

**ROCKVILLE CENTRE UNION FREE SCHOOL DISTRICT  
FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
WITH INDEPENDENT AUDITOR'S REPORT  
FOR THE FISCAL YEAR ENDED  
JUNE 30, 2014**

# ROCKVILLE CENTRE UNION FREE SCHOOL DISTRICT

## TABLE OF CONTENTS

### I. INDEPENDENT AUDITOR'S REPORT, MANAGEMENT'S DISCUSSION AND ANALYSIS AND BASIC FINANCIAL STATEMENTS

#### Independent Auditor's Report

| <u>Exhibit<br/>Number</u> |                                                                                                                       | <u>Page</u> |
|---------------------------|-----------------------------------------------------------------------------------------------------------------------|-------------|
| 1                         | Management's Discussion and Analysis (Required Supplementary Information) (MD&A)                                      | 1 - 14      |
| 2                         | Statement of Net Position                                                                                             | 15          |
| 3                         | Statement of Activities                                                                                               | 16          |
| 4                         | Balance Sheet – Governmental Funds                                                                                    | 17          |
| 5                         | Reconciliation of Governmental Funds Balance Sheet to Statement of Net Position                                       | 18          |
| 6                         | Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds                                  | 19          |
| 7                         | Reconciliation of Governmental Fund Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities | 20          |
| 8                         | Statement of Fiduciary Net Position – Fiduciary Funds                                                                 | 21          |
| 9                         | Statement of Changes in Fiduciary Net Position - Fiduciary Funds                                                      | 22          |
| 10                        | Notes to Financial Statements                                                                                         | 23 - 48     |

### II. REQUIRED SUPPLEMENTARY INFORMATION

|     |                                                                                                   |         |
|-----|---------------------------------------------------------------------------------------------------|---------|
| SS1 | Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund | 49 – 50 |
| SS2 | Schedule of Funding Progress for Other Post-Employment Benefits                                   | 51      |

### III. OTHER SUPPLEMENTARY INFORMATION

|     |                                                                                        |    |
|-----|----------------------------------------------------------------------------------------|----|
| SS3 | Schedule of Change from Adopted Budget to Final Budget and the Real Property Tax Limit | 52 |
| SS4 | Schedule of Project Expenditures - Capital Projects Fund                               | 53 |
| SS5 | Net Investment in Capital Assets                                                       | 54 |

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

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Education  
Rockville Centre Union Free School District

### **Report on Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the fiduciary funds of Rockville Centre Union Free School District, as of and for the fiscal year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the fiduciary funds of Rockville Centre Union Free School District, as of June 30, 2014, and the respective changes in financial position for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedule of funding progress on pages 1 through 14 and 49 through 51, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Boards, 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

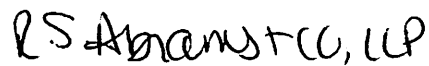
### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Rockville Centre Union Free School District's basic financial statements. The other supplementary financial information as listed in the table of contents is presented for the purpose of additional analysis and is not a required part of the financial statements.

The information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 basic financial statements as a whole.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2014 on our consideration of Rockville Centre Union Free School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Rockville Centre Union Free School District's internal control over financial reporting and compliance.

  
R.S. Abrams & Co., LLP  
Islandia, NY  
October 10, 2014

**ROCKVILLE CENTRE UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

The following is a discussion and analysis of the Rockville Centre Union Free School District's (the "District") financial performance for the fiscal year ended June 30, 2014. This section is a summary of the District's financial activities based on currently known facts, decisions, or conditions. It is also based on both the district-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.

**1. FINANCIAL HIGHLIGHTS**

- On the District-Wide Financial Statements, revenues increased by 3.27% as a result of increases in property taxes and operating grants.
- On the District-Wide Financial Statements, expenditures increased by 4.81% as a result of increases in instructional expenditures.
- The District has maintained an "Aa2" credit rating from Moody's for its bond borrowing. This rating will save the taxpayers several million dollars over the life of the bonds.
- On the Fund Financial Statements, the unassigned fund balance of \$3,930,764 is limited by NYS Real Property Tax Law 1318 to no more than 4% of the District's budget for the general fund for the ensuing fiscal year. Currently, the latter is at 3.81% of the District's budget for the general fund for the ensuing fiscal year.
- South Side High School has consistently ranked as one of the top public high schools in the United States of America. The District continued to offer all programs, without reducing services.
- On May 20, 2014, the proposed 2014-2015 budget in the amount of \$103,136,754 was authorized by the District's residents.

**2. OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of four parts: management's discussion and analysis (this section), the basic financial statements, required supplementary information and optional supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

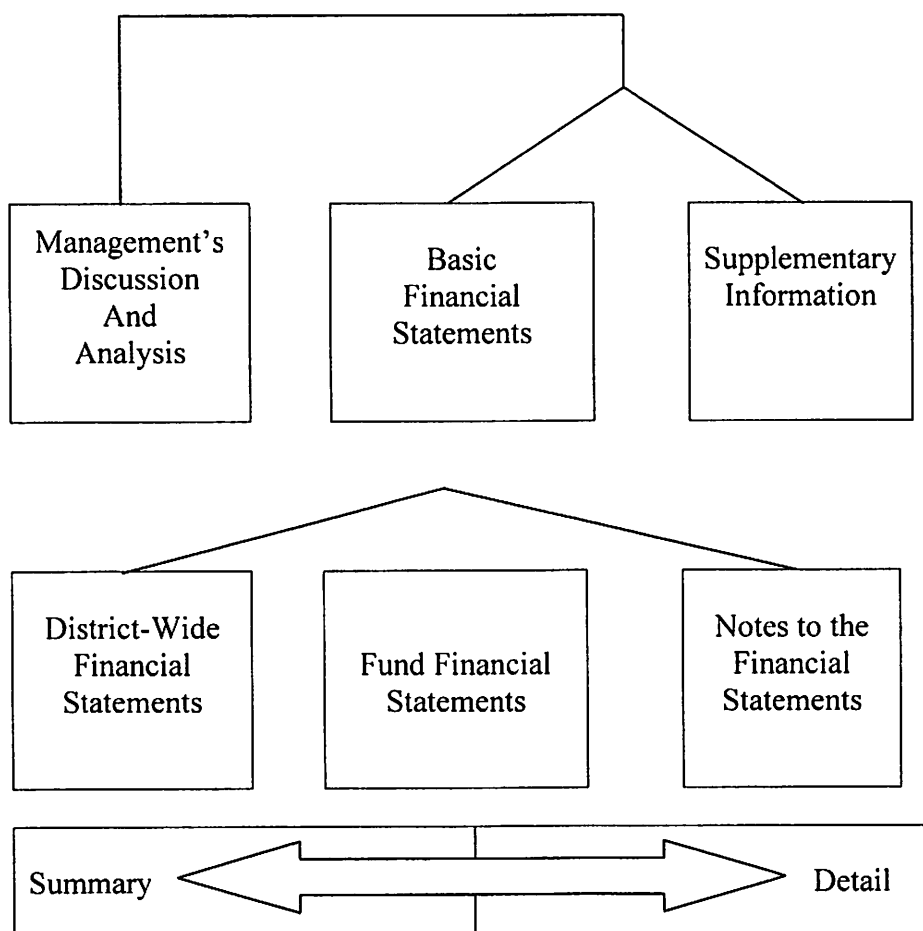
- The first two statements are *District-Wide Financial Statements* that provide both *short-term* and *long-term* information about the District's *overall* financial status.
- The remaining statements are *Fund Financial Statements* that focus on *individual parts* of the District, reporting the operations in *more detail* than the District-Wide Statements.

**ROCKVILLE CENTRE UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

- The *Governmental Fund Statements* tell how basic services such as instruction and support functions 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, including the employees of District.

The financial statements also include notes that provide additional information about the financial statements and the balances reported. 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. Table A-1 shows how the various parts of this annual report are arranged and related to one another.

Table A-1: Organization of the District's Annual Financial Report



**ROCKVILLE CENTRE UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Table A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities that they cover and the types of information that they contain. The remainder of this overview section of Management's Discussion and Analysis highlights the structure and contents of each of the statements.

Table A-2: Major Features of the District-Wide and Fund Financial Statements

|                                                                                                  | District-Wide Statements                                                                                                                        | Fund Financial Statements                                                                                                                                                                                                           |                                                                                                                                                                                                              |
|--------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                                                                  |                                                                                                                                                 | Governmental                                                                                                                                                                                                                        | Fiduciary                                                                                                                                                                                                    |
| Scope                                                                                            | Entire entity (except fiduciary funds)                                                                                                          | The day-to-day operating activities of the District, such as special education and instruction                                                                                                                                      | Instances in which the District administers resources on behalf of others, such as employee benefits                                                                                                         |
| Required financial statements                                                                    | <ul style="list-style-type: none"> <li>• Statement of Net Position</li> <li>• Statement of Activities</li> </ul>                                | <ul style="list-style-type: none"> <li>• Balance Sheet</li> <li>• Statement of Revenues, Expenditures and Changes in Fund Balances</li> </ul>                                                                                       | <ul style="list-style-type: none"> <li>• Statement of Fiduciary Net Position</li> <li>• Statement of Changes in Fiduciary Net Position</li> </ul>                                                            |
| Accounting basis and measurement focus                                                           | Accrual accounting and economic resources measurement focus                                                                                     | Modified accrual and current financial resources measurement focus                                                                                                                                                                  | Accrual accounting and economic resources focus                                                                                                                                                              |
| Type of asset/deferred outflows of resources/liability/deferred inflows of resources information | All assets, deferred outflows of resources, liabilities, and deferred inflows of resources both financial and capital, short-term and long-term | Generally, assets and deferred outflows of resources expected to be used up and liabilities and deferred inflows of resources that come due during the year or soon thereafter; no capital assets or long-term liabilities included | All assets, deferred outflows of resources (if any), liabilities, and deferred inflows of resources (if any) both short-term and long-term; funds do not currently contain capital assets, although they can |
| Type of inflow and outflow information                                                           | All revenues and expenses during the year; regardless of when cash is received or paid                                                          | Revenues for which cash is received during the year or soon thereafter; expenditures when goods or services have been received and the related liability is due and payable                                                         | All additions and deductions during the year, regardless of when cash is received or paid                                                                                                                    |

**ROCKVILLE CENTRE UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**A. District-Wide Financial Statements**

The District-Wide 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 District-Wide Financial Statements report the District's net position and how it has 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 financial health or position of the District.

- Over time, increases and decreases in the District's net position are an indicator of whether the financial position is improving or deteriorating, respectively.
- For assessment of the overall health of the District, additional non-financial factors such as changes in the District's property tax base and the condition of buildings and other facilities should be considered.

Net position of the governmental activities differ from the governmental fund balances because governmental fund level statements only report transactions using or providing current financial resources. Also, capital assets are reported as expenditures when financial resources (money) are expended to purchase or build said assets. Likewise, the financial resources that may have been borrowed are considered revenue when they are received. The principal and interest payments are both considered expenditures when paid. Depreciation is not calculated if it does not provide or reduce current financial resources. Finally, capital assets and long-term debt are both accounted for in account groups and do not affect the fund balances.

District-Wide Financial Statements are reported utilizing an economic resources measurement focus and full accrual basis of accounting that involves the following steps to format the Statement of Net Position:

- Capitalize current outlays for capital assets;
- Report long-term debt as a liability;
- Depreciate capital assets and allocate the depreciation to the proper program/activities;
- Calculate revenue and expense using the economic resources measurement focus and the accrual basis of accounting; and
- Allocate net position balances as follows:
  - *Net investment in capital assets*;
  - *Restricted net position* are those with constraints placed on the use by external sources (creditors, grantors, contributors or laws or regulations of governments) or approved by law through constitutional provisions or enabling legislation;
  - *Unrestricted net position* is net position that does not meet any of the above restrictions.



**ROCKVILLE CENTRE UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**B. Fund Financial Statements**

The Fund Financial Statements provide more detailed information about the District's funds. Funds are accounting devices that the District uses to keep track of specific revenue sources and spending on particular programs. The funds have been established by the laws of the State of New York. The District has two kinds of funds:

- *Governmental funds:* Most of the 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 fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the programs of the District. Because this information does not encompass the additional long-term focus of the District-Wide Financial Statements, additional information is provided on reconciliation pages explaining the relationship (or differences) between them. In summary, the government fund statements focus primarily on the sources, uses, and balances of current financial resources and often has a budgetary orientation. Included are the general fund, special aid fund, school lunch fund, debt service fund, and capital projects fund. Required statements are the Balance Sheet and the Statement of Revenues, Expenditures, and Changes in Fund Balances.
- *Fiduciary funds:* The District is the trustee or *fiduciary* for assets that belong to others, such as scholarship funds and 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 District-Wide Financial Statements because it cannot use these assets to finance its operations. Fiduciary fund reporting focuses on net position and changes in net position. This report should be used to support the District's own programs and is developed using the economic resources measurement focus and the accrual basis of accounting, except for the recognition of certain liabilities of defined benefit pension plans and certain post-employment healthcare plans.

**ROCKVILLE CENTRE UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**3. FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

**A. Net Position**

The District's total net deficit increased by \$5,293,547 in the fiscal year ended June 30, 2014 as detailed in Table A-3.

Table A-3 – Condensed Statement of Net Position - Governmental Activities

|                                    | Fiscal Year<br>2014 | Fiscal Year<br>2013 | Increase<br>(Decrease) | Total<br>Percentage<br>Change |
|------------------------------------|---------------------|---------------------|------------------------|-------------------------------|
| Current assets and other assets    | \$27,428,064        | \$22,251,240        | \$5,176,824            | 23.27%                        |
| Capital assets                     | 26,730,861          | 20,950,678          | 5,780,183              | 27.59%                        |
| Total Assets                       | <u>\$54,158,925</u> | <u>\$43,201,918</u> | <u>\$10,957,007</u>    | 25.36%                        |
| Other liabilities                  | \$17,593,457        | \$7,148,991         | \$10,444,466           | 146.10%                       |
| Long-term liabilities              | 61,336,847          | 55,530,759          | 5,806,088              | 10.46%                        |
| Total Liabilities                  | <u>78,930,304</u>   | <u>62,679,750</u>   | <u>16,250,554</u>      | 25.93%                        |
| Net Position                       |                     |                     |                        |                               |
| Net Investment in capital assets   | 6,000,856           | 9,174,086           | (3,173,230)            | -34.59%                       |
| Restricted                         | 5,069,245           | 5,136,594           | (67,349)               | -1.31%                        |
| Unrestricted (Deficit)             | <u>(35,841,480)</u> | <u>(33,788,512)</u> | <u>(2,052,968)</u>     | 6.08%                         |
| Total Net Position (Deficit)       | <u>(24,771,379)</u> | <u>(19,477,832)</u> | <u>(5,293,547)</u>     | -27.18%                       |
| Total Liabilities and Net Position | <u>\$54,158,925</u> | <u>\$43,201,918</u> | <u>\$10,957,007</u>    | 25.36%                        |

Certain reclassifications have been made for financial statement presentation. Such reclassifications had no effect on the total net position as previously reported.

Current assets and other assets increased \$5,176,824 from 2013 to 2014 primarily due to an increase in cash and due from other governments. Capital assets (net of depreciation) increased by \$5,780,183. This was attributable to capital asset additions offset by current year depreciation.

Other liabilities increased by \$10,444,466. This was attributable to an increase in due to teachers' retirement system, as well as an increase in bond anticipation notes used to provide temporary funding for capital projects. Long-term liabilities increased by \$5,806,088 primarily due to an increase in net other post-employment benefits obligation of approximately \$6.9 million.

The net investment in capital assets relates to the investment in capital assets at cost such as land, construction in progress, buildings & improvements, and furniture & equipment, net of depreciation and related debt. This number decreased from the prior year by \$3,173,230 due to depreciation and the issuance of bond anticipation notes, offset by additional capital expenses for building improvements and equipment, and principal payments on debt.

**ROCKVILLE CENTRE UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

The restricted net position balance in the amount of \$5,069,245 relates to the District's reserves: employee benefit accrued liability, retirement contribution and unemployment insurance, as well as the debt service fund balance. The restricted amount decreased by \$67,349 as compared to the prior year. This decrease is due to a decrease in the retirement contribution reserve, offset by an increase in the employee benefit accrued liability reserve.

The unrestricted net position (deficit) relates to the balance of the District's net position. The deficit increased by \$2,052,968 from the prior year. This is primarily due to the increase in net other post employment benefits obligation. Net position overall decreased by \$5,293,547.

**B. Changes in Net Position**

The results of operations as a whole are reported in the Statement of Activities. A summary of this statement for the years ended June 30, 2014 and 2013 is as follows:

Table A-4: Change in Net Position from Operating Results, Governmental Activities Only:

|                                            | Fiscal Year<br>2014  | Fiscal Year<br>2013  | Increase<br>(Decrease) | Total<br>Percentage<br>Change |
|--------------------------------------------|----------------------|----------------------|------------------------|-------------------------------|
| <b>Revenues</b>                            |                      |                      |                        |                               |
| <b>Program Revenues</b>                    |                      |                      |                        |                               |
| Charges for services                       | \$3,617,236          | \$3,802,250          | (\$185,014)            | -4.87%                        |
| Operating grants                           | 2,334,940            | 2,022,057            | 312,883                | 15.47%                        |
| Capital grants                             | 501,712              | 499,636              | 2,076                  | 0.42%                         |
| <b>General Revenues</b>                    |                      |                      |                        |                               |
| Property taxes and other tax items         | 87,888,288           | 84,846,779           | 3,041,509              | 3.58%                         |
| State sources                              | 7,762,865            | 7,558,776            | 204,089                | 2.70%                         |
| Use of money & property                    | 138,078              | 102,675              | 35,403                 | 34.48%                        |
| Other                                      | 210,009              | 376,264              | (166,255)              | -44.19%                       |
| <b>Total Revenues</b>                      | <b>102,453,128</b>   | <b>99,208,437</b>    | <b>3,244,691</b>       | <b>3.27%</b>                  |
| <b>Expenses</b>                            |                      |                      |                        |                               |
| General support                            | \$10,583,916         | \$10,791,540         | (\$207,624)            | -1.92%                        |
| Instruction                                | 90,686,718           | 85,422,278           | 5,264,440              | 6.16%                         |
| Pupil transportation                       | 3,828,969            | 4,046,275            | (217,306)              | -5.37%                        |
| Community service                          | 166,145              | 159,053              | 7,092                  | 4.46%                         |
| Debt service-interest                      | 604,843              | 535,594              | 69,249                 | 12.93%                        |
| Food service program                       | 808,119              | 798,387              | 9,732                  | 1.22%                         |
| Depreciation (unallocated)                 | 1,067,965            | 1,051,066            | 16,899                 | 1.61%                         |
| <b>Total Expenses</b>                      | <b>107,746,675</b>   | <b>102,804,193</b>   | <b>4,942,482</b>       | <b>4.81%</b>                  |
| <b>Increase (Decrease) in Net Position</b> | <b>(\$5,293,547)</b> | <b>(\$3,595,756)</b> | <b>(\$1,697,791)</b>   | <b>47.22%</b>                 |

The District's fiscal year 2014 revenues totaled \$102,453,128. (See Table A-4). Property taxes (including other tax items) and state sources accounted for most of the District's revenue by contributing 85.78% and 7.58%, respectively. (See Table A-5). The remainder came from fees

**ROCKVILLE CENTRE UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

charged for services, operating grants, capital grants, use of money and property, and other miscellaneous sources.

The cost of all programs and services totaled \$107,746,675 for fiscal year 2014. These expenses are predominantly related to general instruction and caring for (pupil services) and transporting students, which account for 87.72% of District expenses. (See Table A-6). The District's general support activities accounted for 9.82% of total costs.

Table A-5: Revenues for Fiscal Year 2014 (See Table A-4)

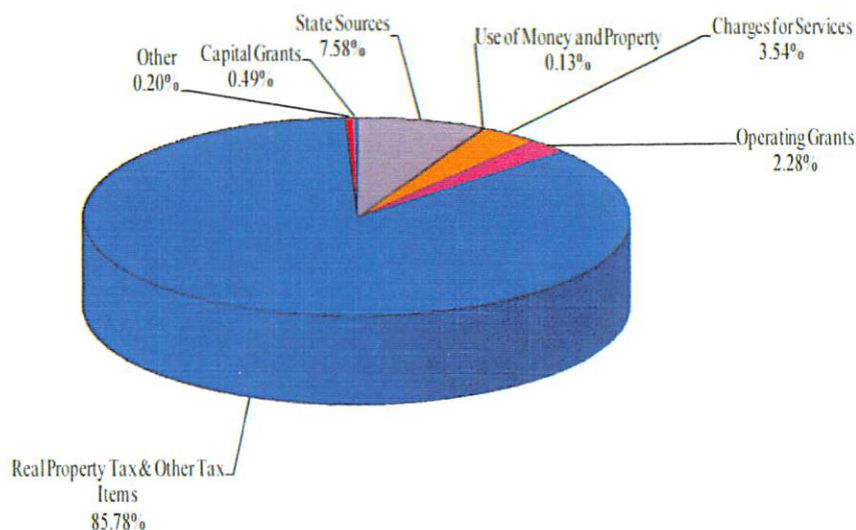
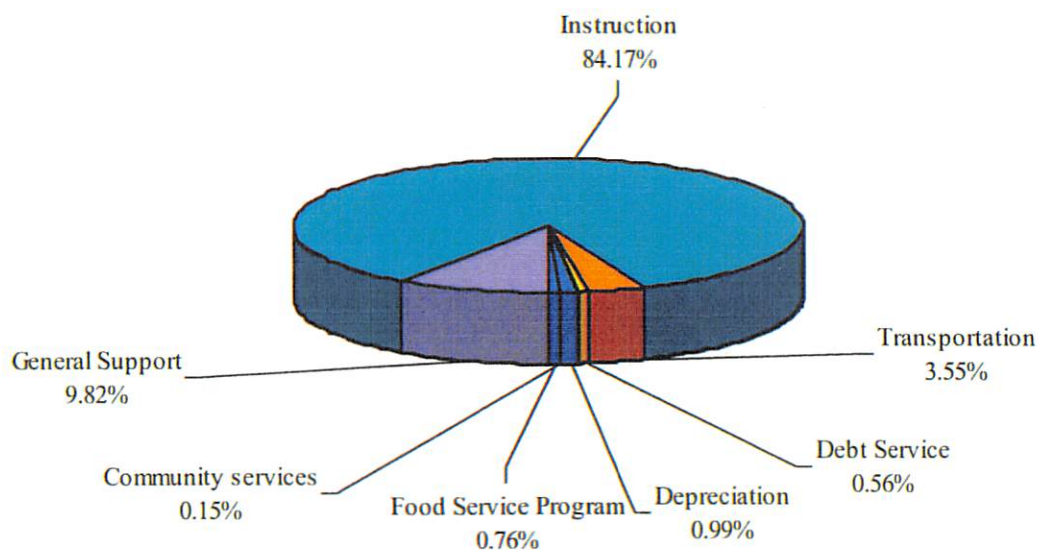


Table A-6: Expenses for Fiscal Year 2014 (See Tables A-4 and A-7)



**ROCKVILLE CENTRE UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**C. Governmental Activities**

Revenues for the District's governmental activities totaled \$102,453,128 while total expenses equaled \$107,746,675, resulting in a decrease in net position of \$5,293,547 for 2014. Although expenses exceeded revenues, the overall good financial condition of the District, as a whole, can be credited to:

- Continued leadership of the District's Board and administration;
- Strong tax base;
- Strategic use of services from the Nassau BOCES;
- Improved curriculum and community support.

Table A-7 presents the cost of major District activities: general support, instruction, pupil transportation, debt service and others. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden placed on the District's taxpayers by each of these functions.

Table A-7: Net Cost of Governmental Activities

| Category                   | Total Cost<br>of Services |                      | Net Cost<br>of Services |                     |
|----------------------------|---------------------------|----------------------|-------------------------|---------------------|
|                            | Fiscal Year<br>2014       | Fiscal Year<br>2013  | Fiscal Year<br>2014     | Fiscal Year<br>2013 |
| General Support            | \$10,583,916              | \$10,791,540         | \$10,583,916            | \$10,708,540        |
| Instruction                | 90,686,718                | 85,422,278           | 85,125,458              | 80,101,040          |
| Pupil Transportation       | 3,828,969                 | 4,046,275            | 3,764,981               | 3,963,980           |
| Community Service          | 166,145                   | 159,053              | 166,145                 | 159,053             |
| Debt Service- Interest     | 604,843                   | 535,594              | 604,843                 | 535,594             |
| Food Service Program       | 808,119                   | 798,387              | (20,521)                | (39,023)            |
| Depreciation (unallocated) | 1,067,965                 | 1,051,066            | 1,067,965               | 1,051,066           |
| <b>Total</b>               | <b>\$107,746,675</b>      | <b>\$102,804,193</b> | <b>\$101,292,787</b>    | <b>\$96,480,250</b> |

- The cost of all governmental activities this year was \$107,746,675 (Statement of Activities, Expenses column-see Exhibit 3)
- The users of the District's programs \$3,617,236 financed some of the cost. (Statement of Activities, Charges For Services column-see Exhibit 3)
- The federal and state governments subsidized certain programs with operating grants of \$2,334,940 and capital grants of \$501,712. (Statement of Activities, Operating Grants column and Capital Grants column- see Exhibit 3)

**ROCKVILLE CENTRE UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

- Most of the District's net costs \$101,292,787 were financed by District taxpayers and state and federal aid. (Statements of Activities, Net (Expense) Revenue and Changes in Net Position column-see Exhibit 3)

**4. FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

Variations between years for the governmental fund financial statements are not the same as variations between years for the District-Wide Financial Statements. The District's governmental funds are presented on the **current financial resources measurement focus** and the **modified accrual basis of accounting**. Based on this presentation, governmental funds do not include long-term debt liabilities for the funds' projects and capital assets purchased by the funds. Governmental funds will include the proceeds received from the issuance of debt, the current payments for capital assets, and the current payments for debt.

As of June 30, 2014, the District's combined governmental funds reported a total fund balance of \$9,953,015 which is a decrease of \$4,774,038 from the prior year. This decrease is primarily due to the current expenditures in the capital projects fund that received financing from proceeds of obligations in 2013 for the energy performance debt but had limited revenue and other financing sources to cover the costs.

A summary of the change in fund balance for the governmental funds is as follows:

|                                                           | Fiscal Year<br>2014 | Fiscal Year<br>2013 | Increase<br>(Decrease) | Total<br>%<br>Change |
|-----------------------------------------------------------|---------------------|---------------------|------------------------|----------------------|
| <b>General Fund</b>                                       |                     |                     |                        |                      |
| Restricted for employee benefit<br>accrued liability      | \$2,140,504         | \$1,949,871         | \$190,633              | 9.78%                |
| Restricted for retirement contribution                    | 2,353,190           | 2,623,217           | (270,027)              | -10.29%              |
| Restricted for unemployment insurance                     | 110,767             | 110,387             | 380                    | 0.34%                |
| Assigned-designated for<br>subsequent year's expenditures | 2,800,000           | 2,800,000           | -                      | 0.00%                |
| Assigned-general support                                  | 54,827              | 25,470              | 29,357                 | 115.26%              |
| Assigned-instruction                                      | 4,750               | 0                   | 4,750                  | 100.00%              |
| Unassigned                                                | 3,930,764           | 4,009,785           | (79,021)               | -1.97%               |
| <b>Total Fund Balance - General Fund</b>                  | <b>\$11,394,802</b> | <b>\$11,518,730</b> | <b>(\$123,928)</b>     | <b>-1.08%</b>        |

**ROCKVILLE CENTRE UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

|                                            | Fiscal Year<br>2014  | Fiscal Year<br>2013 | Increase<br>(Decrease) | Total<br>%<br>Change |
|--------------------------------------------|----------------------|---------------------|------------------------|----------------------|
| <b>School Lunch Fund</b>                   |                      |                     |                        |                      |
| Nonspendable for inventory                 | \$5,474              | \$5,348             | \$126                  | 2.36%                |
| Assigned for school lunch                  | 30,080               | 19,626              | 10,454                 | 53.27%               |
| Total Fund Balance - School Lunch Fund     | <u>\$35,554</u>      | <u>\$24,974</u>     | <u>\$10,580</u>        | 42.36%               |
| <b>Debt Service Fund</b>                   |                      |                     |                        |                      |
| Restricted for debt service                | \$464,784            | \$453,119           | \$11,665               | 2.57%                |
| Total Fund Balance - Debt Service Fund     | <u>\$464,784</u>     | <u>\$453,119</u>    | <u>\$11,665</u>        | 2.57%                |
| <b>Capital Projects Fund</b>               |                      |                     |                        |                      |
| Restricted                                 | \$265,108            | \$3,035,234         | (\$2,770,126)          | -91.27%              |
| Unassigned for capital projects            | (2,207,233)          | (305,004)           | (1,902,229)            | -623.67%             |
| Total Fund Balance - Capital Projects Fund | <u>(\$1,942,125)</u> | <u>\$2,730,230</u>  | <u>(\$4,672,355)</u>   | -171.13%             |
| Total Fund Balance - All Funds             | <u>\$9,953,015</u>   | <u>\$14,727,053</u> | <u>(\$4,774,038)</u>   | -32.42%              |

In the general fund, the District can attribute changes to fund balance primarily to operating results, Board approved transfers and allocation of interest earnings.

The increase in the total school lunch fund balance of \$10,580 is due to current year operations.

The increase in the debt service fund balance of \$11,665 can be attributed to interest earnings.

The decrease in the fund balance for capital projects of (\$4,672,355) is primarily due to capital expenditures for capital projects and projects related to the energy performance contract exceeding income from local and state sources.

## **5. GENERAL FUND BUDGETARY HIGHLIGHTS**

### **A. 2013-2014 Budget**

The District's general fund adopted budget for the year ended June 30, 2014 was \$100,748,352. This amount was increased by encumbrances carried forward from the prior year in the amount of \$25,470 and budget revisions in the amount of \$331,105 which resulted in a final budget of \$101,104,927. The majority of the funding was property taxes and STAR revenue of \$87,820,000.

**ROCKVILLE CENTRE UNION FREE SCHOOL DISTRICT  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**B. Change in the General Fund Unassigned Fund Balance (Budget to Actual)**

The general fund’s unassigned fund balance is a component of total fund balance that is the residual of prior years’ excess revenues over expenditures, net of transfers to reserves and designations to fund subsequent years’ budgets. It is this balance that is commonly referred to as “Fund Balance”. The change in this balance demonstrated through a comparison of the actual revenues and expenditures for the year compared to budget are as follows:

|                                                               |                           |
|---------------------------------------------------------------|---------------------------|
| Opening, Unassigned Fund Balance                              | \$4,009,785               |
| Revenues Over Budget                                          | 1,298,104                 |
| Expenditures and Encumbrances Under Budget                    | 1,343,861                 |
| Increase to Restricted for Employee Benefit Accrued Liability | (190,633)                 |
| Decrease to Restricted for Retirement Contribution            | 270,027                   |
| Increase to Restricted for Unemployment Insurance             | (380)                     |
| Assigned for June 30, 2015 Budget                             | <u>(2,800,000)</u>        |
| Closing, Unassigned Fund Balance                              | <u><u>\$3,930,764</u></u> |

The revenues over budget of \$1,298,104 were primarily in state sources (see Supplemental Schedule #1 for detail).

The expenditures and encumbrances under budget of \$1,343,861 were primarily in general support and instructional (see Supplemental Schedule #1 for detail).

Increases and decreases to reserves were primarily due to Board approved transfers and allocation of interest earnings (For further detail refer to Section 4 in the Management Discussion and Analysis).

The closing, unassigned fund balance represents the fund balance retained by the District that is not restricted, assigned for subsequent years’ taxes, or unassigned for tax reduction. This amount is limited to 4% of the subsequent year’s budget.

**6. CAPITAL ASSET AND DEBT ADMINISTRATION**

**A. Capital Assets**

The District paid for equipment and various building additions and renovations during the fiscal year 2014. A summary of the District’s capital assets net of depreciation is as follows:



**ROCKVILLE CENTRE UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Table A-8: Capital Assets (Net of Depreciation)

| Category                          | Fiscal Year<br>2014 | Fiscal Year<br>2013 | Increase<br>Decrease | Percentage<br>Change |
|-----------------------------------|---------------------|---------------------|----------------------|----------------------|
| Land & land improvements          | \$ 50,828           | \$ 50,828           | \$ -                 | 0.00%                |
| Construction in progress          | 5,676,922           |                     | 5,676,922            | N/A                  |
| Buildings & building improvements | 33,915,799          | 33,172,905          | 742,894              | 2.24%                |
| Furniture & equipment             | 6,824,208           | 6,460,602           | 363,606              | 5.63%                |
| Vehicles                          | 400,449             | 335,723             | 64,726               | 19.28%               |
| Subtotal                          | <u>46,868,206</u>   | <u>40,020,058</u>   | <u>6,848,148</u>     | 17.11%               |
| Less: Accumulated depreciation    | <u>20,137,345</u>   | <u>19,069,380</u>   | <u>1,067,965</u>     | 5.60%                |
| Total Net Capital Assets          | <u>\$26,730,861</u> | <u>\$20,950,678</u> | <u>\$ 5,780,183</u>  | 27.59%               |

The District spent \$6,200,770 in the capital projects fund on building improvements and equipment purchases during the year.

### B. Long-Term Debt

At June 30, 2014, the District had total bonds payable of \$10,445,000 and energy performance debt payable of \$2,987,264. The District also had installment debt payable for equipment capital leases of \$62,849. Decreases represent principal payments. Increases represent new debt issued during the year, offset by principal payments. A summary of outstanding debt at June 30, 2014 and 2013 is as follows:

|                                     | 2014                | 2013                | Increase<br>(Decrease) |
|-------------------------------------|---------------------|---------------------|------------------------|
| Bonds payable                       | \$10,445,000        | \$11,715,000        | (\$1,270,000)          |
| Installment debt payable            | 62,849              | 61,592              | 1,257                  |
| Energy performance contract payable | 2,987,264           | 3,035,234           | (47,970)               |
| Total                               | <u>\$13,495,113</u> | <u>\$14,811,826</u> | <u>(\$1,316,713)</u>   |

## 7. FACTORS BEARING ON THE DISTRICT'S FUTURE

A. The District issued \$10,000,000 in tax anticipation notes on August 28, 2014 maturing on June 26, 2015 for the following:

| Amount              | Rate         | Premium         |
|---------------------|--------------|-----------------|
| <u>\$10,000,000</u> | <u>1.00%</u> | <u>\$72,203</u> |

**ROCKVILLE CENTRE UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

- B.** The general fund budget for the 2014-2015 school year was approved by the voters in the amount of \$103,136,754. This is an increase of 2.37 % over the previous year's budget. The increase was primarily due to increases in personnel costs and employee benefits.
- C.** The 2014-2015 budget is impacted by certain trends impacting school districts. These include increases in retirement contributions and health insurance costs.
- D.** The NYS Legislature has introduced and approved a property tax cap beginning in the 2012-2013 school year. This bill limits tax levy growth to the lesser of two percent or the annual increase in the CPI. Limited exemptions to exceed the levy cap are provided for taxes needed to pay for voter-approved capital expenditures, pension rate increases, court orders and torts over five percent of the prior year's levy. If the tax levy proposed to the voters is within the district's tax levy cap, then a majority vote would be required for approval. If the proposed tax levy exceeds the district's tax levy cap, the threshold required for approval would be 60 percent of the vote. A school district that does not levy an amount up to the cap in any one year would be allowed to carry over unused tax levy capacity into future years.

**8. CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide citizens, taxpayers, customers, and investors and creditors with a general overview of the finances of the District and to demonstrate our accountability with the money we receive. If you have any questions about this report or need additional financial information, contact:

Rockville Centre Union Free School District  
Mr. Robert Bartels  
Assistant Superintendent for Business  
128 Shepherd Street  
Rockville Centre, New York 11570  
(516) 255-8935

**ROCKVILLE CENTRE UNION FREE SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2014**

|                                                    |                            |
|----------------------------------------------------|----------------------------|
| <b>ASSETS</b>                                      |                            |
| Cash and cash equivalents                          |                            |
| Unrestricted                                       | \$17,405,264               |
| Restricted                                         | 4,879,103                  |
| Receivables                                        |                            |
| State and federal aid                              | 2,000,849                  |
| Taxes receivable                                   | 1,510,149                  |
| Accounts receivable                                | 19,896                     |
| Due from other governments                         | 1,188,152                  |
| Due from fiduciary funds                           | 419,177                    |
| Inventories                                        | 5,474                      |
| Capital assets                                     |                            |
| Not being depreciated                              | 32,038                     |
| Being depreciated, net of accumulated depreciation | <u>26,698,823</u>          |
| <b>TOTAL ASSETS</b>                                | <u><u>\$54,158,925</u></u> |
| <b>LIABILITIES</b>                                 |                            |
| Payables                                           |                            |
| Accounts payable                                   | \$696,597                  |
| Accrued liabilities                                | 158,230                    |
| Accrued Interest                                   | 120,767                    |
| Retainage payable                                  | 17,423                     |
| Due to other governments                           | 325,285                    |
| Due to teachers' retirement system                 | 8,003,525                  |
| Due to employees' retirement system                | 457,793                    |
| Compensated absences payable                       | 5,530                      |
| Note payable                                       |                            |
| Bond anticipation notes payable                    | 7,500,000                  |
| Unearned credits                                   |                            |
| Collections in advance                             | 308,307                    |
| Long-term liabilities                              |                            |
| Due and payable within one year                    |                            |
| Bonds payable                                      | 1,325,000                  |
| Installment debt payable                           | 27,842                     |
| Energy performance contract payable                | 173,768                    |
| Claims payable                                     | 639,503                    |
| Compensated absences payable                       | 223,067                    |
| Due and payable after one year                     |                            |
| Bonds payable                                      | 9,120,000                  |
| Installment debt payable                           | 35,007                     |
| Energy performance contract payable                | 2,813,496                  |
| Claims payable                                     | 353,169                    |
| Compensated absences payable                       | 1,917,437                  |
| Net other post employment benefit obligation       | <u>44,708,558</u>          |
| <b>TOTAL LIABILITIES</b>                           | <u>78,930,304</u>          |
| <b>NET POSITION (DEFICIT)</b>                      |                            |
| Net investment in capital assets                   | 6,000,856                  |
| Restricted                                         |                            |
| Employee benefit accrued liability                 | 2,140,504                  |
| Retirement contribution                            | 2,353,190                  |
| Unemployment insurance                             | 110,767                    |
| Debt service                                       | <u>464,784</u>             |
|                                                    | <u>5,069,245</u>           |
| Unrestricted (deficit)                             | <u>(35,841,480)</u>        |
| <b>TOTAL NET POSITION (DEFICIT)</b>                | <u>(24,771,379)</u>        |
| <b>TOTAL NET POSITION AND LIABILITIES</b>          | <u><u>\$54,158,925</u></u> |

**ROCKVILLE CENTRE UNION FREE SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

| FUNCTIONS / PROGRAMS                                    | Expenses               | Program Revenues        |                     |                   | Net (Expense)<br>Revenue and<br>Changes in<br>Net Position |
|---------------------------------------------------------|------------------------|-------------------------|---------------------|-------------------|------------------------------------------------------------|
|                                                         |                        | Charges for<br>Services | Operating<br>Grants | Capital<br>Grants |                                                            |
| General support                                         | (\$10,583,916)         |                         |                     |                   | (\$10,583,916)                                             |
| Instruction                                             | (90,686,718)           | \$3,085,037             | \$1,974,511         | \$501,712         | (85,125,458)                                               |
| Pupil transportation                                    | (3,828,969)            |                         | 63,988              |                   | (3,764,981)                                                |
| Community services                                      | (166,145)              |                         |                     |                   | (166,145)                                                  |
| Debt service - interest                                 | (604,843)              |                         |                     |                   | (604,843)                                                  |
| Food service program                                    | (808,119)              | 532,199                 | 296,441             |                   | 20,521                                                     |
| Depreciation (unallocated)                              | (1,067,965)            |                         |                     |                   | (1,067,965)                                                |
| <b>TOTAL FUNCTIONS AND PROGRAMS</b>                     | <u>(\$107,746,675)</u> | <u>\$3,617,236</u>      | <u>\$2,334,940</u>  | <u>\$501,712</u>  | <u>(101,292,787)</u>                                       |
| <b>GENERAL REVENUES</b>                                 |                        |                         |                     |                   |                                                            |
| Real property taxes                                     |                        |                         |                     |                   | \$79,767,409                                               |
| Other tax items - including STAR reimbursement          |                        |                         |                     |                   | 8,120,879                                                  |
| Use of money & property                                 |                        |                         |                     |                   | 138,078                                                    |
| Sale of property & compensation for loss                |                        |                         |                     |                   | 30,360                                                     |
| Miscellaneous                                           |                        |                         |                     |                   | 156,614                                                    |
| State sources                                           |                        |                         |                     |                   | 7,762,865                                                  |
| Medicaid reimbursement                                  |                        |                         |                     |                   | 23,035                                                     |
| <b>TOTAL GENERAL REVENUES</b>                           |                        |                         |                     |                   | <u>95,999,240</u>                                          |
| <b>CHANGES IN NET POSITION</b>                          |                        |                         |                     |                   | (5,293,547)                                                |
| <b>TOTAL NET POSITION (DEFICIT) - BEGINNING OF YEAR</b> |                        |                         |                     |                   | <u>(19,477,832)</u>                                        |
| <b>TOTAL NET POSITION (DEFICIT) - END OF YEAR</b>       |                        |                         |                     |                   | <u>(\$24,771,379)</u>                                      |

**ROCKVILLE CENTRE UNION FREE SCHOOL DISTRICT**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2014**

|                                                                           | General                    | Special<br>Aid            | School<br>Lunch         | Debt<br>Service         | Capital<br>Projects       | Total<br>Governmental<br>Funds |
|---------------------------------------------------------------------------|----------------------------|---------------------------|-------------------------|-------------------------|---------------------------|--------------------------------|
| <b>ASSETS</b>                                                             |                            |                           |                         |                         |                           |                                |
| Cash                                                                      |                            |                           |                         |                         |                           |                                |
| Unrestricted                                                              | \$10,850,056               | \$98,304                  | \$221,513               |                         | \$6,235,391               | \$17,405,264                   |
| Restricted                                                                | 4,604,461                  |                           |                         | \$9,534                 | 265,108                   | 4,879,103                      |
| Receivables                                                               |                            |                           |                         |                         |                           |                                |
| State and federal aid                                                     | 1,052,107                  | 926,427                   | 22,315                  |                         |                           | 2,000,849                      |
| Accounts receivable                                                       | 19,896                     |                           |                         |                         |                           | 19,896                         |
| Property taxes                                                            | 1,510,149                  |                           |                         |                         |                           | 1,510,149                      |
| Due from other governments                                                | 1,188,152                  |                           |                         |                         |                           | 1,188,152                      |
| Due from other funds                                                      | 1,445,915                  |                           |                         | 455,250                 |                           | 1,901,165                      |
| Inventories                                                               |                            |                           | 5,474                   |                         |                           | 5,474                          |
| <b>TOTAL ASSETS</b>                                                       | <b><u>\$20,670,736</u></b> | <b><u>\$1,024,731</u></b> | <b><u>\$249,302</u></b> | <b><u>\$464,784</u></b> | <b><u>\$6,500,499</u></b> | <b><u>\$28,910,052</u></b>     |
| <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>       |                            |                           |                         |                         |                           |                                |
| Payables                                                                  |                            |                           |                         |                         |                           |                                |
| Accounts payable                                                          | \$147,449                  | \$20,038                  | \$785                   |                         | \$528,325                 | \$696,597                      |
| Accrued liabilities                                                       | 157,203                    | 1,027                     |                         |                         |                           | 158,230                        |
| Retainage payable                                                         |                            |                           |                         |                         | 17,423                    | 17,423                         |
| Due to other funds                                                        |                            | 905,562                   | 179,550                 |                         | 396,876                   | 1,481,988                      |
| Due to other governments                                                  | 324,994                    |                           | 291                     |                         |                           | 325,285                        |
| Due to teachers' retirement system                                        | 8,003,525                  |                           |                         |                         |                           | 8,003,525                      |
| Due to employees' retirement system                                       | 457,793                    |                           |                         |                         |                           | 457,793                        |
| Compensated absences                                                      | 5,530                      |                           |                         |                         |                           | 5,530                          |
| Note payable                                                              |                            |                           |                         |                         |                           |                                |
| Bond anticipation note payable                                            |                            |                           |                         |                         | 7,500,000                 | 7,500,000                      |
| Unearned credits                                                          |                            |                           |                         |                         |                           |                                |
| Collections in advance                                                    | 177,081                    | 98,104                    | 33,122                  |                         |                           | 308,307                        |
| <b>TOTAL LIABILITIES</b>                                                  | <b><u>9,273,575</u></b>    | <b><u>1,024,731</u></b>   | <b><u>213,748</u></b>   | <b><u>-</u></b>         | <b><u>8,442,624</u></b>   | <b><u>18,954,678</u></b>       |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                                      |                            |                           |                         |                         |                           |                                |
| NYC tuition                                                               | 2,359                      |                           |                         |                         |                           | 2,359                          |
| <b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>                                | <b><u>2,359</u></b>        | <b><u>-</u></b>           | <b><u>-</u></b>         | <b><u>-</u></b>         | <b><u>-</u></b>           | <b><u>2,359</u></b>            |
| <b>FUND BALANCES</b>                                                      |                            |                           |                         |                         |                           |                                |
| Nonspendable: Inventory                                                   |                            |                           | 5,474                   |                         |                           | 5,474                          |
| Restricted                                                                |                            |                           |                         |                         |                           |                                |
| Employee benefit accrued liability                                        | 2,140,504                  |                           |                         |                         |                           | 2,140,504                      |
| Retirement contribution                                                   | 2,353,190                  |                           |                         |                         |                           | 2,353,190                      |
| Unemployment insurance                                                    | 110,767                    |                           |                         |                         |                           | 110,767                        |
| Debt service                                                              |                            |                           |                         | 464,784                 |                           | 464,784                        |
| Unspent EPC proceeds                                                      |                            |                           |                         |                         | 265,108                   | 265,108                        |
| Assigned                                                                  |                            |                           |                         |                         |                           |                                |
| Appropriated fund balance                                                 | 2,800,000                  |                           |                         |                         |                           | 2,800,000                      |
| Unappropriated fund balance                                               | 59,577                     |                           | 30,080                  |                         |                           | 89,657                         |
| Unassigned: Fund Balance (Deficit)                                        | 3,930,764                  |                           |                         |                         | (2,207,233)               | 1,723,531                      |
| <b>TOTAL FUND BALANCES (DEFICIT)</b>                                      | <b><u>11,394,802</u></b>   | <b><u>-</u></b>           | <b><u>35,554</u></b>    | <b><u>464,784</u></b>   | <b><u>(1,942,125)</u></b> | <b><u>9,953,015</u></b>        |
| <b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b> | <b><u>\$20,670,736</u></b> | <b><u>\$1,024,731</u></b> | <b><u>\$249,302</u></b> | <b><u>\$464,784</u></b> | <b><u>\$6,500,499</u></b> | <b><u>\$28,910,052</u></b>     |

**ROCKVILLE CENTRE UNION FREE SCHOOL DISTRICT  
RECONCILIATION OF GOVERNMENTAL FUNDS  
BALANCE SHEET TO STATEMENT OF NET POSITION  
JUNE 30, 2014**

Total Governmental Fund Balances \$9,953,015

Amounts reported for governmental activities in the Statement of Net Position are different because:

The costs of building and acquiring capital assets (land, buildings, equipment) financed from the 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 over their useful lives.

|                                 |                     |            |
|---------------------------------|---------------------|------------|
| Original cost of capital assets | \$46,868,206        |            |
| Accumulated depreciation        | <u>(20,137,345)</u> | 26,730,861 |

|                                                                                                                                                                                                   |       |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|
| Deferred Inflows of Resources - The Statement of Net Position recognizes revenues received under the full accrual method. Governmental funds recognize revenue under the modified accrual method. | 2,359 |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|

|                                                                                                                                                                                                                                                              |           |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|
| Payables that are associated with long-term liabilities that are not payable in the current period are not reported as liabilities in the funds. Additional payables relating to long-term liabilities at year end consisted of accrued interest payable of: | (120,767) |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|

Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consisted of:

|                                              |                     |                     |
|----------------------------------------------|---------------------|---------------------|
| Bonds payable                                | (\$10,445,000)      |                     |
| Installment debt payable                     | (62,849)            |                     |
| Energy performance contract payable          | (2,987,264)         |                     |
| Claims payable                               | (992,672)           |                     |
| Compensated absences payable                 | (2,140,504)         |                     |
| Net other post employment benefit obligation | <u>(44,708,558)</u> | <u>(61,336,847)</u> |

|                              |                              |
|------------------------------|------------------------------|
| Total Net Position (Deficit) | <u><u>(\$24,771,379)</u></u> |
|------------------------------|------------------------------|

**ROCKVILLE CENTRE UNION FREE SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

|                                                              | General             | Special<br>Aid   | School<br>Lunch | Debt<br>Service    | Capital<br>Projects  | Total<br>Governmental<br>Funds |
|--------------------------------------------------------------|---------------------|------------------|-----------------|--------------------|----------------------|--------------------------------|
| <b>REVENUES</b>                                              |                     |                  |                 |                    |                      |                                |
| Real property taxes                                          | \$79,767,409        |                  |                 |                    |                      | \$79,767,409                   |
| Other tax items - including STAR<br>reimbursement            | 8,120,879           |                  |                 |                    |                      | 8,120,879                      |
| Charges for services                                         | 3,082,678           |                  |                 |                    |                      | 3,082,678                      |
| Use of money and property                                    | 126,096             |                  | \$317           | \$11,665           |                      | 138,078                        |
| Sale of property and<br>compensation for loss                | 55,804              |                  |                 |                    |                      | 55,804                         |
| Miscellaneous                                                | 156,614             |                  |                 |                    |                      | 156,614                        |
| Local sources                                                |                     | \$57,461         | 1,335           |                    |                      | 58,796                         |
| State sources                                                | 8,236,496           | 260,227          | 12,938          |                    | \$501,712            | 9,011,373                      |
| Federal sources                                              | 31,585              | 1,720,811        | 237,210         |                    |                      | 1,989,606                      |
| Surplus food                                                 |                     |                  | 44,958          |                    |                      | 44,958                         |
| Sales                                                        |                     |                  | 532,199         |                    |                      | 532,199                        |
| <b>TOTAL REVENUES</b>                                        | <b>99,577,561</b>   | <b>2,038,499</b> | <b>828,957</b>  | <b>11,665</b>      | <b>501,712</b>       | <b>102,958,394</b>             |
| <b>EXPENDITURES</b>                                          |                     |                  |                 |                    |                      |                                |
| General support                                              | 8,093,110           |                  |                 |                    |                      | 8,093,110                      |
| Instruction                                                  | 60,073,244          | 2,072,060        |                 |                    |                      | 62,145,304                     |
| Pupil transportation                                         | 3,528,755           | 63,988           |                 |                    |                      | 3,592,743                      |
| Community service                                            | 109,073             |                  |                 |                    |                      | 109,073                        |
| Employee benefits                                            | 24,839,837          |                  |                 |                    |                      | 24,839,837                     |
| Debt service - principal                                     | 25,446              |                  |                 | 1,317,970          |                      | 1,343,416                      |
| Debt service - interest                                      | 106,372             |                  |                 | 510,133            |                      | 616,505                        |
| Cost of sales                                                |                     |                  | 818,377         |                    |                      | 818,377                        |
| Capital outlay                                               |                     |                  |                 |                    | 6,200,770            | 6,200,770                      |
| <b>TOTAL EXPENDITURES</b>                                    | <b>96,775,837</b>   | <b>2,136,048</b> | <b>818,377</b>  | <b>1,828,103</b>   | <b>6,200,770</b>     | <b>107,759,135</b>             |
| <b>EXCESS (DEFICIENCY)<br/>OF REVENUES OVER EXPENDITURES</b> | <b>2,801,724</b>    | <b>(97,549)</b>  | <b>10,580</b>   | <b>(1,816,438)</b> | <b>(5,699,058)</b>   | <b>(4,800,741)</b>             |
| <b>OTHER FINANCING SOURCES AND (USES)</b>                    |                     |                  |                 |                    |                      |                                |
| Proceeds from installment purchase debt                      |                     |                  |                 |                    | 26,703               | 26,703                         |
| Operating transfers in                                       |                     | 97,549           |                 | 1,828,103          | 1,000,000            | 2,925,652                      |
| Operating transfers (out)                                    | (2,925,652)         |                  |                 |                    |                      | (2,925,652)                    |
| <b>TOTAL OTHER FINANCING SOURCES AND (USES)</b>              | <b>(2,925,652)</b>  | <b>97,549</b>    | <b>-</b>        | <b>1,828,103</b>   | <b>1,026,703</b>     | <b>26,703</b>                  |
| <b>NET INCREASE (DECREASE)</b>                               | <b>(123,928)</b>    | <b>-</b>         | <b>10,580</b>   | <b>11,665</b>      | <b>(4,672,355)</b>   | <b>(4,774,038)</b>             |
| <b>FUND BALANCES - BEGINNING OF YEAR</b>                     | <b>11,518,730</b>   |                  | <b>24,974</b>   | <b>453,119</b>     | <b>2,730,230</b>     | <b>14,727,053</b>              |
| <b>FUND BALANCES - END OF YEAR</b>                           | <b>\$11,394,802</b> | <b>\$ -</b>      | <b>\$35,554</b> | <b>\$464,784</b>   | <b>(\$1,942,125)</b> | <b>\$9,953,015</b>             |

**ROCKVILLE CENTRE UNION FREE SCHOOL DISTRICT  
RECONCILIATION OF GOVERNMENTAL FUND REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

|                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                                         |                             |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------|-----------------------------|
| Net Change in Fund Balances                                                                                                                                                                                                                                                                                                                                                                                                                      |                                         | (\$4,774,038)               |
| Amounts reported for governmental activities in the Statement of Activities are different because:                                                                                                                                                                                                                                                                                                                                               |                                         |                             |
| Long-Term Revenue and Expense Differences                                                                                                                                                                                                                                                                                                                                                                                                        |                                         |                             |
| Claims payable in the Statement of Activities differs from the amounts reported in the governmental funds because the expense is recorded as an expenditure in the funds when it is due. In the Statement of Activities, the payable is recognized as it accrues regardless of when it is due. Claims payable from June 30, 2013 to June 30, 2014 changed by                                                                                     |                                         | (41,977)                    |
| In the Statement of Activities, compensated absences are measured by the amounts earned or incurred during the year. In the governmental funds, expenditures for these items are measured by the amount of items are measured by the amount of financial resources used. Compensated absences payable from June 30, 2013 to June 30, 2014 changed by                                                                                             |                                         | (199,188)                   |
| Net other post-employment benefits obligation payable in the Statement of Activities differs from the amounts reported in the governmental funds because the expense is recorded as an expenditure in the funds when it is due. In the Statement of Activities, the payable is recognized as it accrues regardless of when it is due. Net other post-employment benefits obligation payable from June 30, 2013 to June 30, 2014 changed by       |                                         | (6,881,636)                 |
| Deferred Inflows of Resources - The Statement of Net Position recognizes revenues received under the full accrual method. Governmental funds recognize revenue under the modified accrual method of Activities.                                                                                                                                                                                                                                  |                                         | (505,266)                   |
| Capital Differences                                                                                                                                                                                                                                                                                                                                                                                                                              |                                         |                             |
| Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities, those costs are capitalized and show in the Statement of Net Position and allocated over their useful lives as annual depreciation expense in the Statement of Activities.                                                                                                                         |                                         |                             |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Capital outlays and equipment purchases | \$6,848,148                 |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Depreciation expense                    | <u>(1,067,965)</u>          |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                                         | 5,780,183                   |
| Long-Term Debt Transactions                                                                                                                                                                                                                                                                                                                                                                                                                      |                                         |                             |
| Interest on long-term debt in the Statement of Activities differs from the amounts reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and this requires the use of current financial resources. In the Statement of Activities, interest expense is recognized as the interest accrues regardless of when it is due. Accrued interest from June 30, 2013 to June 30, 2014 changed by |                                         | 11,662                      |
| Repayment of bond principal 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                                                                                                                                                                                                                                                   |                                         | 1,270,000                   |
| Proceeds from installment debt is an other financing source in the governmental funds, but it increases long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.                                                                                                                                                                                                                                  |                                         | (26,703)                    |
| Repayment of installment debt principal 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.                                                                                                                                                                                                                                      |                                         | 25,446                      |
| Repayment of energy performance contract principal 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.                                                                                                                                                                                                                           |                                         | <u>47,970</u>               |
| Change in Net Position                                                                                                                                                                                                                                                                                                                                                                                                                           |                                         | <u><u>(\$5,293,547)</u></u> |



**ROCKVILLE CENTRE UNION FREE SCHOOL DISTRICT**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**JUNE 30, 2014**

|                                 | <u>Private<br/>Purpose<br/>Trust Fund</u> | <u>Agency<br/>Fund</u> |
|---------------------------------|-------------------------------------------|------------------------|
| <b>ASSETS</b>                   |                                           |                        |
| Cash-Restricted                 | \$285,721                                 | \$861,145              |
| Investment in securities        | 1,483,552                                 |                        |
| <b>TOTAL ASSETS</b>             | <u>\$1,769,273</u>                        | <u>\$861,145</u>       |
| <b>LIABILITIES</b>              |                                           |                        |
| Due to governmental funds       |                                           | \$419,177              |
| Extraclassroom activity balance |                                           | 156,663                |
| Other liabilities               |                                           | 285,305                |
| <b>TOTAL LIABILITIES</b>        | <u>-</u>                                  | <u>\$861,145</u>       |
| <b>NET POSITION</b>             |                                           |                        |
| Restricted for scholarships     | <u>\$1,769,273</u>                        |                        |
| <b>TOTAL NET POSITION</b>       | <u>\$1,769,273</u>                        |                        |

**ROCKVILLE CENTRE UNION FREE SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

|                                         | <u>Private<br/>Purpose<br/>Trust Fund</u> |
|-----------------------------------------|-------------------------------------------|
| <b>ADDITIONS</b>                        |                                           |
| Gifts and contributions                 | \$2,780                                   |
| Interest and earnings                   | 36,608                                    |
| Unrealized gain on investments          | 99,107                                    |
| <b>TOTAL ADDITIONS</b>                  | <u>138,495</u>                            |
| <b>DEDUCTIONS</b>                       |                                           |
| Scholarships and awards                 | <u>30,775</u>                             |
| <b>TOTAL DEDUCTIONS</b>                 | <u>30,775</u>                             |
| <b>CHANGE IN NET POSITION</b>           | 107,720                                   |
| <b>NET POSITION - BEGINNING OF YEAR</b> | <u>1,661,553</u>                          |
| <b>NET POSITION - END OF YEAR</b>       | <u><u>\$1,769,273</u></u>                 |

**ROCKVILLE CENTRE UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE 1 – SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES:**

The financial statements of Rockville Centre Union Free School District (the “District”) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. Those principles are prescribed by the Governmental Accounting Standards Board (GASB), which is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

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

**A) Reporting entity:**

The 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 five 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, *Determining Whether Certain Organizations are Component Units* and GASB Statement 61, *The Financial Reporting Entity: Omnibus-An Amendment of GASB Statements No. 14 and No. 34*. 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 and its component unit and other organizational entities determined to be includable in the District’s financial reporting entity. The District is not a component unit of another reporting entity. The decision to include a potential component unit in the 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 description of a certain entity included in the District’s reporting entity.

**Extraclassroom Activity Funds**

The Extraclassroom Activity Funds of the District represent funds of the students of the District. The Board of Education exercises general oversight of these funds. The Extraclassroom Activity Funds are independent of the District with respect to its financial transactions and the designation of student management. Separate audited financial statements (cash basis) of the Extraclassroom Activity Funds can be found at the District’s business office. The District reports these assets held by its agent for the Extra classroom organizations in the Statement of Fiduciary Net Position – Fiduciary Fund.

**ROCKVILLE CENTRE UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**B) Joint venture:**

The District is one of 56 component school districts in the Nassau Board of Cooperative Educational Services (BOCES). A BOCES is a voluntary, cooperative association of school districts in a geographic area that shares planning, services, and programs, which provide educational and support activities. There is no authority or process by which a school district can terminate its status as a BOCES component.

BOCES are organized under §1950 of the New York State Education Law. A BOCES Board is considered a corporate body. Members of a BOCES Board are nominated and elected by their component member boards in accordance with provisions of §1950 of the New York State Education Law. All BOCES property is held by the BOCES Board as a corporation (§1950(6)). In addition, BOCES Boards also are considered municipal corporations to permit them to contract with other municipalities on a cooperative basis under §119-n(a) of the New York State General Municipal Law.

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

**C) Basis of presentation:**

i) District-Wide Financial Statements:

The 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, state aid, intergovernmental revenues, and other exchange and non-exchange transactions. Operating grants include operating-specific and discretionary (either operating or capital) grants, while the capital grants column reflects capital specific grants, if applicable.

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. Indirect expenses, principally employee benefits, are allocated to functional areas in proportion to the payroll expended for those areas. 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.

**ROCKVILLE CENTRE UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

ii) 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 major governmental funds:

**General Fund:** This fund is the District's primary operating fund. It accounts for all financial transactions that are not required to be accounted for in another fund.

**Special Aid Fund:** This fund accounts for the proceeds of specific revenue sources, such as Federal and State grants, that are legally restricted to expenditures for specified purposes. These legal restrictions may be imposed either by governments that provide the funds, or by outside parties.

**School Lunch Fund:** This fund is used to account for the activities of the District's food service operations.

**Debt Service Fund:** This fund is used to account for the accumulation of resources and the payment of principal and interest on long-term general obligation debt of governmental activities.

**Capital Projects Fund:** This fund is used to account for the financial resources used for acquisition, construction, or major repair of capital facilities.

The District reports the following fiduciary funds:

**Fiduciary Funds:** These funds are used to account for fiduciary activities. 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 District-wide 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:

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.

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.

**ROCKVILLE CENTRE UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**D) Measurement focus and basis of accounting:**

The District-Wide Financial Statements 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. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The Fund Financial 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 180 days after the end of the fiscal year, except for real property taxes, which are considered to be available if they 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) Real property taxes:**

i) Calendar

Real property taxes are levied annually by the Board of Education no later than August 15, and become a lien on October 1 and April 1. Taxes are collected by the Town of Hempstead during the period October 1 through November 10, and April 1 through May 10 without penalty.

ii) Enforcement

Uncollected real property taxes are subsequently enforced by the Nassau County (the "County") in which the District is located. The County pays an amount representing uncollected real property taxes transmitted to the County for enforcement to the District no later than the following July 1.

**F) 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 associated legal requirements, many of which are described elsewhere in these Notes.

**ROCKVILLE CENTRE UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**G) 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 expenditure and revenues to provide financing or other services.

In the District-Wide Financial 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 the 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 9 for a detailed disclosure by individual fund for interfund receivables, payables, expenditures and revenues activity.

**H) Estimates:**

The preparation of financial statements in conformity with accounting principles generally accepted 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, other post-employment benefits, potential contingent liabilities and useful lives of capital assets.

**I) Cash and cash equivalents:**

The District's cash and cash equivalents consist of cash on hand and demand deposits, as well as short-term investments with original maturities of three months or less from date of acquisition.

Certain cash balances are restricted by various legal and contractual obligations, such as legal reserves and debt agreements.

**J) Receivables:**

Receivables 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.

**ROCKVILLE CENTRE UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**K) Inventories and prepaid items:**

Inventories of food in the school lunch fund are recorded at cost on a first-in, first-out basis, or in the case of surplus food, at stated value, which approximates market.

Purchases of inventoriable items in other funds are recorded as expenditures at the time of purchase, and are considered immaterial in amount.

A reserve for these non-liquid assets (inventories) has been recognized in the school lunch fund as non-spendable under GASB Statement No. 54 to signify that a portion of fund balance is not available for other subsequent expenditures.

Prepaid items represent payments made by the District for which benefits extend beyond year-end. These payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the District-Wide and Fund Financial Statements. These items are reported as assets on the Statement of Net Position or Balance Sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of purchase and an expense/expenditure is reported in the year the goods or services are consumed. The District had no prepaid items at June 30, 2014.

**L) Capital assets:**

Capital assets are reported at actual cost for acquisitions subsequent to 20 years. For assets acquired prior to 20 years, estimated historical costs, based on appraisals conducted by independent third-party professionals are used. Donated assets are reported at estimated fair market value at the time received.

Capitalization thresholds (the dollar value above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the District-wide statements are as follows:

|                                  | <u>Capitalization<br/>Threshold</u> | <u>Depreciation<br/>Method</u> | <u>Estimated<br/>Useful Life</u> |
|----------------------------------|-------------------------------------|--------------------------------|----------------------------------|
| Building & Building Improvements | \$2,000                             | Straight-line                  | 50 years                         |
| Furniture & Equipment            | \$2,000                             | Straight-line                  | 5-20 years                       |
| Land Improvements                | \$2,000                             | Straight-line                  | 20 years                         |
| Vehicles                         | \$2,000                             | Straight-line                  | 8 years                          |

**M) Collections in advance:**

Collections in advance arise when the District receives resources before it has legal claim to them, as when grant monies are received prior to the incidence of qualifying expenditures. In subsequent periods, when both recognition criteria are met, or when the District has legal claim to the resources, the liability for collections in advance is removed and revenues are recorded.



**ROCKVILLE CENTRE UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

In the fund level statements, collections in advance consist of amounts received in advance for the summer program in the general fund; for amounts received in advance for meals that have not yet been purchased in the school lunch fund and for amounts received in advance for grants in the special aid fund.

**N) Deferred Inflows of Resources:**

Deferred inflows of resources are reported in the governmental funds when potential revenues do not meet the availability criterion for recognition in the current period. These amounts are recorded as deferred inflows of resources. In subsequent periods, when availability criterion is met, deferred revenues are classified as revenues. In the District-Wide Financial Statements, deferred revenues are generally treated as revenues.

In the Fund Financial Statements, deferred inflows of resources of \$2,359 consists of tuition due from NYC not expected to be collected (available) in the current period.

**O) Vested employee benefits:**

**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. Certain collectively bargained agreements require these termination payments be paid in the form of non-elective contributions into the 403(b).

The 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 vesting method and an accrual for that liability is included in the district-wide financial statements. The compensated absences liability is calculated based on the pay rates in effect at year-end.

In the funds statements only the amount of matured liabilities is accrued within the General Fund based upon expendable and available financial resources. These amounts are expensed on a pay-as-you go basis.

**P) Other benefits:**

District employees participate in the New York State Employees' Retirement System and the New York State Teachers' Retirement System.

**ROCKVILLE CENTRE UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

District employees may choose to participate in the District's elective deferred compensation plans established under Internal Revenue Code Sections 403 (b) and 457.

In addition to providing pension benefits, the District provides postemployment health insurance coverage and survivor benefits for retired employees and their survivors. Collective bargaining agreements determine if District employees are eligible for these benefits if they reach normal retirement age while working for the 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 District and the retired employee. The District recognizes the cost of providing health insurance by recording its share of insurance premiums as expenditure in the governmental funds as the liabilities for premiums mature (come due for payment). In the District-Wide Statements, the cost of postemployment health insurance coverage is recognized on the accrual basis of accounting in accordance with GASB Statement No. 45.

**Q) Short-term debt:**

The District may issue Revenue Anticipation Notes (RAN) and Tax Anticipation Notes (TAN), in anticipation of the 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 RAN's and TAN's 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 second fiscal year succeeding the year in which the note was issued.

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

**R) 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.

**ROCKVILLE CENTRE UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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 Position.

**S) Equity Classifications:**

i) District-Wide Financial Statements:

In the District-Wide Financial Statements, there are three classes of net position:

Net investment in capital assets - consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, construction or improvement of those assets.

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

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

ii) Fund Financial Statements:

There are five classifications of fund balance as detailed below; however, in the Fund Financial Statements there are four classifications of fund balance presented:

- (1) **Non-spendable fund balance** – Includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Non-spendable fund balance includes the inventory recorded in the school lunch fund of \$5,474.
- (2) **Restricted fund balance** – 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.

The District has classified the following as restricted:

**Employee Benefit Accrued Liability Reserve**

Employee benefit accrued liability reserve (GML§6-p), must be used for the payment of accrued employee benefit due an employee upon termination of the employee's service. This reserve may be established by a majority vote of the Board, and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated. This reserve is accounted for in the general fund under restricted fund balance.

**ROCKVILLE CENTRE UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Retirement Contribution Reserve

Retirement contribution reserve (GML§6-r), must be used for financing retirement contributions. The reserve must be accounted for separate and apart from all other funds, and a detailed report of the operation and condition of the fund must be provided to the Board. This reserve is accounted for in the general fund under restricted fund balance.

Unemployment Insurance Reserve

Unemployment insurance reserve (GML§6-m), must be 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. If the District elects to convert to tax (contribution) basis, excess resources in the fund over the sum sufficient to pay pending claims may be transferred to any other reserve fund. This reserve is accounted for in the general fund under restricted fund balance.

Debt Service

The unexpended balances of proceeds of borrowings for capital projects, interest and earning from investing proceeds of borrowings, and borrowing premiums can be recorded as amounts restricted for debt service. These restricted funds are accounted for in the debt service fund.

Unspent Energy Performance Proceeds

Unspent energy performance proceeds are recorded as restricted fund balance because they are subject to external constraints contained in the debt agreement. These restricted funds are accounted for in the capital projects fund.

Scholarships

Amounts restricted for scholarships are used to account for monies donated for scholarship purposes, net of earnings and awards. These restricted funds are accounted in the private purpose trust fund.

- (3) **Committed fund balance** – Includes amounts that can only be used for the specific purposes pursuant to constraints imposed by formal action of the District's highest level of decision making authority (i.e., Board of Education). The District has no committed fund balances as of June 30, 2014.
- (4) **Assigned fund balance** – Includes amounts that are subject to a purpose constraint that represents an intended use established by the District's Board of Education. The purpose of the assignment must be narrower than the purpose of the general fund, and in funds other than the general fund, assigned fund balance represents the residual amount of fund balance. Assigned fund balance includes an amount appropriated to partially fund the subsequent year's budget. Assigned

**ROCKVILLE CENTRE UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

fund balance also includes Board designations and encumbrances not classified as restricted or committed at the end of the fiscal year.

- (5) **Unassigned fund balance** –Includes the residual fund balance for the general fund and includes residual fund balance deficits of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts. Assignments of fund balance cannot cause a negative unassigned fund balance.

The capital projects fund had a deficit fund balance of \$1,942,125. This will be funded when the District obtains permanent financing for its bond projects.

NYS Real Property Tax Law 1318 limits the amount of unexpended surplus funds a District can retain to no more than 4% of the 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 included in assigned fund balance are also excluded from the 4% limitation.

**Order of Use of Fund Balance**

In circumstances where an expenditure is incurred for a purpose for which amounts are available in multiple fund balance classifications (e.g., expenditures related to reserves) the expenditure is to be spent first from the restricted fund balance to the extent appropriated by either budget vote or board approved budget revision and then from the unrestricted fund balance. Expenditures incurred in the unrestricted fund balances shall be applied first to the assigned fund balance to the extent that there is an assignment and then to the unassigned fund balance.

**T) Future Changes in Accounting Standards**

GASB has issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement 27*, effective for fiscal years ending June 30, 2015.

GASB has issued Statement No. 69, *Government Combinations and Disposals of Government Operations*, effective for fiscal years ending June 30, 2015.

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

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

**ROCKVILLE CENTRE UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE 2 – EXPLANATION OF CERTAIN DIFFERENCES BETWEEN FUND  
FINANCIAL STATEMENTS AND DISTRICT-WIDE FINANCIAL STATEMENTS:**

Due to the differences in the measurement focus and basis of accounting used in the Fund Financial Statements and the District-Wide Financial 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.

**(A) 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. The difference primarily results from additional long-term economic focus of the Statement of Net Position versus the solely current financial resources focus of the governmental fund Balance Sheets.

**B) Statement of revenues, expenditures and changes in fund balances vs. statement of activities:**

Differences between the governmental funds Statement of Revenues, Expenditures and Changes in Fund Balances and the Statement of Activities fall into one of the four broad categories. The amounts shown below represent:

i) Long-term revenue and expense 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 accruals basis, whereas the accrual basis of accounting is used on the Statement of Activities.

ii) 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 reported on the Statement of Activities, and the difference between recording an expenditure for the purchase of capital items in the fund statements and depreciation expense on those items as recorded in the Statement of Activities.

iii) Long-term debt transaction differences:

Long-term debt transaction differences occur because both interest and principal payments are recorded as expenditures in the fund statements, whereas interest payments are recorded in the Statement of Activities as incurred, and principal

**ROCKVILLE CENTRE UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

payments are recorded as a reduction of liabilities in the Statement of Net Position.

iv) Employee benefit allocations:

Expenditures for employee benefits are not allocated to a specific function on the Statement of Revenues, Expenditures, and Changes in Fund Balances based on the requirements of New York State. These costs have been allocated based on total salary for each function in the Statement of Activities.

**NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY:**

**A) Budgets:**

The District administration prepares a proposed budget for approval by the Board of Education for the following governmental funds for which legal (appropriated) budgets are adopted. The voters of the District approved the proposed appropriation budget for the general fund. Appropriations are adopted at the program line item level.

Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances), which may be incurred. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. Appropriations authorized for the current year are increased by the planned use of specific reserves, and budget amendments approved by the Board of Education as a result of selected new revenue sources not included in the original budget (when permitted by law). These 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. Supplemental appropriations that occurred during the fiscal year are shown on Supplemental Schedule #3.

Budgets are adopted annually on a basis consistent with GAAP. Appropriations authorized for the year are increased by the amount of encumbrances carried forward.

Budgets are established and used for individual capital project funds expenditures as approved by a special referendum of the District's voters. The maximum project amount authorized is based primarily upon the cost of the project, plus any requirements for external borrowings, not annual appropriations. These budgets do not lapse and are carried over to subsequent fiscal years until the completion of the projects.

**B) Encumbrances:**

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

**ROCKVILLE CENTRE UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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.

**NOTE 4 – DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS:**

**A) Cash:**

New York State law governs the District's investment policies. Resources must be deposited in FDIC-insured commercial banks or trust companies located within the state. Permissible investments include obligations of the United States Treasury, United States agencies, repurchase agreements and obligations of New York State or its localities.

Collateral is required for demand and time deposits and certificates of deposit not covered by FDIC insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the state and its municipalities and districts.

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. GASB Statement 40, *Deposit and Investment Risk Disclosures*, directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance and the deposits are as follows:

- A) Uncollateralized;
- B) Collateralized with securities held by the pledging financial institution in the District's name; or
- C) Collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

None of the District's aggregate bank balances, not covered by depository insurance, were exposed to custodial credit risk as described above at year end.

**Restricted cash:**

Restricted cash represents cash and cash equivalents where use is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes. Restricted cash at June 30, 2014 included \$4,879,103 within the governmental funds for capital projects, debt service and general reserve purposes and \$1,146,866 in the fiduciary funds.

**B) Investments:**

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at fair value in the Statement of Fiduciary Net Position. Investment securities are exposed to various risks such as interest rate, market and credit risks. Unrealized gains and losses are included in the Statement of Changes in Fiduciary Net Position. The District also does not typically purchase investments denominated in a foreign currency, and is not exposed to foreign currency risk.



**ROCKVILLE CENTRE UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Other Investments:

Other investments on the Statement of Fiduciary Net Position as of June 30, 2014 consist of \$1,483,552 in equity securities in the private purpose trust fund. Ownership of equity securities is not in accordance with the District's investment policy. During the year the District had an unrealized gain of \$99,107. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the Statement of Fiduciary Net Position.

**NOTE 5 – PARTICIPATION IN BOCES:**

During the fiscal year ended June 30, 2014, the District was billed \$5,862,387 for BOCES administrative and program costs. The District's share of BOCES aid amounted to \$1,701,832. Financial statements for the Nassau BOCES are available from the Nassau BOCES administrative office at 71 Clinton Road, Garden City, NY 11530.

**NOTE 6 – STATE AND FEDERAL AID RECEIVABLE:**

State and federal aid receivable at June 30, 2014 consisted of the following:

|                                                          |                           |
|----------------------------------------------------------|---------------------------|
| General Fund                                             |                           |
| New York State Aid- excess cost aid                      | \$ 256,287                |
| New York State Aid- boces aid                            | 795,820                   |
| Total                                                    | <u>1,052,107</u>          |
|                                                          |                           |
| Special Aid Fund                                         |                           |
| Federal Aid                                              | 678,392                   |
| State Aid                                                | 248,035                   |
| Total                                                    | <u>926,427</u>            |
|                                                          |                           |
| School Lunch Fund                                        |                           |
| State and federal food service<br>program reimbursements | <u>22,315</u>             |
| Total- State and Federal aid receivable                  | <u><u>\$2,000,849</u></u> |

District management has deemed these amounts to be fully collectible.

**NOTE 7 – DUE FROM OTHER GOVERNMENTS:**

Due from other governments in the general fund at June 30, 2014 consisted of the following:

Tuition and health services - Other Districts \$1,188,152

District management has deemed the amounts to be fully collectible.

**ROCKVILLE CENTRE UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE 8 - CAPITAL ASSETS:**

Capital asset balances and activity for the year ended June 30, 2014 were as follows:

|                                             | <u>Beginning<br/>Balance</u> | <u>Additions</u>    | <u>Retirements/<br/>Reclassifications</u> | <u>Ending<br/>Balance</u> |
|---------------------------------------------|------------------------------|---------------------|-------------------------------------------|---------------------------|
| Governmental activities:                    |                              |                     |                                           |                           |
| Capital assets not being depreciated:       |                              |                     |                                           |                           |
| Land                                        | \$ 32,038                    |                     |                                           | \$ 32,038                 |
| Construction in Progress                    |                              | \$ 5,676,922        |                                           | 5,676,922                 |
| Total capital assets not being depreciated  | <u>32,038</u>                | <u>5,676,922</u>    | <u>-</u>                                  | <u>5,708,960</u>          |
| Capital assets being depreciated:           |                              |                     |                                           |                           |
| Building & Building Improvements            | 33,172,905                   | 742,894             |                                           | 33,915,799                |
| Furniture and equipment                     | 6,460,602                    | 363,606             |                                           | 6,824,208                 |
| Land Improvements                           | 18,790                       |                     |                                           | 18,790                    |
| Vehicles                                    | 335,723                      | 64,726              |                                           | 400,449                   |
| Total capital assets being depreciated      | <u>39,988,020</u>            | <u>1,171,226</u>    | <u>-</u>                                  | <u>41,159,246</u>         |
| Less accumulated depreciation:              |                              |                     |                                           |                           |
| Building & Building Improvements            | 14,945,688                   | 640,558             |                                           | 15,586,246                |
| Furniture and equipment                     | 3,943,563                    | 384,994             |                                           | 4,328,557                 |
| Land Improvements                           | 10,340                       | 940                 |                                           | 11,280                    |
| Vehicles                                    | 169,789                      | 41,473              |                                           | 211,262                   |
| Total accumulated depreciation              | <u>19,069,380</u>            | <u>1,067,965</u>    | <u>-</u>                                  | <u>20,137,345</u>         |
| Total capital assets being depreciated, net | <u>20,918,640</u>            | <u>103,261</u>      | <u>-</u>                                  | <u>21,021,901</u>         |
| Capital assets, net                         | <u>\$ 20,950,678</u>         | <u>\$ 5,780,183</u> | <u>\$ -</u>                               | <u>\$ 26,730,861</u>      |
| Depreciation expense (unallocated)          |                              |                     |                                           | <u>\$ 1,067,965</u>       |

**ROCKVILLE CENTRE UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE 9 – INTERFUND TRANSACTIONS – GOVERNMENTAL FUNDS:**

|                             | Interfund          |                    | Interfund          |                    |
|-----------------------------|--------------------|--------------------|--------------------|--------------------|
|                             | Receivable         | Payable            | Revenues           | Expenditures       |
| General fund                | \$1,445,915        |                    |                    | \$2,925,652        |
| Special aid fund            |                    | \$905,562          | \$97,549           |                    |
| School lunch fund           |                    | 179,550            |                    |                    |
| Debt service fund           | 455,250            |                    | 1,828,103          |                    |
| Capital projects fund       |                    | 396,876            | 1,000,000          |                    |
| Total government activities | 1,901,165          | 1,481,988          | 2,925,652          | 2,925,652          |
| Fiduciary agency fund       |                    | 419,177            |                    |                    |
| Totals                      | <u>\$1,901,165</u> | <u>\$1,901,165</u> | <u>\$2,925,652</u> | <u>\$2,925,652</u> |

The District typically transfers from the general fund to the debt service fund to finance debt service payments. The District typically transfers from the general fund to the special aid fund to fund the District's 20% share of summer school handicap expenses required by New York State law and to fund the State Supported Section 4201 schools. The 2013-2014 Budget authorized a transfer of \$1,000,000 from the general fund to the capital fund which was used to finance numerous capital projects.

The District typically loans resources between funds for the purpose of mitigating the effects of transient cash flow issues.

All interfund payables are expected to be repaid within one year.

**NOTE 10 – SHORT-TERM DEBT OBLIGATIONS**

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

|       | Maturity   | Interest<br>Rate | Beginning<br>Balance | Issued               | Redeemed             | Ending<br>Balance   |
|-------|------------|------------------|----------------------|----------------------|----------------------|---------------------|
| BAN   | 6/26/2014  | 1.00%            |                      | \$ 7,500,000         | \$ 7,500,000         | \$ -                |
| TAN   | 6/27/2014  | 0.45%            |                      | 15,000,000           | 15,000,000           | -                   |
| BAN   | 12/18/2014 | 0.75%            |                      | 7,500,000            | -                    | 7,500,000           |
| Total |            |                  | <u>\$ -</u>          | <u>\$ 30,000,000</u> | <u>\$ 22,500,000</u> | <u>\$ 7,500,000</u> |

Interest expense on short-term debt for the year was \$98,125.

The TAN was issued for interim financing of general fund operations. The BAN was issued for interim financing of expenditures within the capital projects fund.

**ROCKVILLE CENTRE UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE 11 – LONG-TERM LIABILITIES:**

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

|                                                          | Beginning<br>Balance | Issued              | Redeemed           | Ending<br>Balance   | Due Within<br>One Year |
|----------------------------------------------------------|----------------------|---------------------|--------------------|---------------------|------------------------|
| Long-term debt:                                          |                      |                     |                    |                     |                        |
| Bonds payable:                                           | \$11,715,000         |                     | \$1,270,000        | \$10,445,000        | \$1,325,000            |
| Installment purchase debt                                | 61,592               | \$26,703            | 25,446             | 62,849              | 27,842                 |
| Energy performance debt payable                          | 3,035,234            |                     | 47,970             | 2,987,264           | 173,768                |
| Other liabilities:                                       |                      |                     |                    |                     |                        |
| Claims payable                                           | 950,695              | 896,882             | 854,905            | 992,672             | 639,503                |
| Compensated absences payable                             | 1,941,316            | 235,307             | 36,119             | 2,140,504           | 223,067                |
| Net other post employment<br>benefits obligation payable | 37,826,922           | 10,483,680          | 3,602,044          | 44,708,558          |                        |
| Total long-term liabilities                              | <u>\$55,530,759</u>  | <u>\$11,642,572</u> | <u>\$5,836,484</u> | <u>\$61,336,847</u> | <u>\$2,389,180</u>     |

The general fund has typically been used to liquidate long-term liabilities such as compensated absences, claims payable, net other post employment benefits obligation, installment debt payable and energy performance debt payable.

**A) Bonds Payable**

Bonds payable is comprised of the following:

| Description              | Issue<br>Date | Final<br>Maturity | Interest<br>Rate | Outstanding<br>at Year End |
|--------------------------|---------------|-------------------|------------------|----------------------------|
| Construction Serial Bond | 10/1/2006     | 10/1/2021         | 3.75%-4.0%       | \$3,965,000                |
| Construction Serial Bond | 7/15/2003     | 7/15/2018         | 3.5%-4.125%      | 1,355,000                  |
| Construction Serial Bond | 10/1/2006     | 10/1/2021         | 3.75%-4.0%       | 5,125,000                  |
|                          |               |                   |                  | <u>\$10,445,000</u>        |

**ROCKVILLE CENTRE UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

The following is a summary of debt service requirements for bonds payable:

| Fiscal Year Ended<br>June 30, | Principal           | Interest           | Total               |
|-------------------------------|---------------------|--------------------|---------------------|
| 2015                          | \$1,325,000         | \$386,172          | \$1,711,172         |
| 2016                          | 1,380,000           | 334,547            | 1,714,547           |
| 2017                          | 1,430,000           | 280,487            | 1,710,487           |
| 2018                          | 1,495,000           | 222,863            | 1,717,863           |
| 2019                          | 1,555,000           | 161,681            | 1,716,681           |
| 2020-2022                     | 3,260,000           | 165,800            | 3,425,800           |
|                               | <u>\$10,445,000</u> | <u>\$1,551,550</u> | <u>\$11,996,550</u> |

**B) Installment Debt**

Installment debt is comprised of the following:

| Description         | Issue<br>Date | Final<br>Maturity | Interest<br>Rate | Outstanding<br>at Year End |
|---------------------|---------------|-------------------|------------------|----------------------------|
| Musical Instruments | Various       | Various           | Various          | <u>\$62,849</u>            |

The following is a summary of debt service requirements for installment debt:

| Fiscal Year Ended<br>June 30, | Principal       | Interest        | Total           |
|-------------------------------|-----------------|-----------------|-----------------|
| 2015                          | \$27,842        | \$5,863         | \$33,705        |
| 2016                          | 17,292          | 3,253           | 20,545          |
| 2017                          | 11,398          | 1,635           | 13,033          |
| 2018                          | 6,317           | 577             | 6,894           |
|                               | <u>\$62,849</u> | <u>\$11,328</u> | <u>\$74,177</u> |

**C) Energy Performance Debt**

Energy performance debt is comprised of the following:

| Description             | Issue<br>Date | Final<br>Maturity | Interest<br>Rate | Outstanding<br>at Year End |
|-------------------------|---------------|-------------------|------------------|----------------------------|
| Energy Performance Debt | 6/21/2013     | 12/30/2028        | 2.46%            | <u>\$2,987,264</u>         |

**ROCKVILLE CENTRE UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

The following is a summary of debt service requirements for energy performance debt:

| Fiscal Year Ended<br>June 30, | Principal          | Interest         | Total              |
|-------------------------------|--------------------|------------------|--------------------|
| 2015                          | \$173,768          | \$72,424         | \$246,192          |
| 2016                          | 178,069            | 68,123           | 246,192            |
| 2017                          | 182,476            | 63,716           | 246,192            |
| 2018                          | 186,993            | 59,199           | 246,192            |
| 2019                          | 191,621            | 54,571           | 246,192            |
| 2020-2024                     | 1,031,642          | 199,321          | 1,230,963          |
| 2025-2029                     | 1,042,695          | 65,172           | 1,107,867          |
|                               | <u>\$2,987,264</u> | <u>\$582,526</u> | <u>\$3,569,790</u> |

**D) Long-Term Interest**

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

|                                           |                  |
|-------------------------------------------|------------------|
| Interest paid                             | \$518,380        |
| Less interest accrued in the prior year   | (132,429)        |
| Plus interest accrued in the current year | <u>120,767</u>   |
| Total expense                             | <u>\$506,718</u> |

**E) Unissued Debt**

On March 19, 2013, the voters approved a bond referendum of \$45,926,000 authorizing the reconstruction and construction of improvements to school facilities. As of June 30, 2014, the District has financed bond projects with bond anticipation notes until serial bonds are issued.

**NOTE 12 – PENSION PLANS:**

**A) General information:**

The District participates in the New York State Employees' Retirement System (NYSERS) (the "System") and the New York State Teachers' Retirement System (NYSTRS) (the "System"). These 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.

**ROCKVILLE CENTRE UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**B) Provisions and administration:**

i) Teachers' Retirement System

The New York State Teachers' Retirement Board administers NYSTRS. The System provides 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. NYSTRS 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 NYSTRS, 10 Corporate Woods Drive, Albany, New York 12211-2395.

ii) Employees' Retirement System

NYSERS provides retirement benefits as well as death and disability benefits. New York State Retirement and Social Security Law govern obligations of employers and employees to contribute, and benefits to employees. The System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to NYSERS, Office of the State Comptroller, 110 State Street, Albany, New York 12244 or accessed at [www.osc.state.ny.us/retire/publications/index.php](http://www.osc.state.ny.us/retire/publications/index.php).

**C) Funding policies:**

The Systems are noncontributory for the employee who joined the Systems prior to July 27, 1976. For employees who joined after July 27, 1976, and prior to January 1, 2010, employees contribute 3% of their salary, except that employees in the Systems more than ten years are no longer required to contribute. For employees who joined on or after January 1, 2010 and before April 1, 2012 employees in NYERS contribute 3% of their salary throughout their active membership and those in NYTRS contribute 3.5% throughout their active membership. For employees hired on or after April 1, 2012, employee contribution rates are dependent upon salaries and range from 3% to 6% of salary throughout active membership. For NYSERS, the Comptroller certifies the rates expressed as proportions of members' payroll annually which are used in computing the contributions required to be made by employers to the pension accumulation fund. Pursuant to Article 11 of the Education Law, the New York State Teachers' Retirement Board establishes rates annually for NYSTRS.

The District is required to contribute at an actuarially determined rate. The District contributions made to the Systems were equal to 100% of the contributions required for each year. The required contributions for the current year and two preceding years were:

**ROCKVILLE CENTRE UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

|      | NYSERS      | NYSTRS      |
|------|-------------|-------------|
| 2014 | \$1,579,116 | \$5,751,975 |
| 2013 | \$1,748,844 | \$5,323,490 |
| 2012 | \$1,449,908 | \$5,324,334 |

**D) Tax Sheltered Annuities:**

The District has adopted a 403 (b) plan covering all eligible employees. Employees may defer up to 100% of their compensation subject to Internal Revenue Code elective deferral limitations. The District may also make non-elective contributions of certain termination payments based on collectively bargained agreements. Contributions made by the District and the employees for the year ended June 30, 2014, totaled \$364,450 and \$2,935,611 respectively.

**E) Deferred Compensation Plan:**

The District has established a deferred compensation plan in accordance with Internal Revenue Code §457 for all employees. The District makes no contributions into this Plan. The amount deferred by eligible employees for the year ended June 30, 2014 totaled \$156,583.

**NOTE 13 – POST-EMPLOYMENT (HEALTH INSURANCE) BENEFITS:**

**A) Plan Descriptions**

The District primarily provides post employment health insurance coverage to retired employees and their spouses in accordance with the provisions of various employment contracts. Benefits are provided through the New York State Health Insurance Program Empire Plan (the “Plan”), which is a single-employer defined benefit healthcare plan.

**B) Funding Policy**

The contribution requirements of plan members and the District are established and may be amended by the District. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually by the District. For fiscal year 2014, the District contributed \$3,602,044 to the plan. Plan members receiving benefits contributed 0% - 10% of the health insurance premium.

**C) Annual OPEB Cost and Net OPEB Obligation**

The District’s annual other post-employment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement #45. The



**ROCKVILLE CENTRE UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District net OPEB obligation to the plan:

|                                            |                             |
|--------------------------------------------|-----------------------------|
| Annual required contribution               | \$ 11,158,085               |
| Interest on net OPEB obligation            | 1,512,961                   |
| Adjustment to Annual Required Contribution | <u>(2,187,366)</u>          |
| Annual OPEB cost (expense)                 | 10,483,680                  |
| Contributions made                         | * <u>(3,602,044)</u>        |
| Increase in net OPEB obligation            | 6,881,636                   |
| Net OPEB obligation-beginning of year      | <u>37,826,922</u>           |
| Net OPEB obligation-end of year            | <u><u>\$ 44,708,558</u></u> |

\*Contributions made are estimated based on actuary report

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2014 and the two previous years, were as follows:

| Fiscal<br>Year<br>Ending | Annual<br>OPEB<br>Cost | OPEB<br>Contributions | Percentage<br>of Annual<br>OPEB Cost<br>Contributed | Net<br>OPEB<br>Obligation |
|--------------------------|------------------------|-----------------------|-----------------------------------------------------|---------------------------|
| 6/30/14                  | \$10,483,680           | \$3,602,044           | 34.36%                                              | \$44,708,558              |
| 6/30/13                  | 10,525,153             | 3,643,967             | 34.62%                                              | 37,826,922                |
| 6/30/12                  | 11,629,022             | 3,868,617             | 33.27%                                              | 30,945,736                |

**D) 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 \$117,321,160, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of 117,321,160. The covered payroll (annual payroll of active employees covered by the Plan) was \$54,278,950 and the ratio of the UAAL to the covered payroll was 216.14%.

Actuarial valuations of an ongoing Plan involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Examples include assumptions about future employment, mortality, and the health care trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress following the notes to the financial statements provides multiyear trend

**ROCKVILLE CENTRE UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

**E) 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 plan members) and include the types of benefits in force at the valuation date and the historical pattern of sharing benefit costs between the District and the plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term liability in actuarial accrued liabilities, consistent with the long-term perspective of the calculations.

In the July 1, 2012 actuarial valuation prepared by an outside actuarial firm, the projected unit credit actuarial cost method was used to value the actuarial accrued liability and normal cost. The actuarial assumptions included a discount rate of 3.75% and an annual healthcare cost trend rate of 10% initially, reduced by decrements to an ultimate rate of 5% after 7 years. The UAAL is being amortized using the level dollar amortization method over a period of 30 years.

**NOTE 14 – RISK MANAGEMENT:**

**A) General:**

The District is exposed to various risks of loss related to torts, theft, damage, injuries, errors and omissions, natural disasters, and other risks. 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.

**B) Consortiums and Self Insured Plans:**

The District participates in New York Schools Insurance Reciprocal (NYSIR), a non-risk-retained public entity risk pool for its District property and liability insurance coverage. The pool is operated for the benefit of individual governmental units located within the pool's geographic area, and is considered a self-sustaining risk pool that will provide coverage for its members. The pool obtains independent coverage for insured events and the District has essentially transferred all related risk to the pool. As of June 30, 2014, the District has no reserve for property loss.

The District participates in the Nassau County Schools Cooperative Self Insured Plan for Workers' Compensation, a risk sharing pool, to insure Workers' Compensation claims. This is a public school entity risk pool created under Article 5 of the Workers' Compensation Law, to finance liability and risks related to Workers' Compensation claims. The District's share of the total liability discounted at 1% for incurred but unpaid claims and incurred but not reported claims is \$1,482,539. The District also maintained reserves of \$489,867 with the public school entity risk pool resulting in a net long-term liability of \$992,672.

**ROCKVILLE CENTRE UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Claims activity for the current and preceding year were as follows:

|                                               | 2014      | 2013        |
|-----------------------------------------------|-----------|-------------|
| Unpaid claims at beginning of year            | \$950,695 | \$1,463,402 |
| Claims incurred and claim adjustment expenses | 896,882   | (88,606)    |
| Claims paid                                   | (854,905) | (424,101)   |
| Unpaid claims at year end                     | \$992,672 | \$950,695   |

**NOTE 15 – FUND BALANCES – ASSIGNED AND ENCUMBERED:**

**A) Assigned: Appropriated:**

The amount of \$2,800,000 has been designated as the amount estimated to be appropriated to reduce taxes for the fiscal year ending June 30, 2015 in the general fund.

**B) Encumbered:**

All encumbrances are classified as assigned or restricted fund balance. At June 30, 2014, the District encumbered the following amounts:

|                                       |          |
|---------------------------------------|----------|
| Assigned: Unappropriated Fund Balance |          |
| General Fund                          |          |
| General Support                       | \$54,827 |
| Instruction                           | 4,750    |
|                                       | \$59,577 |
| Restricted Fund Balance               |          |
| Capital Projects Fund                 |          |
| Capital Projects                      | \$73,116 |

**NOTE 16 – COMMITMENTS AND CONTINGENCIES:**

**A) Grants:**

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

**ROCKVILLE CENTRE UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**B) Operating Leases:**

The following is a summary of obligations of government activities under operating lease payments:

| Fiscal year ended June 30, | Total       |
|----------------------------|-------------|
| 2015                       | \$955,852   |
| 2016                       | 574,065     |
| 2017                       | 455,848     |
| 2018                       | 261,457     |
| 2019                       | 116,782     |
| Total lease payments       | \$2,364,004 |

Operating lease payments for the fiscal year ended June 30, 2014 were \$1,018,838.

**C) Litigation:**

As of June 30, 2014, we are unaware of any pending or threatened litigation or unasserted claims or assessments against the District which require disclosure.

**NOTE 17 – SUBSEQUENT EVENTS:**

- A. The District issued \$10,000,000 in tax anticipation notes on August 28, 2014, maturing on June 26, 2015 for the following:

| Amount       | Interest<br>Rate | Premium  |
|--------------|------------------|----------|
| \$10,000,000 | 1.00%            | \$72,203 |

**SUPPLEMENTARY INFORMATION**

**ROCKVILLE CENTRE UNION FREE SCHOOL DISTRICT**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-**  
**BUDGET AND ACTUAL- GENERAL FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

|                                                           | <u>Original Budget</u> | <u>Final Budget</u>  | <u>Actual<br/>(Budgetary Basis)</u> | <u>Final Budget<br/>Variance<br/>with Budgetary<br/>Actual</u> |
|-----------------------------------------------------------|------------------------|----------------------|-------------------------------------|----------------------------------------------------------------|
| <b>REVENUES</b>                                           |                        |                      |                                     |                                                                |
| <b>Local sources</b>                                      |                        |                      |                                     |                                                                |
| Real property taxes                                       | \$79,738,117           | \$79,738,117         | \$79,767,409                        | \$29,292                                                       |
| Other real property tax items                             | 8,081,883              | 8,081,883            | 8,120,879                           | 38,996                                                         |
| Charges for services                                      | 2,731,000              | 3,062,105            | 3,082,678                           | 20,573                                                         |
| Use of money & property                                   | 95,000                 | 95,000               | 126,096                             | 31,096                                                         |
| Sale of property<br>& compensation for loss               | 20,000                 | 20,000               | 55,804                              | 35,804                                                         |
| Miscellaneous                                             | 124,938                | 124,938              | 156,614                             | 31,676                                                         |
| <b>State sources</b>                                      |                        |                      |                                     |                                                                |
| Basic formula                                             | 3,739,174              | 3,739,174            | 3,069,992                           | (669,182)                                                      |
| Excess cost aid                                           | 1,543,240              | 1,543,240            | 1,652,951                           | 109,711                                                        |
| Lottery aid                                               | 300,000                | 300,000              | 1,280,313                           | 980,313                                                        |
| BOCES aid                                                 | 1,200,000              | 1,200,000            | 1,701,832                           | 501,832                                                        |
| Textbook aid                                              | 250,000                | 250,000              | 250,184                             | 184                                                            |
| Computer software aid                                     | 75,000                 | 75,000               | 90,965                              | 15,965                                                         |
| Library A/V loan program aid                              | 25,000                 | 25,000               | 27,412                              | 2,412                                                          |
| Other State Aid                                           |                        |                      | 162,847                             | 162,847                                                        |
| Federal sources                                           | 25,000                 | 25,000               | 31,585                              | 6,585                                                          |
| <b>TOTAL REVENUES AND OTHER SOURCES</b>                   | <u>97,948,352</u>      | <u>98,279,457</u>    | <u>\$99,577,561</u>                 | <u>\$1,298,104</u>                                             |
| Appropriated fund balance                                 | 2,800,000              | 2,800,000            |                                     |                                                                |
| Appropriated reserves                                     | 25,470                 | 25,470               |                                     |                                                                |
| <b>TOTAL REVENUES &amp; APPROPRIATED<br/>FUND BALANCE</b> | <u>\$100,773,822</u>   | <u>\$101,104,927</u> |                                     |                                                                |

**Note to Required Supplementary Information**Budget Basis of Accounting

Budgets are adopted on the modified accrual basis of accounting consistent with accounting principles generally accepted in the United States of America.

ROCKVILLE CENTRE UNION FREE SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-  
BUDGET AND ACTUAL- GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

|                                                       | <u>Original Budget</u> | <u>Final Budget</u>  | <u>Actual<br/>(Budgetary Basis)</u> | <u>Year-End<br/>Encumbrances</u> | <u>Final Budget<br/>Variance with<br/>Budgetary Actual<br/>and Encumbrances</u> |
|-------------------------------------------------------|------------------------|----------------------|-------------------------------------|----------------------------------|---------------------------------------------------------------------------------|
| <b>EXPENDITURES</b>                                   |                        |                      |                                     |                                  |                                                                                 |
| General support                                       |                        |                      |                                     |                                  |                                                                                 |
| Board of education                                    | \$166,237              | \$161,837            | \$98,416                            |                                  | \$63,421                                                                        |
| Central administration                                | 526,187                | 546,187              | 538,902                             |                                  | 7,285                                                                           |
| Finance                                               | 1,082,654              | 1,001,285            | 1,000,792                           |                                  | 493                                                                             |
| Staff                                                 | 851,825                | 510,575              | 448,061                             |                                  | 62,514                                                                          |
| Central services                                      | 6,329,344              | 5,541,533            | 5,139,658                           | \$54,827                         | 347,048                                                                         |
| Special items                                         | 915,000                | 909,723              | 867,281                             |                                  | 42,442                                                                          |
| Instructional                                         |                        |                      |                                     |                                  |                                                                                 |
| Instruction, adm. & imp.                              | 3,894,215              | 3,847,069            | 3,763,048                           |                                  | 84,021                                                                          |
| Teaching - regular school                             | 36,323,467             | 36,673,307           | 36,663,780                          | 4,750                            | 4,777                                                                           |
| Programs for children with<br>handicapping conditions | 10,032,274             | 10,304,932           | 10,297,353                          |                                  | 7,579                                                                           |
| Occupational education                                | 220,000                | 320,000              | 309,460                             |                                  | 10,540                                                                          |
| Teaching special schools                              | 910,625                | 793,405              | 731,575                             |                                  | 61,830                                                                          |
| Instructional media                                   | 2,680,320              | 3,107,362            | 2,995,150                           |                                  | 112,212                                                                         |
| Pupil services                                        | 5,595,330              | 5,552,524            | 5,312,878                           |                                  | 239,646                                                                         |
| Pupil transportation                                  | 4,098,505              | 3,588,298            | 3,528,755                           |                                  | 59,543                                                                          |
| Community services                                    | 192,951                | 192,951              | 109,073                             |                                  | 83,878                                                                          |
| Employee benefits                                     | 23,818,400             | 24,840,859           | 24,839,837                          |                                  | 1,022                                                                           |
| Debt service                                          |                        |                      |                                     |                                  |                                                                                 |
| Debt service principal                                | 69,481                 | 46,481               | 25,446                              |                                  | 21,035                                                                          |
| Debt service interest                                 | 262,000                | 237,592              | 106,372                             |                                  | 131,220                                                                         |
| <b>TOTAL EXPENDITURES</b>                             | <u>97,968,815</u>      | <u>98,175,920</u>    | <u>96,775,837</u>                   | <u>59,577</u>                    | <u>1,340,506</u>                                                                |
| Other financing uses                                  |                        |                      |                                     |                                  |                                                                                 |
| Transfers to other funds                              | <u>2,805,007</u>       | <u>2,929,007</u>     | <u>2,925,652</u>                    | <u>-</u>                         | <u>3,355</u>                                                                    |
| <b>TOTAL EXPENDITURES AND OTHER USES</b>              | <u>\$100,773,822</u>   | <u>\$101,104,927</u> | <u>99,701,489</u>                   | <u>\$59,577</u>                  | <u>\$1,343,861</u>                                                              |
| Net change in fund balance                            |                        |                      | (123,928)                           |                                  |                                                                                 |
| Fund balance - beginning of year                      |                        |                      | <u>11,518,730</u>                   |                                  |                                                                                 |
| Fund balance - end of year                            |                        |                      | <u>\$11,394,802</u>                 |                                  |                                                                                 |

**Note to Required Supplementary Information**

Budget Basis of Accounting

Budgets are adopted on the modified accrual basis of accounting consistent with accounting principles generally accepted in the United States of America.

**ROCKVILLE CENTRE UNION FREE SCHOOL DISTRICT**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FUNDING PROGRESS FOR OTHER POST-EMPLOYMENT BENEFITS (OPEB)**  
**JUNE 30, 2014**

| Valuation<br>Date | Actuarial<br>Value of<br>Assets | Accrued<br>Liability | Unfunded<br>Liability | Funded<br>Ratio | Covered<br>Payroll | Unfunded<br>Liability as a<br>Percentage of<br>Covered<br>Payroll |
|-------------------|---------------------------------|----------------------|-----------------------|-----------------|--------------------|-------------------------------------------------------------------|
| July 1, 2012      | \$0                             | \$117,321,160        | \$117,321,160         | 0%              | \$54,278,950       | 216.14%                                                           |
| July 1, 2010      | 0                               | 121,285,587          | 121,285,587           | 0%              | 51,112,505         | 237.29%                                                           |
| July 1, 2008      | 0                               | 102,179,065          | 102,179,065           | 0%              | 50,103,738         | 203.94%                                                           |



**ROCKVILLE CENTRE UNION FREE SCHOOL DISTRICT  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET  
 AND REAL PROPERTY TAX LIMIT  
 JUNE 30, 2014**

**CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET**

|                                     |  |                   |
|-------------------------------------|--|-------------------|
| Adopted Budget                      |  | \$100,748,352     |
| Add: Prior year's encumbrances      |  | 25,470            |
| Original Budget                     |  | 100,773,822       |
| Budget revisions:                   |  |                   |
| Donations                           |  | 52,054            |
| Retirement contribution reserve use |  | 279,051           |
| <br>Final Budget                    |  | <br>\$101,104,927 |

**SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION**

|                                                                             |             |               |
|-----------------------------------------------------------------------------|-------------|---------------|
| Next Year's Voter Approved Budget                                           |             | \$103,136,754 |
| Maximum allowed (4% of 2014-2015 budget)                                    |             | \$4,125,470   |
| General fund fund balance subject to Section 1318 of Real Property Tax Law: |             |               |
| Unrestricted fund balance:                                                  |             |               |
| Assigned fund balance                                                       | \$2,859,577 |               |
| Unassigned fund balance                                                     | 3,930,764   |               |
| Total unrestricted fund balance                                             |             | 6,790,341     |
| Less:                                                                       |             |               |
| Appropriated fund balance                                                   | \$2,800,000 |               |
| Encumbrances included in assigned fund balance                              | 59,577      |               |
| Total adjustments                                                           |             | 2,859,577     |
| General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law  |             | \$3,930,764   |
| Actual Percentage                                                           |             | 3.81%         |

**ROCKVILLE CENTRE UNION FREE SCHOOL DISTRICT  
SCHEDULE OF PROJECT EXPENDITURES - CAPITAL PROJECTS FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

| Project Title                  | Project # | Original<br>Appropriation | Revised<br>Appropriation | Expenditures and Obligations to Date |                    |                    | Available<br>Balance | Methods of Financing       |                    |                    | Fund<br>Balance<br>June 30, 2014 |                      |
|--------------------------------|-----------|---------------------------|--------------------------|--------------------------------------|--------------------|--------------------|----------------------|----------------------------|--------------------|--------------------|----------------------------------|----------------------|
|                                |           |                           |                          | Prior Year's                         | Current Year       | Total              |                      | Proceeds of<br>Obligations | State Aid          | Local<br>Sources   |                                  | Total                |
| EXCEL Projects                 |           |                           |                          |                                      |                    |                    |                      |                            |                    |                    |                                  |                      |
| SSMS - Locker Room             | 2020      | 579,578                   | \$60,500                 | \$60,500                             |                    | \$60,500           | \$ -                 | \$46,728                   |                    | \$46,728           | (\$13,772) *                     |                      |
| South Side Middle School       | 2021      | 264,234                   | 264,234                  | 264,234                              |                    | 264,234            | -                    | 181,529                    |                    | 181,529            | (82,705) *                       |                      |
| Wilson - Front Portico         | 4020      | 92,000                    | 97,340                   | 97,340                               |                    | 97,340             | -                    | 74,924                     |                    | 74,924             | (22,416) *                       |                      |
| Wilson Elementary School       | 4021      | 38,250                    | 44,433                   | 44,433                               |                    | 44,433             | -                    | 30,525                     |                    | 30,525             | (13,908) *                       |                      |
| Hewitt Elementary School       | 7018      | 210,700                   | 276,028                  | 276,028                              |                    | 276,028            | -                    | 189,631                    |                    | 189,631            | (86,397) *                       |                      |
| Covert Elementary School       | 8015      | 92,500                    | 104,724                  | 104,724                              |                    | 104,724            | -                    | 71,946                     |                    | 71,946             | (32,778) *                       |                      |
| Districtwide Electrical        | 9004      | 826,900                   | 747,826                  | 705,184                              |                    | 705,184            | 42,642               | 623,875                    |                    | 623,875            | (81,309) *                       |                      |
| Future EXCEL Projects          |           | 23,486                    | 23,486                   | 23,486                               |                    | 23,486             | -                    | -                          |                    | -                  | (23,486) *                       |                      |
| 2013 Bond Issue                |           | 39,128,396                | 39,128,395               | 11,917                               |                    | 11,917             | 39,116,478           | -                          |                    | -                  | (11,917) ^                       |                      |
| Districtwide Air Conditioning  |           | 1,775,000                 | 1,775,000                |                                      | \$387,705          | 387,705            | 1,387,295            | -                          |                    | -                  | (387,705) ^                      |                      |
| South Side Middle School       | 2023      | 677,201                   | 677,201                  |                                      | 319,071            | 319,071            | 358,130              | -                          |                    | -                  | (319,071) ^                      |                      |
| South Side High School         | 5026      | 1,659,048                 | 1,659,049                |                                      | 380,671            | 380,671            | 1,278,378            | -                          |                    | -                  | (380,671) ^                      |                      |
| South Side High School         | 5027      | 1,360,705                 | 1,360,705                |                                      | 1,057,788          | 1,057,788          | 302,917              | -                          |                    | -                  | (1,057,788) ^                    |                      |
| Administration Building        | 6009      | 64,806                    | 64,806                   |                                      | 1,806              | 1,806              | 63,000               | -                          |                    | -                  | (1,806) ^                        |                      |
| Watson Roof Replacement        | 3015      | 780,158                   | 780,158                  |                                      | 85,337             | 85,337             | 694,821              | -                          |                    | -                  | (85,337) ^                       |                      |
| Floyd B Watson Elementary      | 3016      | 335,252                   | 335,252                  |                                      | 153,845            | 153,845            | 181,407              | -                          |                    | -                  | (153,845) ^                      |                      |
| Covert Elementary School       | 8017      | 758,000                   | 758,000                  |                                      | 74,699             | 74,699             | 683,301              | -                          |                    | -                  | (74,699) ^                       |                      |
| Covert Elementary School       | 8018      | 68,434                    | 68,434                   |                                      | 7,188              | 7,188              | 61,246               | -                          |                    | -                  | (7,188) ^                        |                      |
| Riverside Elementary School    | 1019      | 68,000                    | 68,000                   |                                      | 594                | 594                | 67,406               | -                          |                    | -                  | (594) ^                          |                      |
| 2012 2013 Transfer to Capital  |           | 820,000                   | 820,000                  | 423,153                              | 390,111            | 813,264            | 6,736                |                            | \$820,000          | 820,000            | 6,736                            |                      |
| Riverside Elementary School    | 1018      | 180,000                   | 180,000                  | 11,451                               | 168,549            | 180,000            | -                    |                            | 180,000            | 180,000            | -                                |                      |
| 2013 2014 Transfer to Capital  |           | 1,000,000                 | 1,000,000                |                                      | 376,577            | 376,577            | 623,423              |                            | 1,000,000          | 1,000,000          | 623,423                          |                      |
| Energy Performance Contract    |           |                           |                          |                                      |                    |                    |                      |                            |                    |                    |                                  |                      |
| Riverside Elementary School    | 1017      | 210,217                   | 210,217                  |                                      | 182,004            | 182,004            | 28,213               | \$210,217                  |                    | 210,217            | 28,213                           |                      |
| South Side Middle School       | 2022      | 482,519                   | 482,519                  |                                      | 459,677            | 459,677            | 22,842               | 482,519                    |                    | 482,519            | 22,842                           |                      |
| Wilson Elementary School       | 4022      | 215,310                   | 215,310                  |                                      | 180,176            | 180,176            | 35,134               | 215,310                    |                    | 215,310            | 35,134                           |                      |
| South Side High School         | 5024      | 885,948                   | 885,948                  |                                      | 811,913            | 811,913            | 74,035               | 885,948                    |                    | 885,948            | 74,035                           |                      |
| Hewitt Elementary School       | 7019      | 633,220                   | 633,220                  |                                      | 622,718            | 622,718            | 10,502               | 633,220                    |                    | 633,220            | 10,502                           |                      |
| Covert Elementary School       | 8016      | 194,915                   | 194,915                  |                                      | 154,620            | 154,620            | 40,295               | 194,915                    |                    | 194,915            | 40,295                           |                      |
| Administration Building        | 6007      | 153,655                   | 153,655                  |                                      | 127,187            | 127,187            | 26,468               | 153,655                    |                    | 153,655            | 26,468                           |                      |
| Floyd B Watson Elementary      | 3014      | 259,450                   | 259,450                  |                                      | 231,831            | 231,831            | 27,619               | 259,450                    |                    | 259,450            | 27,619                           |                      |
| Installment Purchase Contracts |           |                           | 26,703                   |                                      | 26,703             | 26,703             | -                    | 26,703                     |                    | 26,703             | -                                |                      |
| <b>Total</b>                   |           | <b>\$53,337,882</b>       | <b>\$53,355,508</b>      | <b>\$2,022,450</b>                   | <b>\$6,200,770</b> | <b>\$8,223,220</b> | <b>\$45,132,288</b>  | <b>\$3,061,937</b>         | <b>\$1,219,158</b> | <b>\$2,000,000</b> | <b>\$6,281,095</b>               | <b>(\$1,942,125)</b> |

\* The deficit will be eliminated when Excel Aid and State Aid in the amount of \$1,700,000 is received.  
 ^ The deficit for the 2013 Bond Issue will be eliminated when the district issues the bond.

**ROCKVILLE CENTRE UNION FREE SCHOOL DISTRICT  
SUPPLEMENTARY INFORMATION  
NET INVESTMENT IN CAPITAL ASSETS  
JUNE 30, 2014**

|                                                           |                  |                                  |
|-----------------------------------------------------------|------------------|----------------------------------|
| <b>Capital assets, net</b>                                |                  | <b>\$26,730,861</b>              |
| <b>Deduct:</b>                                            |                  |                                  |
| Bond anticipation note payable                            |                  | 7,500,000                        |
| Short-term portion of bonds payable                       | 1,325,000        |                                  |
| Long-term portion of bonds payable                        | <u>9,120,000</u> | 10,445,000                       |
| Short-term portion of installment debt payable            | 27,842           |                                  |
| Long-term portion of installment debt payable             | <u>35,007</u>    | 62,849                           |
| Short-term portion of energy performance contract payable | 173,768          |                                  |
| Long-term portion of energy performance contract payable  | 2,813,496        |                                  |
| Less: unspent energy performance contract proceeds        | <u>(265,108)</u> | <u>2,722,156</u>                 |
| <b>Net investment in capital assets</b>                   |                  | <b><u><u>\$6,000,856</u></u></b> |



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

To the Board of Education  
Rockville Centre Union Free School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the fiduciary funds of Rockville Centre Union Free School District, as of and for the fiscal year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Rockville Centre Union Free School District's basic financial statements, and have issued our report thereon dated October 10, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Rockville Centre Union Free School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Rockville Centre Union Free School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Rockville Centre Union Free School District's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

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

## **Purpose of this Report**

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

*R.S. Abrams + Co, LLP*

R.S. Abrams & Co., LLP

Islandia, NY

October 10, 2014