

ROTTERDAM-MOHONASEN  
CENTRAL SCHOOL DISTRICT

FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION

Year Ended June 30, 2013

# ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT

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**ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT**  
**Management's Discussion and Analysis (MD&A)**  
**For the Fiscal Year Ended June 30, 2013**

**Introduction**

The following is a discussion and analysis of Rotterdam-Mohonasen Central School District's (the District) financial performance for the fiscal year ended June 30, 2013. This section is a summary of the District's financial activities based on currently known facts, decisions or conditions. It is also based on both the government-wide and fund-based financial statements. The results of the current year are discussed in comparison with the prior year, with an emphasis placed on the current year. This section is only an introduction and should be read in conjunction with the District's financial statements, which immediately follow this section.

**Financial Highlights**

- The total assets of the District exceeded its total liabilities at the close of the fiscal year by \$42 million (net position).
- The District's total net position increased \$2,537,575 compared to the 2011-12 reporting period. This change results primarily from the decrease in long term liabilities for debt. Permanent financing was obtained for a BAN and two bond issues were refinanced.
- A capital project of \$19,350,095 was completed during the 2012-2013 fiscal year.

**Overview of the Financial Statements**

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

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

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

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

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

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

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

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

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

## **Districtwide Financial Statements**

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

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

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

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

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

## Districtwide Financial Analysis

### Rotterdam-Mohonasen Central School District's Net Position June 30, 2012 and 2013

	Governmental Activities		Variance Increase (Decrease)
	2012	2013	
Current Assets	\$ 16,928,252	\$ 14,015,538	\$ (2,912,714)
Capital Assets	66,084,249	64,046,020	(2,038,229)
Total Assets	83,012,501	78,061,558	(4,950,943)
Current Outflows of Resources	-	28,335	28,335
Deferred Outflows of Resources	-	85,005	85,005
Total Assets and Outflows of Resources	83,012,501	78,174,898	(4,837,603)
Current Liabilities	26,762,407	7,625,117	(19,137,290)
Noncurrent Liabilities	16,561,580	28,323,692	11,762,112
Total Liabilities	43,323,987	35,948,809	(7,375,178)
Net Position:			
Net Investment in Capital Assets	31,512,849	37,710,803	6,197,954
Restricted	6,412,465	6,241,668	(170,797)
Unrestricted	1,763,200	(1,726,382)	(3,489,582)
Total Net Position	\$ 39,688,514	\$ 42,226,089	\$ 2,537,575

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

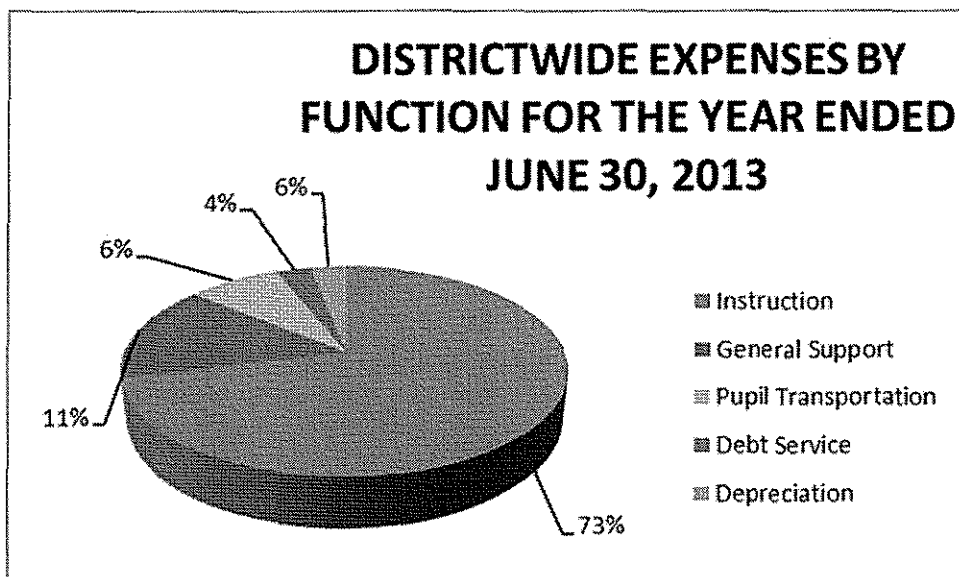
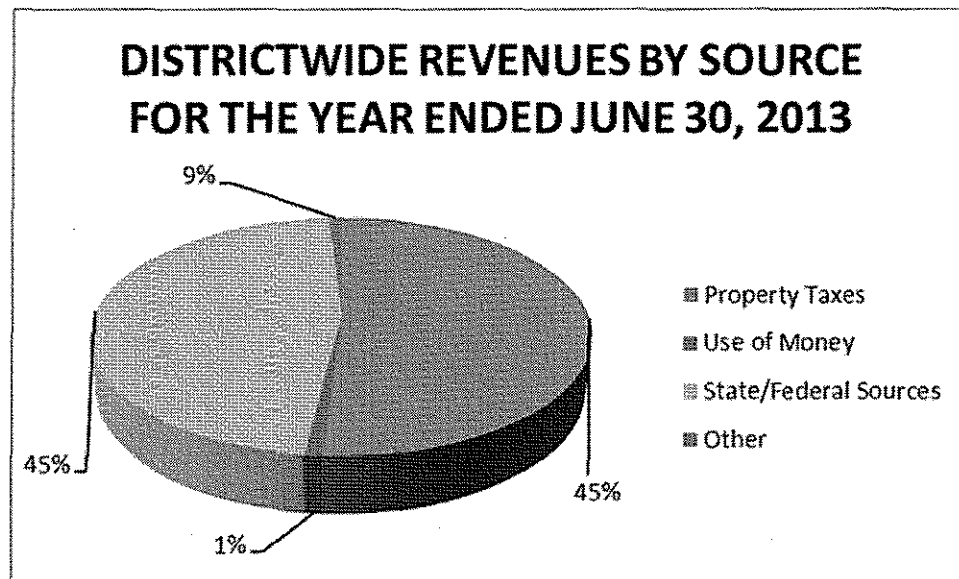
The largest portion of the District's net position reflects its investment in capital assets (e.g., land, buildings, improvements, machinery, and equipment); less any related outstanding debt used to acquire those assets. The District uses these capital assets to provide educational services. Consequently,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

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

**Rotterdam-Mohonasen Central School District's  
Changes in Net Position  
For the Years Ended June 30, 2012 and 2013**

	Governmental Activities		Variance Increase (Decrease)
	2012	2013	
<b><u>Revenues:</u></b>			
Program Revenues:			
Charges for Services	\$ 1,111,939	\$ 941,242	\$ (170,697)
Operating Grants and Contributions	3,437,422	2,983,960	(453,462)
Total Program Revenues	<u>\$ 4,549,361</u>	<u>\$ 3,925,202</u>	<u>\$ (624,159)</u>
General Revenues:			
Real Property Taxes	18,536,290	18,980,350	\$ 444,060
Other Tax Items	3,917,520	3,980,804	63,284
Use of Money and Property	205,826	202,959	(2,867)
Sale of Property and Compensation for Loss	15,870	8,469	(7,401)
Miscellaneous	283,346	168,232	(115,114)
State Sources	17,599,398	18,587,139	987,741
Federal Sources	109,053	177,702	68,649
Premium on Obligations	194,877	2,651,339	2,456,462
Total General Revenues	<u>40,862,180</u>	<u>44,756,994</u>	<u>3,894,814</u>
<b><u>Expenses:</u></b>			
Instruction	29,573,418	30,515,454	942,036
General Support	4,848,596	4,702,525	(146,071)
Transportation	2,749,696	2,708,970	(40,726)
Community Service	1,785	1,820	35
Debt Service-Interest	1,063,748	1,506,451	442,703
Depreciation	1,946,017	2,670,253	724,236
Amortization	-	28,335	28,335
School Lunch	(8,096)	85,611	93,707
Total Expenses	<u>40,175,164</u>	<u>42,219,419</u>	<u>2,044,255</u>
Increase in Net Position	<u>\$ 687,016</u>	<u>\$ 2,537,575</u>	<u>\$ 1,850,559</u>

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





## **Fund Financial Statements**

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

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

The District has two kinds of funds:

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

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

	<b>Fund Balance 2012</b>	<b>Fund Balance 2013</b>	<b>Variance Increase (Decrease)</b>
General	\$ 7,638,408	\$ 6,291,717	\$ (1,346,691)
School Lunch	320,162	232,638	(87,524)
Special Aid	193,746	137,451	(56,295)
Capital	(18,212,215)	-	18,212,215
Debt Service	2,992,111	3,212,567	220,456
Totals	<u>\$ (7,067,788)</u>	<u>\$ 9,874,373</u>	<u>\$ 16,942,161</u>

By law, school districts are only allowed to retain 4% of the subsequent year's general fund budget as unreserved or unassigned fund balance. The unassigned fund balance in the General Fund totals \$1,815,114 which is 4% of the 2013-14 General Fund Budget of \$45.3 million. The assigned fund balance of \$1,584,953 is composed of \$459,953 for encumbrances and \$1,125,000 as revenue to support the 2013-14 General Fund budget.

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

	<b>June 30, 2012</b>	<b>June 30, 2013</b>	<b>Increase (Decrease)</b>
Land	\$ 1,652,526	\$ 1,652,526	\$ 0
Construction in Progress	19,070,429	0	(19,070,429)
Buildings and Improvements	43,742,882	60,903,360	17,160,478
Buses	1,304,005	1,123,834	(180,171)
Machinery and Equipment	<u>314,407</u>	<u>366,300</u>	<u>51,893</u>
Total	<u>\$ 66,084,249</u>	<u>\$ 64,046,020</u>	<u>\$(2,038,229)</u>

Increase in buildings and improvements are due to the completion of a \$19 million capital project.

## **General Fund Budgetary Highlights**

For the 2012-13 school year, the voters of the District approved a budget of \$44,082,355. That budget was subsequently increased by \$1,657,487. This total is comprised of several different components listed in more detail below:

- \$827,000 was appropriated from 2011-12 to 2012-13 in order to make principal and interest payments on a Bond Anticipation Note (BAN).
- \$691,697 represents encumbrances carried over from the prior school year.
- \$72,174 is the result of reserve activities such as employee benefit accruals, tax certiorari claims and unemployment insurance claims.
- \$66,616 is increases to the budget representing the appropriation of miscellaneous expenditures and revenues generated by District programs such as theater arts/drama, summer school and a special legislative grant (\$25,000) received by the District.

The District considers the results achieved regarding the 2012-13 finances to be commendable. Careful administration of the budget has enabled the district to continue to maintain reserve funds as well as fully fund the mandated accrual for the Teachers Retirement System and the Employees Retirement System. The Board of Education has continued to make the funding of the employee's retirement reserve a priority. This will ensure that changes in the contribution percentages will not result in spikes in the tax rate.

## **Enrollment**

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

## **Debt Administration**

The District issued a new five-year bond with a principal amount of \$284,895 in December 2012 to finance the purchase of school buses. The voters of the district authorized the purchase during the annual vote held May 2012.

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 \$26.3 million dollars as of June 30, 2013, which is well within the stipulated limitation of approximately \$142 million (10% of total assessed value).

## **Outstanding Long-Term Debt**

	<u>2012</u>	<u>2013</u>	<u>Increase (Decrease)</u>
General Obligation Bonds	\$14,439,450	\$26,335,217	\$ 11,895,767
Bond Anticipation Note	20,131,950	0	(20,131,950)

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

The wealth of the Mohonasen Central School District is based upon income and full value of taxable real property. Using those variables, the District is thus classified as being less than average in comparison to the state average wealth ratio. An average wealth school district in New York State has a combined wealth ratio (CWR), for state aid purposes of 1.0. Mohonasen's CWR for 2012-13 was .704, (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 41% of the district's revenue is from state aid. There was a small increase in State aid for 2012-13. This was mainly due to a small reduction in the "gap elimination adjustment", a reduction applied to the general formula.

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 \$26,082,795. For the 2012-13 school year the current liability is reported at \$5,179,570.

The financial audit for the year-end 2012-13 shows that the district was able to maintain the 4% assigned fund balance allowed by law, and fully accrue both the Teacher's and Employee's retirement system obligations. In addition, the employee's retirement reserve was funded to mitigate potential rate spikes in the future. This reserve was established in 2009-10 to help address the expected double digit increases for future mandated retiree contributions. Reserves like this have been instrumental in stabilizing and maintaining the financial status of the district in these difficult economic times.

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

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

**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

**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, 2013, 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.

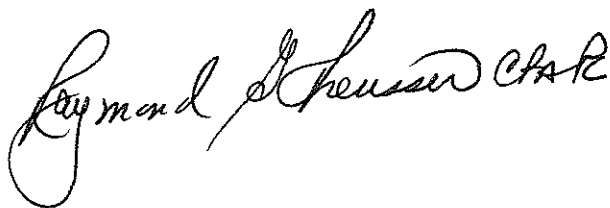
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and 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, 2013, 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, 2013 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 dark ink, appearing to read "Raymond Stenhouse". The signature is fluid and cursive, with the last name "Stenhouse" being more prominent and written in a larger, more stylized script than the first name "Raymond".

Claverack, New York  
August 30, 2013

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
June 30, 2013  
-----

**ASSETS**

Unrestricted cash	\$ 6,290,124
Restricted cash	5,817,017
Other receivables, net	49,039
State and federal aid receivable	1,369,569
Due from other governments	431,640
Due from fiduciary funds	4,388
Inventories	53,761
Capital assets, net	<u>64,046,020</u>
Total Current Assets	<u>78,061,558</u>

**CURRENT OUTFLOWS OF RESOURCES**

Debt issuance costs	<u>28,335</u>
Total Current Outflows of Resources	<u>28,335</u>

**DEFERRED OUTFLOWS OF RESOURCES**

Deferred amounts from refunding of debt	<u>85,005</u>
Total Deferred Outflows of Resources	<u>85,005</u>

**LIABILITIES**

**Current Liabilities:**

Accounts payable	479,274
Accrued liabilities	1,121,602
Bonds payable	3,320,107
Due to other governments	322
Due to teachers' retirement system	2,250,214
Due to employees' retirement system	244,921
Receipt of prepayments	20,496
Unearned revenue	64,119
Due to fiduciary funds	<u>124,062</u>
Total Current Liabilities	<u>7,625,117</u>

**Long-Term Obligations:**

Bonds payable	23,015,110
Compensated absences	129,012
Other post employment benefits payable	<u>5,179,570</u>
Total Long-Term Obligations	<u>28,323,692</u>

**Total Liabilities**

35,948,809

**NET POSITION**

Investment in capital assets, net of related debt	37,710,803
Restricted	6,241,668
Unrestricted	<u>(1,726,382)</u>
Total Net Position	<u>\$ 42,226,089</u>

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

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
For Year Ended June 30, 2013

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	Expenses	Expenses Allocation	Program Revenues Charges for Services	Operating Grants	Net (Expense) Revenue and Changes in Net Position
<b>FUNCTIONS/PROGRAMS</b>					
General support	\$ 3,709,555	\$ 992,970	\$ -	\$ -	\$ (4,702,525)
Instruction	24,656,625	8,478,783	276,948	2,343,006	(30,515,454)
Pupil transportation	2,017,438	763,854	-	72,322	(2,708,970)
Community services	1,691	129	-	-	(1,820)
Employee benefits	10,367,554	(10,367,554)	-	-	-
Debt service-Interest	1,506,451	-	-	-	(1,506,451)
Depreciation-unallocated	2,670,253	-	-	-	(2,670,253)
Amortization	28,335	-	-	-	(28,335)
School lunch program	1,186,719	131,818	664,294	568,632	(85,611)
<b>Total Functions and Programs</b>	<u>\$ 46,144,621</u>	<u>\$ -</u>	<u>\$ 941,242</u>	<u>\$ 2,983,960</u>	<u>(42,219,419)</u>
<b>GENERAL REVENUES</b>					
Real property taxes					18,980,350
Other tax items					3,980,804
Use of money and property					202,959
Sale of property and compensation for loss					8,469
Miscellaneous					168,232
State sources					18,587,139
Medicaid reimbursement					177,702
Premium on obligations					2,651,339
<b>Total General Revenues</b>					<u>44,756,994</u>
<b>Change in Net Position</b>					2,537,575
<b>Total Net Position - Beginning of year</b>					<u>39,688,514</u>
<b>Total Net Position - End of year</b>					<u>\$ 42,226,089</u>

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



ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT  
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF  
NET POSITION  
June 30, 2013

	Total Governmental Funds	Long-term Assets, Liabilities	Reclassifications and Eliminations	Statement of Net Position Totals
<b>ASSETS</b>				
Unrestricted cash	\$ 6,290,124	\$ -	\$ -	\$ 6,290,124
Restricted cash	5,817,017	-	-	5,817,017
Accounts receivable, net	49,039	-	-	49,039
Due from other funds	1,078,678	-	(1,078,678)	-
Due from fiduciary funds	-	-	4,388	4,388
State and federal aid receivable	1,369,569	-	-	1,369,569
Due from other governments	431,640	-	-	431,640
Inventories	53,761	-	-	53,761
Land, buildings and equipment (net)	-	64,046,020	-	64,046,020
<b>Total Assets</b>	<b>\$ 15,089,828</b>	<b>\$ 64,046,020</b>	<b>\$ (1,074,290)</b>	<b>\$ 78,061,558</b>
<b>CURRENT OUTFLOWS OF RESOURCES</b>				
Debt issuance costs	-	28,335	-	28,335
Total Current Outflows of Resources	-	28,335	-	28,335
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred amounts from refunding of debt	-	85,005	-	85,005
Total Deferred Outflows of Resources	-	85,005	-	85,005
<b>LIABILITIES</b>				
Accounts payable	\$ 479,274	\$ -	\$ -	\$ 479,274
Accrued liabilities	947,815	173,787	-	1,121,602
Bonds payable	-	26,335,217	-	26,335,217
Other post employment benefits payable	-	5,179,570	-	5,179,570
Compensated absences	-	129,012	-	129,012
Due to other funds	1,198,352	-	(1,198,352)	-
Due to fiduciary funds	-	-	124,062	124,062
Due to other governments	322	-	-	322
Due to teachers' retirement system	2,250,214	-	-	2,250,214
Due to employees' retirement system	244,921	-	-	244,921
Unearned revenue	94,557	-	(9,942)	84,615
<b>Total Liabilities</b>	<b>5,215,455</b>	<b>31,817,586</b>	<b>(1,084,232)</b>	<b>35,948,809</b>
<b>FUND BALANCE\NET POSITION</b>				
Total Fund Balance\Net Position	9,874,373	32,341,774	9,942	42,226,089
<b>Total Liabilities, and Fund Balance/Net Position</b>	<b>\$ 15,089,828</b>	<b>\$ 64,159,360</b>	<b>\$ (1,074,290)</b>	<b>\$ 78,174,898</b>

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

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT  
RECONCILIATION OF GOVERNMENTAL FUNDS REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE TO THE STATEMENT OF ACTIVITIES  
For Year Ended June 30, 2013

	Total Governmental Funds	Long-term Revenue, Expenses	Capital Related Items	Long-term Debt Transactions	Statement of Activities Totals
<b>REVENUES</b>					
Real property taxes	\$ 18,980,350	\$ -	\$ -	\$ -	\$ 18,980,350
Other tax items	3,980,804	-	-	-	3,980,804
Charges for services	298,669	(21,721)	-	-	276,948
Use of money and property	202,959	-	-	-	202,959
Sale of property and compensation for loss	8,469	-	-	-	8,469
Miscellaneous	169,036	-	-	-	169,036
Local sources	28,706	-	-	-	28,706
State sources	19,266,014	-	-	-	19,266,014
Federal sources	2,454,081	-	-	-	2,454,081
Sales - school lunch	663,490	-	-	-	663,490
<b>Total Revenues</b>	<u>46,052,578</u>	<u>(21,721)</u>	<u>-</u>	<u>-</u>	<u>46,030,857</u>
<b>EXPENDITURES\EXPENSES</b>					
General support	3,715,037	-	(5,482)	-	3,709,555
Instruction	24,782,497	13,674	(139,546)	-	24,656,625
Pupil transportation	2,017,438	-	-	-	2,017,438
Community services	1,691	-	-	-	1,691
Employee benefits	9,514,904	852,650	-	-	10,367,554
Debt service-Principal	3,488,128	-	-	(3,488,128)	-
-Interest	1,810,566	(304,115)	-	-	1,506,451
Cost of sales	1,186,719	-	-	-	1,186,719
Capital outlay	486,996	-	(486,996)	-	-
Amortization	-	28,335	-	-	28,335
Depreciation	-	-	2,670,253	-	2,670,253
<b>Total Expenditures</b>	<u>47,003,976</u>	<u>590,544</u>	<u>2,038,229</u>	<u>(3,488,128)</u>	<u>46,144,621</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>(951,398)</u>	<u>(612,265)</u>	<u>(2,038,229)</u>	<u>3,488,128</u>	<u>(113,764)</u>
<b>OTHER SOURCES AND USES</b>					
Premium on obligations	2,651,339	-	-	-	2,651,339
Bond anticipation notes redeemed	525,000	-	-	(525,000)	-
Proceeds from debt	15,249,895	-	-	(15,249,895)	-
Proceeds from advanced refunding	6,525,000	-	-	(6,525,000)	-
Payment to escrow agent	(6,916,000)	-	-	6,916,000	-
Fiscal agent fees	(141,675)	-	-	141,675	-
Operating transfers in	2,371,385	(2,371,385)	-	-	-
Operating transfers (out)	(2,371,385)	2,371,385	-	-	-
<b>Total Other Sources (Uses)</b>	<u>17,893,559</u>	<u>-</u>	<u>-</u>	<u>(15,242,220)</u>	<u>2,651,339</u>
<b>Net Change for the Year</b>	<u>\$ 16,942,161</u>	<u>\$ (612,265)</u>	<u>\$ (2,038,229)</u>	<u>\$ (11,754,092)</u>	<u>\$ 2,537,575</u>

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

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT  
BALANCE SHEET- GOVERNMENTAL FUNDS  
June 30, 2013  
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	General	Special Aid	School Lunch	Debt Service	Capital Projects	Total Governmental Funds
<b>ASSETS</b>						
Unrestricted cash	\$ 5,756,128	\$ 71,347	\$ 175,908	\$ -	\$ 286,741	\$ 6,290,124
Restricted cash	2,891,650	-	-	2,925,367	-	5,817,017
State and federal aid receivable	406,492	926,995	36,082	-	-	1,369,569
Due from other governments	431,640	-	-	-	-	431,640
Accounts receivable, net	49,039	-	-	-	-	49,039
Due from other funds	783,204	4,945	2,870	287,200	459	1,078,678
Inventories	-	-	53,761	-	-	53,761
<b>Total Assets</b>	<u>\$ 10,318,153</u>	<u>\$ 1,003,287</u>	<u>\$ 268,621</u>	<u>\$ 3,212,567</u>	<u>\$ 287,200</u>	<u>\$ 15,089,828</u>
<b>LIABILITIES</b>						
Accounts payable	\$ 460,996	\$ 18,278	\$ -	\$ -	\$ -	\$ 479,274
Accrued liabilities	933,739	3,856	10,220	-	-	947,815
Due to other governments	-	-	322	-	-	322
Due to other funds	126,624	779,583	4,945	-	287,200	1,198,352
Due to teachers' retirement system	2,250,214	-	-	-	-	2,250,214
Due to employees' retirement system	244,921	-	-	-	-	244,921
Unearned revenue	9,942	64,119	20,496	-	-	94,557
<b>Total Liabilities</b>	<u>4,026,436</u>	<u>865,836</u>	<u>35,983</u>	<u>-</u>	<u>287,200</u>	<u>5,215,455</u>
<b>FUND BALANCES</b>						
Non-spendable	-	-	53,761	-	-	53,761
Restricted	2,891,650	137,451	-	3,212,567	-	6,241,668
Assigned	1,584,953	-	178,877	-	-	1,763,830
Unassigned	1,815,114	-	-	-	-	1,815,114
<b>Total Fund Balances</b>	<u>6,291,717</u>	<u>137,451</u>	<u>232,638</u>	<u>3,212,567</u>	<u>-</u>	<u>9,874,373</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 10,318,153</u>	<u>\$ 1,003,287</u>	<u>\$ 268,621</u>	<u>\$ 3,212,567</u>	<u>\$ 287,200</u>	<u>\$ 15,089,828</u>

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

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE- GOVERNMENTAL  
FUNDS  
For Year Ended June 30, 2013  
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	General	Special Aid	School Lunch	Debt Service	Capital Projects	Total Governmental Funds
<b>REVENUES</b>						
Real property taxes	\$ 18,980,350	\$ -	\$ -	\$ -	\$ -	\$ 18,980,350
Other tax items	3,980,804	-	-	-	-	3,980,804
Charges for services	298,669	-	-	-	-	298,669
Use of money and property	196,174	-	253	6,532	-	202,959
Sale of property and compensation for loss	8,469	-	-	-	-	8,469
Miscellaneous	168,232	-	804	-	-	169,036
Local sources	-	28,706	-	-	-	28,706
State sources	17,534,514	650,244	28,631	-	1,052,625	19,266,014
Federal sources	177,702	1,736,378	540,001	-	-	2,454,081
Sales	-	-	663,490	-	-	663,490
<b>Total Revenues</b>	<b>41,344,914</b>	<b>2,415,328</b>	<b>1,233,179</b>	<b>6,532</b>	<b>1,052,625</b>	<b>46,052,578</b>
<b>EXPENDITURES</b>						
General support	3,715,037	-	-	-	-	3,715,037
Instruction	22,313,516	2,468,981	-	-	-	24,782,497
Pupil transportation	1,945,116	72,322	-	-	-	2,017,438
Community services	1,691	-	-	-	-	1,691
Employee benefits	9,383,086	-	131,818	-	-	9,514,904
Debt service-Principal	3,488,128	-	-	-	-	3,488,128
-Interest	1,777,427	-	-	33,139	-	1,810,566
Cost of sales	-	-	1,186,719	-	-	1,186,719
Capital outlay	-	-	-	-	486,996	486,996
<b>Total Expenditures</b>	<b>42,624,001</b>	<b>2,541,303</b>	<b>1,318,537</b>	<b>33,139</b>	<b>486,996</b>	<b>47,003,976</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(1,279,087)</b>	<b>(125,975)</b>	<b>(85,358)</b>	<b>(26,607)</b>	<b>565,629</b>	<b>(951,398)</b>
<b>OTHER SOURCES AND USES</b>						
Premium on obligations	-	-	-	2,651,339	-	2,651,339
Bond anticipation notes redeemed	-	-	-	-	525,000	525,000
Proceeds from debt	-	-	-	-	15,249,895	15,249,895
Proceeds from advanced refunding	-	-	-	6,525,000	-	6,525,000
Payment to escrow agent	-	-	-	(6,916,000)	-	(6,916,000)
Fiscal agent fees	-	-	-	(141,675)	-	(141,675)
Operating transfers in	2,166	69,680	-	213,924	2,085,615	2,371,385
Operating transfers (out)	(69,770)	-	(2,166)	(2,085,525)	(213,924)	(2,371,385)
<b>Total Other Sources (Uses)</b>	<b>(67,604)</b>	<b>69,680</b>	<b>(2,166)</b>	<b>247,063</b>	<b>17,646,586</b>	<b>17,893,559</b>
<b>Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other (Uses)</b>	<b>(1,346,691)</b>	<b>(56,295)</b>	<b>(87,524)</b>	<b>220,456</b>	<b>18,212,215</b>	<b>16,942,161</b>
<b>Fund Balance (Deficit)- Beginning of year</b>	<b>7,638,408</b>	<b>193,746</b>	<b>320,162</b>	<b>2,992,111</b>	<b>(18,212,215)</b>	<b>(7,067,788)</b>
<b>Fund Balance - End of year</b>	<b>\$ 6,291,717</b>	<b>\$ 137,451</b>	<b>\$ 232,638</b>	<b>\$ 3,212,567</b>	<b>\$ -</b>	<b>\$ 9,874,373</b>

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

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
June 30, 2013  
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	<u>Private Purpose Trusts</u>	<u>Agency</u>
<b>ASSETS</b>		
Cash	\$ 15,542	\$ 850,363
Due from governmental funds	<u>123,294</u>	<u>768</u>
<b>Total Assets</b>	<u><u>\$ 138,836</u></u>	<u><u>\$ 851,131</u></u>
<b>LIABILITIES</b>		
Extraclassroom activity balances	\$ -	\$ 62,207
Due to governmental funds	-	4,388
Other liabilities	<u>-</u>	<u>784,536</u>
<b>Total Liabilities</b>	<u>-</u>	<u><u>\$ 851,131</u></u>
<b>NET POSITION</b>		
Reserved for scholarships	<u><u>\$ 138,836</u></u>	

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

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
For Year Ended June 30, 2013  
-----

	Private Purpose Trusts
<b>ADDITIONS</b>	
Contributions	\$ 7,034
Interest	<u>153</u>
<b>Total Additions</b>	<u>7,187</u>
 <b>DEDUCTIONS</b>	
Scholarships and awards	<u>9,448</u>
<b>Change in Net Position</b>	(2,261)
<b>Net Position - Beginning of year</b>	<u>141,097</u>
<b>Net Position - End of year</b>	<u><u>\$ 138,836</u></u>

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

# ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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### I. Summary of Significant Accounting Policies

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

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

#### A. Reporting Entity

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

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

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

##### The Extraclassroom Activity Funds

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

See auditor's report.

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

**B. Joint Venture**

The Rotterdam-Mohonasen Central School District is one of 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, 2013, the Rotterdam-Mohonasen Central School District was billed \$2,608,252 for BOCES administrative and program costs. The District's share of BOCES Aid amounted to \$947,564. Financial statements for the BOCES Aid are available from the BOCES administrative office.

**C. Basis of Presentation**

**1. Districtwide Statements**

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

See auditor's report.



ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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

**1. Districtwide Statements (Continued)**

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

The Statement of 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)

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

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

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

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

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

**b. Fiduciary Funds**

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

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

See auditor's report.

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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

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)

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

**F. Property Taxes**

Real property taxes are levied annually by the Board of Education no later than September 1, and become a lien on August 20. 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 Position for interfund receivables and payables represent amounts due between different fund types (governmental activities and fiduciary funds). Eliminations have been made for all interfund receivables and payables between funds, with the exception of those due from or to the fiduciary funds.

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

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

See auditor's report.

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

**I. Estimates**

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

**J. Receivables**

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

**K. Inventories and Prepaid Items**

Inventories of food in the School Lunch Fund are recorded at cost on a first-in, first-out basis or in the case of surplus food, at stated value 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)

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**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)

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**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 Position.

**P. Unearned and Deferred Revenues**

Unearned revenues are reported when potential revenues do not meet both the measurable and available criteria for recognition in the current period. Unearned revenues also arise when the District receives resources before it has legal claim to them, as when grant monies are received prior to incurring qualifying expenditures. In subsequent periods, when both recognition criteria are met, or when the District has legal claim to the resources, the liability for unearned revenues is removed and revenues are recorded. Statute provides the authority for the District to levy taxes to be used to finance expenditures within the first 120 days of the succeeding fiscal year. Consequently, such amounts are recognized as revenue in the subsequent fiscal year, rather than when measurable and available. In the current year, these amounts are recognized as deferred inflows of resources.

**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.

See auditor's report.

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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.

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 position:

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

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

See auditor's report.



ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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 \$53,761.

**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)

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**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)

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**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	\$ 409,584
Unemployment Insurance	335,268
Employee Retirement Contributions	1,099,126
Tax Certiorari	1,047,672
Debt Service Fund	3,212,567
Special Aid Fund	137,451
Total restricted funds	<u>\$ 6,241,668</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, 2013.

**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 \$459,953 and the assigned fund balance amounted to \$1,125,000.

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

See auditor's report.

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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**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)

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**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.

**U. New Accounting Standards**

The District has adopted all current Statements of the Governmental Accounting Standards Board (GASB) that are applicable. At June 30, 2013, the District implemented the following new standard issued by GASB:

*GASB Statement 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.*

GASB 63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources, and amends the net asset reporting provisions of GASB 34 by incorporating deferred inflows and outflows into the definitions of the residual measure and by renaming that measure as net position, rather than net assets.

**V. Future Changes in Accounting Standards**

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

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

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

See auditor's report.

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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

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

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

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

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

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

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

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

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

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

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

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

See auditor's report.

# ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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

##### b. Capital related differences:

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

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

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

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

Original cost of capital assets	\$96,679,234
Accumulated depreciation	<u>32,633,214</u>
Capital assets, net	<u>\$64,046,020</u>

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

Bonds payable	<u>\$26,335,217</u>
OPEB obligations	<u>\$ 5,179,570</u>
Compensated Absences	<u>\$ 129,012</u>

When the purchase or construction of capital assets is financed through governmental funds, the resources expended for those assets are reported as expenditures in the years they are incurred. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Depreciation of \$2,670,253 was more than capital expenditures of \$632,024 in the current year.

See auditor's report.

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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

Repayment of bond principal of \$9,879,128 is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position, and does not affect the Statement of Activities.

Interest on long-term debt and short-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The interest reported in the Statement of Activities decreased by \$304,115.

**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)

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**IV. Interfund Transaction**

Interfund balances at June 30, 2013 are as follows:

	Interfund		Interfund	
	Receivable	Payable	Revenues	Expenditures
General Fund	\$ 783,204	\$ 126,624	\$ 2,166	\$ 69,770
Special Aid Fund	4,945	779,583	69,680	-
School Lunch Fund	2,870	4,945	-	2,166
Capital Fund	459	287,200	2,085,615	213,924
Debt Service Fund	287,200	-	213,924	2,085,525
Total governmental activities	<u>1,078,678</u>	<u>1,198,352</u>	<u>\$ 2,371,385</u>	<u>\$ 2,371,385</u>
Fiduciary Agency Fund	<u>124,062</u>	<u>4,388</u>		
Totals	<u>\$ 1,202,740</u>	<u>\$ 1,202,740</u>		

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

See auditor's report.

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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**V. Capital Assets**

A summary of changes in general fixed assets follows:

	Balance 7/1/2012	Additions	Deletions	Balance 6/30/2013
<u>Capital assets-not depreciated:</u>				
Land	\$ 1,652,526	\$ -	\$ -	\$ 1,652,526
Construction in progress	19,070,429	202,011	19,272,440	-
Total capital assets-not depreciated:	20,722,955	202,011	19,272,440	1,652,526
<u>Other capital assets:</u>				
Buildings and improvements	65,644,311	19,272,440	-	84,916,751
Machinery and equipment	5,113,891	145,028	-	5,258,919
Buses	4,866,931	284,985	300,878	4,851,038
Total other capital assets:	75,625,133	19,702,453	300,878	95,026,708
<u>Less accumulated depreciation:</u>				
Buildings and improvements	21,901,429	2,111,962	-	24,013,391
Machinery and equipment	4,799,484	93,135	-	4,892,619
Buses	3,562,926	465,156	300,878	3,727,204
Total accumulated depreciation	30,263,839	2,670,253	300,878	32,633,214
Other capital assets, net	5,361,294	17,032,200	-	62,393,494
Total	\$ 66,084,249	\$ 17,234,211	\$ 19,272,440	\$ 64,046,020

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

See auditor's report.

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

VI. Pension Plans

1. General Information

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

2. Plan Descriptions

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

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

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

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

3. Funding Policies

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

See auditor's report.

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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**VI. Pension Plans (Continued)**

3. Funding Policies (Continued)

Employers are required to contribute at an actuarially determined rate, currently 11.84% of the annual covered payroll for the fiscal year ended June 30, 2013. Rates applicable to the fiscal years ended June 30, 2012 and 2011 were respectively, 11.11%, and 8.62%.

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

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

<u>Year</u>	<u>ERS</u>	<u>TRS</u>
2013	\$825,508	\$2,062,167
2012	\$775,325	\$1,776,635
2011	\$498,185	\$1,323,602

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 7/1/2012</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Balance 6/30/13</u>
BANS	2013	1.50%	<u>\$20,131,950</u>	<u>\$ -</u>	<u>\$20,131,950</u>	<u>\$ -</u>

See auditor's report.

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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**VII. Short-Term Debt Obligations (Continued)**

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

Interest paid	\$ 301,140
Less interest accrued in the prior year	(297,015)
Plus interest accrued in the current year	<u>          -</u>
Total expense	<u>\$ 4,125</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	\$1,509,426
Less interest accrued in the prior year	(180,887)
Plus interest accrued in the current year	<u>173,787</u>
Total expense	<u>\$1,502,326</u>

**2. Changes**

	Balance 7/1/2012	Additions	Deletions	Balance 6/30/2013	Due Within One Year
Serial Bonds	\$ 14,439,450	\$ 21,774,895	\$ 9,879,128	\$ 26,335,217	<u>\$ 3,320,107</u>
Compensated Absences	115,338	13,674	-	129,012	
OPEB Obligations	4,326,920	852,650	-	5,179,570	
Totals	<u>\$ 18,881,708</u>	<u>\$ 22,641,219</u>	<u>\$ 9,879,128</u>	<u>\$ 31,643,799</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)

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

**3. Maturity**

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

Purpose	Issue Date	Final Maturity	Interest Rate	Outstanding 6/30/2013
Serial Bonds:				
Advanced refunding	2012	2016	3-5%	\$ 4,305,000
Advanced refunding	2012	2016	2-3%	665,000
Construction	2005	2021	3.5-3.9%	2,605,000
Construction	2006	2027	4.2-4.375%	3,405,000
Construction	2012	2025	3-5%	14,290,000
Buses	2012	2017	1.68%	284,895
Buses	2011	2016	1.96%	296,000
Buses	2009	2014	2.95%	256,125
Buses	2010	2015	2.35%	228,197
Total				<u>\$ 26,335,217</u>

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

	Year	Principal	Interest	Total
Serial Bonds:	2014	\$ 3,320,107	\$ 1,183,721	\$ 4,503,828
	2015	3,435,107	1,058,948	4,494,055
	2016	3,452,045	905,845	4,357,890
	2017	1,715,979	749,630	2,465,609
	2018	1,721,979	673,570	2,395,549
	2019 and thereafter	12,690,000	2,457,986	15,147,986
	Total	<u>\$ 26,335,217</u>	<u>\$ 7,029,700</u>	<u>\$ 33,364,917</u>

On October 31, 2012, the District issued \$6,525,000 in general obligation bonds with an average interest rate of 3% to advance refund \$6,916,000 of outstanding X Series bonds with an average interest rate of 5%. The net proceeds of \$7,062,425 (after payment of \$28,390 in underwriting fees, insurance and other issuance costs) were used to purchase United States government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the bonds. As a result, the bonds are considered to be defeased, and the liability for those bonds has been removed from the District's financial statements. The District advance refunded the bonds to revise its payment schedules due to changes in New York State's aid payment schedules. The economic gain (loss) on the transaction (the difference between the present values of the debt service payments on the old and new debt) is approximately \$691,666.

See auditor's report.

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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

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

The District recognizes the cost of providing health insurance annually as expenditures in the General Fund of the funds financial statements as payments are made. For the year ended June 30, 2013, the District recognized \$1,226,812 for its share of insurance premiums for currently enrolled retirees.

The District has obtained an actuarial valuation report as of July 1, 2012 which indicates that the total liability for other postemployment benefits is \$5,179,570, which is reflected in the Statement of Net Position.

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

The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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

Annual required contribution	\$ 2,078,696
Interest on net OPEB obligation	213,703
Adjustment to annual required contribution	<u>(212,937)</u>
Annual OPEB cost (expense)	2,079,462
Contributions made	<u>1,226,812</u>
Increase in net OPEB obligation	852,650
Net OPEB obligation-beginning of year	<u>4,326,920</u>
Net OPEB obligation-end of year	<u><u>\$ 5,179,570</u></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:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2011	\$2,127,312	54.80%	\$3,236,971
6/30/2012	\$2,258,694	51.70%	\$4,326,920
6/30/2013	\$2,079,462	59.0%	\$5,179,570

**Funded Status and Funding Progress**

As of July 1, 2012, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$26,082,795, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$26,082,795. The covered payroll (annual payroll of active employees covered by the plan) was \$18,646,108 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.

See auditor's report.



ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

**Actuarial Methods and Assumptions**

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

In the July 1, 2012 actuarial valuation, the Projected Unit Credit Cost method was used. The actuarial assumptions included a 5% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 3.34% initially, increased by increments to an ultimate rate of 4.24% after 1 year. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a 30 year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period, at June 30, 2013, was 25 years.

**X. Commitments and Contingencies**

**A. Risk Financing and Related Insurance**

**1. General Information**

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

**2. Workers' Compensation Insurance**

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

See auditor's report.

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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

3. Other Items

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

4. Litigation

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

5. Operating Leases

The School District leases property and equipment under operating leases. Total rental expenditures on such leases for the fiscal year ended June 30, 2013 was approximately \$119,669. The future non-cancelable operating lease payments are as follows:

<u>Year Ended</u>	<u>Lease Payments</u>
2014	\$ 84,064
2015	83,183
2016	78,599
	<u>\$ 245,846</u>

See auditor's report.

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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**XI. Other Disclosures**

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

Total governmental fund balance	\$ 9,874,373
Capital assets (net)	64,046,020
Current outflows of resources	28,335
Deferred outflows of resources	85,005
Bonds payable	(26,335,217)
Accrued interest payable	(173,787)
Deferred inflows of resources	9,942
Compensated absences	(129,012)
OPEB obligations	(5,179,570)
Total net position	<u>\$ 42,226,089</u>

See auditor's report.

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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**XI. Other Disclosures (Continued)**

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

Net changes in fund balance – total governmental funds	\$16,942,161
Capital outlays are expenditures in governmental funds, but are capitalized in the Statement of Net Position	632,024
Depreciation is not recorded as an expenditure in the governmental funds, but is recorded in the Statement of Activities	(2,670,253)
Amortization of issuance costs on advanced refunding bonds	(28,335)
Repayments of Long-term Debt are recorded as expenditures in the governmental funds, but are recorded as payments of liabilities in the Statement of Net Position	9,879,128
Interest is recognized as an expense in governmental funds when paid. For governmental activities, interest expense is recognized as it accrues. The decrease in accrued interest during 2012/13 results in less expense.	304,115
Certain revenues deferred in the Governmental Funds must be recognized in the Statement of Activities	(21,721)
Proceeds from debt are recognized as revenue in the Governmental Funds, but not in the Statement of Activities	(21,774,895)
Issuance costs of advanced refunding bonds are expensed in the governmental funds, but they are amortized over the life of the bond issue in the Statement of Activities	141,675
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	(852,650)
Compensated absences	<u>(13,674)</u>
Change in Net Position – Governmental Activities	<u>\$ 2,537,575</u>

See auditor's report.

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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**XII. Stewardship, Compliance and Accountability**

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**

There were no significant subsequent events to report from the period of July 1, 2013 to August 30, 2013.

See auditor's report.

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT  
SCHEDULE OF REVENUES COMPARED TO BUDGET- GENERAL FUND  
For Year Ended June 30, 2013  
-----

	Original Budget	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Local Sources				
Real property taxes	\$ 18,959,978	\$ 18,959,978	\$ 18,980,350	\$ 20,372
Other tax items	3,979,529	3,979,529	3,980,804	1,275
Charges for services	316,000	322,245	298,669	(23,576)
Use of money and property	216,250	216,250	196,174	(20,076)
Sale of property and compensation for loss	1,500	1,500	8,469	6,969
Miscellaneous	90,000	125,372	168,232	42,860
<b>Total Local Sources</b>	<u>23,563,257</u>	<u>23,604,874</u>	<u>23,632,698</u>	<u>27,824</u>
State sources	17,911,098	17,936,098	17,534,514	(401,584)
Federal sources	25,000	25,000	177,702	152,702
<b>Total Revenues</b>	<u>41,499,355</u>	<u>41,565,972</u>	<u>41,344,914</u>	<u>(221,058)</u>
<b>Other Financing Sources</b>				
Operating transfers in	533,000	533,000	2,166	(530,834)
<b>Total Revenue and Other Financing Sources</b>	<u>42,032,355</u>	<u>42,098,972</u>	<u>41,347,080</u>	<u>\$ (751,892)</u>
<b>Appropriated Fund Balance</b>	2,050,000	2,877,000		
<b>Appropriated Reserves</b>	-	763,870		
<b>Total Revenues, Other Sources, Appropriated Reserves and Fund Balance</b>	<u>\$ 44,082,355</u>	<u>\$ 45,739,842</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, 2013  
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	Original Budget	Revised Budget	Actual	Encumbrances	Variance Favorable (Unfavorable)
<b>EXPENDITURES</b>					
General Support					
Board of education	\$ 31,335	\$ 34,295	\$ 30,843	\$ -	\$ 3,452
Central administration	243,707	245,402	244,176	-	1,226
Finance	532,101	570,422	549,638	299	20,485
Staff	256,900	265,467	214,733	6,500	44,234
Central services	2,501,814	2,671,044	2,207,091	215,507	248,446
Special items	564,925	565,949	468,556	50,000	47,393
<b>Total General Support</b>	<b>4,130,782</b>	<b>4,352,579</b>	<b>3,715,037</b>	<b>272,306</b>	<b>365,236</b>
Instructional					
Instruction, administration and improvement	1,944,567	1,798,037	1,634,337	125	163,575
Teaching - regular school	13,296,531	13,464,856	13,094,576	57,478	312,802
Programs for children with handicapping conditions	3,720,518	3,904,926	3,524,820	35,000	345,106
Occupational education	655,000	671,957	669,570	-	2,387
Teaching - special school	172,174	193,429	183,293	140	9,996
Instructional media	1,047,894	1,138,589	1,049,051	4,474	85,064
Pupil services	2,154,750	2,245,949	2,157,869	24,054	64,026
<b>Total Instructional</b>	<b>22,991,434</b>	<b>23,417,743</b>	<b>22,313,516</b>	<b>121,271</b>	<b>982,956</b>
Pupil transportation	2,089,245	2,203,994	1,945,116	66,376	192,502
Community services	2,691	2,691	1,691	-	1,000
Employee benefits	10,689,907	10,426,329	9,383,086	-	1,043,243
Debt Service					
Principal	2,845,129	3,488,129	3,488,128	-	1
Interest	1,268,167	1,778,287	1,777,427	-	860
<b>Total Expenditures</b>	<b>44,017,355</b>	<b>45,669,752</b>	<b>42,624,001</b>	<b>459,953</b>	<b>2,585,798</b>
<b>OTHER USES</b>					
Operating transfers out	65,000	70,090	69,770	-	320
<b>Total Expenditures and Other Uses</b>	<b>\$ 44,082,355</b>	<b>\$ 45,739,842</b>	<b>42,693,771</b>	<b>\$ 459,953</b>	<b>\$ 2,586,118</b>
<b>Net change in fund balance</b>			<b>(1,346,691)</b>		
<b>Fund balance- Beginning</b>			<b>7,638,408</b>		
<b>Fund balance- Ending</b>			<b>\$ 6,291,717</b>		

See auditor's report.

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT  
SCHEDULE OF FUNDING PROGRESS OF OTHER POSTEMPLOYMENT BENEFITS  
For Year Ended June 30, 2013

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

See auditor's report.



ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT  
SCHEDULE OF CHANGE FROM ORIGINAL BUDGET TO FINAL BUDGET AND  
THE REAL PROPERTY TAX LIMIT  
For Year Ended June 30, 2013  
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**CHANGE FROM ORIGINAL BUDGET TO FINAL BUDGET**

Original Budget	\$	44,082,355
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**Additions:**

Prior year's encumbrances	\$	691,697
Budget revisions- Reserves		72,174
- Special Legislative Grant		25,000
- Drama		35,371
- Fund Balance		827,000
- Summer School		6,245
		1,657,487

Final Budget	\$	45,739,842
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**SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION**

2013-14 Voter-approved Expenditure Budget		
Maximum allowed (4% of 2013-2014 Budget)	\$	45,377,864

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

Unrestricted fund balance:

Committed fund balance	\$	-
Assigned fund balance		1,584,953
Unassigned fund balance		1,815,114
Total unrestricted fund balance	\$	3,400,067

Less:

Appropriated fund balance	\$	1,125,000
Encumbrances included in committed and assigned fund balance		459,953
Total adjustments	\$	1,584,953

General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law	\$	1,815,114
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Actual percentage		4.00%
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\* Per Office of the State Comptroller's "Fund Balance Reporting and Governmental Fund Type Definitions", Updated April 2011 (originally Issued November 2010), the portion of General Fund Fund Balance subject to Section 1318 of the Real Property Tax Law is: unrestricted fund balance (i.e., the total of the committed, assigned and unassigned classifications), minus appropriated fund balance, amounts reserved for insurance recovery, amounts reserved for tax reduction, and encumbrances included in committed and assigned fund balance.

See auditor's report.

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT  
SCHEDULE OF PROJECT EXPENDITURES- CAPITAL PROJECTS FUND  
For Year Ended June 30, 2013

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PROJECT TITLE	Original Budget	Revised Budget	Expenditures			Unexpended Balance	Revenues				Fund Balance June 30, 2013
			Prior Years	Current Year	Total		Proceeds of Obligations	NYS Sources	Local Sources	Total	
Buses	\$ 284,895	\$ 284,895	\$ -	\$ 284,985	\$ 284,985	\$ (90)	\$ 284,895	\$ -	\$ 90	\$ 284,985	\$ -
Excel Project	21,881,000	21,881,000	19,070,430	279,665	19,350,095	2,530,905	14,965,000	1,119,570	3,265,525	19,350,095	-
Totals	<u>\$ 22,165,895</u>	<u>\$ 22,165,895</u>	<u>\$ 19,070,430</u>	<u>\$ 564,650</u>	<u>\$ 19,635,080</u>	<u>\$ 2,530,815</u>	<u>\$ 15,249,895</u>	<u>\$ 1,119,570</u>	<u>\$ 3,265,615</u>	<u>\$ 19,635,080</u>	<u>\$ -</u>

See auditor's report.

ROTTERDAM-MOHONASEN CENTRAL SCHOOL DISTRICT  
SCHEDULE OF INVESTMENT IN CAPITAL ASSETS, NET OF RELATED DEBT  
FOR THE YEAR ENDED JUNE 30, 2013  
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Capital assets, net		\$ 64,046,020
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Deduct:

Short-term portion of bonds payable	\$ 3,320,107	
Long-term portion of bonds payable	<u>23,015,110</u>	<u>26,335,217</u>

Investment in capital assets, net of related debt		<u>\$ 37,710,803</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, 2013 which collectively comprise the District's basic financial statements and have issued our report thereon dated August 30, 2013. 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.

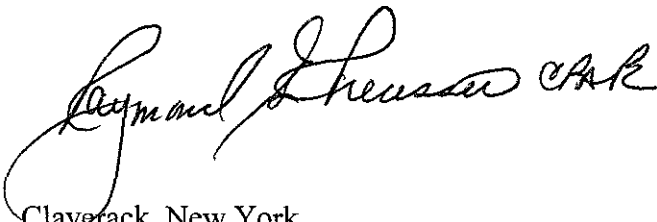
See auditor's report.

## 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 black ink, reading "Raymond J. Lussan" followed by the initials "C.A.R." in a cursive style.

Claverack, New York  
August 30, 2013

See auditor's report.

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

Certified Public Accountants

P.O. Box 538

Claverack, New York 12513

Telephone: (518) 851-6650

Fax: (518) 851-6675

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

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the fiduciary funds of the Rotterdam-Mohonasen Central School District as of and for the year ended June 30, 2013, 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, 2013 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 Policies:

During our review of Board Policies, we noted that the District did not have a complete Fiscal Accounting and Reporting Policy which incorporates the acceptance of all new GASB (Governmental Accounting Standards Board) accounting requirements.

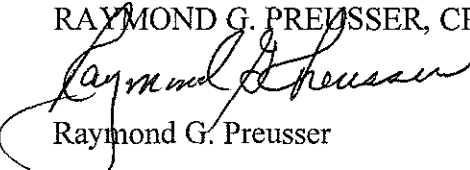
We recommend that the Board amends it's current policy to include the GASB reference.

We have provided management with an example of such a policy.

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.