all are in agreement as to the correct salary.

It was noted during our audit, that while the District is preparing salary agreements, they are not being signed by the employee. We recommend that the District design a plan for these salary agreements to be signed and returned by all employees, thus verifying their salary.

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.

A handwritten signature in cursive script, reading "Raymond G. Preusser".

Raymond G. Preusser

RGP/srp

ROTTERDAM-MOHONASEN CENTRAL
SCHOOL DISTRICT

FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2011

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT

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

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 the Rotterdam-Mohonasen Central School District's major federal programs for the year ended June 30, 2011. 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 of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and 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, the 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, 2011.

Internal Control Over Compliance

The management of the 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 the Rotterdam-Mohonasen Central School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine 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 the 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.

Schedule of Expenditures of Federal Awards

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, 2011, and have issued our report thereon dated September 6, 2011 which contained an unqualified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the Rotterdam-Mohonasen Central School District's financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

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 these specified parties.

Handwritten signature of Raymond J. Chausse in cursive script.

Claverack, New York
September 6, 2011

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011

<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	0032-11-0834	\$ 577,943
IDEA, Part B, Sec. 611	84.027A	0032-10-0834	34,957
ARRA-IDEA, Part B, Sec. 611	84.391A	5032-11-0834	351,038
ARRA-IDEA, Part B, Sec. 611	84.391A	5032-10-0834	120
IDEA, Preschool, Sec. 619	84.173A	0033-11-0834	25,385
IDEA, Preschool, Sec. 619	84.173A	0033-10-0834	3,609
ARRA-IDEA, Preschool, Sec. 619	84.392A	5033-11-0834	<u>16,424</u>
Total Special Education Cluster			<u>1,009,476</u>
<u>Title I Part A Cluster:</u>			
Title I	84.010A	0021-11-2750	338,648
Title I	84.010A	0021-10-2750	3,187
ARRA-Title I	84.389A	5021-11-2750	<u>68,421</u>
Total Title I Part A Cluster			<u>410,256</u>
ARRA-Education Stabilization Fund	84.394	5000-11-2750	1,008,029
ARRA-Race to the Top	84.395A	5500-11-2750	5,703
Title IV, Drug Free	84.186A	0180-10-2750	605
Title II D	84.318X	0292-10-2750	1,792
Title II A	84.367A	0147-11-2750	109,463
Title II A	84.367A	0147-10-2750	<u>14,383</u>
Total U.S. Department of Education			<u>2,559,707</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		104,002
National School Lunch Program	10.555		<u>347,562</u>
Cash assistance subtotal			<u>451,564</u>
Non-Cash Assistance (food distribution)			
National School Lunch Program	10.555		<u>66,541</u>
Non-cash assistance subtotal			<u>66,541</u>
Total U.S. Department of Agriculture Child Nutrition Cluster			<u>518,105</u>
Total Expenditures of Federal Awards			<u>\$ 3,077,812</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, 2011

Note 1. Summary of Certain Significant Accounting Policies:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the 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.

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011

Section I- Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	No

Identification of major programs:

Title I Part A Cluster

 Title I #84.010A

 ARRA-Title I #84.389A

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

ARRA-Race to the Top #84.395A

Child Nutrition Cluster

 National School Lunch Program #10.555

 School Breakfast Program #10.553

 National School Lunch Program (food distribution) #10.555

Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
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Auditee qualified as low-risk auditee?	Yes
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Section II-Financial Statement Findings

None

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2011

Section III-Federal Award Findings and Questioned Costs

None

Section IV-Federal Award Findings Prior Year

None