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

ROCKY POINT 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

Exhibit Number		Page
1	Management's Discussion and Analysis (Required Supplementary Information) (MD&A)	3 - 11
2	Statement of Net Position	12
3	Statement of Activities	13
4	Balance Sheet – Governmental Funds	14
5	Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	15
6	Statement of Revenues, Expenditures and Changes in Fund Balances All Governmental Funds	16
7	Reconciliation of the Statement of Revenues and Expenditures and Changes in Fund Balance to the Statement of Activities	17
8	Statement of Fiduciary Net Position	18
9	Statement of Changes in Fiduciary Net Position	19
10	Notes to Financial Statements	20 - 36
II.	REQUIRED SUPPLEMENTARY INFORMATION	
SS1	Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund	37
SS2	Schedules of Funding Progress of Other Post-Employment Benefits (OPEB)	38
III.	OTHER SUPPLEMENTARY INFORMATION	
SS3	Schedule of Change from Adopted Budget to Final Budget and Real Property Tax Limit	39
SS4	Schedule of Project Expenditures - Capital Projects Fund	40
SS5	Net Investment in Capital Assets	41
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	

INDEPENDENT AUDITOR'S REPORT

To the Board of Education Rocky Point 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 Rocky Point 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 fund information of Rocky Point 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.

ISLANDIA: 3033 EXPRESS DRIVE NORTH, SUITE 100 • ISLANDIA, NY 11749 WHITE PLAINS: 50 MAIN STREET, SUITE 1000 • WHITE PLAINS, NY 10606 PHONE: (631) 234-4444 • FAX: (631) 234-4234

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 3 through 11 and 37 through 38, 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 Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of 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 Rocky Point 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 Rocky Point 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 Rocky Point Union Free School District's internal control over financial reporting and compliance.

R.S. Abrams & Co., LLP Islandia, NY

October 10, 2014

The Rocky Point Union Free School District's discussion and analysis of financial performance provides an overall review of the District's financial activities for the fiscal years ended June 30, 2014 and 2013. The intent of this discussion and analysis is to look at the District's financial performance as a whole. This should be read in conjunction with the financial statements, which immediately follow this section.

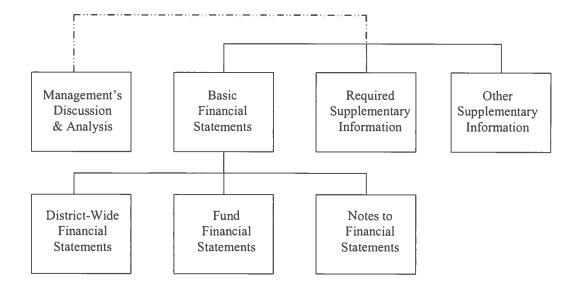
1. FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year 2014, are as follows:

- The District's total net position, as reflected in the district-wide financial statements, decreased by \$4,555,458.
- The District's expenses for the year, as reflected in the district-wide financial statements, totaled \$79,766,628. Of this amount, \$983,395 was offset by program charges for services. General revenues of \$71,881,804 amount to 95.57% of total revenues.
- The general fund's total fund balance, as reflected in the fund financial statements on pages 14 and 16, decreased by \$988,995 to \$21,132,759. This was due to a deficit of revenues under expenditures based on the modified accrual basis of accounting.
- The District received \$2,345,971 in operating grants to support instructional, pupil transportation and food service programs.
- State sources increased by \$1,363,345 to \$25,004,966 in 2014 from \$23,641,621 in 2013.

2. OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts – Management's Discussion and Analysis (MD&A), the basic financial statements, required supplementary information. The basic financial statements consist of district-wide financial statements, fund financial statements, and notes to the financial statements. A graphic display of the relationship of these statements follows:



(Continued)

A. District-wide Financial Statements

The district-wide financial statements present the governmental activities of the District and are organized to provide an understanding of the fiscal performance of the District as a whole in a manner similar to a private sector business. There are two district-wide financial statements - the Statement of Net Position and the Statement of Activities. These statements provide both an aggregate and long-term view of the District's finances.

These statements utilize the accrual basis of accounting. This basis of accounting recognizes the financial effects of events when they occur, without regard to the timing of cash flows related to the events.

The Statement of Net Position

The Statement of Net Position presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating, respectively.

The Statement of Activities

The Statement of Activities presents information showing the change in net position during the fiscal year. All changes in net position are recorded at the time the underlying financial event occurs. Therefore, revenues and expenses are reported in the statement for some items that will result in cash flow in future fiscal periods.

B. Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, not the District as a whole. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District also uses fund accounting to ensure compliance with finance-related legal requirements. The funds of the District are reported in the governmental funds and the fiduciary funds.

These statements utilize the modified accrual basis of accounting. This basis of accounting recognizes revenues in the period that they become measurable and available. It recognizes expenditures in the period that they become measurable, funded through available resources and payable within a current period.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the district-wide financial statements. However, the governmental fund financial statements focus on shorter term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year for spending in future years. Consequently, the governmental fund statements provide a detailed short-term view of the District's operations and the services it provides.

Because the focus of governmental funds is narrower than that of district-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the District-wide financial statements. By doing so, you may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains five individual governmental funds, general fund, school lunch fund, special aid fund, debt service fund, and capital projects fund, each of which is considered to be a major fund and is presented separately in the fund financial statements.

Fiduciary Funds

Fiduciary funds are used to account for assets held by the District in its capacity as agent or trustee. All of the District's fiduciary activities are reported in a separate Statement of Fiduciary Net Position. The fiduciary activities have been excluded from the District's district-wide financial statements because the District cannot use these assets to finance its operations.

(Continued)

3. FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

A. Net Position:

The District's total net position decreased by \$4,555,458 between fiscal year 2013 and 2014. A summary of the District's Statement of Net Position for June 30, 2014 and 2013, is as follows:

			Increase	Percentage
	2014	2013	(Decrease)	Change
Current and other assets	\$ 29,293,164	\$ 31,686,815	\$ (2,393,651)	-7.55%
Capital assets, (net of depreciation)	49,593,999	48,764,828	829,171	1.70%
Total Assets				
Total Assets	\$ 78,887,163	\$ 80,451,643	\$ (1,564,480)	-1.94%
Other liabilities	\$ 7,542,380	\$ 6,530,247	\$ 1,012,133	15.50%
Long-term liabilities	49,807,176	47,756,248	2,050,928	4.29%
Total liabilities	57,349,556	54,286,495	\$ 3,063,061	5.64%
Deferred inflow of resources	504,585	576,668	(72,083)	-12.50%
Total Liabilities and Deferred Inflows of Resources	57,854,141	54,863,163	2,990,978	5.45%
Net position				
Net investment in capital assets	31,725,481	28,650,452	3,075,029	10.73%
Restricted	16,020,751	16,314,163	(293,412)	-1.80%
Unrestricted (deficit)	(26,713,210)	(19,376,135)	(7,337,075)	37.87%
Total Net Position	21,033,022	25,588,480	(4,555,458)	-17.80%
Total Liabilities, Deferred Inflows of Resources				
and Net Position	\$ 78,887,163	\$ 80,451,643	\$ (1,564,480)	-1.94%

Current and other assets decreased by \$2,393,651, as compared to the prior year. The decrease is primarily due to an decrease in the District's cash balances used for capital projects during the year.

Capital assets (net of depreciation) increased by \$829,171, as compared to the prior year. This increase is primarily due to amounts expended for additions exceeding depreciation. Note 7 to the Financial Statements provides additional information.

Other liabilities increased by \$1,012,133 as compared to the prior year. This increase is primarily a result of an increase in liabilities to the retirement systems.

Long-term liabilities increased by \$2,050,928, as compared to the prior year. This increase is primarily the result of the District recognizing an increase in the other postemployment benefits (OPEB), compensated absences and workers compensation claims liabilities which exceeded the repayment of bond principal.

Deferred inflow of resources has decreased by \$72,083 which represents annual amortization of deferred amounts from refunding of debt. Note 11 to the Financial Statements provides additional details.

The net investment in capital assets is calculated by subtracting the amount of outstanding debt used for construction and deferred inflows of resources from the total cost of all asset acquisitions, net of accumulated depreciation. The total cost of these acquisitions includes expenditures to purchase land, construct and improve buildings and purchase vehicles, equipment and furniture to support District operations.

The restricted net position at June 30, 2014, of \$16,020,751 is comprised of amounts with constraints placed on the use either externally imposed by creditors, grantors, contributors or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. Note 1 to the basic financial statements provides further descriptions and detailed balances.

(Continued)

The unrestricted (deficit) net position at June 30, 2014, is \$26,713,210, and represents the amount by which the District's liabilities and deferred inflows of resources exceeded its assets (excluding capital assets and related debt and restricted net position).

Changes in Net Position:

The results of this year's operations as a whole are reported in the Statement of Activities in a programmatic format in the accompanying financial statements. In the accompanying financial statements STAR (school tax relief) revenue is included in the other tax items line. However, in this MD&A, STAR revenue has been combined with property taxes. A summary of this statement for the years ended June 30, 2014 and 2013 is as follows:

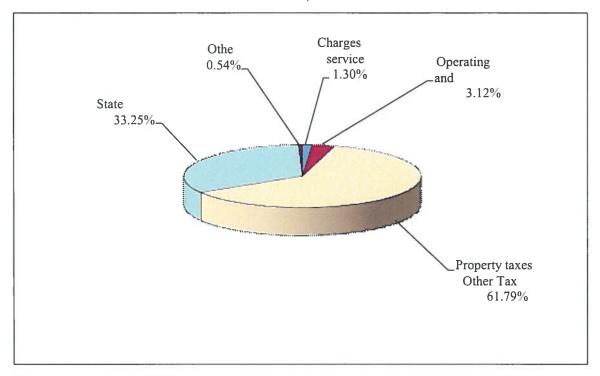
						Increase	Percentage		
Revenues		2014		2013	([Decrease)	Change		
Program revenues									
Charges for services	\$	983,395	\$	963,234	\$	20,161	2.09%		
Operating grants and contributions		2,345,971		2,458,225		(112,254)	(4.57%)		
General revenues									
Property taxes and other tax items		46,473,962		44,883,158		1,590,804	3.54%		
State sources		25,004,966		23,641,621		1,363,345	5.77%		
Other	_	402,876		521,318		(118,442)	(22.72%)		
Total Revenues		75,211,170	_	72,467,556	_	2,743,614	3.79%		
Expenses									
General support		9,751,503		8,852,397		899,106	10.16%		
Instruction		63,385,630		59,361,605		4,024,025	6.78%		
Pupil transportation		4,680,140		4,121,477		558,663	13.55%		
Debt service-unallocated interest		806,163		900,353		(94,190)	(10.46%)		
Food service program		1,143,192		1,190,484		(47,292)	(3.97%)		
Total Expenses		79,766,628	_	74,426,316	_	5,340,312	7.18%		
Total Change in Net Position	\$	(4,555,458)	<u>\$</u>	(1,958,760)	<u>\$</u>	(2.596,698)			

The District's revenues increased by 3.79% in 2014 or \$2,743,614. The major factors that contributed to the increase was an increases in property taxes and other tax items of \$1,590,804 and state sources of \$1,363,345 offset by reductions in operating grants of \$112,254 and reduction of other sources of \$118,442.

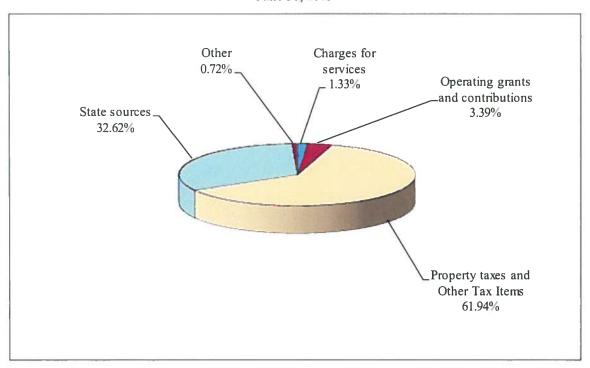
The District's expenditures for the year increased by \$5,340,312 or 7.18%. This increase is primarily a result of budgetary increases in general fund expenditure from 2013 to 2014.

A graphic display of the distribution of revenues for the two years follows:

June 30, 2014



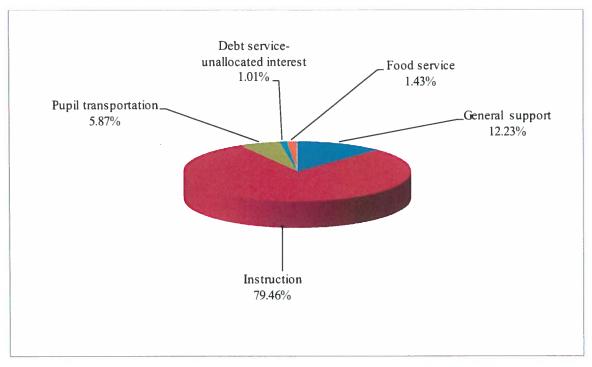
June 30, 2013



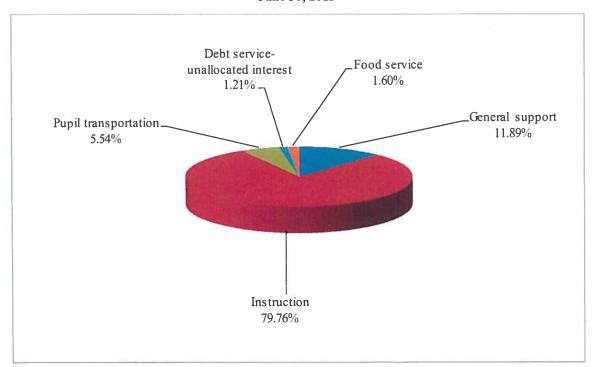
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A graphic display of the distribution of expenses for the two years follows:

June 30, 2014



June 30, 2013



(Continued)

4. FINANCIAL ANALYSIS OF THE DISTRICT'S FUND BALANCES

At June 30, 2014, the District's governmental funds reported a combined fund balance of \$21,805,806, which is an decrease of \$3,413,607 from the prior year. This decrease is primarily due to a deficit of revenues under expenditures in the general fund and capital projects fund for the year. A summary of the change in fund balance by fund is as follows:

General Fund Restricted	2014	2013	Increase (Decrease)
Workers' compensation	\$ 846,659	\$ 844.692	\$ 1.967
Unemployment insurance			
• •	614,529	663,101	(48,572)
Employee benefit accrued liability	4,579,328	4,768,690	(189,362)
Retirement contribution	8,787,429	8,851,016	(63,587)
Property loss and liability	53,166	53,042	124
Insurance	53,166	53,042	124
Capital	772,986	<u>771,190</u>	1,796
Total Restricted	15,707,263	<u>16,004,773</u>	(297,510)
Assigned			
Unappropriated fund balance	287,844	546,517	(258,673)
Appropriated fund balance	2,600,000	2,600,000	
Total Assigned	2,887,844	3,146,517	(258,673)
Unassigned	<u>2,537,652</u>	2,970,464	(432,812)
Total General Fund	21,132,759	22,121,754	(988,995)
School Lunch Fund			
Nonspendable: Inventory	36,877	13,789	23,088
Assigned	91,720	178,555	(86,835)
Total School Lunch Fund	128,597	192,344	(63,747)
Debt Service Fund			
Restricted	313,488	309,390	4,098
Total Debt Service Fund	313,488	309,390	4,098
Capital Projects Fund			
Restricted - unspent bond proceeds	101,067	417,292	(316,225)
Assigned	129,895	2,178,633	(2,048,738)
Total Capital Fund	230,962	2,595,925	(2,364,963)
Total Fund Balance - All Funds	<u>\$ 21.805.806</u>	<u>\$ 25,219,413</u>	\$ (3,413,607)

5. GENERAL FUND BUDGETARY HIGHLIGHTS

A. 2013-2014 Budget:

The District's general fund adopted budget for the year ended June 30, 2014, was \$74,261,582. This is an increase of \$2,687,570 over the prior year's adopted budget.

The budget was funded through a combination of revenues and designated fund balance. The majority of this funding source was \$46,473,856 in estimated property taxes and STAR, and state aid in the amount of \$24,560,226.

B. Change in General Fund's Unassigned Fund Balance (Budget to Actual):

The general fund's unassigned fund balance is the 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 the subsequent year's budget. It is this balance that is commonly referred to as the "fund balance". The change in this balance demonstrated through a comparison of the actual revenues and expenditures for the year compared to budget follows:

(Continued)

Opening, unassigned fund balance	\$	2,970,464
Reserves appropriated for the June 30, 2014 budget		(334,000)
Revenues over budget		772,577
Expenditures and encumbrances under budget		1,431,101
Net decrease in restricted funds		297,510
Appropriated for June 30, 2015 budget	_	(2,600,000)
Closing, unassigned fund balance	<u>\$_</u>	2,537.652

Opening, Unassigned Fund Balance

The \$2,970,464 shown in the table is the portion of the District's June 30, 2013 fund balance that was retained as unassigned. This was approximately 4.0% of the District's 2013-2014 approved operating budget.

Revenues over Budget

The 2013-2014 final budget for revenues and transfers from other funds was \$71,345,497. The actual revenues and transfers from other funds received for the year were \$72,118,074. The actual revenue and transfers from other funds exceeded the estimated or budgeted revenue by \$772,577. The largest contributor to variance was an increase in state aid and refund of prior years expenditures over budget. This variance contributes directly to the increase to the unassigned portion of the general fund fund balance from June 30, 2013 to June 30, 2014.

Expenditures and Encumbrances under Budget

The 2013-2014 final budget for expenditures was \$74,826,014. The actual expenditures and encumbrances were \$73,394,913. The final budget was under expended by \$1,431,101. Contributing to this positive expense variance were lower than expected instructional expenses. This under expenditure contributes to the change to the unassigned portion of the general fund fund balance from June 30, 2013 to June 30, 2014.

Appropriated for June 30, 2015 Budget

To mitigate the increase to the tax levy, the District allocated \$2,600,000 of its available June 30, 2014, fund balance to partially fund its 2014-2015 approved operating budget.

Closing, Unassigned Fund Balance

Based upon the summary changes shown in the above table, the District will begin the 2014-2015 fiscal year with an unassigned fund balance of \$2,537,652. This is a decrease of \$432,812 from the prior year's unassigned fund balance. This was approximately 3.3% of the District's 2014-2015 approved operating budget.

6. CAPITAL ASSET AND DEBT ADMINISTRATION

A. Capital Assets:

At June 30, 2014, the District had invested in a broad range of capital assets, including land, construction in progress, buildings, and vehicles, furniture, and equipment. The net increase in capital assets is due to capital additions less depreciation recorded for the year ended June 30, 2014. A summary of the District's capital assets, net of depreciation at June 30, 2014 and 2013, is as follows:

		Increase
2014	2013	(Decrease
\$ 732,205	\$ 732,205	\$ -
1,600	71,601	(70,001)
74,080,713	71,646,897	2,433,816
1,219,243	1,219,243	-
3,273,871	3,200,710	73,161
79,307,632	76,870,656	2,436,976
(29,713,633)	(28,105,828)	(1,607,805)
\$ 49,593,999	<u>\$ 48,764.828</u>	\$ 829,171
	\$ 732,205 1,600 74,080,713 1,219,243 3,273,871 79,307,632 (29,713,633)	\$ 732,205 \$ 732,205 1,600 71,601 74,080,713 71,646,897 1,219,243 1,219,243 3,273,871 3,200,710 79,307,632 76,870,656 (29,713,633) (28,105,828)

(Continued)

B. Debt Administration:

Outstanding Debt

At June 30, 2014, the District had total bonds payable of \$17,465,000. The decrease represents principal payments. A summary of the outstanding bonds at June 30, 2014 and 2013, is as follows:

lssu	ie	Interest				
Dat	e	Rate	 2014	 2013	(1	Decrease)
200	8	3.00-5.00%	\$ 1,840,000	\$ 2,300,000	\$	(460,000)
200	9	3.13-4.00%	5,435,000	5,870,000		(435,000)
200	9	2.00-5.00%	 10,190,000	 11,785,000		(1,595,000)
			\$ 17,465,000	\$ 19,955,000	\$	(2,490,000)

7. ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The general fund budget for the 2014-2015 school year was approved by the voters in the amount of \$76,886,042. This is an increase in the operating budget of \$2,624,460 or 3.53% over the previous year's budget. The increase was primarily due to increases in contractual costs and an increase in the required contributions to the retirement system.

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, 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.

New York State recently enacted a law to effectively "freeze" property taxes for two years on the primary residences of homeowners with annual incomes at or below \$500,000 in school districts and local governments that stay within the tax cap. Qualifying homeowners will receive credit, which will be distributed in the form of a check from New York State, up to the calculated amount of the tax cap. The program also requires the school districts and local governments in the second year to develop or participate in the development of a state approved government efficiency plan that will achieve savings for taxpayers. The law is effective for school districts starting with the 2014-15 school year and homeowners will receive refund checks in the fall of 2014. This program will provide an incentive for the District to be tax cap compliant.

The Patient Protection and Affordable Care Act or more commonly referred to as the Affordable Care Act was enacted into law on March 23, 2010. Beginning in 2015, the mandate requires large employers (generally those with fifty (50) or more full-time equivalent employees) to either offer affordable health coverage to full-time employees and their dependents, or pay a penalty if the employer fails to offer affordable health coverage, and at least one full-time employee receives a premium tax credit to help purchase coverage through an affordable insurance exchange. It is anticipated that implementation of this law will increase the health insurance costs of the District.

8. CONTACTING THE DISTRICT

This financial report is designed to provide the School District's citizens, taxpayers, customers, investors, and creditors with a general overview of the School District's finances and to demonstrate the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact:

Mr. Greg Hilton
Business Official
Rocky Point Union Free School District
90 Rocky Point - Yaphank Rd., Rocky Point, New York 11778

ROCKY POINT UNION FREE SCHOOL DISTRICT STATEMENT OF NET POSITION JUNE 30, 2014

	····
Assets	
Cash and cash equivalents	£ 0.415,000
Unrestricted Restricted	\$ 8,415,989
Receivables	16,119,710
Other governments	3,185,903
Due from fiduciary funds	1,495,218
Other receivables	30,467
Inventory	36,877
Other assets	9,000
Capital assets	9,000
Not being depreciated	733,805
Being depreciated, net of accumulated depreciation	48,860,194
Total Assets	\$ 78,887,163
Liabilities	
Payables	¢ 2.270,100
Accounts payable	\$ 2,278,180
Accrued liabilities	77,700
Accrued interest payable	55,022
Due to	116
Other governments	4,792,537
Teacher's retirement system Employees' retirement system	4,792,337 278,085
Fiduciary Fund	72
Unearned credits	72
Collections in advance	60,668
Due within one year	00,000
Bonds payable	2,405,000
Compensated absences payable	200,000
Due in more than one year	200,000
Bonds payable	15,060,000
Compensated absences payable	4,856,584
Workers' compensation liability	955,759
Net obligation of other postemployment benefits	26,329,833
Total Liabilities	57,349,556
Deferred Inflows of Resources	
	504,585
Deferred amounts from refunding debt, net of amortization	
Net Position	
Net investment in capital assets	31,725,481
Restricted	
Workers' compensation reserve	846,659
Unemployment insurance	614,529
Employee benefit accrued liability	4,579,328
Retirement contribution	8,787,429
Property loss and liability	53,166
Insurance	53,166
Capital	772,986
Debt service-principal and interest	313,488
	16,020,751
11 - (1 - 1 (1 % 1)	
Unrestricted (deficit)	(26,713,210)
Total net position	21,033,022
Total liabilities, deferred inflows of resources and net position	\$ 78,887,163

ROCKY POINT UNION FREE SCHOOL DISTRICT STATEMENT OF ACTIVITIES FOR THE FISCAL YEAR ENDED JUNE 30, 2014

				Program	Reve	enues	. 1	Net (Expense)
			_			Operating		Revenue and
T (1)		E		harges for		Frants and		Changes in
Functions/Programs	_	Expenses		Services	Cc	ntributions	_	Net Position
General support	\$	9,751,503	\$		\$		\$	(9,751,503)
Instruction		63,385,630		245,055		1,724,509		(61,416,066)
Pupil transportation		4,680,140				199,608		(4,480,532)
Debt service - unallocated interest		806,163						(806,163)
Food service program	_	1,143,192		738,340		421,854		17,002
Total Functions/Programs	<u>\$</u>	79,766,628	<u>\$</u>	983,395	<u>\$</u>	2,345,971	_	(76,437,262)
General Revenues								
Real property taxes								40,196,008
Other tax items - including STAR								6,277,954
Use of money and property								56,060
Sale of property and compensation fo	r loss	1						13,167
State sources								25,004,966
Miscellaneous								333,649
Total General Revenues							_	71,881,804
Change in Net Position								(4,555,458)
Net Position, Beginning of Ye	ar						_	25,588,480
Net Position, End of Year							<u>\$</u>	21,033,022

ROCKY POINT UNION FREE SCHOOL DISTRICT BALANCE SHEET - GOVERNMENTAL FUNDS JUNE 30, 2014

	General		Scho General Lun		Special Aid		Debt Service		Capital Projects			Total
Assets												
Cash and cash equivalents												
Unrestricted	\$	7,142,808	\$	909,755	\$	226,067	\$		\$	137,359	\$	8,415,989
Restricted		15,707,263						311,380		101,067		16,119,710
Receivables												
Other governments		2,500,432		33,383		652,088						3,185,903
Due from other funds		3,347,231		84,054		94,607		7,897				3,533,789
Other receivables		26,500		3,967								30,467
Inventory				36,877								36,877
Other assets		9,000	_		_		_					9,000
Total Assets	\$	28,733,234	\$	1.068.036	\$	972,762	<u>\$</u>	319,277	\$	238,426	\$	31,331,735
Liabilities												
Payables												
Accounts payable	\$	2,259,376	\$	2,341	\$	16,463	\$		\$		\$	2,278,180
Accrued liabilities		64,157		2,756		10,787						77,700
Due to												
Other governments				116								116
Other funds		162,045		918,240		945,105		5,789		7,464		2,038,643
Teacher's retirement system		4,792,537										4,792,537
Employees' retirement system		278,085										278,085
Collections in advance		44,275	_	15,986		407						60,668
Total Liabilities		7,600,475	_	939,439	_	972,762	_	5,789		7,464		9,525,929
Fund Balances												
Non-spendable: Inventory				36,877								36,877
Restricted:												
Workers' compensation		846,659										846,659
Unemployment insurance		614,529										614,529
Employee benefit accrued liability		4,579,328										4,579,328
Retirement contribution		8,787,429										8,787,429
Property loss and liability		53,166										53,166
Insurance		53,166										53,166
Capital		772,986										772,986
Debt service-principal and interest								313,488				313,488
Capital project - unspent bond proceeds	S									101,067		101,067
Assigned:												
Appropriated fund balance		2,600,000										2,600,000
Unappropriated fund balance		287,844		91,720						129,895		509,459
Unassigned		2,537,652										2,537,652
Total Fund Balances		21,132,759	_	128,597	_		_	313,488	_	230,962	_	21,805,806
Total Liabilities and Fund Balances	<u>\$</u>	28,733,234	<u>\$</u>	1.068.036	\$	972,762	<u>\$</u>	319,277	\$_	238,426	<u>\$</u>	31,331,735

21,033,022

ROCKY POINT UNION FREE SCHOOL DISTRICT RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION JUNE 30, 2014

Total governmental fund balances 5 21,805,806 Amounts reported for governmental activities in the Statement of Net Position are different because: The cost 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. 79,307,632 Original cost of capital assets Accumulated depreciation (29,713,633)49,593,999 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 consisted of: Accrued interest on bonds (55,022)Deferred inflows of resources - deferred amounts from refunding debt. The Statement of Net Position will amortize the deferred amounts on the refunding over the life of the bond. Governmental funds recorded the deferred amounts on the advance refunding as (504,585)a revenue in the year of issuance. 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 (17,465,000)Compensated absences payable (5,056,584)Workers compensation liability (955,759)Net obligation of other postemployment benefits (26,329,833)(49,807,176)

Total net position

ROCKY POINT UNION FREE SCHOOL DISTRICT STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES ALL GOVERNMENTAL FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2014

		General		School Lunch	-	ecial Aid		Debt Service		Capital Projects		Total
Revenues		Jeneral		Lunch		\iu		Scivice		Trojects		Total
Real property taxes	S	40,196,008	8		\$		\$		\$		\$	40,196,008
Other tax items including STAR reimbursement	J	6,277,954	J		Φ		Φ		J.		J	6,277,954
Charges for services		245,055										245,055
Use of money and property		50.281		1.681				4.098				56,060
Sale of property and compensation for loss		13,167		1,001				1,070				13,167
Miscellaneous		317,563		2,586		420						320,569
State sources		24,936,815		19,825		645,272						25,601,912
Medicaid reimbursement		68,151		17,025		010,272						68,151
Federal sources		00,131		402,029	1	,278,845						1,680,874
School lunch sales				738,340	•	,,						738,340
Total Revenues		72,104,994		1,164,461	1	,924,537	_	4,098				75,198,090
Formand Arman												
Expenditures General support		7,861,172										7,861,172
Instruction		41,513,171			1	.827,124						43,340,295
Pupil transportation		4,437,891			ı	199,608						4,637,499
Food service program		4,437,091		1,064,121		177,000						1,064,121
Employee benefits		15,816,571		164,087								15,980,658
Capital Outlay		13,610,371		104,007						2,364,963		2,364,963
Debt service - principal								2,490,000		2,504,705		2,490,000
Debt service - interest		23,250						862,819				886,069
Total Expenditures		69,652,055	_	1,228,208		,026,732	_	3,352,819		2,364,963		78,624,777
Total Expenditures		07,032,033		1,220,200		.,020,732		3,332,017		2,504,705		10,024,111
Excess (Deficit) Revenues Over Expenditures		2,452,939		(63,747)		(102,195)	_	(3,348,721)		(2,364,963)		(3,426,687)
Other Financing Sources (Uses)												
Premium on obligations		13,080										13,080
Transfers from other funds						102,195		3,352,819				3,455,014
Transfers to other funds		(3,455,014)										(3,455,014)
Total Other Financing Sources (Uses)		(3,441,934)	_			102,195	_	3,352,819	_			13,080
Excess (Deficit) Revenues Over Expenditures an	d											
Other Financing Sources (Uses)		(988,995)		(63,747)				4,098		(2,364,963)		(3,413,607)
Fund Balance, Beginning of Year		22,121,754	_	192,344			_	309,390		2,595,925		25,219,413
Fund Balance, End of Year	\$	21,132,759	\$	128,597	\$		<u>\$</u>	313,488	\$	230,962	<u>\$</u>	21,805,806

ROCKY POINT 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	\$ (3,413,607)						
Amounts reported for governmental activities in the statements of activities are different because:							
Long-term revenue and expense differences Claims payable in the Statement of Activities differs from the amount 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 for the year ended June 30, 2014 changed by	(198,870)						
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 financial resources used. Compensated absences payable for the year ended June 30, 2014 changed by							
Net other post-employment benefits obligation payable in the Statement of Activities differs from the amount reported in the government 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 benefit obligation payable for the year ended June 30, 2014 changed by							
Interest on long-term debt in the Statement of Activites 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							
Capital related 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 shown in the Statement of Net Position and allocated over their useful lives as annual depreciation expense in the Statement of Activities.							
Depreciation expense and loss on disposals \$ (1,646,365) Capital outlays \$ (2,475.536)	829,171						
Long-term debt differences Repayment of bond principal is an expenditure in the governmental funds, but reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.	2,490,000						
The Statement of Activities recognizes expenses over the life of the bond. Governmental funds recognized the defeasance gain on the advance bond refunding in the year the bonds were advanced refunded. The amount of amortization on the defeasance gain for the year ended June 30, 2014 was	72,083						
Change in net position	\$ (4,555,458)						

ROCKY POINT UNION FREE SCHOOL DISTRICT STATEMENT OF FIDUCIARY NET POSITION JUNE 30, 2014

		Agency	Private Purpose Trusts		
Assets					
Cash - restricted	\$	1,671,887	\$ 39,316		
Due from other funds			2,001		
Total Assets	\$	1.671.887	\$ 41,317		
Liabilities					
Accrued liabilities	\$	42,822			
Due to other funds		1,497,147			
Agency liabilities		48,393			
Extraclassroom activity balances		83,525			
Total Liabilities	<u>\$</u>	1,671,887			
Net Position					
Restricted for scholarships			41,317		
Total Net Position			41,317		
Total Liabilities and Net Position			\$ 41,317		

ROCKY POINT UNION FREE SCHOOL DISTRICT STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - FIDUCIARY FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Private Purpose Trusts
Additions	
Investment income	\$ 89
Gifts and contributions	23,949
Total Additions	24,038
Deductions Scholarships and awards	12,300
Change in net position	11,738
Net position, beginning of year	29,579
Net position, end of year	\$ 41,317

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Rocky Point Union Free School District (The District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) for governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles.

Certain significant accounting principles and policies used by the District are as follows:

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. 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 financial reporting entity is based on criteria set forth by GASB Statement No. 14, The Financial Reporting Entity as Amended by GASB Statement 39, Component Units and GASB Statement No. 61 The Financial Reporting Entity: Omnibus — An Amendment of GASB Statement No. 14 and 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. 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, there are no other entities which would be 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. The District reports these assets held by it as agent for the extraclassroom organizations in the Statement of Fiduciary Net Position — Fiduciary Funds. Separate audited financial statements of the extraclassroom activity funds can be found at the District's business office.

B) Joint venture:

The District is one of 51 component school districts in the Board of Cooperative Educational Services of Eastern Suffolk, (BOCES). A BOCES is a voluntary, cooperative association of school districts in a geographic area that share planning, services, and programs which provide educational and support activities. There is no authority or process by which a school district can terminate its status as a BOCES component. BOCES are organized under Section §1950 of the 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 Section §1950 of the Education Law. All BOCES property is held by the BOCES Board as a corporation under Section §1950(6). In addition, BOCES Boards also are considered municipal corporations to permit them to contract with other municipalities on a cooperative basis under Section §119-n(a) of the General Municipal Law. A BOCES budget is comprised of separate budgets for administrative, program, and capital costs. Each component district's share of administrative and capital cost is determined by resident public school district enrollment as defined in Education Law, Section §1950(4)(b)(7). There is no authority or process by which a school district can terminate its status as a BOCES component. In addition, component school districts pay tuition or a service fee for programs in which 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 interfund transactions. Governmental activities generally are financed through real property 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 capital grants reflect capital specific grants, if applicable.

The Statement of Net Position presents the financial position of the District at fiscal year end. 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 (a) charges paid by the recipients of goods or services offered by the programs and (b) grants, contributions, and other revenues 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.

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 as defined by GASB, each displayed in a separate column. All of the funds of the District are displayed as major funds.

The District reports the following governmental funds:

Governmental Funds:

<u>General Fund</u> – This fund is the District's primary operating fund used to account for and report all financial resources not accounted for in another fund.

<u>Special Aid Fund</u> – This fund accounts for and reports the proceeds of specific revenue sources such as federal and state grants that are legally restricted to expenditures for specified purposes.

<u>School Lunch Fund</u> – This fund is used to account for and report transactions of the District's lunch and breakfast programs.

<u>Debt Service Fund</u> – accounts for the accumulation of resources and that are restricted to expenditure for principal and interest on long-term general obligation debt of governmental activities. Debt service funds should be used to report resources if legally mandated.

<u>Capital Projects Fund</u> – is used to account for and report financial resources that are restricted or assigned to expenditure for capital outlays, including the acquisition, construction capital facilities and other capital assets.

The District reports the following fiduciary funds:

<u>Fiduciary Funds</u> – are used to account for and report activities 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:

<u>Private Purpose Trust Funds</u> - These funds are used to account for and report 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.

<u>Agency Funds</u> - These funds are strictly custodial in nature and do not involve the measurement of results of operations. Assets are held by the District as agent for various student groups or extraclassroom activity funds and for payroll or employee withholding.

D) Basis of accounting and measurement focus:

The District-wide and Fiduciary Fund financial statements are reported on the accrual basis of accounting using the economic resources measurement focus. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Non-exchange transactions, in which the District gives or receives value without directly receiving or giving equal value in exchange, include real property taxes, grants and donations. On an accrual basis, revenue from real 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 and the related expenditures are incurred.

The fund statements are reported on the modified accrual basis of accounting using the current financial resources measurement focus. 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, other postemployment benefit obligations, 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) 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. Accordingly, actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including computation of other postemployment benefits, claims and judgments, compensated absences, potential contingent liabilities and useful lives of capital assets.

F) Cash and cash equivalents:

The District's cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition. New York State law governs the School District's investment policies. Resources must be deposited in Federal Deposit Insurance Corporation (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.

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

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.

G) Real property taxes:

i) Calendar:

Real property taxes are levied annually by the Board of Education no later than November 1st and become a lien on December 1. Taxes were collected by the Town of Brookhaven along with the respective Town and Suffolk county levies. Tax collections are remitted to the District and Town Comptrollers until their respective tax levies are satisfied in accordance with the Suffolk County Tax Act.

ii) Enforcement:

Uncollected real property taxes are subsequently enforced by the County of Suffolk in June. An amount representing uncollected real property taxes transmitted to the County for enforcement are paid by the County to the District.

H) 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.

I) 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 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 are 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.

A detailed disclosure by individual fund for interfund receivables, payables, expenditures and revenues activity is provided subsequently in these Notes to Financial Statements.

J) 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 donated by the U.S. Department of Agriculture, at the Government's assigned value, which approximates market. A reserve for inventory has been recognized to indicate that this does not constitute available spendable resources.

Purchases of inventory 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 reported no prepaid items at June 30, 2014.

K) Capital assets:

Capital assets are reflected in the district-wide financial statements. Capital assets are reported at actual cost, when the information is available, or estimated historical cost based on professional third-party information. Donated assets are reported at estimated fair market value at the date of donation.

All capital assets, except land and construction in progress, are depreciated on a straight line basis over their estimated useful lives. Capitalization thresholds, the dollar value above which asset acquisitions are added to the capital asset accounts, and estimated useful lives of capital assets as reported in the district-wide statements are as follows:

	Cap	italization	Estimated
	Th	<u>reshold</u>	<u>Useful Life</u>
Building and Improvements	\$	1,000	20-50 Years
Improvements Other Than Buildings	\$	1,000	20-50 Years
Vehicles, Furniture, and Equipment	\$	1,000	5-20 Years

L) <u>Deferred</u> inflow of resources:

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflow of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until then. The government has one item that qualifies for reporting in this category. It is the deferred revenue on refunding reported in the government-wide Statement of Net Position. A deferred revenue on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

M) Collections in advance:

Collections in advance arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the incurrence 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 removed and revenues are recognized.

In the fund level statements, collections in advance consists 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) Vested employee benefits – compensated absences:

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

Sick leave eligibility and accumulation is specified in collective bargaining agreements and in individual employment contracts. Upon retirement, resignation or death, employees may be eligible to receive a portion of the value of unused accumulated sick leave. Certain collectively bargained agreements require these terminated payments to be paid in the form of a non-elective contributions into the 403(B) plan.

Vacation eligibility and accumulation is specified in collective bargaining agreements and in individual employment contracts. Some earned benefits may be forfeited if not taken within varying time periods.

Consistent with GASB Statement No. 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 terms of the collective bargaining agreements and individual employment contracts in effect at year end.

In the fund financial 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.

O) Other benefits:

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

District employees may choose to participate in the District's elective deferred compensation plan 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 postemployment benefits is shared between the District and the retired employee. Other postemployment benefit costs are measured and disclosed using the accrual basis of accounting (see Note 13).

P) 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 my 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 not provisions made in the annual budget. The budget not must be repaid no later than the close of the 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. The District has not issued or retired BANs in the fiscal year ended June 30, 2014.

Q) 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 fund financial statements only to the extent that they are due for payment in the current year. Bonds and other long-term obligations that will be paid from governmental funds are recognized as a liability in the fund financial statements when due.

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

R) 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, constructions or improvements of those assets, net of any unexpended proceeds and including any unamortized items (discounts, premiums, gain on refunding).

Restricted net position – reports net position when constraints placed on the assets or deferred outflows of resources 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 the balance of the net position that do not meet the definition of the above classifications and are deemed to be available for general use by the District.

ii) Fund financial statements:

The following classifications describe the relative strength of the spending constraints:

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 at June 30, 3014 includes the inventory recorded in the School Lunch Fund.

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

The District has classified the following as restricted:

- Workers' Compensation Reserve This reserve is used to accumulate funds for the purpose of paying for compensation benefits and other expenditures authorized under Article 2 of the New York State Workers' Compensation Law, and for payment of expenditures of administering this self-insurance program. Within 60 days after the end of any fiscal year, excess reserve amounts may be either transferred to another reserve or applied to the appropriations of the next succeeding fiscal year's budget. The reserve is accounted for in the general fund under restricted fund balance.
- Unemployment Insurance Reserve According to General Municipal Law §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.
- Employee Benefit Accrued Liability Reserve According to General Municipal Law §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.
- Retirement Contribution Reserve According to General Municipal Law §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.
- Property Loss Reserve and Liability Reserve Property loss reserve and liability reserve (Education Law §1709(8) (c)) are used to pay for property loss and liability claims incurred. Separate funds for property loss and liability claims are required, and these reserves may not in total exceed 3% of the annual budget or \$15,000, whichever is greater. This type of reserve fund may be utilized only by school districts, except city school districts with a population greater than 125,000. These reserves are accounted for in the general fund.
- Insurance Reserve Insurance reserve (GML §6-n) is used to pay liability, casualty and other types of losses, except losses incurred for which the following types of insurance may be purchased: life, accident, health, annuities, fidelity and surety, credit, title residual value and mortgage guarantee. In addition, this reserve may not be used of any purpose for which a special reserve may be established pursuant to law (for example, for unemployment compensation insurance). The reserve may be established by Board action, and funded by budgetary appropriations, or such other funds as may be legally appropriated. There is no limit on the amount that may be accumulated in the insurance reserve; however, the annual contribution to this reserve may not exceed the greater of \$33,000 or 5% of the budget. Settled or compromised claims up to \$25,000 may be paid from the reserve without judicial approval. The reserve is accounted for in the general fund under restricted fund balance.
- Capital Reserve The capital reserve fund is used to pay the cost of any object or purpose for which bonds may be issued. The creation of a capital reserve fund requires authorization by a majority of the people at any special or annual meeting. Such authorization is further required for payments from the capital reserve. The form of the required legal notice for the vote on establishing and funding the reserve and the form of the proposition to be placed on the ballot are set forth in Section 3651 of Education Law. This reserve is accounted for in the general fund.
- Debt Service Used to account for the accumulation of resources and that are restricted to pay debt service. The fund
 includes all unused debt proceeds and interest and earnings on temporary investment of debt proceeds. This reserve is
 accounted for in the debt service fund.
- Unspent bond proceeds Unspent long-term bonds 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 project 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 for in the private purpose trust fund.

Unrestricted Resources

When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the District has provided otherwise in its commitment or assignment actions.

Committed - 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. the Board of Education. The District has no committed fund balances as of June 30, 2014.

Assigned - Includes amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by (a) the Board of Education or (b) a body (budget or finance committee, for example) or official to which the Board of Education has delegated the authority to assign amounts to be used for specific purposes. All encumbrances in all funds are classified as assigned fund balance, and the amount appropriated for the subsequent year's budget of the general fund are also classified as assigned fund balance in the respective fund.

Unassigned - Includes all other fund net assets that do not meet the definition of the above classifications and are deemed to be available for general use by the District. In other governmental funds, if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in the respective fund.

Fund Balance Limitations

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

Order of Use of Fund Balance

In circumstances where an expenditure is incurred for the purpose for which amounts are available in multiple fund balance classifications, (e.g. expenditures related to reserves) the Board will assess the current financial condition of the District and then determine the order of application of expenditures to which the fund balance classification will be charged.

S) Future Changes in Accounting Standards

- GASB had issued Statement No. 68, Accounting & Financial Reporting for Pensions an Amendment of GASB Statement No. 27, effective for fiscal years ending June 30, 2015.
- GASB has issued Statement 69, Government Combinations and Disposals of Government Operations, effective for the year ending June 30, 2015.
- GASB has issued Statement 71, Pension Transition for Contributions Made Subsequent to the Measurement Date an amendment of GASB No. 68, effective for the year 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.

2. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND STATEMENTS AND THE DISTRICT-WIDE STATEMENTS

Due to the differences in the measurement focus and basis of accounting used in the governmental fund statements and the district-wide 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 resource management focus of the Statement of Activities, compared with the current financial resource management 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. This difference primarily results from the additional long-term economic focus of the Statement of Net Position versus the solely current financial resources focus of the governmental fund Balance Sheet.

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

Differences between the Statement of Revenues, Expenditures and Changes in Fund Balances and the Statement of Activities fall into one of four broad categories.

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 accrual 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 fund statements and the gain or loss on the sale of assets as reported on the Statement of Activities, and the difference between recording an expenditure for the purchase of capital items in the 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 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.

3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A) Budgets:

The District administration prepares a proposed budget for approval by the Board of Education for the general fund, the only fund with a legally adopted budget.

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) that 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 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 were approved by the Board of Education during the year ended June 30, 2014 to include a \$17,915 for additional gifts and donations received by the District.

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

4. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

The District's investment policies are governed by state statutes and District policy. Resources must be deposited in Federal Deposit Insurance Corporation (FDIC) insured commercial banks or trust companies located within the state. Permissible investments include obligations of the U.S. Treasury and U.S. Agencies, repurchase agreements and obligations of New York State or its localities. Collateral is required for demand and time deposits and certificates of deposit not covered by FDIC insurance. Obligations that may be pledged as collateral are obligations of the United States and its Agencies and obligations of New York State and its municipalities. Investments are stated at fair value.

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 directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance and the deposits are either:

- A. Uncollateralized,
- B. Collateralized by securities held by the pledging financial institution, or
- C. Collateralized by 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.

The District did not have any investments at year end or during the year. Consequently, the District was not exposed to any material interest rate risk or foreign currency risk.

Restricted cash represents cash and cash equivalents where use is limited by legal requirements. These assets represent amounts required by statue to be reserved for various purposes. Restricted cash at June 30, 2014 included \$16,119,710 within the governmental funds and \$1,711,203 within the fiduciary funds.

5. PARTICIPATION IN BOCES

During the year ended June 30, 2014, the District was billed \$8,037,011 for BOCES administrative and program costs. The District's share of BOCES aid amounted to \$1,546,715. Financial statements for the BOCES are available from the BOCES administrative offices at 201 Sunrise Highway, Patchogue, New York 11772.

6. **DUE FROM OTHER GOVERNMENTS**

Due from other governments at June 30, 2014, consisted of:

General Fund		
New York State - general aid and excess cost aid	\$	1,650,784
BOCES aid	_	849,648
	_	2,500,432
Special Aid Fund		
Federal and state grants	_	652,088
Calcal Londo Food		
School Lunch Fund		22.202
Federal and state school lunch reimbursements		33,383
Total	\$	3,185,903

District management has deemed the amounts to be fully collectible.

7. CAPITAL ASSETS

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

	Beginnning		Retirements/	Ending
	Balance	Additions	Reclassifications	Balance
Capital Assets Not Being Depreciated				
Land	\$ 732,205	\$	\$	\$ 732,205
Construction in progress	71,601	1,600	71,601	1,600
Total	803,806	1,600	71,601	733,805
Capital Assets Being Depreciated				
Buildings and improvements	71,646,897	2,433,816		74,080,713
Improvements other than buildings	1,219,243			1,219,243
Furniture, equipment and vehicles	3,200,710	111,721	38,560	3,273,871
Total assets being depreciated	76,066,850	2,545,537	38,560	78,573,827
Accumulated depreciation				
Buildings and improvements	24,744,859	1,473,630		26,218,489
Improvements other than buildings	876,367	39,995		916,362
Furniture, equipment and vehicles	2,484,602	132,165	37,985	2,578,782
Total accumulated depreciation	28,105,828	1,645,790	37,985	29,713,633
Net Capital Assets Being Depreciated	47,961,022	899,747	575	48,860,194
Net Capital Assets	\$ 48,764,828	\$ 901,347	\$ 72,176	\$ 49,593,999

Depreciation expense and loss on disposals was allocated to governmental functions as follows:

Function/Program	
General support	\$ 205,795
Instruction	1,432,338
Food Service	 8,232
Total	\$ 1.646.365

8. <u>INTERFUND TRANSACTIONS</u>

Interfund balances and activities at June 30, 2014, were as follows:

		Interfund						
Fund	_ R	eceivables		Payables	R	evenues	Ex	penditures
General	\$	3,347,231	\$	162,045	\$		\$	3,455,014
School lunch		84,054		918,240				
Special aid		94,607		945,105		102,195		
Debt service		7,897		5,789		3,352,819		
Capital projects				7,464				
Private Purpose		2,001						
Trust and agency				1,497,147				
Total	\$	3,535,790	\$	3,535,790	\$	3,455,014	\$	3.455.014

- The District made an annual transfer of \$102,195 from the general fund to the special aid fund to cover the District's portion of the summer handicapped program and State Supported schools for the blind and deaf.
- The District made an annual transfer of \$3,352,819 from the general fund to debt service fund for required annual debt service expenditures.
- Interfund receivables and payables are considered short-term and are typically liquidated within one year.

9. SHORT TERM DEBT

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

		Interest	Balance				Balance	
	Maturity	Rate	June 30, 2013	Issued	F	Redeemed	June 30, 2014	ŀ
TAN	06/26/14	0.75%	\$	\$ 4,000,000	\$	4,000,000	\$	

The District recognized interest expense on short-term debt for the year in the amount of \$23,250. The District also received a premium on obligations from the TAN of \$13,080 which was recorded as other financing sources in the general fund. The TAN was issued for interim financing of general fund operations.

10. LONG-TERM LIABILITIES

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

Description	I	Beginning Balance		Additions		Deletions		Ending Balance	Due Within One Year
Bonds Payable	•			 -					
Serial bonds	\$	19,955,000	\$		\$	2,490,000	\$	17,465,000	\$ 2,405,000
Other Liabilities									
Net obligation of other									
post employment benefits		21,994,233		6,643,302		2,307,702		26,329,833	
Workers' compensation liability		756,889		536,145		337,275		955,759	
Compensated absences payable		5,050,126	_	6,458	_		_	5,056,584	 200.000
Total Long-Term Liabilities	\$	47,756,248	\$	7,185,905	\$_	5,134,977	\$	49,807,176	\$ 2,605,000

The general fund has typically been used to liquidate long-term liabilities such as bonds payable, net other post employment obligation, workers' compensation liability, and compensated absences payable.

A) Bonds payable:

Bonds payable is comprised of the following:

	Issue	Final	Interest	Outs	tanding at
Description	Date	Maturity	Rate (%)	<u>Jun</u>	e 30, 2014
Serial bonds	2008	2019	3.00-5.00%	\$	1,840,000
Serial bonds	2009	2024	3.125-4.00%		5,435,000
Serial bonds	2009	2021	2.00-5.00%		10,190,000
Total				\$	17,465,000

The following is a summary of debt service requirements:

Fiscal Year End	ing	
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June 30,	Principal	Interest	Total
2015	\$2,405,000	\$761,881	\$3,166,881
2016	2,460,000	664,744	3,124,744
2017	2,460,000	565,531	3,025,531
2018	2,505,000	453,581	2,958,581
2019	2,565,000	339,706	2,904,706
2020 -2024	5,070,000	490,013	5,560,013
Total	\$ 17.465.000	\$ 3,275,456	\$ 20.740.456

B) Long-term interest:

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

Interest paid	\$ 862,819
Less: interest accrued in the prior year	(62,845)
Less: amortization of deferred amounts from refunding	(72,083)
Plus: interest accrued in the current year	 55,022
Total Interest Expense on Long-Term Debt	\$ 782,913

11. <u>DEFERRED INFLOWS OF RESOURCES</u>

In prior years, the District defeased certain general obligations with the proceeds of new bonds. The difference of \$865,000 between the reaquisition price of the new bonds and the net carrying amount of the old bonds has been reported as a deferred inflow of resources on the Statement of Net Position and is being amortized on the District—wide financial statements using the straight—line method over 12 years, the remaining time to maturity of the refunded bonds. The current—year amortization is \$72,083 and is included as a reduction to interest expense on the government—wide financial statements. The balance of the deferred amounts from the refunding of debt, net of amortization recorded on the Statement of Net Position is as follows:

Deferred amounts from refunding of debt	\$ 865,000
Less: accumulated amortization	(360,415)
Deferred amounts from refunding of debt, net of amortization	\$ 504,585

12. PENSION PLANS

A) General information:

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

B) Provisions and administration:

i) Teachers' Retirement System

The NYSTRS is administered by the New York State Teachers' Retirement Board. 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. The 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 the New York State Teachers' Retirement System, 10 Corporate Woods Drive, Albany, NY 12211-2395.

ii) Employees' Retirement System

The NYSERS provides retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law. The System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Employees' Retirement System, Gov. Alfred E. Smith State Office Building, Albany, NY 12244. Or accessed at www.osc.state.ny.us/retire/publications/index.php.

C) Funding policies:

The Systems are noncontributory for employees who joined 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 NYSTRS, employees who joined on or after January 1, 2010 and before April 1, 2012 are required to contribute 3.5% of their annual salary for their entire working career. Those joining on or after April 1, 2012 are required to contribute between 3% and 6%, dependent upon their salary, for their entire working career. For employees in NYSERS who joined after January 1, 2010 but prior to March 31, 2013, they must contribute 3% of their salary throughout their active membership. Those joining after April 1, 2013 are required to contribute between 3% and 6%, dependent upon their salary, for their entire working career. 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:

<u>Year</u>	NYSTRS	_	NYSERS_			
2014	\$ 3,397,07	7 \$	1,112,340			
2013	\$ 3,248,12	5 \$	1,110,444			
2012	\$ 2,968,19	1 \$	772,239			

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 \$133,588 and \$1,204,801 respectively.

E) <u>Deferred compensation plan:</u>

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 \$124,473.

13. OTHER POSTEMPLOYMENT BENEFITS

A) Plan descriptions:

The District provides medical, prescription drug and dental insurances to retirees and their covered dependents. The District contributes between 85% and 100% of the cost of the insurance for retirees and their covered dependents. Currently there are

approximately 638 current and former employees participating in the District's Other Post Employment Benefits (OPEB) plan. The benefits provided to employees upon retirement are based upon provisions in various contracts that the District has in place with different classifications of employees. All active employees who retire directly from the District and meet eligibility criteria will participate.

The Plan does not issue a standalone publicly available report since there are no assets legally segregated for the sole purpose of paying benefits under the Plan.

B) Funding policy:

For the District's OPEB Plan, contribution requirements of the plan members and the District are established by the Board of Education. The District's annual OPEB cost (expense) for each plan is calculated based on the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The District currently contributes enough money to the Plan to satisfy current obligations on a pay-as-you-go basis.

C) Annual required contribution:

	Fort	he Year Ended
	Ju	ne 30, 2014
Normal cost	\$	3,400,742
Amortization of unfunded actuarial liability		2,966,633
Annual required contribution (ARC)	\$	6,367,375

D) Reconciliation of net OPEB obligation:

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

	For the Year Ended		
	Jur	ie 30, 2014	
Annual required contribution	\$	6,367,375	
Interest on net OPEB obligation		1,099,712	
Adjustment to ARC		(823,785)	
Annual net OPEB cost (expense)		6,643,302	
Contributions made		(2,307,702)	
Change in net OPEB obligation		4,335,600	
Net OPEB obligation at the beginning of the year		21,994,233	
Net OPEB obligation at the end of the year	\$	26.329.833	

E) Trend information:

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 preceding years, was as follows:

			Annual					
Fiscal Year Ending Net OPEB		O	PEB Expense	% of Expense	Net OPEB			
	Ending	_	Cost	Contributed		Contributed		Obligation
	June 30, 2014	\$	6,643,302	\$	2,307,702	34.7%	\$	26,329,833
	June 30, 2013	\$	6,234,132	\$	2,208,191	35.4%	\$	21,994,233
	June 30, 2012	\$	6,732,242	\$	2,284,623	33.9%	\$	17,968,292

F) Funded status:

	 ne 30, 2014
Actuarial accrued liability (AAL) at July 1, 2013 Actuarial value of plan assets	\$ 79,206,131
Unfunded actuarial accrued liability (UAAL)	\$ 79,206,131
Covered payroll	\$ 34,555,628
UAAL as a percentage of covered payroll	229.2%

G) Actuarial methods and assumptions:

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. For this reason, the results in this report should be viewed as estimates. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

The projections of benefits are based on the types of benefits provided under the substantive plan at the time of the valuation date and on the pattern of cost-sharing between the employer and Plan members. In addition, the projections do not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost-sharing between the employer and Plan members in the future. The actuarial calculations reflect a long-term perspective; actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Significant methods and assumptions were as follows:

Actuarial valuation date	July 1, 2013
Actuarial cost method	Projected Unit Credit
Amortization method	Level Dollar
Amortization period	Single Amortization Period
Amortization period (years) remaining	24
Amortization discount	5.0%
Projected salary increase	4.0%
Health care inflation rate	3.34% Initial; 4.24% Ultimate
Fiscal year that rate reaches ultimate trend rate	2087
Method used to determine actuarial value of assets	N/A

14. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; errors and omissions; and natural disasters. These risks are covered by a combination of self-insurance reserves and commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded available reserves and commercial insurance coverage for the past three years.

The District has established a self-insured plan for risks associated with workers' compensation claims. Liabilities of the plan are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for reported and unreported claims which were incurred on or before year end but not reported (IBNR). Claims activity is summarized below:

	 2014	 2013
Unpaid claims at beginning of year	\$ 756,889	\$ 508,990
Incurred claims and claim adjustment		
expenses	536,145	424,035
Claim payments	 (337,275)	 (176,136)
Unpaid Claims at Year End	\$ 955,759	\$ 756,889

15. FUND BALANCES

The following is a summary of the change in general fund restricted fund balances during the year ended June 30, 2014:

Reserve	Balance at 7/1/2013		A	Additions		Amounts Expended		Balance at 6/30/2014	
Workers' compensation	\$	844,692	\$	1,967	\$		\$	846,659	
Unemployment insurance		663,101				48,572		614,529	
Employee benefit accrued liability		4,768,690		10,638		200,000		4,579,328	
Retirement contribution		8,851,016		20,413		84,000		8,787,429	
Property loss and liability		53,042		124				53,166	
Insurance		53,042		124				53,166	
Capital		771,190		1,796				772,986	
Total	\$	16,004,773	\$	35,062	\$	332,572	\$	15,707,263	

16. FUND BALANCES – ASSIGNED:

A) Assigned: Appropriated

The amount of \$2,600,000 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) Assigned: Encumbered

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

Assigned: Unappropriated Fund Balance

General Fund

General Support	\$	155,927
Instruction		107,201
Employee Benefits	_	24,716
	\$_	287,844

17. COMMITMENTS AND CONTINGENCIES

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.

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.

18. SUBSEQUENT EVENTS

On September 9, 2014, the District issued \$5,500,000 in tax anticipation notes bearing interest rates of 1.00%. The notes mature on June 25, 2015.



ROCKY POINT UNION FREE SCHOOL DISTRICT SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL - GENERAL FUND FOR THE FISCAL YEAR ENDED JUNE 30, 2014

		Original Budget		Final Budget		Actual				Final Budget Variance With Actual
Revenues										
Local sources										
Real property taxes Other tax items - including STAR reimbursement	\$	46,473,856	\$	46,473,856	\$	40,196,008 6,277,954			\$	(6,277,848) 6,277,954
Charges for services		178,500		178,500		245,055				66,555
Use of money and property		35,000		35,000		50,281				15,281
Sale of property and compensation for loss		55,000		33,000		13,167				13,167
Miscellaneous		80,000		97,915		317,563				219,648
State sources		24,560,226		24,560,226		24,936,815				376,589
Federal sources		21,200,220		_ 1,000,220		68,151				68,151
Total Revenues		71,327,582		71,345,497		72,104,994			_	759,497
Other Financing Sources										
Premium on Obligations						13,080				13,080
Appropriated fund balance and reserves		3,480,517		3,480,517						(3,480,517)
Total Revenues and Other Financing Sources	\$	74.808.099	<u>\$</u>	74.826.014	\$_	72,118,074			<u>S</u>	(2.707.940)
										Final Budget
										Variance With
		Original		Final			Y	ear-End		Actual
		Budget		Budget		Actual	Enc	umbrances	_	And Encumbrances
Expenditures										
General support										
Board of education	\$	27,760	\$	29,760	\$	25,542	\$		\$	4,218
Central administration		345,876		358,029		338,543				19,486
Finance		775,410		1,128,431		1,087,047		3,792		37,592
Staff		623,177		632,685		529,063		14,526		89,096
Central services		5,222,833		5,339,468		5,133,421		137,609		68,438
Special items		867,457		787,457	_	747,556			_	39,901
Total General Support		7,862,513		8,275,830	_	7,861,172		155,927	_	258,731
Instruction										
Instruction, administration, and improvement		2,554,674		2,877,634		2,784,393		2,603		90,638
Teaching - regular school		20,756,960		20,651,427		20,201,770		62,404		387,253
Programs for children with special neds		13,515,385		12,991,574		12,765,480		27,741		198,353
Occupational education Teaching - special school		1,005,628		1,005,628		865,827		71		139,730
Instructional media		600,557		786,415		780,732		4		5,679
Pupil services		981,691 3,199,518		991,161 3,317,052		864,556 3,250,413		10,973 3,405		115,632 63,234
Total Instruction		42,614,413	_	42,620,891	_	41,513,171		107,201	_	1,000,519
Position and discount of								107,201	_	
Pupil transportation Employee benefits		4,646,051		4,438,123		4,437,891				232
		15,982,303		15,996,156		15,816,571		24,716		154,869
Debt service - interest and related financing expenses Total Expenditures		250,000 71,355,280	_	40,000 71,371,000	_	23,250 69,652,055		287,844	_	16,750 1,431,101
•		. ,		, , , , , , , , , , , , , , , , , , , ,		, , -				- , ,
Other Financing Uses										
Transfers to other funds	_	3,452,819	-	3,455,014	_	3,455,014	-	207.044	_	
Total Expenditures and Other Financing Uses	2	74.808.099	7	74.826.014	_	73.107.069	\$	287.844	S	1.431.101
Net change in fund balance						(988,995)				
Fund balance - beginning of year					_	22,121,754				
Fund balance - end of year					<u>s</u>	21.132.759				

Notes to Required Supplementary Information

District administration prepares a proposed budget for approval by the Board of Education for the general fund, the only fund with a legally adopted budget.

The budget is adopted annually on a basis consistent with GAAP. Appropriations authorized for the year are increased by the amount of encumbrances carried forward from the prior year.

ROCKY POINT UNION FREE SCHOOL DISTRICT SCHEDULES OF FUNDING PROGRESS OF OTHER POSTEMPLOYMENT BENEFITS FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Actuarial Valuation Date	Valu Ass	narial ne of sets a)	Actuarial Accrued bility-Projected Unit Credit (b)	Unfunded tuarial Accrued ability (UAAL) (b)-(a)	Funded Ratio (a)/(b)	_Cc	overed Payroll (c)	UAAL as % of Covered Payroll [(b)-(a)]/(c)	
July 1, 2013	\$	-	\$ 79,206,131	\$ 79,206,131	0%	\$	34,555,628	229.2%	
July 1, 2012	\$	-	\$ 74,363,647	\$ 74,363,647	0%	\$	32,989,995	225.4%	
July 1, 2011	\$	_	\$ 74,185,498	\$ 74,185,498	0%	\$	32,528,523	228.1%	

ROCKY POINT UNION FREE SCHOOL DISTRICT SCHEDULE OF CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET AND REAL PROPERTY TAX LIMIT FOR THE FISCAL YEAR ENDED JUNE 30, 2014

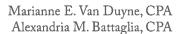
Change from Adopted Budget to Final Budget			
Adopted budget		\$	74,261,582
Add: prior year's encumbrances			546,517
Original budget			74,808,099
Add: Gifts and donations			17,915
Final budget		\$	74,826,014
Section 1318 of Real Property Tax Law Limit Calculation			
2014-15 voter-approved expenditure budget		\$	76.886.042
Maximum allowed (4% of 2014-15 budget)		<u>\$</u>	3.075.443
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law:			
Unrestricted fund balance:			
Assigned fund balance	\$ 2,887,844		
Unassigned fund balance	 2,537,652		
Total unrestricted fund balance		\$	5,425,496
Less:			
Appropriated fund balance	2,600,000		
Assigned - unappropriated fund balance	 287,844		
Total adjustments			2,887,844
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law		\$	2,537,652
Actual percentage			3.30%

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

			•		EX	Expenditures			ı		Methods of Financing	i rinan	Sing			
			Budget	Prior		Current		Unex		Proceeds of			Local		Fund Bala	ance
		Ju	June 30, 2014	Years		Year	Total	Ba	Balance	Obligations	State Aid		Sources	Total	June 30, 2014	014
PROJECT TITLE																
HS Science Rooms 2013 #1	0029	69	254,677 \$		69	297,838 \$	297,838	6/3	(43,161) \$	398,905	S	6 €9	\$	398,905	\$ 10	101,067
F.J.C Bathroom Playground	0015		1,600			1,600	1,600		•				1,600	009'1		'
Lifeskills Bathroom	0028		92,791	3,021		89,623	92,644		147				92,791	92,791		147
HS Track and Turf	0029		1,897,209	65,615		1,776,512	1,842,127		55,082	16,986			1,897,206	1,914,192	7.	72,065
HS Cafeteria Bathrooms	0030		214,970	2,013	-	199,389	201,402		13,568				259,085	259,085	5	57,683
		6	3 44.1347 2	70	6	3 164067 €	7 43€ 611 €	6	36636 €	115 001		6	3 607 036 6	CES 227 C	337	620.060

ROCKY POINT UNION FREE SCHOOL DISTRICT NET INVESTMENT IN CAPITAL ASSETS FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Capital assets, net	\$ 49,593,999
Deduct:	
Deferred amounts from refunding debt, net of amortization	(504,585)
Short-term portion of bonds payable	(2,405,000)
Long-term portion of serial bonds payable	(15,060,000)
Less: unspent bond proceeds	 101,067
	 (17,868,518)
Net investment in capital assets	\$ 31,725,481





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 Rocky Point 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 Rocky Point 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 Rocky Point 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 Rocky Point 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 Rocky Point Union Free School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Rocky Point 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.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether Rocky Point 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

Islandia, NY October 10, 2014