

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT

FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

Year Ended June 30, 2012

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, 2012, 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 an opinion 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, 2012, 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 August 30, 2012 on our consideration of the Rotterdam-Mohonasen Central School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information and the schedule of funding progress of other postemployment benefits 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 an opinion on the financial statements that collectively comprise the Rotterdam-Mohonasen Central School District's basic financial statements as a whole. The other supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements, but is supplementary information required by the New York State Education Department. The other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in cursive script, reading "Raymond B. Schussan". The signature is written in dark ink and is positioned above the date and location text.

Claverack, New York
August 30, 2012

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT
Management's Discussion and Analysis (MD&A)
June 30, 2012

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, 2012. 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 \$687,016 compared to the 2010-11 reporting period. This change results primarily from the decrease in noncurrent liabilities.

Overview of the Financial Statements

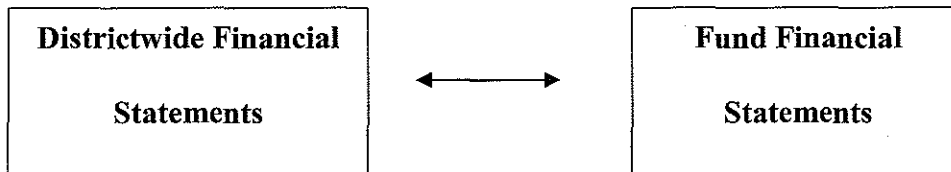
This Management's Discussion and Analysis narrative (required supplemental information) is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) district wide financial statements, 2) fund financial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

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, 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, 2011 and 2012

	Governmental Activities		Variance Increase (Decrease)
	2011	2012	
Current Assets	\$ 17,932,262	\$ 16,928,252	\$ (1,004,010)
Capital Assets	65,646,592	66,084,249	437,657
Total Assets	83,578,854	83,012,501	(566,353)
Current Liabilities	26,981,441	26,762,407	(219,034)
Noncurrent Liabilities	17,595,915	16,561,580	(1,034,335)
Total Liabilities	44,577,356	43,323,987	(1,253,369)
Net Assets:			
Investment in capital assets, net of related debt	28,536,568	31,512,849	2,976,281
Restricted for encumbrances	1,523,758	691,696	(832,062)
Restricted for other specific purposes	6,163,304	3,643,769	(2,519,535)
Restricted for subsequent year's expenditure	1,000,000	2,077,000	1,077,000
Unrestricted	1,777,868	1,763,200	(14,668)
Total Net Assets	\$ 39,001,498	\$ 39,688,514	\$ 687,016

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

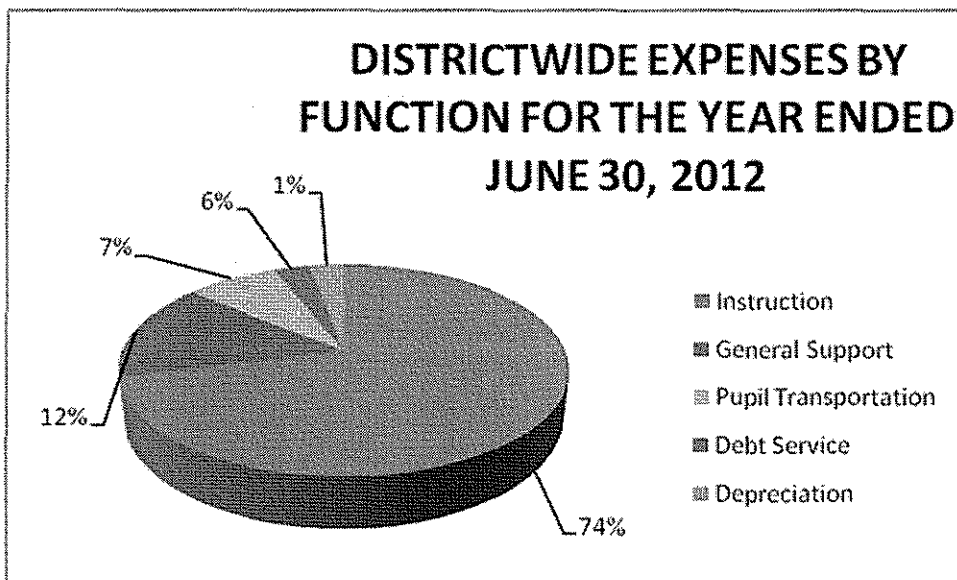
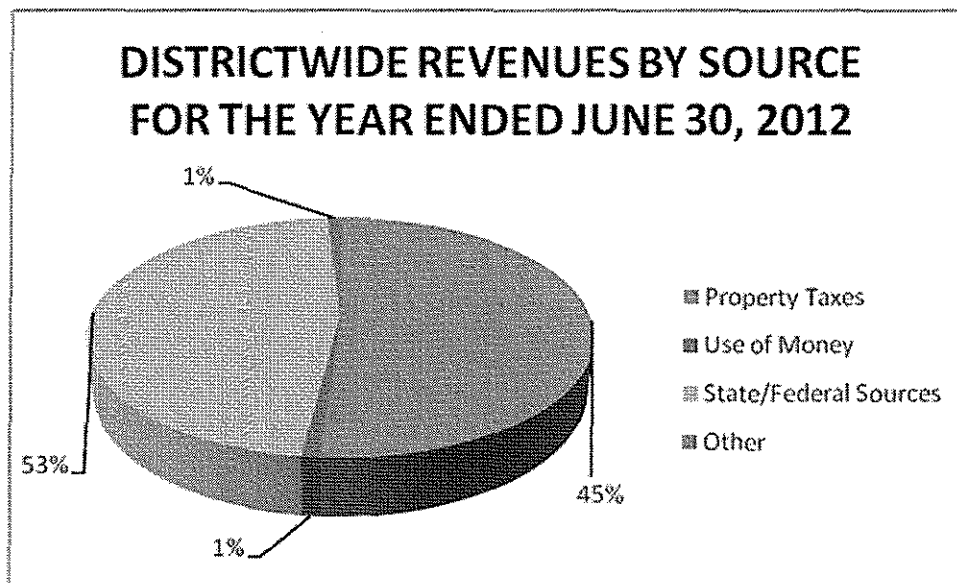
The largest portion of the District's net assets reflects its investment in capital assets (e.g., land, buildings, improvements, machinery, and equipment); less any related outstanding debt used to acquire those assets. The District uses these capital assets to provide educational services. Consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources. Capital assets themselves cannot be used to liquidate these liabilities.

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

**Rotterdam-Mohonasen Central School District's
Changes in Net Assets
For the Years Ended June 30, 2011 and 2012**

	Governmental Activities		Variance Increase (Decrease)
	2011	2012	
<u>Revenues:</u>			
Program Revenues:			
Charges for Services	\$ 1,061,031	\$ 1,111,939	\$ 50,908
Operating Grants and Contributions	3,416,172	3,437,422	21,250
Total Program Revenues	<u>\$ 4,477,203</u>	<u>\$ 4,549,361</u>	<u>\$ 72,158</u>
General Revenues:			
Real Property Taxes	18,092,281	18,536,290	\$ 444,009
Other Tax Items	3,802,452	3,917,520	115,068
Use of Money and Property	267,111	205,826	(61,285)
Sale of Property and Compensation for Loss	9,271	15,870	6,599
Miscellaneous	360,518	283,346	(77,172)
State Sources	18,678,794	17,599,398	(1,079,396)
Federal Sources	40,000	109,053	69,053
Premium on Obligations	139,371	194,877	55,506
Total General Revenues	<u>41,389,798</u>	<u>40,862,180</u>	<u>(527,618)</u>
<u>Expenses:</u>			
Instruction	30,355,957	29,573,418	(782,539)
Support Services:			
General Support	5,218,384	4,848,596	(369,788)
Pupil Transportation	2,734,765	2,749,696	14,931
Community Service	1,749	1,785	36
Debt Service-Interest	1,150,265	1,063,748	(86,517)
Depreciation-Unallocated	1,884,613	1,946,017	61,404
School Lunch	(41,149)	(8,096)	33,053
Total Expenses	<u>41,304,584</u>	<u>40,175,164</u>	<u>(1,129,420)</u>
Change in Net Assets	<u>\$ 85,214</u>	<u>\$ 687,016</u>	<u>\$ 601,802</u>

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



Fund Financial Statements

The fund financial statements provide detailed information about the District's most significant (major) funds.

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

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

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 statements 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, 2012

	Total Governmental Funds
Total Assets	\$ 19,307,337
Total Liabilities	\$ 26,375,125
Fund Balance:	
Non-spendable	\$ 49,686
Restricted	6,493,790
Assigned	3,039,173
Unassigned	(16,650,437)*
Total Fund Balance	\$ (7,067,788)

At the end of the school year, the District's governmental funds reported combined -fund balances of \$(7,067,788) for a net decrease of \$699,818 from the prior year. This decrease represents the net result of the increases and decreases outlined below.

*The negative \$18.2M unassigned balance for the Capital Fund 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 happened in July 2012.

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

	Fund Balance 2011	Fund Balance 2012	Variance Increase (Decrease)
General	\$ 6,627,757	\$ 7,638,408	\$ 1,010,651
School Lunch	317,531	320,162	2,631
Special Aid	86,111	193,746	107,635
Capital	(16,667,804)	(18,212,215)	(1,544,411)
Debt Service	3,268,435	2,992,111	(276,324)
Totals	\$ (6,367,970)	\$ (7,067,788)	\$ (699,818)

By law, school districts are only allowed to retain 4% of the subsequent year's general fund budget as unreserved or unassigned fund balance. The unassigned fund balance in the General Fund totals \$1,763,198 which is 4% of the 2012-13 General Fund Budget of \$44 million. The assigned fund balance of \$2,768,697 is composed of \$691,697 for encumbrances, \$827,000 for debt payments and \$1,250,000 as revenue to support the 2012-13 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 2011-12 school year, the voters of the District approved a budget of \$42,904,561. That budget was subsequently increased by \$1,042,076. Approximately 86% of the increase or \$896,473 represents encumbrances carried over from the prior school year. The other major increase of \$66,265 was the result of reserve activities such as employee benefit accruals, tax certiorari claims and unemployment insurance claims. The additional \$79,338 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 a special legislative grant (\$30,000) received by the District.

The District considers the results achieved regarding the 2011-12 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, 2012 is as follows:

	<u>June 30, 2012</u>
Land	\$ 1,652,526
Construction in Progress	19,070,429
Buildings and Improvements	43,742,882
Buses	1,304,005
Machinery and Equipment	<u>314,407</u>
Total	<u>\$66,084,249</u>

The total increase in the District's capital assets (net of accumulated depreciation) for the 2011-12 school year was \$437,657. The increase is attributable primarily to the increase in value of land and construction in progress.

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 \$370,000 in December 2011 to finance the purchase of school buses. The voters of the district authorized the purchase during the annual vote held May 2011. Principal payments on debt issues increased by a net of \$75,608 between June 30, 2011 and June 30, 2012. This was mostly due to the principal due on the bond anticipation note due in July 2011.

The Mohonasen School District has a bond rating of A1 with an underlying rating of A1. The amount of general obligation debt a school district may issue is limited to 10 percent of its total assessed valuation, pursuant to Section 104.00 of the Local Finance Law. The current debt obligation of the district is approximately \$34.5 million dollars as of June 30, 2012, which is well within the stipulated limitation of approximately \$142 million (10% of total assessed value).

Outstanding Long-Term Debt

	<u>2011</u>	<u>2012</u>	<u>Increase (Decrease)</u>
General Obligation Bonds	\$16,468,074	\$14,439,450	\$(2,028,624)
Bond Anticipation Note	20,641,950	20,131,950	(510,000)

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 2011-12 was .652, (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 2011-12 was flat for the third year in a row with a "gap elimination", reduction applied to the general formula.

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.
- 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 \$25,318,829. For the 2011-12 school year, the current liability is reported at \$4,326,920.

The financial audit for the year-end 2011-12 shows that the district was able to maintain the 4% unassigned fund balance allowed by law in the General Fund, 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. A reserve for retirement contributions was established in 2009-10 to help address the expected double digit increases for future mandated retiree contributions. 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 positioned 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 unassigned 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 School Business Administrator
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, 2012

ASSETS

Current Assets:

Unrestricted cash	\$ 9,159,430
Restricted cash	5,348,661
State and federal aid receivable	1,851,316
Due from other governments	469,750
Due from fiduciary funds	5,844
Other receivables, net	43,565
Inventories	49,686
Total Current Assets	<u>16,928,252</u>

Noncurrent Assets:

Capital assets, net depreciation	<u>66,084,249</u>
Total Noncurrent Assets	<u>66,084,249</u>

Total Assets	<u>83,012,501</u>
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LIABILITIES

Current Liabilities:

Accounts payable	238,109
Accrued liabilities	1,554,860
Bonds payable	2,320,128
Bond anticipation note payable	20,131,950
Due to other governments	167
Due to teachers' retirement system	2,102,250
Due to employees' retirement system	191,854
Deferred revenue	99,929
Due to fiduciary funds	123,160
Total Current Liabilities	<u>26,762,407</u>

Long-Term Obligations:

Bonds payable	12,119,322
Compensated absences	115,338
Other post employment benefits payable	4,326,920
Total Long-Term Obligations	<u>16,561,580</u>

Total Liabilities	<u>43,323,987</u>
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NET ASSETS

Investment in capital assets, net of related debt	31,512,849
Restricted	6,493,790
Unrestricted	<u>1,681,875</u>
Total Net Assets	<u>\$ 39,688,514</u>

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

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For Year Ended June 30, 2012

	Expenses	Expenses Allocation	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
			Charges for Services	Operating Grants	
FUNCTIONS/PROGRAMS					
General support	\$ 3,852,704	\$ 995,892	\$ -	\$ -	\$ (4,848,596)
Instruction	23,943,954	8,772,427	363,164	2,779,799	(29,573,418)
Pupil transportation	2,027,599	795,414	-	73,317	(2,749,696)
Community services	1,658	127	-	-	(1,785)
Employee benefits	10,691,241	(10,691,241)	-	-	-
Debt service-Interest	1,063,748	-	-	-	(1,063,748)
Depreciation-unallocated	1,946,017	-	-	-	(1,946,017)
School lunch program	1,197,604	127,381	748,775	584,306	8,096
Total Functions and Programs	<u>\$ 44,724,525</u>	<u>\$ -</u>	<u>\$ 1,111,939</u>	<u>\$ 3,437,422</u>	<u>(40,175,164)</u>
GENERAL REVENUES					
Real property taxes					18,536,290
Other tax items					3,917,520
Use of money and property					205,826
Sale of property and compensation for loss					15,870
Miscellaneous					283,346
State sources					17,599,398
Medicaid reimbursement					109,053
Premium on obligations					194,877
Total General Revenues					<u>40,862,180</u>
Change in Net Assets					687,016
Total Net Assets - Beginning of year					<u>39,001,498</u>
Total Net Assets - End of year					<u>\$ 39,688,514</u>

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

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF
NET ASSETS
June 30, 2012

	Total Governmental Funds	Long-term Assets, Liabilities	Reclassifications and Eliminations	Statement of Net Assets Totals
ASSETS				
Unrestricted cash	\$ 9,159,430	\$ -	\$ -	\$ 9,159,430
Restricted cash	5,348,661	-	-	5,348,661
Accounts receivable, net	43,565	-	-	43,565
Due from other funds	2,384,929	-	(2,384,929)	-
Due from fiduciary funds	-	-	5,844	5,844
State and federal aid receivable	1,851,316	-	-	1,851,316
Due from other governments	469,750	-	-	469,750
Inventories	49,686	-	-	49,686
Land, buildings and equipment (net)	-	66,084,249	-	66,084,249
Total Assets	\$ 19,307,337	\$ 66,084,249	\$ (2,379,085)	\$ 83,012,501
LIABILITIES				
Accounts payable	\$ 238,109	\$ -	\$ -	\$ 238,109
Accrued liabilities	1,076,958	477,902	-	1,554,860
Bond anticipation note payable	20,131,950	-	-	20,131,950
Bonds payable	-	14,439,450	-	14,439,450
Other post employment benefits payable	-	4,326,920	-	4,326,920
Compensated absences	-	115,338	-	115,338
Due to other funds	2,502,245	-	(2,502,245)	-
Due to fiduciary funds	-	-	123,160	123,160
Due to other governments	167	-	-	167
Due to teachers' retirement system	2,102,250	-	-	2,102,250
Due to employees' retirement system	191,854	-	-	191,854
Deferred revenue	131,592	-	(31,663)	99,929
Total Liabilities	26,375,125	19,359,610	(2,410,748)	43,323,987
FUND EQUITY\NET ASSETS				
Total Fund Equity\Net Assets	(7,067,788)	46,724,639	31,663	39,688,514
Total Liabilities, Equity and Other Credits	\$ 19,307,337	\$ 66,084,249	\$ (2,379,085)	\$ 83,012,501

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, 2012

	Total Governmental Funds	Long-term Revenue, Expenses	Capital Related Items	Long-term Debt Transactions	Statement of Activities Totals
REVENUES					
Real property taxes	\$ 18,536,290	\$ -	\$ -	\$ -	\$ 18,536,290
Other tax items	3,917,520	-	-	-	3,917,520
Charges for services	356,777	6,387	-	-	363,164
Use of money and property	205,826	-	-	-	205,826
Sale of property and compensation for loss	15,870	-	-	-	15,870
Miscellaneous	283,427	-	-	-	283,427
Local sources	53,678	-	-	-	53,678
State sources	17,962,182	-	-	-	17,962,182
Federal sources	3,130,013	-	-	-	3,130,013
Sales - school lunch	748,694	-	-	-	748,694
Total Revenues	<u>45,210,277</u>	<u>6,387</u>	<u>-</u>	<u>-</u>	<u>45,216,664</u>
EXPENDITURES\EXPENSES					
General support	3,857,954	-	(5,250)	-	3,852,704
Instruction	24,006,638	(9,825)	(52,859)	-	23,943,954
Pupil transportation	1,967,599	-	60,000	-	2,027,599
Community services	1,658	-	-	-	1,658
Employee benefits	9,601,292	1,089,949	-	-	10,691,241
Debt service-Principal	2,908,624	-	-	(2,908,624)	-
-Interest	1,058,038	5,710	-	-	1,063,748
Cost of sales	1,197,604	-	-	-	1,197,604
Capital outlay	2,385,565	-	(2,385,565)	-	-
Depreciation	-	-	1,946,017	-	1,946,017
Total Expenditures	<u>46,984,972</u>	<u>1,085,834</u>	<u>(437,657)</u>	<u>(2,908,624)</u>	<u>44,724,525</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,774,695)</u>	<u>(1,079,447)</u>	<u>437,657</u>	<u>2,908,624</u>	<u>492,139</u>
OTHER SOURCES AND USES					
Premium on obligations	194,877	-	-	-	194,877
Bond anticipation notes redeemed	510,000	-	-	(510,000)	-
Proceeds from debt	370,000	-	-	(370,000)	-
Operating transfers in	454,282	(454,282)	-	-	-
Operating transfers (out)	(454,282)	454,282	-	-	-
Total Other Sources (Uses)	<u>1,074,877</u>	<u>-</u>	<u>-</u>	<u>(880,000)</u>	<u>194,877</u>
Net Change for the Year	<u>\$ (699,818)</u>	<u>\$ (1,079,447)</u>	<u>\$ 437,657</u>	<u>\$ 2,028,624</u>	<u>\$ 687,016</u>

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

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT
BALANCE SHEET- GOVERNMENTAL FUNDS
June 30, 2012

	General	Special Aid	School Lunch	Debt Service	Capital Projects	Total Governmental Funds
ASSETS						
Unrestricted cash	\$ 5,896,168	\$ 24,664	\$ 215,191	\$ -	\$ 3,023,407	\$ 9,159,430
Restricted cash	3,106,513	-	-	2,242,148	-	5,348,661
State and federal aid receivable	710,195	1,129,296	11,825	-	-	1,851,316
Due from other governments	469,750	-	-	-	-	469,750
Accounts receivable, net	43,565	-	-	-	-	43,565
Due from other funds	1,209,963	3,709	71,294	1,099,963	-	2,384,929
Inventories	-	-	49,686	-	-	49,686
Total Assets	<u>\$ 11,436,154</u>	<u>\$ 1,157,669</u>	<u>\$ 347,996</u>	<u>\$ 3,342,111</u>	<u>\$ 3,023,407</u>	<u>\$ 19,307,337</u>
LIABILITIES						
Accounts payable	\$ 211,006	\$ 27,103	\$ -	\$ -	\$ -	\$ 238,109
Accrued liabilities	1,066,519	1,124	9,315	-	-	1,076,958
Bond anticipation note payable	-	-	-	-	20,131,950	20,131,950
Due to other governments	-	-	167	-	-	167
Due to other funds	194,454	854,119	-	350,000	1,103,672	2,502,245
Due to teachers' retirement system	2,102,250	-	-	-	-	2,102,250
Due to employees' retirement system	191,854	-	-	-	-	191,854
Deferred revenue	31,663	81,577	18,352	-	-	131,592
Total Liabilities	<u>3,797,746</u>	<u>963,923</u>	<u>27,834</u>	<u>350,000</u>	<u>21,235,622</u>	<u>26,375,125</u>
FUND BALANCES						
Non-spendable	-	-	49,686	-	-	49,686
Restricted	3,106,513	193,746	-	2,992,111	201,420	6,493,790
Assigned	2,768,697	-	270,476	-	-	3,039,173
Unassigned	1,763,198	-	-	-	(18,413,635)	(16,650,437)
Total Fund Balances	<u>7,638,408</u>	<u>193,746</u>	<u>320,162</u>	<u>2,992,111</u>	<u>(18,212,215)</u>	<u>(7,067,788)</u>
Total Liabilities and Fund Balances	<u>\$ 11,436,154</u>	<u>\$ 1,157,669</u>	<u>\$ 347,996</u>	<u>\$ 3,342,111</u>	<u>\$ 3,023,407</u>	<u>\$ 19,307,337</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, 2012

	General	Special Aid	School Lunch	Debt Service	Capital Projects	Total Governmental Funds
REVENUES						
Real property taxes	\$ 18,536,290	\$ -	\$ -	\$ -	\$ -	\$ 18,536,290
Other tax items	3,917,520	-	-	-	-	3,917,520
Charges for services	356,777	-	-	-	-	356,777
Use of money and property	187,748	-	318	17,760	-	205,826
Sale of property and compensation for loss	15,870	-	-	-	-	15,870
Miscellaneous	283,346	-	81	-	-	283,427
Local sources	-	53,678	-	-	-	53,678
State sources	17,634,125	332,317	30,467	-	(34,727)	17,962,182
Federal sources	109,053	2,467,121	553,839	-	-	3,130,013
Sales	-	-	748,694	-	-	748,694
Total Revenues	41,040,729	2,853,116	1,333,399	17,760	(34,727)	45,210,277
EXPENDITURES						
General support	3,857,954	-	-	-	-	3,857,954
Instruction	21,296,385	2,710,253	-	-	-	24,006,638
Pupil transportation	1,894,282	73,317	-	-	-	1,967,599
Community services	1,658	-	-	-	-	1,658
Employee benefits	9,473,911	-	127,381	-	-	9,601,292
Debt service-Principal	2,908,624	-	-	-	-	2,908,624
-Interest	918,667	-	-	139,371	-	1,058,038
Cost of sales	-	-	1,197,604	-	-	1,197,604
Capital outlay	-	-	-	-	2,385,565	2,385,565
Total Expenditures	40,351,481	2,783,570	1,324,985	139,371	2,385,565	46,984,972
Excess (Deficiency) of Revenues Over Expenditures	689,248	69,546	8,414	(121,611)	(2,420,292)	(1,774,695)
OTHER SOURCES AND USES						
Premium on obligations	-	-	-	194,877	-	194,877
Bond anticipation notes redeemed	-	-	-	-	510,000	510,000
Proceeds from debt	-	-	-	-	370,000	370,000
Operating transfers in	385,783	68,089	-	410	-	454,282
Operating transfers (out)	(64,380)	(30,000)	(5,783)	(350,000)	(4,119)	(454,282)
Total Other Sources (Uses)	321,403	38,089	(5,783)	(154,713)	875,881	1,074,877
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other (Uses)	1,010,651	107,635	2,631	(276,324)	(1,544,411)	(699,818)
Fund Equity (Deficit)- Beginning of year	6,627,757	86,111	317,531	3,268,435	(16,667,804)	(6,367,970)
Fund Equity (Deficit)- End of year	\$ 7,638,408	\$ 193,746	\$ 320,162	\$ 2,992,111	\$ (18,212,215)	\$ (7,067,788)

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

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS- FIDUCIARY FUNDS
June 30, 2012

	<u>Private Purpose Trusts</u>	<u>Agency</u>
ASSETS		
Cash	\$ 17,937	\$ 982,958
Due from governmental funds	<u>123,160</u>	<u>-</u>
Total Assets	<u><u>\$ 141,097</u></u>	<u><u>\$ 982,958</u></u>
LIABILITIES		
Extraclassroom activity balances	\$ -	\$ 80,199
Due to governmental funds	-	5,844
Other liabilities	<u>-</u>	<u>896,915</u>
Total Liabilities	<u>-</u>	<u><u>\$ 982,958</u></u>
NET ASSETS		
Reserved for scholarships	<u><u>\$ 141,097</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, 2012

	Private Purpose Trusts
	<u> </u>
ADDITIONS	
Contributions	\$ 4,738
Interest	<u>450</u>
Total Additions	<u>5,188</u>
 DEDUCTIONS	
Scholarships and awards	<u>8,963</u>
Change in Net Assets	(3,775)
 Net Assets - Beginning of year	<u>144,872</u>
 Net Assets - End of year	<u><u>\$ 141,097</u></u>

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

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

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

The Extraclassroom Activity Funds

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

See auditor's report.

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

I. Summary of Significant Accounting Policies (Continued)

B. Joint Venture

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

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

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

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

During the year ended June 30, 2012, the Rotterdam-Mohonasen Central School District was billed \$2,554,329 for BOCES administrative and program costs. The District's share of BOCES Aid amounted to \$1,022,167. 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,

See auditor's report.

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

I. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

1. Districtwide Statements (Continued)

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

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

2. Fund Financial Statements

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

The District reports the following funds:

a. Major Governmental Funds

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

See auditor's report.

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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

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

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

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

b. **Fiduciary Funds**

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

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

See auditor's report.

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

I. Summary of Significant Accounting Policies (Continued)

D. Measurement Focus and Basis of Accounting

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

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

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

E. Cash and Investments

The District's cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition. New York State law governs the District's investment policies. Resources must be deposited in FDIC-insured commercial banks or trust companies located within the State. Permissible investments include obligations of the United States Treasury, United States Agencies, repurchase agreements and obligations of New York State or its localities. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and districts.

See auditor's report.

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

I. Summary of Significant Accounting Policies (Continued)

F. Property Taxes

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

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

G. Restricted Resources

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

H. Interfund Transactions

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

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

See auditor's report.

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

I. Summary of Significant Accounting Policies (Continued)

I. Estimates

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

J. Receivables

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

K. Inventories and Prepaid Items

Inventories of food in the School Lunch Fund are recorded at cost on a first-in, first-out basis or in the case of surplus food, at stated value which approximates market. Purchases of inventorial 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.

L. Other Assets/Restricted Assets

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

In the districtwide financial statements, bond issuance costs are capitalized and amortized over the life of the debt issue. In the funds statements these same costs are netted against bond proceeds and recognized in the period of issuance.

See auditor's report.

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

M. **Capital Assets**

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

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

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

N. **Compensated Absences**

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

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

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

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

See auditor's report.

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

I. Summary of Significant Accounting Policies (Continued)

O. Accrued Liabilities and Long-Term Obligations

Payables, accrued liabilities and long-term obligations are reported in the district wide 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.

P. 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 revenues in the subsequent fiscal year rather than when measurable and available.

Q. Postemployment Benefits

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

R. Short-Term Debt

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

See auditor's report.

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

R. **Short-Term Debt (Continued)**

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

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

S. **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, construction or improvement of those assets.

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

Unrestricted net 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.

See auditor's report.

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

S. **Equity Classifications (Continued)**

2. **Fund Statements**

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

Non-spendable – includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Non-spendable fund balance includes the inventory recorded in the School Lunch Fund of \$49,686.

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

1. **Encumbrances**

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

2. **Unemployment Insurance**

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

See auditor's report.

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

I. Summary of Significant Accounting Policies (Continued)

S. Equity Classifications (Continued)

2. Fund Statements (Continued)

3. Employee Benefit Accrued Liability

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

4. Tax Certiorari

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

5. Employee Retirement Contributions

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

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

I. Summary of Significant Accounting Policies (Continued)

S. Equity Classifications (Continued)

2. Fund Statements (Continued)

Restricted fund balance includes the following:

General Fund:

Employee Benefit Accrued Liability	\$ 427,851
Unemployment Insurance	384,915
Employee Retirement Contributions	1,040,902
Tax Certiorari	1,252,845
Capital Fund	201,420
Debt Service Fund	2,992,111
Special Aid Fund	193,746
Total restricted funds	<u>\$ 6,493,790</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, 2012.

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 \$691,697 and the assigned fund balance amounted to \$2,077,000.

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

See auditor's report.

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

I. Summary of Significant Accounting Policies (Continued)

S. Equity Classifications (Continued)

2. Fund Statements (Continued)

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

Order of Use of Fund Balance:

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

T. Budgetary Procedures and Budgetary Accounting

1. Budget Policies

The budget policies are as follows:

- a. The School District's administration prepares a proposed budget for approval by the Board of Education for the General Fund.
- b. The proposed appropriation budget for the General Fund is approved by the voters within the School District.
- c. Appropriations are adopted at the program level.
- d. Appropriations established by adoption of the budget constitute a limitation on expenditures (and encumbrances), which may be incurred. Appropriations lapse at the fiscal year end. Supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need that exists which was not determined at the time the budget was adopted.

See auditor's report.

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

I. Summary of Significant Accounting Policies (Continued)

T. Budgetary Procedures and Budgetary Accounting (Continued)

2. Budget Basis of Accounting

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

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

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

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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.

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.

See auditor's report.

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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

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 of their useful lives.

Original cost of capital assets	<u>\$96,348,088</u>
Accumulated depreciation	<u>30,263,839</u>
Capital assets, net	<u>\$66,084,249</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>\$14,439,450</u>
OPEB obligations	<u>\$ 4,326,920</u>
Compensated Absences	<u>\$ 115,338</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 \$1,946,017 was less than capital expenditures of \$2,385,565 in the current year.

Repayment of bond principal of \$2,398,624 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.

See auditor's report.

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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

Interest on long-term debt and short-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The interest reported in the Statement of Activities increased by \$5,710.

III. Cash and Investments

A. Deposits

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

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

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

See auditor's report.

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

IV. Interfund Transaction

Interfund balances at June 30, 2012 are as follows:

	Interfund		Interfund	
	Receivable	Payable	Revenues	Expenditures
General Fund	\$ 1,209,963	\$ 194,454	\$ 385,783	\$ 64,380
Special Aid Fund	3,709	854,119	68,089	30,000
School Lunch Fund	71,294	-	-	5,783
Capital Fund	-	1,103,672	-	4,119
Debt Service Fund	1,099,963	350,000	410	350,000
Total governmental activities	<u>2,384,929</u>	<u>2,502,245</u>	<u>\$ 454,282</u>	<u>\$ 454,282</u>
Fiduciary Agency Fund	<u>123,160</u>	<u>5,844</u>		
Totals	<u>\$ 2,508,089</u>	<u>\$ 2,508,089</u>		

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 7/1/2011	Additions	Deletions	Balance 6/30/2012
<u>Capital assets-not depreciated:</u>				
Land	\$ 288,792	\$ 1,363,734	\$ -	\$ 1,652,526
Construction in progress	18,666,102	652,241	247,914	19,070,429
Total capital assets-not depreciated:	18,954,894	2,015,975	247,914	20,722,955
<u>Other capital assets:</u>				
Buildings and improvements	65,396,397	247,914	-	65,644,311
Machinery and equipment	5,055,782	58,109	-	5,113,891
Buses	4,772,931	369,590	275,590	4,866,931
Total other capital assets:	75,225,110	675,613	275,590	75,625,133
<u>Less accumulated depreciation:</u>				
Buildings and improvements	20,531,683	1,369,746	-	21,901,429
Machinery and equipment	4,734,474	65,010	-	4,799,484
Buses	3,267,255	511,261	215,590	3,562,926
Total accumulated depreciation	28,533,412	1,946,017	215,590	30,263,839
Other capital assets, net	46,691,698	(1,270,404)	60,000	45,361,294
Total	\$ 65,646,592	\$ 745,571	\$ 307,914	\$ 66,084,249

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

See auditor's report.

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

VI. Pension Plans

1. General Information

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

2. Plan Descriptions

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

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

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

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

3. Funding Policies

For the Teachers' Retirement System, plan members who joined the system before July 27, 1976 are not required to make contributions. Those joining after July 26, 1976 and before January 1, 2010 with less than ten years of membership are required to contribute 3% of their annual salary. Those joining on or after January 1, 2010 and before April 1, 2012 are required to contribute 3.5% of their annual salary for their entire working career. Those joining on or after April 1, 2012 are required to contribute between 3% and 6%, dependent upon their salary, for their entire working career.

See auditor's report.

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

VI. Pension Plans (continued)

3. Funding Policies (continued)

Employers are required to contribute at an actuarially determined rate, currently 11.11% of the annual covered payroll for the fiscal year ended June 30, 2012. Rates applicable to the fiscal years ended June 30, 2011 and 2010 were respectively, 8.62%, and 6.19%.

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

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

<u>Year</u>	<u>ERS</u>	<u>TRS</u>
2012	\$775,325	\$1,776,635
2011	\$498,185	\$1,323,602
2010	\$337,873	\$1,470,575

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

VII. Short-Term Debt Obligations

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

	<u>Maturity</u>	<u>Interest Rate</u>	<u>Balance 7/1/2011</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Balance 6/30/12</u>
BANS	2011	.57%	\$ 3,000,000	\$ -	\$ 3,000,000	\$ -
BANS	2011	1.50%	17,641,950		17,641,950	
BANS	2012	1.50%	-	20,131,950	-	20,131,950
			<u>\$20,641,950</u>	<u>\$20,131,950</u>	<u>\$20,641,950</u>	<u>\$20,131,950</u>

See auditor's report.

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

VII. Short-Term Debt Obligations (Continued)

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

Interest paid	\$ 281,729
Less interest accrued in the prior year	(274,782)
Plus interest accrued in the current year	<u>297,015</u>
Total expense	<u>\$ 303,962</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	\$ 776,309
Less interest accrued in the prior year	(197,410)
Plus interest accrued in the current year	<u>180,887</u>
Total expense	<u>\$ 759,786</u>

2. Changes

	Balance 7/1/2011	Additions	Deletions	Balance 6/30/2012	Due Within One Year
Serial Bonds	\$ 16,468,074	\$ 370,000	\$ 2,398,624	\$ 14,439,450	<u>\$ 2,320,128</u>
Compensated Absences	125,163	-	9,825	115,338	
OPEB Obligations	<u>3,236,971</u>	<u>1,089,949</u>	<u>-</u>	<u>4,326,920</u>	
Totals	<u>\$ 19,830,208</u>	<u>\$ 1,459,949</u>	<u>\$ 2,408,449</u>	<u>\$ 18,881,708</u>	

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

See auditor's report.

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

VIII. Long-Term Debt Obligations (Continued)

3. Maturity

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

Purpose	Issue Date	Final Maturity	Interest Rate	Outstanding 6/30/2012
Serial Bonds:				
Construction	1998	2031	5.25-5.75%	\$ 6,036,000
Construction	2002	2016	5.25-5.75%	880,000
Construction	2005	2021	3.5-3.9%	2,875,000
Construction	2006	2027	4.2-4.375%	3,590,000
Buses	2011	2016	1.96%	370,000
Buses	2009	2014	2.95%	384,188
Buses	2010	2015	2.35%	304,262
Total				<u>\$ 14,439,450</u>

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

	Year	Principal	Interest	Total
Serial Bonds:	2013	\$ 2,320,128	\$ 674,703	\$ 2,994,831
	2014	2,435,128	558,552	2,993,680
	2015	2,553,128	436,359	2,989,487
	2016	2,547,066	307,751	2,854,817
	2017	614,000	176,216	790,216
	2018 and thereafter	3,970,000	680,849	4,650,849
	Total	<u>\$ 14,439,450</u>	<u>\$ 2,834,430</u>	<u>\$ 17,273,880</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.

See auditor's report.

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

IX. Postemployment (Health Insurance) Benefits (Continued)

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, 2012, the District recognized \$1,168,745 for its share of insurance premiums for currently enrolled retirees.

The District has obtained an actuarial valuation report as of July 1, 2011 which indicates that the total liability for other postemployment benefits is \$4,326,920, 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.

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	\$ 2,218,084
Interest on net OPEB obligation	161,849
Adjustment to annual required contribution	(121,239)
Annual OPEB cost (expense)	2,258,694
Contributions made	1,168,745
Increase in net OPEB obligation	1,089,949
Net OPEB obligation-beginning of year	3,236,971
Net OPEB obligation-end of year	<u>\$ 4,326,920</u>

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

<u>Fiscal</u> <u>Year Ended</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Percentage of</u> <u>Annual OPEB Cost</u> <u>Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
6/30/2010	\$2,108,605	42.25%	\$2,275,698
6/30/2011	\$2,127,312	54.80%	\$3,236,971
6/30/2012	\$2,258,694	51.70%	\$4,326,920

See auditor's report.

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

IX. Postemployment (Health Insurance) Benefits (Continued)

Funded Status and Funding Progress

As of July 1, 2011, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$25,318,829, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$25,318,829. The covered payroll (annual payroll of active employees covered by the plan) was \$18,103,017 and the ratio of the UAAL to the covered payroll was 139.9%. 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 in the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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, 2011 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% 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, 2012, was 26 years.

See auditor's report.

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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. Other Items

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

4. Litigation

There are currently pending tax certiorari proceedings, the results of which could require the payments of future tax refunds by the School District if existing assessment rolls are modified based on the outcome of the litigation proceedings. However, the amount of these possible refunds cannot be determined at the present time. The School District has established a tax certiorari reserve to cover a portion of the potential refund exposure and the District has legal authority to borrow funds to repay school taxes when needed.

See auditor's report.

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

X. Commitments and Contingencies (Continued)

A. Risk Financing and Related Insurance (Continued)

5. Operating Leases

The School District leases property and equipment under operating leases. Total rental expenditures on such leases for the fiscal year ended June 30, 2012 was approximately \$125,498. The future non-cancelable operating lease payments are as follows:

<u>Year Ended</u>	<u>Lease Payments</u>
2013	\$ 51,081
2014	51,081
2015	47,624
	<u>\$ 149,786</u>

XI. Other Disclosures

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

Total governmental fund balance	\$ (7,067,788)
Capital assets (net)	66,084,249
Bonds payable	(14,439,450)
Accrued interest payable	(477,902)
Deferred revenues	31,663
Compensated absences	(115,338)
OPEB obligations	(4,326,920)
Total net assets	<u>\$ 39,688,514</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	\$ (699,818)
Capital outlays are expenditures in governmental funds, but are capitalized in the Statement of Net Assets	2,383,674
Depreciation is not recorded as an expenditure in the governmental funds, but is recorded in the Statement of Activities	(1,946,017)
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	2,908,624
Interest is recognized as an expense in governmental funds when paid. For governmental activities, interest expense is recognized as it accrues. The increase in accrued interest during 2011/12 results in more expense.	(5,710)
Certain revenues deferred in the Governmental Funds must be recognized in the Statement of Activities	6,387
Proceeds from debt are recognized as revenue in the Governmental Funds, but not in the Statement of Activities	(880,000)
Certain expenses in the Statement of Activities do not require the expenditure of current resources and are, therefore, not reported as expenditures in the governmental funds:	
OPEB obligations	(1,089,949)
Compensated absences	<u>9,825</u>
Change in Net Assets – Governmental Activities	<u>\$ 687,016</u>

See auditor's report.

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

XII. Stewardship, Compliance and Accountability

The Capital Fund has a deficit fund balance of \$18,212,215. This will be funded when the District obtains permanent financing for the ongoing Capital Excel 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.

XIII. Subsequent Events

On July 6, 2012, the School District issued serial bonds totaling \$14,965,000. The issue is to be used to cover expenditures in the Excel Capital Project.

See auditor's report.

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT
SCHEDULE OF REVENUES COMPARED TO BUDGET- GENERAL FUND
For Year Ended June 30, 2012

	Original Budget	Revised Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Local Sources				
Real property taxes	\$ 18,512,407	\$ 18,512,407	\$ 18,536,290	\$ 23,883
Other tax items	3,945,220	3,945,220	3,917,520	(27,700)
Charges for services	281,425	286,365	356,777	70,412
Use of money and property	252,250	252,250	187,748	(64,502)
Sale of property and compensation for loss	1,000	13,656	15,870	2,214
Miscellaneous	90,000	121,742	283,346	161,604
Total Local Sources	<u>23,082,302</u>	<u>23,131,640</u>	<u>23,297,551</u>	<u>165,911</u>
State sources	17,344,259	17,374,259	17,634,125	259,866
Federal sources	25,000	25,000	109,053	84,053
Total Revenues	<u>40,451,561</u>	<u>40,530,899</u>	<u>41,040,729</u>	<u>509,830</u>
Other Financing Sources				
Operating transfers in	653,000	653,000	385,783	(267,217)
Total Revenue and Other Financing Sources	<u>41,104,561</u>	<u>41,183,899</u>	<u>41,426,512</u>	<u>\$ 242,613</u>
Appropriated Fund Balance	1,000,000	1,000,000		
Appropriated Reserves	800,000	1,762,738		
Total Revenues, Other Sources, Appropriated Reserves and Fund Balance	<u>\$ 42,904,561</u>	<u>\$ 43,946,637</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, 2012

	Original Budget	Revised Budget	Actual	Encumbrances	Variance Favorable (Unfavorable)
EXPENDITURES					
General Support					
Board of education	\$ 33,372	\$ 33,644	\$ 33,448	\$ 62	\$ 134
Central administration	238,721	239,001	238,405	79	517
Finance	535,163	527,924	504,822	4,233	18,869
Staff	257,900	269,898	213,967	8,567	47,364
Central services	2,538,209	2,845,966	2,392,295	158,664	295,007
Special items	568,425	576,799	475,017	-	101,782
Total General Support	4,171,790	4,493,232	3,857,954	171,605	463,673
Instructional					
Instruction, administration and improvement	1,904,174	1,907,132	1,719,972	-	187,160
Teaching - regular school	13,008,649	13,114,096	12,549,632	182,102	382,362
Programs for children with handicapping conditions	3,508,784	3,635,736	3,172,420	138,288	325,028
Occupational education	636,976	636,976	626,976	-	10,000
Teaching - special school	178,003	183,445	174,196	-	9,249
Instructional media	948,565	1,135,887	1,075,942	46,519	13,426
Pupil services	2,027,831	2,055,859	1,977,247	41,902	36,710
Total Instructional	22,212,982	22,669,131	21,296,385	408,811	963,935
Pupil transportation	2,121,178	2,183,194	1,894,282	111,281	177,631
Community services	2,658	2,580	1,658	-	922
Employee benefits	10,242,991	9,729,208	9,473,911	-	255,297
Debt Service					
Principal	2,744,294	3,583,624	2,908,624	-	675,000
Interest	1,343,668	1,220,668	918,667	-	302,001
Total Expenditures	42,839,561	43,881,637	40,351,481	691,697	2,838,459
OTHER USES					
Operating transfers out	65,000	65,000	64,380	-	620
Total Expenditures and Other Uses	\$ 42,904,561	\$ 43,946,637	40,415,861	\$ 691,697	\$ 2,839,079
Net change in fund balance			1,010,651		
Fund balance- Beginning			6,627,757		
Fund balance- Ending			<u>\$ 7,638,408</u>		

See auditor's report.

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS OF OTHER POSTEMPLOYMENT BENEFITS
For Year Ended June 30, 2012

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
July 1, 2011	\$ -	\$ 25,318,829	\$ 25,318,829	0%	\$18,103,017	139.90%
July 1, 2010	\$ -	\$ 24,051,998	\$ 24,051,998	0%	\$16,600,000	144.90%
March 1, 2010	\$ -	\$ 22,094,816	\$ 22,094,816	0%	\$15,937,950	138.60%

See auditor's report.

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT
 SCHEDULE OF CHANGE FROM ORIGINAL BUDGET TO REVISED BUDGET AND USE OF
 UNRESERVED FUND BALANCE- GENERAL FUND
 For Year Ended June 30, 2012

Original Budget	\$ 42,904,561
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Additions:

Prior year's encumbrances	\$	896,473	
Budget revisions- Reserves		66,265	
- Special Legislative Grant		30,000	
- Drama		31,742	
- Insurance Recoveries		12,656	
- Summer School		4,940	
		1,042,076	

Revised Budget	\$ <u>43,946,637</u>
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USE OF UNRESERVED FUND BALANCE

Unreserved Fund Balance -	
As of the beginning of the year	\$ 2,711,252

Designated fund balance used for	
the levy of taxes - Original budget	1,000,000

Undesignated Fund Balance -	
As of the beginning of the year	\$ 1,711,252

See auditor's report.

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT
SCHEDULE OF PROJECT EXPENDITURES- CAPITAL PROJECTS FUND
For Year Ended June 30, 2012

PROJECT TITLE	Original Budget	Revised Budget	Expenditures			Unexpended Balance	Revenues				Fund Balance June 30, 2012
			Prior Years	Current Year	Total		Proceeds of Obligations	NYS Sources	Local Sources	Total	
Buses	\$ 370,000	\$ 370,000	\$ -	\$ 370,000	\$ 370,000	\$ -	\$ 370,000	\$ -	\$ -	\$ 370,000	\$ -
Excel Project	21,881,000	21,881,000	18,648,125	422,305	19,070,430	2,810,570	655,000	66,945	-	721,945	(18,348,485)
NYSERDA Project	286,500	286,500	17,978	229,936	247,914	38,586	-	223,123	24,791	247,914	-
Land	75,000	1,581,747	81,747	1,363,734	1,445,481	136,266	-	-	1,581,747	1,581,747	136,266
Totals	<u>\$ 22,612,500</u>	<u>\$ 24,119,247</u>	<u>\$ 18,747,850</u>	<u>\$ 2,385,975</u>	<u>\$ 21,133,825</u>	<u>\$ 2,985,422</u>	<u>\$ 1,025,000</u>	<u>\$ 290,068</u>	<u>\$ 1,606,538</u>	<u>\$ 2,921,606</u>	<u>\$ (18,212,219)</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, 2012

	<u>Code</u>	<u>ST-3 Amount</u>	<u>Audited Amount</u>
REVENUES			
Real Property Taxes	A -1001	\$ 18,536,290	\$ 18,536,290
Non-Property Taxes	AT-1199	\$ -	\$ -
State Aid	AT-3999	\$ 17,634,125	\$ 17,634,125
Federal Aid	AT-4999	\$ 109,053	\$ 109,053
Total Revenues	AT-5999	\$ 41,426,513	\$ 41,426,512 *
EXPENDITURES			
General Support	AT-1999	\$ 3,857,955	\$ 3,857,954 *
Pupil Transportation	AT-5599	\$ 1,894,283	\$ 1,894,282 *
Debt Service - Principal	AT-9798.6	\$ 2,908,623	\$ 2,908,624 *
Debt Service - Interest	AT-9798.7	\$ 918,668	\$ 918,667 *
Total Expenditures	AT-9999	\$ 40,415,861	\$ 40,415,861

*- 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, 2012

Capital assets, net	\$ 66,084,249
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Deduct:

Bond anticipation notes payable	\$ 20,131,950	
Short-term portion of bonds payable	2,320,128	
Long-term portion of bonds payable	12,119,322	
Less: unspent bond proceeds	<u>-</u>	<u>34,571,400</u>

Investment in capital assets, net of related debt	<u>\$ 31,512,849</u>
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See auditor's report.

RAYMOND G. PREUSSER, CPA, P.C.

Certified Public Accountants
P.O. Box 538
Claverack, New York 12513

Telephone: (518) 851-6650
Fax: (518) 851-6675

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

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

We have audited 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, 2012 which collectively comprise the District's basic financial statements and have issued our report thereon dated August 30, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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.

See auditor's report.

Compliance and Other Matters

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

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

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.

A handwritten signature in cursive script, reading "Raymond S. Sheehan". The signature is written in dark ink and is positioned in the center-left of the page.

Claverack, New York
August 30, 2012

See auditor's report.

RAYMOND G. PREUSSER, CPA, P.C.

Certified Public Accountants

P.O. Box 538

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Telephone: (518) 851-6650

Fax: (518) 851-6675

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

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the fiduciary funds of the Rotterdam-Mohonasen Central School District as of and for the year ended June 30, 2012, in accordance with auditing standards generally accepted in the United States of America, we considered the Rotterdam-Mohonasen Central School District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Rotterdam-Mohonasen Central School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Rotterdam-Mohonasen Central School District's internal control.

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

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

During our audit, we noted certain matters involving the internal control and other operational matters that are presented for your consideration. This letter does not affect our report dated August 30, 2012 on the financial statements of the Rotterdam-Mohonasen Central School District. We will review the status of these comments during our next audit engagement. Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the internal control or result in other operating efficiencies.

See auditor's report.

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

Other Matters:

Board Appointments

It was noted during our audit that the Board had not appointed a Deputy Treasurer for the 2011-12 year. We recommend that a Deputy Treasurer be appointed annually pursuant to Education Law 1720 to serve in the absence of the District Treasurer.

Claims Auditor Reports

We determined during our audit that the Claims Auditor was reporting to the Board on a regular basis, however, we did not see in the Board minutes where the Board was acknowledging receipt of these important reports. As the Claims Auditor position is of great importance in approving all purchases of the District, we recommend that the Board acknowledge receipt of these reports as it does with other financial reports in the Board minutes.

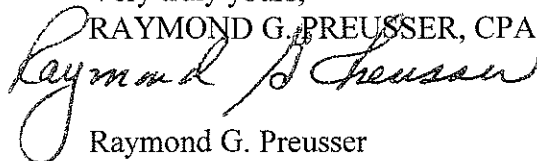
Fixed Assets

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 listed assets are present. This is necessary to strengthen internal control over inventory and also to ensure proper insurance coverage.

Subsequent to June 30, 2012, the District has completed a physical inventory of all assets.

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

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

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

Raymond G. Preusser

See auditor's report.