

**ROCKY POINT UNION FREE SCHOOL DISTRICT  
FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
WITH INDEPENDENT AUDITOR'S REPORT  
FOR THE FISCAL YEAR ENDED  
JUNE 30, 2018**

# 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

<u>Exhibit Number</u>		<u>Page</u>
1	Management's Discussion and Analysis (Required Supplementary Information) (MD&A)	3 - 14
2	Statement of Net Position	15
3	Statement of Activities	16
4	Balance Sheet – Governmental Funds	17
5	Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	18
6	Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	19
7	Reconciliation of the Governmental Fund Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	20
8	Statement of Fiduciary Net Position – Fiduciary Funds	21
9	Statement of Changes in Fiduciary Net Position – Fiduciary Funds	22
10	Notes to Financial Statements	23 - 50

### II. REQUIRED SUPPLEMENTARY INFORMATION

SS1	Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund	51 - 52
SS2	Schedule of the District's Proportionate Share of the Net Pension Asset/Liability	53
SS3	Schedule of District's Pension Contributions	54
SS4	Schedule of Changes in the District's Total OPEB Liability and Related Ratios	55

### III. OTHER SUPPLEMENTARY INFORMATION

SS5	Schedule of Change from Adopted Budget to Final Budget and the Real Property Tax Limit – General Fund	56
SS6	Schedule of Project Expenditures and Financing Resources - Capital Projects Fund	57
SS7	Net Investment in Capital Assets	58

### 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*

Robert S. Abrams  
(1926–2014)



Marianne E. Van Duyne, CPA  
Alexandria M. Battaglia, CPA

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Education  
Rocky Point Union Free School District

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the fiduciary funds of the Rocky Point Union Free School District, as of and for the fiscal year ended June 30, 2018, 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 from material misstatement.

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

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

### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the fiduciary funds of the Rocky Point Union Free School District, as of June 30, 2018, 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.

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### ***Emphasis of Matter – Change in Accounting Principle***

As described in Note 2 to the financial statements, in 2018, Rocky Point Union Free School District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

### ***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, schedule of District's proportionate share of the net pension liability, schedule of District's contributions, and schedule of changes in District's total OPEB liability, on pages 3 through 14 and 51 through 55, 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 inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the 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 basic financial statements.

The other supplementary financial 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 other supplementary financial information is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2018 on our consideration of the 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 the Rocky Point Union Free School District's internal control over financial reporting and compliance.

*R. S. Abrams & Co., LLP*

R.S. Abrams & Co., LLP  
Islandia, NY  
October 12, 2018

**ROCKY POINT UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

The Rocky Point Union Free School District's discussion and analysis of the financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2018 in comparison with the year ended June 30, 2017, with emphasis on the current year. This should be read in conjunction with the financial statements, which immediately follow this section.

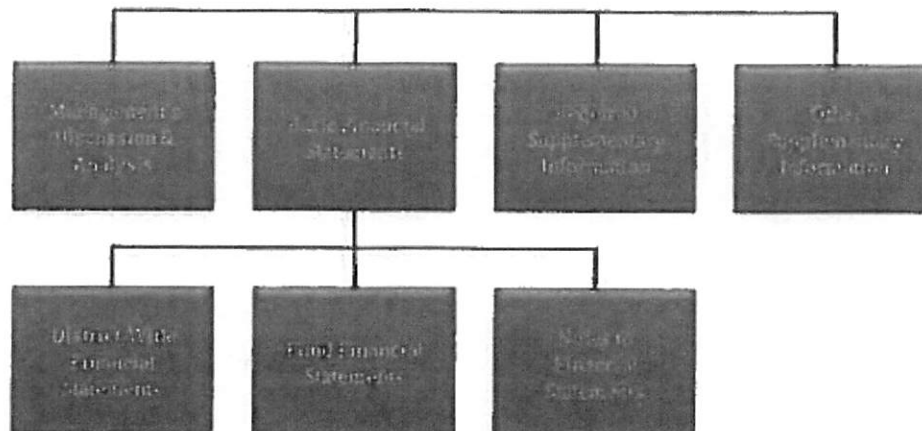
**1. FINANCIAL HIGHLIGHTS**

Key financial highlights for fiscal year 2018 are as follows:

- The District's total net position, as reflected in the district-wide financial statements, decreased by 4,609,544. This was due to an excess of expenses over revenues based on the economic resources measurement focus and the accrual basis of accounting.
- The District's total net position at June 30, 2017 was restated and decreased by \$88,708,283, as a result of the required implementation of a new GASB accounting standard during the 2018 fiscal year. This new GASB accounting standard has no impact on the governmental funds financial statements.
- The District's expenses for the year, as reflected in the district-wide financial statements, totaled 86,868,368. Of this amount, \$3,325,248 was offset by program charges for services and operating grants. General revenues of \$78,933,576 amount to 96% of total revenues, and were not adequate to cover the balance of program expenses.
- On the balance sheet, the general fund total fund balance decreased by \$3,885,323 to \$21,439,640. This was the result of a planned spending of reserve balances and a voter approved transfer from the capital reserve to the capital projects fund.
- The District's 2019 property tax levy of \$51,166,218 was a 3.10% increase over the 2018 tax levy. The District's property tax cap was 3.10%.

**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, and other 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:



**ROCKY POINT UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Continued)**

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**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 economic resources measurement focus and 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 deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference 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.

**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. Revenues are recognized in the period when they are earned and expenses are recognized in the period when the liability is incurred. 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.

**Governmental Funds**

These statements utilize the current financial resources measurement focus and 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 in which the District incurs the liability, except for certain expenditures such as debt service on general long-term indebtedness, claims and judgments, compensated absences, pension costs and other postemployment benefits, which are recognized as expenditures to the extent the related liabilities mature each period.

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

**ROCKY POINT UNION FREE SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Continued)

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, special aid fund, school food service 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 and utilize the economic resources measurement focus and the accrual basis of accounting. All of the District's fiduciary activities are reported in separate statements. The fiduciary activities have been excluded from the district-wide financial statements because the District cannot use these assets to finance its operations.

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

**A. Net Position**

The District's total net position decreased by \$4,609,544 between fiscal year 2018 and 2017. The June 30, 2017 net position has been decreased by \$88,708,283, resulting from the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Additionally, the June 30, 2017 balances reflect total OPEB liabilities in accordance with the new GASB Statement. A summary of the District's Statements of Net Position follows:

	<u>2018</u>	<u>2017</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
<b>Assets</b>				
Current and Other Assets	\$ 35,324,890	\$ 43,999,022	\$ (8,674,132)	(19.71)%
Capital Assets, Net	50,075,610	45,662,504	4,413,106	9.66 %
Net Pension Asset - Proportionate Share - TRS	<u>1,454,033</u>		<u>1,454,033</u>	N/A
Total Assets	<u>86,854,533</u>	<u>89,661,526</u>	<u>(2,806,993)</u>	(3.13)%
Deferred Outflows of Resources	<u>21,398,666</u>	<u>21,411,491</u>	<u>(12,825)</u>	(0.06)%
<b>Liabilities</b>				
Current and Other Liabilities	7,035,522	9,444,476	(2,408,954)	(25.51)%
Long-Term Liabilities	23,062,102	26,167,410	(3,105,308)	(11.87)%
Retirement Incentive Net Pension Liability - Proportionate Share - ERS	715,248	3,971,553	(3,256,305)	(81.99)%
Total OPEB Obligation	<u>126,797,174</u>	<u>127,220,891</u>	<u>(423,717)</u>	(0.33)%
Total Liabilities	<u>157,610,046</u>	<u>166,804,330</u>	<u>(9,194,284)</u>	(5.51)%
Deferred Inflows of Resources	<u>11,994,912</u>	<u>1,010,902</u>	<u>10,984,010</u>	1086.56 %
<b>Net Position (Deficit)</b>				
Net Investment in Capital Assets	36,977,997	34,726,780	2,251,217	6.48 %
Restricted	17,265,966	18,535,838	(1,269,872)	(6.85)%
Unrestricted (Deficit)	<u>(115,595,722)</u>	<u>(110,004,833)</u>	<u>(5,590,889)</u>	(5.08)%
Total Net Position (Deficit)	<u>\$ (61,351,759)</u>	<u>\$ (56,742,215)</u>	<u>\$ (4,609,544)</u>	(8.12)%

**ROCKY POINT UNION FREE SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**(Continued)**

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Current and other assets decreased by \$8,674,132, as compared to the prior year. Cash decreased \$6,802,330 as the District expended \$5,674,045 on capital projects, and amounts due from federal, state and other governments decreased by \$1,889,701.

Capital assets, net increased by \$4,413,106, as compared to the prior year. This increase is due to capital asset additions in excess of depreciation expense. The accompanying Notes to Financial Statements, Note 9 "Capital Assets" provides additional information.

Net pension asset – proportionate share has a balance of \$1,454,033, as the New York State Teachers' Retirement System experienced a gain resulting in an ending balance that was an asset. The prior year balance was a liability.

Deferred outflows of resources represents contributions to the retirement plans subsequent to the measurement dates and actuarial adjustments at the plan level that will be amortized in future years.

Current and other liabilities decreased by \$2,408,954, as compared to the prior year. The District's accounts payable decreased by \$2,031,359 and payables to the pension plans decreased \$545,361.

Long-term liabilities decreased by \$3,105,308, as compared to the prior year. This decrease is primarily the result of the repayment of the current maturity of the bond indebtedness in the amount of \$3,060,000.

Net pension liability – proportionate share decreased by \$3,256,305 in the current year. This liability represents the District's proportionate share of the New York State and Local Employees' Retirement System's collective net pension liability, at the measurement date. The prior year included the District's proportionate share of the New York State Teachers' Retirement System's collective net pension liability of \$2,042,891.

Total other postemployment benefits (OPEB) obligation decreased by \$423,717, as compared to the prior year. This decrease is the result of changes in the actuarial valuation of the plan. Notes to Financial Statements, Note 15 "Postemployment Healthcare Benefits", provides additional information.

Deferred inflows of resources represents actuarial adjustments of the pension and OPEB plans that will be amortized in future years.

The net investment in capital assets, in the amount of \$36,977,997, relates to the investment in capital assets at cost such as land; construction in progress; buildings and improvements; site improvements; and, furniture and equipment, net of depreciation and related outstanding debt. This number increased over the prior year by \$2,251,217.

The restricted amount of \$17,265,966 relates to the District's reserves. This number decreased from the prior year by \$1,269,872 as restricted amounts were used to pay current expenses.

The unrestricted deficit amount of \$(115,595,722) relates to the balance of the District's net position. This balance does not include the District's reserves, which are classified as restricted. Additionally, in accordance with state guidelines, the District is only permitted to fund OPEB on a "pay as you go" basis, and is not permitted to accumulate funds for the net OPEB obligation. This deficit increased over the prior year by \$5,590,889.



**ROCKY POINT UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Continued)**

**B. Changes in Net Position**

The results of operations as a whole are reported in the Statement of Activities in a programmatic format. 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, 2018 and 2017 is as follows:

	<u>2018</u>	<u>2017</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
<b>Revenues</b>				
<b>Program Revenues</b>				
Charges for Services	\$ 796,386	\$ 818,142	\$ (21,756)	(2.66)%
Operating Grants	2,528,862	2,668,947	(140,085)	(5.25)%
<b>General Revenues</b>				
Real Property Taxes and STAR	49,629,332	48,084,933	1,544,399	3.21 %
State Sources	28,397,072	28,482,135	(85,063)	(0.30)%
Other	907,172	816,402	90,770	11.12 %
<b>Total Revenues</b>	<u>82,258,824</u>	<u>80,870,559</u>	<u>1,388,265</u>	1.72 %
<b>Expenses</b>				
General Support	12,090,593	10,807,694	1,282,899	11.87 %
Instruction	67,992,463	66,133,555	1,858,908	2.81 %
Pupil Transportation	4,787,690	4,753,106	34,584	0.73 %
Debt Service - Interest	648,527	571,666	76,861	13.45 %
Food Service Program	1,349,095	1,334,181	14,914	1.12 %
<b>Total Expenses</b>	<u>86,868,368</u>	<u>83,600,202</u>	<u>3,268,166</u>	3.91 %
<b>Decrease in Net Position</b>	<u>\$ (4,609,544)</u>	<u>\$ (2,729,643)</u>	<u>\$ (1,879,901)</u>	(68.87)%

Information for 2017 was not restated because information was not readily available. The cumulative effect of analyzing the change in accounting principle is shown as an adjustment to the beginning net position in 2018. See Note 19 for more information.

The District's net position decreased by \$4,609,544 and \$2,729,643 for the years ended June 30, 2018 and 2017, respectively.

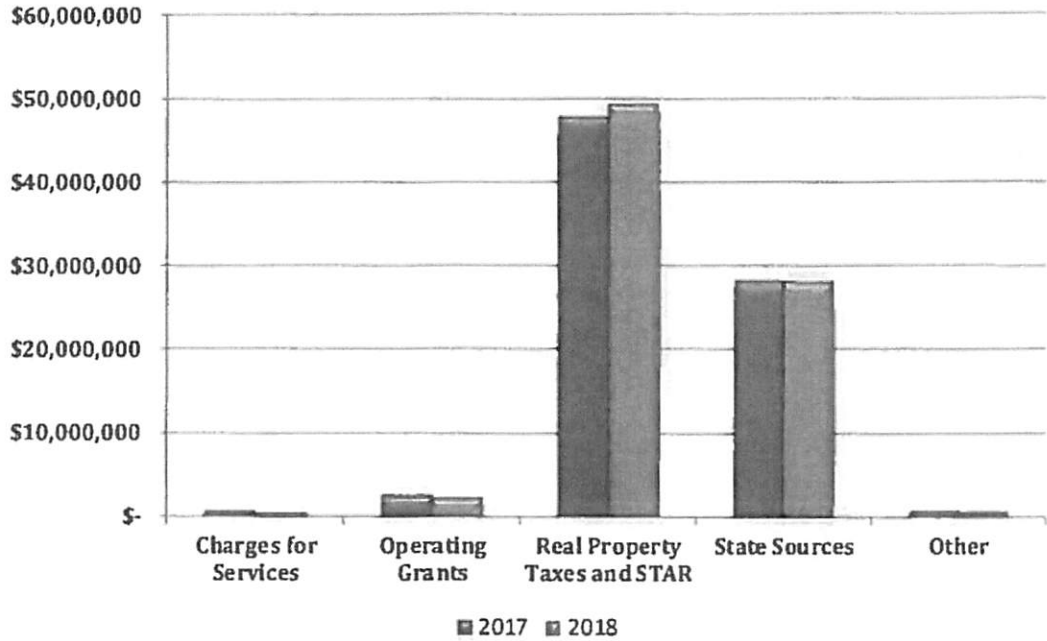
The District's revenues increased by \$ 1,388,265. The increase in property taxes and STAR revenue was offset by decreases in program revenues and state sources.

The District's expenses increased by \$3,268,166. Instruction and general support accounted for the majority of the increase.

As indicated on the graphs that follow, real property taxes and STAR is the largest component of revenues recognized (i.e., 60.3% and 59.5% of the total for the years 2018 and 2017, respectively). Instruction expenses is the largest category of expenses incurred (i.e., 78.3% and 79.1% of the total for the years 2018 and 2017, respectively).

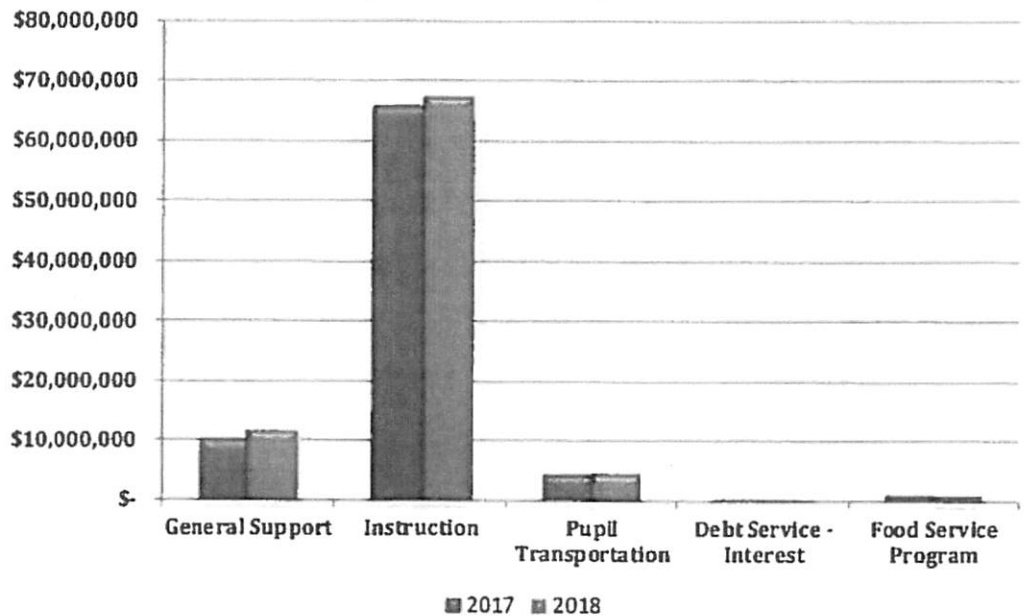
**ROCKY POINT UNION FREE SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Continued)

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



	Charges for Services	Operating Grants	Real Property Taxes and STAR	State Sources	Other
2017	1.0%	3.3%	59.5%	35.2%	1.0%
2018	1.0%	3.1%	60.3%	34.5%	1.1%

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



	General Support	Instruction	Pupil Transportation	Debt Service - Interest	Food Service Program
2017	12.9%	79.1%	5.7%	0.7%	1.6%
2018	13.9%	78.3%	5.5%	0.7%	1.6%

**ROCKY POINT UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Continued)**

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

At June 30, 2018, the District's governmental funds reported a combined fund balance of \$28,320,568, which is a decrease of \$6,273,774 from the prior year. This decrease is due to an excess of expenditures over revenues based upon the current financial resources measurement focus and the modified accrual basis of accounting. A summary of the change in fund balance by fund is as follows:

	<u>2018</u>	<u>2017</u>	<u>Increase (Decrease)</u>
<b>General Fund</b>			
Nonspendable: Prepaids	\$ 60,000	\$ 60,000	\$
<b>Restricted</b>			
Workers' compensation	2,154,779	2,514,187	(359,408)
Unemployment insurance	551,714	575,031	(23,317)
Retirement contribution	5,237,107	6,197,013	(959,906)
Property loss	53,663	53,478	185
Liability	53,663	53,478	185
Employee benefit accrued liability	4,658,536	4,768,585	(110,049)
Capital	1,288,167	4,251,265	(2,963,098)
<b>Assigned:</b>			
Appropriated fund balance	2,183,000	2,105,309	77,691
Unappropriated fund balance	1,753,860	1,415,164	338,696
Unassigned: Fund balance	<u>3,445,151</u>	<u>3,331,453</u>	<u>113,698</u>
	<u>21,439,640</u>	<u>25,324,963</u>	<u>(3,885,323)</u>
<b>School Food Service Fund</b>			
Nonspendable: Inventory	34,130	35,130	(1,000)
Assigned: Unappropriated fund balance	<u>96,074</u>	<u>118,836</u>	<u>(22,762)</u>
	<u>130,204</u>	<u>153,966</u>	<u>(23,762)</u>
<b>Debt Service Fund</b>			
Restricted: Debt service	<u>46,192</u>	<u>122,801</u>	<u>(76,609)</u>
<b>Capital Projects Fund</b>			
<b>Restricted:</b>			
Capital reserve	3,222,145		3,222,145
Unspent bond proceeds	<u>3,482,387</u>	<u>8,992,612</u>	<u>(5,510,225)</u>
	<u>6,704,532</u>	<u>8,992,612</u>	<u>(2,288,080)</u>
<b>Total Fund Balance</b>	<u>\$ 28,320,568</u>	<u>\$ 34,594,342</u>	<u>\$ (6,273,774)</u>

**A. General Fund**

The net change in the general fund – fund balance is a decrease of \$3,885,323 as compared to a \$1,369,543 increase in the prior year. Revenues increased \$1,586,402 over the prior year as property taxes and STAR revenue increased by \$1,544,399. Other financing sources decreased by \$278,842, mainly as a result of a \$230,962 transfer from the capital fund of unspent funds originating for general fund appropriations made in the prior year.

**ROCKY POINT UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Continued)**

Expenditures increased by \$2,483,540, or 3.4% over the prior year as instruction and general support increased \$2,232,416. Other financing uses increase \$4,078,886 over the prior year. The District transferred 3,385,965 to the capital projects fund based on voter approval and transferred an additional \$698,282 to the debt service fund as compared to the prior year to pay the principal and interest due on the District's outstanding bonds.

**B. School Food Service Fund**

The net change in the school food service fund – fund balance is a decrease of \$23,762, which was the operating loss of the school food service fund. In the prior year, the school food service program operated at a \$42,632 profit. School lunch sales decreased by \$22,306, while costs to run the program increased \$40,938.

**C. Debt Service Fund**

The net change in the debt service fund – fund balance is a decrease of \$76,609. The debt service fund transferred \$100,000 to the general fund, which was offset by interest earned in the amount of \$23,391.

**D. Capital Projects Fund**

The net change in the capital projects fund – fund balance is a decrease of \$2,288,080, as capital expenditures totaling \$5,674,045 exceeded the interfund transfer from the general fund of \$3,385,965.

**5. GENERAL FUND BUDGETARY HIGHLIGHTS**

**A. 2017-18 Budget**

The District's general fund adopted budget for the year ended June 30, 2018 was \$83,286,346. This amount was increased by encumbrances carried forward from the prior year in the amount of \$1,415,164 and budget revisions in the amount of \$3,391,878 for a total final budget of \$88,093,388.

The budget was funded through a combination of estimated revenues and appropriated fund balance. The majority of this funding source was \$49,629,259 in estimated property taxes and STAR.

**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, appropriations to fund the subsequent year's budget, encumbrances and amounts classified as nonspendable. The change in this balance demonstrated through a comparison of the actual revenues and expenditures for the year compared to budget follows:

Opening, Unassigned Fund Balance	\$ 3,331,453
Revenues Under Budget	(41,300)
Expenditures, Other Uses and Encumbrances Under Budget	3,191,552
Unused Appropriated Reserves	(388,179)
Interest Allocated to Reserves	(45,502)
Allocation to Reserves	(419,873)
Appropriated for the 2018-19 Budget	<u>(2,183,000)</u>
Closing, Unassigned Fund Balance	<u>\$ 3,445,151</u>

**ROCKY POINT UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Continued)**

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**Opening Unassigned Fund Balance**

The \$3,331,453 shown in the table is the portion of the District's June 30, 2017 fund balance that was retained as unassigned. This was 4% of the District's 2017-18 approved operating budget of \$83,286,346. It is the maximum unassigned fund balance permitted by law.

**Revenues Under Budget**

The District's actual revenues and other sources of \$79,262,653 were \$41,300 less than estimated. Actual state source revenue of \$28,397,072 was \$742,209 less than the amount estimated. This revenue shortfall was offset by overages in charges for services and miscellaneous income.

**Expenditures, Other Uses and Encumbrances Under Budget**

The 2017-18 final budget for expenditures, was \$88,093,388. Actual expenditures and encumbrances totaled \$84,901,836. The final budget was under expended by \$3,191,552. This under expenditure contributes directly to the change to the general fund unassigned fund balance from June 30, 2017 to June 30, 2018.

**Unused Appropriated Reserves**

In the 2017-18 budget, \$1,882,997 of reserves were appropriated to reduce the tax levy. Due to lower than anticipated expenditures, \$388,179 of this funding was not needed and was returned to the reserves for future use.

**Interest Allocated to Reserves**

The reserve balances earned \$45,502 of interest during the year.

**Allocation to Reserves**

The Board of Education approved a transfer to the workers' compensation reserve for \$419,873.

**Appropriated Fund Balance**

The District has chosen to use \$2,183,000 of the available June 30, 2018 unassigned fund balance to partially fund the 2018-2019 approved operating budget. As such, the June 30, 2018 unassigned fund balance must be reduced by this amount.

**Closing Unassigned Fund Balance**

Based upon the summary changes shown in the above table, the unassigned fund balance at June 30, 2018 was \$3,445,151. This amount equals 4% of the 2018-2019 budget and is at the statutory limit.

**ROCKY POINT UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Continued)**

**6. CAPITAL ASSETS, DEBT ADMINISTRATION AND OTHER LONG-TERM LIABILITIES**

**A. Capital Assets**

At June 30, 2018, the District had invested in a broad range of capital assets, as indicated in the table below. The net increase in capital assets is due to capital additions of \$6,120,035 in excess of depreciation of \$1,706,929 recorded for the year ended June 30, 2018. A summary of the District's capital assets, net of depreciation at June 30, 2018 and 2017 is as follows:

	2018	2017	Increase (Decrease)
Land	\$ 737,304	\$ 737,304	\$ -
Construction in progress	5,914,449	508,988	5,405,461
Buildings	42,048,126	43,301,389	(1,253,263)
Improvements other than buildings	167,607	200,458	(32,851)
Equipment	1,208,124	914,365	293,759
Capital assets, net	<u>\$ 50,075,610</u>	<u>\$ 45,662,504</u>	<u>\$ 4,413,106</u>

The District is continuing to make significant capital expenditures resulting from a May 17, 2016 voter approved \$16,439,513 bond authorization for capital improvements to District facilities. As of June 30, 2018, the District has expended approximately 38% of the authorization and the construction is ongoing.

**B. Debt Administration**

At June 30, 2018, the District had total bonds payable of \$16,580,000. The bonds were issued for school building improvements and the refunding of bonds originally issued for school building improvements. The decrease in outstanding debt represents principal payments. There were no new issuances of long-term debt during the year ended June 30, 2018. A summary of the outstanding debt at June 30, 2018 and 2017 is as follows:

Issue Date	Interest Rate	2018	2017	Increase (Decrease)
<b>Bonds Payable</b>				
2008	3.00-5.00%	\$ 355,000	\$ 720,000	\$ (365,000)
2009	3.125-4.00%	3,510,000	4,025,000	(515,000)
2010	2.00-5.00%	3,770,000	5,395,000	(1,625,000)
2017	2.00-3.00%	8,945,000	9,500,000	(555,000)
		<u>\$ 16,580,000</u>	<u>\$ 19,640,000</u>	<u>\$ (3,060,000)</u>

As of June 30, 2018, the District has yet to issue \$6,939,513 of the May 17, 2016 voter approved bond authorization.

**ROCKY POINT UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Continued)**

**C. OTHER LONG-TERM LIABILITIES**

Included in the District's long-term liabilities are the estimated amounts due for compensated absences, termination benefits, workers' compensation liability, net pension liability – proportionate share and total other postemployment benefits obligation. The compensated absences liability and termination benefits are based on employment contracts. The workers' compensation liability is based on loss runs provided by the third party administrator. The net pension liability – proportionate share and the total other postemployment benefits obligation are based on actuarial valuations.

	2018	2017	Increase (Decrease)
Compensated absences	\$ 5,132,174	\$ 4,997,213	\$ 134,961
Workers' compensation	478,526	603,311	(124,785)
Termination benefits	655,150	638,550	16,600
Net pension liability - proportionate share	715,248	3,971,553	(3,256,305)
Total OPEB obligation	<u>126,797,174</u>	<u>127,220,891</u>	<u>(423,717)</u>
	<u>\$ 133,778,272</u>	<u>\$ 137,431,518</u>	<u>\$ (3,653,246)</u>

The District's latest underlying, long-term credit rating from S&P Global Ratings is AA/Stable. The District's outstanding serial bonds at June 30, 2018 are approximately 3% of the District's debt limit.

**7. ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

**A. Subsequent Year's Budget**

The general fund budget, the only fund with a legally adopted budget, as approved by the voters on May 15, 2018, for the year ending June 30, 2019, is \$86,128,785. This is an increase of \$2,842,439 or 3.41% over the previous year's budget.

The District budgeted revenues other than property taxes and STAR at a \$909,976 increase over the prior year's estimate, which is principally due to an estimated increase in state aid. The assigned, appropriated fund balance and reserves applied to the budget in the amount of \$4,483,810 is a \$395,504 increase over the previous year. A property tax increase of \$1,536,959 (3.10%), levy to levy, was needed to meet the funding shortfall and cover the increase in appropriations.

**B. Future Budgets**

Significant increases in costs of health insurance, the property tax cap, and uncertainty in state aid and federal funds will greatly impact the District's future budgets.

**C. Tax Cap**

New York State law limits the increase in the property tax levy of school districts to the lesser of 2% or the rate of inflation to June 15, 2020. There are additional statutory adjustments in the law. School districts may override the tax levy limit by presenting to the voters a budget that requires a tax levy that exceeds the statutory limit. However, that budget must be approved by 60% of the votes cast. Based on the law, the District's 2018-2019 property tax increase of 3.10% was equal to the tax cap and did not require an override vote.

**ROCKY POINT UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Continued)**

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**D. Property Tax Relief Credit**

New York State law provides a "Property Tax Relief Credit" to eligible taxpayers through the 2019-20 school years. To be eligible, a taxpayer, based on income tax return filings for the taxable two years prior, must be a New York State resident, who owned and primarily resided in real property receiving the STAR exemption, and had adjusted gross income no greater than \$275,000. A taxpayer is ineligible for the tax credit if the real property is located in a school district that adopted a budget in excess of the tax levy limit. Eligible District taxpayers will receive a tax credit in the form of a check. The amount of the credit (check) is a function of the basic STAR savings and the taxpayer's income. This program provides an incentive for the District to be tax cap compliant.

**8. CONTACTING THE DISTRICT**

This financial report is designed to provide the reader with a general overview of the District's finances and to demonstrate the District's accountability for the funds it receives. Requests for additional information can be directed to:

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



**ROCKY POINT UNION FREE SCHOOL DISTRICT**  
**Statement of Net Position**  
June 30, 2018

<b>ASSETS</b>	
Cash	
Unrestricted	\$ 11,804,680
Restricted	20,748,353
Receivables	
Accounts receivable	173,516
Due from fiduciary funds	144,774
Due from state and federal	1,601,446
Due from other governments	757,991
Inventory	34,130
Prepays	60,000
Capital assets:	
Not being depreciated	6,651,753
Being depreciated, net of accumulated depreciation	43,423,857
Net pension asset - proportionate share - teachers' retirement system	<u>1,454,033</u>
Total Assets	<u>86,854,533</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pensions	<u>21,398,666</u>
<b>LIABILITIES</b>	
Payables	
Accounts payable	3,305,848
Accrued liabilities	227,291
Due to other governments	183
Due to teachers' retirement system	3,157,340
Due to employees' retirement system	280,095
Unearned credits	
Collections in advance	64,765
Long-term liabilities	
Due and payable within one year	
Bonds payable, including deferred amounts, net	3,192,084
Compensated absences payable	200,000
Due and payable after one year	
Bonds payable, including deferred amounts, net	13,604,168
Compensated absences payable	4,932,174
Workers' compensation liabilities	478,526
Termination benefits payable	655,150
Net pension liability - proportionate share - employees' retirement system	715,248
Total other postemployment benefits obligation	<u>126,797,174</u>
Total Liabilities	<u>157,610,046</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Pensions	6,330,507
Other postemployment benefits obligation	<u>5,664,405</u>
Total Deferred Inflows of Resources	<u>11,994,912</u>
<b>NET POSITION (DEFICIT)</b>	
Net investment in capital assets	<u>36,977,997</u>
Restricted:	
Workers' compensation	2,154,779
Unemployment insurance	551,714
Retirement contribution	5,237,107
Property loss	53,663
Liability	53,663
Employee benefit accrued liability	4,658,536
Capital	4,510,312
Debt service	46,192
	<u>17,265,966</u>
Unrestricted (deficit)	<u>(115,595,722)</u>
Total Net Position (Deficit)	<u>\$ (61,351,759)</u>

**ROCKY POINT UNION FREE SCHOOL DISTRICT**  
**Statement of Activities**  
For the Year Ended June 30, 2018

	Program Revenues		Net (Expense)
Expenses	Charges for Services	Operating Grants	Revenue and Changes in Net Position
<b>FUNCTIONS/PROGRAMS</b>			
General support	\$ 12,090,593	\$	\$ (12,090,593)
Instruction	67,992,463	254,585	(65,714,955)
Pupil transportation	4,787,690		(4,787,690)
Debt service - Interest	648,527		(648,527)
Food service program	1,349,095	541,801	(301,355)
	<b>\$ 86,868,368</b>	<b>\$ 796,386</b>	<b>\$ 2,528,862</b>
Total Functions and Programs			<b>(83,543,120)</b>
<b>GENERAL REVENUES</b>			
Real property taxes			43,578,119
Other tax items			6,051,213
Use of money and property			113,170
Sale of property and compensation for loss			45,813
Miscellaneous			659,020
State sources			28,397,072
Medicaid reimbursement			89,169
			<b>78,933,576</b>
Total General Revenues			<b>78,933,576</b>
Change in Net Position (Deficit)			(4,609,544)
Total Net Position (Deficit) - Beginning of Year, as Restated			<b>(56,742,215)</b>
Total Net Position (Deficit) - End of Year			<b>\$ (61,351,759)</b>

**ROCKY POINT UNION FREE SCHOOL DISTRICT**  
**Balance Sheet - Governmental Funds**  
June 30, 2018

	General	Special Aid	School Food Service	Debt Service	Capital Projects	Total Governmental Funds
<b>ASSETS</b>						
<b>Cash</b>						
Unrestricted	\$ 10,728,845	\$ 325,877	\$ 749,958	\$ -	\$ -	\$ 11,804,680
Restricted	16,299,790			36,975	4,411,588	20,748,353
<b>Receivables</b>						
Accounts receivable	173,489		27			173,516
Due from other funds	1,844,145	74,000		9,217	3,385,965	5,313,327
Due from state and federal	880,397	692,918	28,131			1,601,446
Due from other governments	757,991					757,991
<b>Inventory</b>			34,130			34,130
<b>Prepays</b>	60,000					60,000
<b>Total Assets</b>	<b>\$ 30,744,657</b>	<b>\$ 1,092,795</b>	<b>\$ 812,246</b>	<b>\$ 46,192</b>	<b>\$ 7,797,553</b>	<b>\$ 40,493,443</b>
<b>LIABILITIES</b>						
<b>Payables</b>						
Accounts payable	\$ 2,236,942	\$ 25,413	\$ 30,466	\$ -	\$ 1,013,027	\$ 3,305,848
Accrued liabilities	192,230	864	2,997			196,091
Due to other funds	3,392,540	1,066,518	629,501		79,994	5,168,553
Due to other governments			183			183
Due to teachers' retirement system	3,157,340					3,157,340
Due to employees' retirement system	280,095					280,095
<b>Unearned credits</b>						
Collections in advance	45,870		18,895			64,765
<b>Total Liabilities</b>	<b>9,305,017</b>	<b>1,092,795</b>	<b>682,042</b>	<b>-</b>	<b>1,093,021</b>	<b>12,172,875</b>
<b>FUND BALANCES</b>						
<b>Nonspendable:</b>						
<b>Inventory</b>			34,130			34,130
<b>Prepays</b>	60,000					60,000
<b>Restricted:</b>						
Workers' compensation	2,154,779					2,154,779
Unemployment insurance	551,714					551,714
Retirement contribution	5,237,107					5,237,107
Property loss	53,663					53,663
Liability	53,663					53,663
Employee benefit accrued liability	4,658,536					4,658,536
Capital	1,288,167				3,222,145	4,510,312
Debt service				46,192		46,192
Unspent bond proceeds					3,482,387	3,482,387
<b>Assigned:</b>						
Appropriated fund balance	2,183,000					2,183,000
Unappropriated fund balance	1,753,860		96,074			1,849,934
<b>Unassigned: Fund balance</b>	<b>3,445,151</b>					<b>3,445,151</b>
<b>Total Fund Balances</b>	<b>21,439,640</b>	<b>-</b>	<b>130,204</b>	<b>46,192</b>	<b>6,704,532</b>	<b>28,320,568</b>
<b>Total Liabilities and Resources and Fund Balances</b>	<b>\$ 30,744,657</b>	<b>\$ 1,092,795</b>	<b>\$ 812,246</b>	<b>\$ 46,192</b>	<b>\$ 7,797,553</b>	<b>\$ 40,493,443</b>

**ROCKY POINT UNION FREE SCHOOL DISTRICT**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**to the Statement of Net Position**  
June 30, 2018

<b>Total Governmental Fund Balances</b>		<b>\$ 28,320,568</b>
 <b>Amounts reported for governmental activities in the Statement of Net Position are different because:</b>		
 Cash held by third-party administrator is treated as a long-term asset and included in net position.		
 The costs of building and acquiring capital assets (land, buildings, equipment) financed from the governmental funds are reported as expenditures in the year they are incurred, and the assets do not appear on the Balance Sheet. However, the Statement of Net Position includes those capital assets among the assets of the District as a whole, and their original costs are expensed annually over their useful lives.		
Original cost of capital assets	\$ 86,412,722	
Accumulated depreciation	<u>(36,337,112)</u>	50,075,610
 Proportionate share of long-term asset, liability, and deferred outflows and inflows associated with participation in the state retirement systems are not current financial resources or obligations and are not reported in the funds.		
Net pension asset - teachers' retirement system	1,454,033	
Deferred outflows of resources	21,398,666	
Net pension liability - employees' retirement system	(715,248)	
Deferred inflows of resources	<u>(6,330,507)</u>	15,806,944
 Total other postemployment benefits obligation and deferred outflows and inflows related to providing benefits in retirement are not current financial resources or obligation and are not reported in the funds.		
Total other postemployment benefits obligation	(126,797,174)	
Deferred inflows of resources	<u>(5,664,405)</u>	(132,461,579)
 Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at year end consist of:		
Accrued interest on bonds payable	(31,200)	
Bonds payable, including deferred amounts, net	(16,796,252)	
Compensated absences payable	(5,132,174)	
Workers' compensation liabilities	(478,526)	
Termination benefits payable	<u>(655,150)</u>	
		<u>(23,093,302)</u>
<b>Total Net Position (Deficit)</b>		<b>\$ (61,351,759)</b>

**ROCKY POINT UNION FREE SCHOOL DISTRICT**  
**Statement of Revenues, Expenditures**  
**and Changes in Fund Balances - Governmental Funds**  
**For the Year Ended June 30, 2018**

	General	Special Aid	School Food Service	Debt Service	Capital Projects	Total Governmental Funds
<b>REVENUES</b>						
Real property taxes	\$ 43,578,119	\$	\$	\$	\$	\$ 43,578,119
Other tax items	6,051,213					6,051,213
Charges for services	254,585					254,585
Use of money and property	87,662		2,117	23,391		113,170
Sale of property and compensation for loss	45,813					45,813
Miscellaneous	659,020	72	434			659,526
State sources	28,397,072	724,387	16,775			29,138,234
Medicaid reimbursement	89,169					89,169
Federal sources		1,298,464	489,164			1,787,628
Sales			541,367			541,367
<b>Total Revenues</b>	<b>79,162,653</b>	<b>2,022,923</b>	<b>1,049,857</b>	<b>23,391</b>	<b>-</b>	<b>82,258,824</b>
<b>EXPENDITURES</b>						
General support	10,041,181					10,041,181
Instruction	44,303,925	1,945,200				46,249,125
Pupil transportation	4,535,431	203,230				4,738,661
Employee benefits	16,966,760		44,212			17,010,972
Debt service						
Principal				3,060,000		3,060,000
Interest	65,394			663,813		729,207
Food service program			1,029,407			1,029,407
Capital outlay					5,674,045	5,674,045
<b>Total Expenditures</b>	<b>75,912,691</b>	<b>2,148,430</b>	<b>1,073,619</b>	<b>3,723,813</b>	<b>5,674,045</b>	<b>88,532,598</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>3,249,962</b>	<b>(125,507)</b>	<b>(23,762)</b>	<b>(3,700,422)</b>	<b>(5,674,045)</b>	<b>(6,273,774)</b>
<b>OTHER FINANCING SOURCES AND (USES)</b>						
Operating transfers in	100,000	125,507		3,723,813	3,385,965	7,335,285
Operating transfers (out)	(7,235,285)			(100,000)		(7,335,285)
<b>Total Other Financing Sources and (Uses)</b>	<b>(7,135,285)</b>	<b>125,507</b>	<b>-</b>	<b>3,623,813</b>	<b>3,385,965</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>(3,885,323)</b>	<b>-</b>	<b>(23,762)</b>	<b>(76,609)</b>	<b>(2,288,080)</b>	<b>(6,273,774)</b>
<b>Fund Balances - Beginning of Year</b>	<b>25,324,963</b>		<b>153,966</b>	<b>122,801</b>	<b>8,992,612</b>	<b>34,594,342</b>
<b>End of Year</b>	<b>\$ 21,439,640</b>	<b>\$ -</b>	<b>\$ 130,204</b>	<b>\$ 46,192</b>	<b>\$ 6,704,532</b>	<b>\$ 28,320,568</b>

**ROCKY POINT UNION FREE SCHOOL DISTRICT**  
**Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and**  
**Changes in Fund Balances to the Statement of Activities**  
**For the Year Ended June 30, 2018**

Net Change in Fund Balances \$ (6,273,774)

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

**Long-Term Revenue and Expense Differences**

Certain expenditures in the governmental funds requiring the use of current financial resources (amounts paid) may exceed the amounts incurred during the year, resulting in a reduction of the long-term liability and an increase in the net position.

Decrease in workers' compensation liabilities \$ 124,785

Certain operating expenses do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, but are expensed in the Statement of Activities.

Increase in compensated absences payable (134,961)  
Increase in termination benefits payable (16,600)

(26,776)

**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 expenses in the Statement of Activities. This is the amount by which, capital outlays exceeded depreciation in the period.

Capital outlays 6,120,035  
Depreciation expense (1,706,929)

4,413,106

**Long-Term Debt Transactions Differences**

The amortization of the deferred premium, net of the amortization of the deferred charges on the advance refunding of bonds, decreases interest expense in the Statement of Activities.

72,084

Repayment of long-term debt is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.

Repayment of bond principal 3,060,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. This is the amount by which accrued interest decreased from June 30, 2017 to June 30, 2018.

8,596

3,140,680

**Pension and Other Postemployment Benefit Differences**

The change in the proportionate share of the collective pension expense of the state retirement plans and the change in other postemployment benefits expense reported in the Statement of Activities did not affect current financial resources and, therefore, is not reported in the governmental funds.

Teachers' retirement system (608,064)  
Employees' retirement system (14,028)  
Other postemployment benefits (5,240,688)

(5,862,780)

Change in Net Position (Deficit) of Governmental Activities

\$ (4,609,544)

**ROCKY POINT UNION FREE SCHOOL DISTRICT**  
**Statement of Fiduciary Net Position -**  
**Fiduciary Funds**  
**June 30, 2018**

	Agency	Private Purpose Trust
<b>ASSETS</b>		
Cash		
Unrestricted	\$ 316,478	\$
Restricted		43,577
Accounts receivable		
Due from governmental funds	885	2,466
Total Assets	\$ 317,363	46,043
 <b>LIABILITIES</b>		
Extraclassroom activity balances	\$ 54,512	
Due to governmental funds	148,125	
Other liabilities	114,726	-
Total Liabilities	\$ 317,363	-
 <b>NET POSITION</b>		
Restricted for scholarships		\$ 46,043

**ROCKY POINT UNION FREE SCHOOL DISTRICT**  
**Statement of Changes in Fiduciary Net Position -**  
**Fiduciary Funds**  
**For the Year Ended June 30, 2018**

	<u>Private Purpose Trust</u>
<b>ADDITIONS</b>	
Contributions	\$ 6,135
Investment earnings - interest	<u>163</u>
Total Additions	6,298
 <b>DEDUCTIONS</b>	
Scholarships and awards	<u>4,100</u>
Change in Net Position	2,198
Net Position - Beginning of Year	<u>43,845</u>
Net Position - End of Year	<u>\$ 46,043</u>



**ROCKY POINT UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Rocky Point Union Free School District (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. 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 consisting of 5 members. The President of the Board serves as the chief fiscal officer and the Superintendent is the chief executive officer. The Board is responsible for, and controls all activities related to public school education within the District. Board members have authority to make decisions, power to appoint management, and primary accountability for all fiscal matters.

The financial reporting entity is based on criteria set forth by GASB. 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, the following entity is included in the District's financial statements:

**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 a component district 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. 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.

**ROCKY POINT UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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**C. Basis of Presentation**

**District-Wide Financial Statements**

The Statement of Net Position and the Statement of Activities present information about the overall governmental financial activities of the District, except for fiduciary activities. Eliminations have been made to minimize the double counting of interfund transactions. Governmental activities generally are financed through taxes, state aid, intergovernmental revenues, and other exchange and nonexchange transactions. Operating grants include operating-specific and discretionary (either operating or capital) grants, while 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. 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 that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including real property taxes and state aid, are presented as general revenues.

**Fund Financial Statements**

The fund financial statements provide information about the District's funds, including fiduciary funds. Separate statements for each fund type, governmental and fiduciary, are presented. The District's financial statements present the following fund types:

***Governmental Funds*** - are those through which most governmental functions are financed. The acquisition, use and balances of expendable financial resources and the related liabilities are accounted for through governmental funds. The emphasis of governmental fund financial statements is on major funds as defined by GASB, each displayed in a separate column. The following are the District's major governmental funds:

***General Fund*** - is the general operating fund and is used to account for all financial transactions except those required to be accounted for in another fund.

***Special Aid Fund*** - is used to account for the proceeds of specific revenue sources such as federal and state grants that are legally restricted to expenditures for specified purposes. These legal restrictions may be imposed by either governments that provide the funds or outside parties.

***School Food Service Fund*** - is used to account for the activities of the food service program.

***Debt Service Fund*** - accounts for the accumulation of resources and the payment of principal and interest on long-term general obligation debt of governmental activities.

***Capital Projects Fund*** - is used to account for the financial resources used for acquisition, construction, renovation or major repair of capital facilities and other capital assets, such as equipment.

**ROCKY POINT UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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***Fiduciary Funds*** – are used to account for 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 to finance District operations. The following are the District’s fiduciary funds:

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

***Private Purpose Trust Funds*** - These funds are used to account for trust arrangements in which principal and income benefits annual third party awards and scholarships for students. Established criteria govern the use of the funds and members of the District or representatives of the donors may serve on committees to determine who benefits.

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

Accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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

The governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within 180 days after the end of the fiscal year, except for real property taxes, which are considered to be available if they are collected within 60 days after the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, compensated absences, pension costs and other postemployment benefits, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financing sources.

**E. Real Property Taxes**

**Calendar**

Real property taxes are levied annually by the Board no later than November 1<sup>st</sup> and become a lien on December 1<sup>st</sup>. Taxes are collected by the Town of Brookhaven and remitted to the District from December to June.

**ROCKY POINT UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Continued)**

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**Enforcement**

Uncollected real property taxes are subsequently enforced by Suffolk County in June.

**F. Restricted Resources**

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

**G. Interfund Transactions**

The operations of the District include transactions between funds. These transactions may be temporary in nature, such as with interfund borrowings. The District typically loans resources between funds for the purpose of providing cash flow. These interfund receivables and payables are expected to be repaid within one year. Permanent transfers of funds include transfers to provide financing or other services. This includes the transfer of unrestricted general fund revenues to finance various programs that the District must account for in other funds in accordance with budgetary authorizations.

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, transfers in and transfers out activity is provided subsequently in these Notes to Financial Statements.

**H. Use of 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 amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources, and disclosure of contingencies at the date of the financial statements and the reported revenues and expenses/expenditures during the reporting period. Accordingly, actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including compensated absences, termination benefits, other postemployment benefits, pensions, workers' compensation liabilities, potential contingent liabilities and useful lives of long-lived assets.

**I. Cash and Cash Equivalents**

Cash and cash equivalents consist of cash on hand, bank deposits and investments with a maturity date of three months or less from date of acquisition.

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

**ROCKY POINT UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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**J. Receivables**

Receivables are shown net of an allowance for uncollectibles, if any. However, no allowance for uncollectibles has been provided since it is believed that such allowance would not be material.

**K. Inventory / Prepaid Items**

Inventory of food in the school food service fund is 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. Inventory is accounted for on the consumption method. Under the consumption method, a current asset for the inventory and prepaid items are recorded at the time of receipt and/or purchase and an expense/expenditure is reported in the year the goods or services are consumed.

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 assets on the Statement of Net Position and Balance Sheet using the consumption method.

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

A portion of fund balance has been classified as nonspendable to indicate that inventory and prepaids do not constitute available spendable resources.

**L. 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 acquisition 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:

	<u>Capitalization Threshold</u>	<u>Estimated Useful Life</u>
Buildings and improvements	\$ 1,000	20-50 years
Improvements other than buildings	1,000	20-50 years
Furniture, equipment and vehicles	1,000	5-20 years

**M. Deferred Outflows of Resources**

Deferred outflows of resources, in the Statement of Net Position, represents a consumption of net position that applies to a future reporting period and so will not be recognized as an outflow of resources (expense) until that time. The District has two items that qualify for reporting in this category. The first item is related to pensions and consists of the District's proportionate share of changes in the collective net pension asset or liability not included in collective pension expense. The second item is the District's contributions to the pension systems (TRS and ERS) subsequent to the measurement date.

**ROCKY POINT UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Continued)**

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**N. 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 or when charges for services monies are received in advance from payers prior to the services being rendered by the District, such as prepaid lunch amounts and summer program fees. These amounts are recorded as liabilities in the financial statements. The liabilities are removed and revenues are recognized in subsequent periods when the District has legal claim to the resources.

**O. Deferred Inflows of Resources**

Deferred inflows of resources represents an acquisition of net position that applies to a future reporting period and so will not be recognized as an inflow of resources (revenue) until that time. The District has two items that qualify for reporting in this category. The first item is related to pensions reported in the district-wide Statement of Net Position and consists of the District's proportionate share of changes in the collective net pension asset or liability not included in collective pension expense. The second item is related to OPEB reported in the district-wide Statement of Net Position. This represents the effect of the net changes of assumptions or other inputs.

**P. 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 contractually receive a payment based on unused accumulated sick leave.

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. Employees are compensated for unused accumulated vacation leave through paid time off or cash payment upon retirement, termination or death.

Certain collectively bargained agreements require these payments to be paid in the form of non-elective contributions into the employee's 403(b) plan.

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

In the fund financial statements, a liability is reported only for payments due for unused compensated absences for those employees that have obligated themselves to separate from service with the District by June 30<sup>th</sup>.

**Q. Employee Benefits – Termination Benefits**

Termination benefits consists of first year eligible retirement incentive payments as specified in collective bargaining agreements or individual employment contracts. Upon retirement, employees may receive a lump sum payment based on years of service and meeting the eligibility requirements in accordance with GASB Statement No. 47, *Accounting for Termination Benefits*.

In the fund financial statements, only the amount of matured liabilities is accrued within the general fund.

**ROCKY POINT UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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**R. Other Benefits**

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

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

The District provides health insurance coverage for active employees pursuant to collective bargaining agreements and individual employment contracts.

In addition to providing these benefits, the District provides postemployment health insurance coverage and survivor benefits for most retired employees and their survivors. Collective bargaining agreements and individual employment contracts determine if District employees are eligible for these benefits if they reach normal retirement age while working for the District. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. The cost of providing post-retirement benefits is shared between the District and the retired employee. The District recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure in the governmental funds as the liabilities for premiums mature (come due for payment). In the district-wide statements, the cost of postemployment health insurance coverage is recognized on the economic resources measurement focus and the accrual basis of accounting in accordance with GASB Statement No. 75.

**S. 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 RANs and TANs represent a liability that will be extinguished by the use of expendable, available resources of the fund.

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 BANs issued for capital purposes be converted to long-term financing within five years after the original issue date.

**T. Equity Classifications**

**District-Wide Statements**

In the district-wide 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 acquisitions, construction and improvements of those assets.

*Restricted* – 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* – Reports the balance of net position that does not meet the definition of the above two classifications.

**ROCKY POINT UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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**Fund Statements**

The fund statements report fund balance classifications according to the relative strength of spending constraints placed on the purpose for which resources can be used, as follows:

*Nonspendable* – Consists of amounts that are inherently nonspendable in the current period either because of their form or because they must be maintained intact. Nonspendable fund balance consists of inventory, which is recorded in the school food service fund, and prepaids, which are recorded in the general fund.

*Restricted* – Consists of amounts that are subject to externally enforceable legal purpose restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments; or through constitutional provisions or enabling legislation. The District has established the following restricted fund balances:

*Workers' Compensation Reserve*

Workers' Compensation Reserve (GML §6-j) is used to pay for compensation benefits and other expenses authorized by Article 2 of the Workers' Compensation Law, and for payment of expenses of administering this self-insurance program. 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. The reserve is accounted for in the general fund.

*Unemployment Insurance Reserve*

Unemployment Insurance Reserve (GML §6-m) is used to pay the cost of reimbursement to the State Unemployment Insurance Fund for payments made to claimants where the employer has elected to use the benefit reimbursement method. The reserve may be established by Board action and is funded by budgetary appropriations and such other funds as may be legally appropriated. Within sixty days after the end of any fiscal year, excess amounts may either be transferred to another reserve or the excess applied to the appropriations of the next succeeding fiscal year's budget. 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. The reserve is accounted for in the general fund.

*Retirement Contribution Reserve*

Retirement Contribution Reserve (GML §6-r) is used for the purpose of financing retirement contributions payable to the New York State and Local Employees' Retirement System. The Board, by resolution, may establish the reserve and authorize expenditures from the reserve. The reserve is funded by budgetary appropriations or taxes raised for the reserve, revenues that are not required by law to be paid into any other fund or account, transfers from reserves and other funds that may legally be appropriated. The reserve is accounted for in the general fund.



**ROCKY POINT UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Continued)**

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*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. These reserves are accounted for in the general fund.

*Employee Benefit Accrued Liability Reserve*

Employee Benefit Accrued Liability Reserve (GML §6-p) is used to reserve funds for the payment of accrued employee benefit primarily based on unused and unpaid sick leave, personal leave, holiday leave or vacation time 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. The reserve is accounted for in the general fund.

*Capital Reserve*

Capital Reserve (Education Law §3651) 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 voters establishing the purpose of the reserve; the ultimate amount, its probable term and the source of the funds. Expenditure may be made from the reserve only for a specific purpose further authorized by the voters. The form for 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 §3651 of the Education Law. The reserve is accounted for in the general fund and the capital projects fund.

*Debt Service Reserve*

Mandatory Reserve for Debt Service (GML §6-l) is used to establish a reserve for the purpose of retiring the outstanding obligations upon the sale of District property or capital improvement that was financed by obligations that remain outstanding at the time of sale. The funding of the reserve is from the proceeds of the sale of District property or capital improvement. The reserve is accounted for in the debt service fund.

*Restricted – Unspent Bond Proceeds*

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

*Restricted for Scholarships*

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

*Assigned* – Consists of amounts that are subject to a purpose constraint that represents an intended use established by the District's Board of Education. The purpose of the assignment must be narrower than the purpose of the general fund, and in funds other than the general fund, assigned fund balance represents the residual amount of fund balance. Assigned fund balance also includes an amount

**ROCKY POINT UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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appropriated to partially fund the subsequent year's budget, as well as encumbrances not classified as restricted at the end of the fiscal year.

*Unassigned* – Represents the residual classification for the District's general fund and could report a surplus or deficit. In funds other than the general fund, the unassigned classification is used to report a deficit fund balance resulting from overspending of available resources. NYS Real Property Tax Law §1318, restricts the unassigned fund balance of the general fund to an amount not greater than 4% of the subsequent year's budget.

**Fund Balance Classification**

Any portion of fund balance may be applied or transferred for a specific purpose by law, voter approval if required by law or by formal action of the Board of Education if voter approval is not required. Amendments or modification to the applied or transferred fund balance must also be approved by formal action of the Board of Education.

The Board of Education shall delegate the authority to assign fund balance, for encumbrance purposes, to the person(s) to whom it has delegated the authority to sign purchase orders.

In circumstances where an expenditure is incurred for a purpose for which amounts are available in multiple fund balance classifications (that is restricted, assigned or unassigned) the expenditure is to be spent first from the restricted fund balance to the extent appropriated by either budget vote or Board approved budget revision and then from the assigned fund balance to the extent that there is an assignment and then from the unassigned fund balance.

**2. CHANGES IN ACCOUNTING PRINCIPLES**

For the fiscal year ended June 30, 2018, the District implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The implementation of the Statement requires the District to report other postemployment benefits liabilities, expenses and deferred outflows of resources and deferred inflows of resources on the full accrual basis. The accompanying Notes to Financial Statements, Note 15 "Postemployment Healthcare Benefits", provides additional information.

**3. 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 measurement focus of the district-wide statements, compared with the current financial resource measurement 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 long-term economic focus of the Statement of Net Position versus the current financial resources focus of the governmental fund Balance Sheet, as applied to the reporting of capital assets and long-term assets and liabilities.

**ROCKY POINT UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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**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 any of four broad categories.

**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 current financial resources measurement focus and the modified accrual basis, whereas the economic resources measurement focus and the accrual basis of accounting is used on the Statement of Activities, thereby affecting expenses such as compensated absences and other postemployment benefits.

**Capital Related Differences**

Capital related differences include the difference between proceeds from 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.

**Long-Term Debt Transaction Differences**

Long-term debt transaction differences occur because the issuance of long-term debt provides current financial resources to governmental funds, but is recorded as a liability in the Statement of Net Position. In addition, both interest and principal are recorded as expenditures in the fund statements when due and payable, whereas interest expense is recorded in the Statement of Activities as it accrues, and principal payments are recorded as a reduction of liabilities in the Statement of Net Position.

**Pension and Other Postemployment Benefits Differences**

Pension differences occur as a result of recognizing pension costs using the current financial resources measurement focus and the modified accrual basis of accounting, whereby an expenditure is recognized based on the contractually required contribution as calculated by the plan, versus the economic resources measurement focus and the accrual basis of accounting, whereby an expense is recognized related to the District's proportionate share of the collective pension expense of the plan.

Other postemployment benefit differences occur as a result of recognizing OPEB costs using the current financial resources measurement focus and the modified accrual basis of accounting, whereby an expenditure is recognized for premiums and other postemployment benefit costs as they mature (come due for payment), versus the economic resources measurement focus and the accrual basis of accounting, whereby an expense is recognized related to the future cost of benefits in retirement over the term of employment.

**ROCKY POINT UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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**4. 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 established by the adoption of the budget, are recorded at the program line item level, and constitute a limitation on expenditures (and encumbrances) that may be incurred. Appropriations authorized for the year are increased by the amount of encumbrances carried forward from the prior year. 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 can be funded by the planned use of specific reserves, and can be increased by budget amendments approved by the Board of Education as a result of selected new revenue sources not included in the original budget (when permitted by law) and appropriation of fund balances. 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. The following supplemental appropriations occurred during the year:

Voter approved transfer to the capital projects fund	
from the capital reserve	\$ 3,385,965
Contingent expenditures funded by gifts and donations	<u>5,913</u>
	<u>\$ 3,391,878</u>

Budgets are adopted annually on a basis consistent with GAAP.

Budgets are established and used for individual capital projects based on authorized funding. The maximum project amount authorized is based upon the estimated cost of the project. 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 part of assigned fund balance, unless classified as restricted, 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.

**5. 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

**ROCKY POINT UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Continued)**

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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 may be unable to recover deposits or collateral securities that are in possession of an outside agency. GASB directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance and the deposits are as follows:

- A. Uncollateralized,
- B. Collateralized 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.

The District's aggregate bank balances were covered by FDIC insurance or fully collateralized by securities pledged on the District's behalf at year end.

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.

**6. PARTICIPATION IN BOCES**

During the year ended June 30, 2018, the District was billed \$7,650,189 for BOCES administrative and program costs. The District's share of BOCES aid amounted to \$1,684,424. Financial statements for the BOCES are available from the BOCES administrative offices at 201 Sunrise Highway, Patchogue, New York 11772.

**7. DUE FROM STATE AND FEDERAL**

Due from state and federal at June 30, 2018 consisted of:

General Fund	
New York State - general aid	\$ 43,306
New York State - excess cost aid	<u>837,091</u>
	880,397
Special Aid Fund	
Federal and state grants	692,918
School Food Service Fund	
Federal and state food service program reimbursements	<u>28,131</u>
	<u>\$ 1,601,446</u>

**8. DUE FROM OTHER GOVERNMENTS**

Due from other governments at June 30, 2018 consisted of amounts due for BOCES aid in the amount of \$757,991.

**ROCKY POINT UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

**9. CAPITAL ASSETS**

Capital asset balances and activity for the year ended June 30, 2018 were as follows:

	Balance June 30, 2017	Additions	Reductions	Balance June 30, 2018
<b>Governmental activities</b>				
Capital assets not being depreciated:				
Land	\$ 737,304	\$	\$	\$ 737,304
Construction in progress	508,988	5,675,644	(270,183)	5,914,449
Total capital assets not being depreciated	<u>1,246,292</u>	<u>5,675,644</u>	<u>(270,183)</u>	<u>6,651,753</u>
Capital assets being depreciated:				
Buildings and improvements	74,080,713	268,583		74,349,296
Improvements other than buildings	1,219,243			1,219,243
Furniture, equipment and vehicles	3,754,644	445,991	(8,205)	4,192,430
Total capital assets being depreciated	<u>79,054,600</u>	<u>714,574</u>	<u>(8,205)</u>	<u>79,760,969</u>
Less accumulated depreciation for:				
Buildings and improvements	30,779,324	1,521,846		32,301,170
Improvements other than buildings	1,018,785	32,851		1,051,636
Furniture, equipment and vehicles	2,840,279	152,232	(8,205)	2,984,306
Total accumulated depreciation	<u>34,638,388</u>	<u>1,706,929</u>	<u>(8,205)</u>	<u>36,337,112</u>
Total capital assets, being depreciated, net	<u>44,416,212</u>	<u>(992,355)</u>	<u>-</u>	<u>43,423,857</u>
Capital assets, net	<u>\$ 45,662,504</u>	<u>\$ 4,683,289</u>	<u>\$ (270,183)</u>	<u>\$ 50,075,610</u>

Depreciation expense was charged to governmental functions as follows:

General support	\$ 213,726
Instruction	1,487,532
Food service program	<u>5,671</u>
Total depreciation expense	<u>\$ 1,706,929</u>

**ROCKY POINT UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

**10. INTERFUND TRANSACTIONS**

Interfund balances and activities at June 30, 2018, are as follows:

	interfund			
	Receivable	Payable	Transfers In	Transfers Out
General Fund	\$ 1,844,145	\$ 3,392,540	\$ 100,000	\$ 7,235,285
Special Aid Fund	74,000	1,066,518	125,507	
School Food Service Fund		629,501		
Debt Service Fund	9,217		3,723,813	100,000
Capital Projects Fund	3,385,965	79,994	3,385,965	
Total Governmental Funds	<u>5,313,327</u>	<u>5,168,553</u>	<u>\$ 7,335,285</u>	<u>\$ 7,335,285</u>
Fiduciary Funds	<u>3,351</u>	<u>148,125</u>		
Total	<u>\$ 5,316,678</u>	<u>\$ 5,316,678</u>		

The District typically transfers from the general fund to the special aid fund and debt service fund. The transfer to the special aid fund was for the District's share of the costs for the summer program for students with disabilities and the state-supported Section 4201 schools. The transfer to the debt service fund was for the payment of principal and interest on long-term outstanding indebtedness.

The transfer to the capital projects fund was for a voter approved use of the capital reserve and was a general fund budget revision. The transfer from the debt service fund to the general fund was for a budgeted use of the debt service fund to offset debt service expense in the general fund.

**11. SHORT-TERM DEBT**

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

	Maturity	Stated Interest Rate	Balance June 30, 2017	Issued	Redeemed	Balance June 30, 2018
TAN	6/27/2018	1.09%-2.00%	<u>\$</u>	<u>\$ 4,500,000</u>	<u>\$ (4,500,000)</u>	<u>\$</u>

Interest on short-term debt for the year was \$65,394.

**ROCKY POINT UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

**12. LONG-TERM LIABILITIES**

**A. Changes**

Long-term liability balances and activity, excluding pension and other postemployment benefits obligations, for the year are summarized below:

	Balance June 30, 2017	Additions	Reductions	Balance June 30, 2018	Amounts Due Within One Year
Long-term debt:					
Bonds payable	\$ 19,640,000	\$	\$ (3,060,000)	\$ 16,580,000	\$ 3,120,000
Add: Premium on refunding	288,336		(72,084)	216,252	72,084
	<u>19,928,336</u>		<u>(3,132,084)</u>	<u>16,796,252</u>	<u>3,192,084</u>
Other long-term liabilities					
Compensated absences	4,997,213	447,938	(312,977)	5,132,174	200,000
Workers' compensation	603,311	243,202	(367,987)	478,526	
Termination benefits	638,550	16,600		655,150	
	<u>6,239,074</u>	<u>707,740</u>	<u>(680,964)</u>	<u>6,265,850</u>	<u>200,000</u>
	<u>\$ 26,167,410</u>	<u>\$ 707,740</u>	<u>\$ (3,813,048)</u>	<u>\$ 23,062,102</u>	<u>\$ 3,392,084</u>

The general fund has typically been used to liquidate other long-term liabilities.

**B. Bonds Payable**

Bonds payable is comprised of the following:

Description	Issue Date	Final Maturity	Interest Rate	Outstanding at June 30, 2018
Serial bonds - Refunding	7/9/2008	6/1/2019	3.00-5.00%	\$ 355,000
Serial bonds	6/15/2009	6/15/2024	3.125-4.00%	3,510,000
Serial bonds - Refunding	1/27/2010	6/1/2021	2.00-5.00%	3,770,000
Serial bonds	6/27/2017	6/15/2032	2.00-3.00%	8,945,000
				<u>\$ 16,580,000</u>

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

Year Ending June 30,	Principal	Interest	Total
2019	\$ 3,120,000	\$ 546,087	\$ 3,666,087
2020	2,795,000	417,644	3,212,644
2021	1,580,000	301,931	1,881,931
2022	1,180,000	246,081	1,426,081
2023	1,220,000	210,681	1,430,681
2024 - 2028	3,845,000	640,988	4,485,988
2029 - 2032	2,840,000	212,600	3,052,600
Total	<u>\$ 16,580,000</u>	<u>\$ 2,576,012</u>	<u>\$ 19,156,012</u>



**ROCKY POINT UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

**C. Premium on Refunding**

In the district-wide statements, the District is amortizing a refunding bond premium as a component of interest expense on a straight-line basis as follows:

Year Ending June 30,	Amortization of Premium
2019	\$ (72,084)
2020	(72,084)
2021	(72,084)
Total	\$ (216,252)

**D. Interest Expense**

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

Interest paid	\$ 663,813
Less interest accrued in the prior year	(39,796)
Plus interest accrued in the current year	31,200
Less amortization of deferred amounts on refunding	(72,084)
Total interest expense on long-term debt	\$ 583,133

**E. Unissued Debt**

On May 17, 2016, the voters approved a bond issue not to exceed \$16,439,513 for district-wide capital improvements. As of June 30, 2018, debt in the amount of \$9,500,000 has been issued, leaving \$6,939,513 in authorized but unissued debt.

**13. PENSION PLANS - NEW YORK STATE**

**A. General Information**

The District participates in the New York State Teachers' Retirement System (TRS) and the New York State and Local Employees' Retirement System (ERS). These are cost-sharing multiple employer, public employee retirement systems. The systems provide retirement, disability, withdrawal and death benefits to plan members and beneficiaries related to years of service and final average salary.

**B. Provisions and Administration**

**Teachers' Retirement System**

The TRS is administered by the New York State Teachers' Retirement Board. The TRS provides benefits to plan members and beneficiaries as authorized by the Education Law and the New York State Retirement and Social Security Law (NYSRSSL). Membership is mandatory and automatic for all full-time teachers, teaching assistants, guidance counselors and administrators employed in New York Public Schools and BOCES who elected to participate in the TRS. Once a public employer elects to participate in the TRS, the

**ROCKY POINT UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Continued)**

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election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. Additional information regarding the TRS may be found on the TRS website at [www.nystrs.org](http://www.nystrs.org) or obtained by writing to the New York State Teachers' Retirement System, 10 Corporate Woods Drive, Albany, NY 12211-2395.

**Employees' Retirement System**

Obligations of employers and employees to contribute and benefits to employees are governed by the NYSRSSL. The net position of the ERS is held in the New York State Common Retirement Fund (the Fund), which was established to hold all net assets and record changes in plan net position allocated to the ERS. As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as the trustee of the fund and is the administrative head of the ERS. Once a public employer elects to participate in the ERS, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The District also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The ERS is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits provided may be found on the NYS Comptroller's website at [www.osc.state.ny.us/retire/publications/index.php](http://www.osc.state.ny.us/retire/publications/index.php) or obtained by writing to the New York State and Local Employees' Retirement System, 110 State Street, Albany, NY 12244.

**C. Funding Policies**

Plan members who joined the systems before July 27, 1976, are not required to make contributions. Those joining on or after July 27, 1976, and before January 1, 2010, with less than ten years of credited services are required to contribute 3% of their salary. Those joining on or after January 1, 2010 and before April 1, 2012, are required to contribute 3% of their salary to ERS or 3.5% of their salary to TRS throughout active membership. Those joining on or after April 1, 2012, are required to contribute between 3% and 6% dependent on their salary throughout active membership. Employers are required to contribute at an actuarially determined rate based on covered salaries paid. For the TRS, the employers' contribution rate is established annually by the New York State Teachers' Retirement Board for the TRS' fiscal year ended June 30<sup>th</sup>, and employer contributions are deducted from state aid in the subsequent months of September, October and November. For the ERS, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions for the ERS' fiscal year ended March 31<sup>st</sup>, and employer contributions are either paid by the prior December 15<sup>th</sup> less a 1% discount or by the prior February 1<sup>st</sup>. The District paid 100% of the required contributions as billed by the TRS and ERS for the current year. The District's contribution rate was 11.72% of covered payroll for the TRS' fiscal year ended June 30, 2017. The District's average contribution rate was 14.9% of covered payroll for the ERS' fiscal year ended March 31, 2018.

The District's share of the required contributions, based on covered payroll for the District's year ended June 30, 2018 was \$3,058,118 for TRS and \$954,307 for ERS.

**ROCKY POINT UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

**D. Pension Asset/(Liability), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2018, the District reported the following asset/(liability) for its proportionate share of the net pension asset/(liability) for each of the systems. The net pension asset/(liability) was measured as of June 30, 2017, for TRS and March 31, 2018 for ERS. The total pension asset/(liability) used to calculate the net pension asset/(liability) was determined by an actuarial valuation. The District's proportion of the net pension asset/(liability) was based on a projection of the District's long-term share of contributions to the systems relative to the projected contributions of all participating members, actuarially determined. This information was provided by the TRS and the ERS in reports provided to the District.

	<u>TRS</u>	<u>ERS</u>
Measurement date	June 30, 2017	March 31, 2018
District's proportionate share of the net pension asset/(liability)	\$ 1,454,033	\$ (715,248)
District's portion of the Plan's total net pension asset/(liability)	0.1912950%	0.0221614%
Change in proportion since the prior measurement date	0.0005560	0.0016355

For the year ended June 30, 2018, the District recognized pension expense of \$3,552,799 for TRS and \$940,906 for ERS. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>	
	<u>TRS</u>	<u>ERS</u>	<u>TRS</u>	<u>ERS</u>
Differences between expected and actual experience	\$ 1,196,312	\$ 255,106	\$ 566,911	\$ 210,810
Changes of assumptions	14,795,073	474,268		
Net difference between projected and actual earnings on pension plan investments		1,038,841	3,424,669	2,050,568
Changes in proportion and differences between the District's contributions and proportionate share of contributions	68,858	231,995	62,867	14,682
District's contributions subsequent to the measurement date	<u>3,058,118</u>	<u>280,095</u>		
<b>Total</b>	<u>\$ 19,118,361</u>	<u>\$ 2,280,305</u>	<u>\$ 4,054,447</u>	<u>\$ 2,276,060</u>

**ROCKY POINT UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	TRS	ERS
2019	\$ 346,515	\$ 229,322
2020	3,924,357	177,156
2021	2,811,186	(475,447)
2022	705,419	(206,881)
2023	2,803,038	
Thereafter	1,415,281	
	\$ 12,005,796	\$ (275,850)

**Actuarial Assumptions**

The total pension liability as of the measurement date was determined by using an actuarial valuation as noted in the table below, with update procedures used to roll forward the total pension liability to the measurement date. The actuarial valuations used the following actuarial assumptions:

	TRS	ERS
Measurement date	June 30, 2017	March 31, 2018
Actuarial valuation date	June 30, 2016	April 1, 2017
Inflation	2.50%	2.50%
Salary increases	1.90-4.72%	3.80%
Investment rate of return (net of investment expense, including inflation)	7.25%	7.00%
Cost of living adjustments	1.50%	1.30%

For TRS, annuitant mortality rates are based on plan member experience, with adjustments for mortality improvements based on Society of Actuaries Scale MP-2014, applied on a generational basis. Active member mortality rates are based on plan member experience. For ERS, annuitant mortality rates are based on April 1, 2010 – March 31, 2015 System's experience with adjustments for mortality improvements based on Society of Actuaries Scale MP-2014.

For TRS, the actuarial assumptions were based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014. For ERS, the actuarial assumptions were based on the results of an actuarial experience study for the period April 1, 2010 – March 31, 2015.

For TRS, the long-term expected rate of return on pension plan investments was determined in accordance with Actuarial Standard of Practice (ASOP) No. 27, *Selection of Economic Assumptions for Measuring Pension Obligations*. ASOP No. 27 provides guidance on the selection of an appropriate assumed investment rate of return. Consideration was given to expected future real rates of return (expected returns, net of pension plan investment expense and inflation) for each major asset class, as well as historical investment data and plan performance.

For ERS, the long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected

**ROCKY POINT UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

return, net of investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of the arithmetic real rates of return for each major asset class are summarized below:

	TRS		ERS	
	Target Allocation	Long-term Expected Rate of Return	Target Allocation	Long-term Expected Rate of Return
Measurement date		June 30, 2017		March 31, 2018
Asset type				
Domestic equity	35.0%	5.90%	36.0%	4.55%
International equity	18.0%	7.40%	14.0%	6.35%
Real estate	11.0%	4.30%	10.0%	5.55%
Private equities	8.0%	9.00%	10.0%	7.50%
Alternative investments			8.0%	3.75-5.68%
Domestic fixed income securities	16.0%	1.60%		
Global fixed income securities	2.0%	1.30%		
High-yield fixed income securities	1.0%	3.90%		
Bonds and mortgages	8.0%	2.80%	17.0%	1.31%
Short-term	1.0%	0.60%		
Cash			1.0%	(0.25)%
Inflation indexed bonds			4.0%	1.25%
	100.0%		100.0%	

Real rates of return are net of a long-term inflation assumption of 2.2% for TRS and 2.5% for ERS.

**Discount Rate**

The discount rate used to measure the total pension liability was 7.25% for TRS and 7.0% for ERS (the discount rate used by the TRS at the prior year's measurement date of June 30, 2016, was 7.5%). The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based upon the assumptions, the systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**ROCKY POINT UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

**Sensitivity of the Proportionate Share of the Net Pension Asset/(Liability) to the Discount Rate Assumption**

The following presents the District's proportionate share of the net pension asset/(liability) calculated using the discount rate of 7.25% for TRS and 7.0% for ERS, as well as what the District's proportionate share of the net pension asset/(liability) would be if it were calculated using a discount rate that is 1 percentage point lower (6.25% for TRS and 6.0% for ERS) or 1 percentage point higher (8.25% for TRS and 8.0% for ERS) than the current rate:

TRS	1% Decrease (6.25)%	Current Assumption (7.25)%	1% Increase (8.25)%
District's proportionate share of the net pension asset (liability)	<u>\$ (25,048,690)</u>	<u>\$ 1,454,033</u>	<u>\$ 23,648,749</u>
ERS	1% Decrease (6.00)%	Current Assumption (7.00)%	1% Increase (8.00)%
District's proportionate share of the net pension asset (liability)	<u>\$ (5,411,758)</u>	<u>\$ (715,248)</u>	<u>\$ 3,257,812</u>

**Pension Plan Fiduciary Net Position**

The components of the current-year net pension liability of the employers as of the respective measurement dates, were as follows:

	TRS	ERS
	<i>(Dollars in Thousands)</i>	
Measurement date	June 30, 2017	March 31, 2018
Employers' total pension liability	<u>\$ (114,708,261)</u>	<u>\$ (183,400,590)</u>
Plan fiduciary net position	<u>115,468,360</u>	<u>180,173,145</u>
Employers' net pension asset/(liability)	<u>\$ 760,099</u>	<u>\$ (3,227,445)</u>
Ratio of plan fiduciary net position to the employers' total pension liability	100.66%	98.24%

**Payables to the Pension Plan**

For TRS, employer and employee contributions for the fiscal year ended June 30, 2018, are paid to the system in September, October and November 2018 through a state aid intercept. Accrued retirement contributions as of June 30, 2018, represent employer and employee contributions for the fiscal year ended June 30, 2018, based on paid TRS covered wages multiplied by the employer's contribution rate and employee contributions for the fiscal year as reported to the TRS. Accrued retirement contributions as of June 30, 2018 amounted to \$3,058,118 of employer contributions and \$99,222 of employee contributions.

**ROCKY POINT UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

For ERS, employer contributions are paid annually based on the system's fiscal year, which ends on March 31st. Accrued retirement contributions as of June 30, 2018, represent the projected employer contribution for the period of April 1, 2017 through June 30, 2018 based on paid ERS covered wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2018 amounted to \$280,095 of employer contributions. Employee contributions are remitted monthly.

**14. PENSION PLANS - OTHER**

**A. 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 compensated absence payments based on collectively bargained agreements. Contributions made by the District and the employees for the year ended June 30, 2018, totaled \$79,799 and \$1,552,186, respectively.

**B. Deferred Compensation Plan**

The District has established a deferred compensation plan in accordance with Internal Revenue Code §457 for all employees. The District makes no contributions into this Plan. The amount deferred by eligible employees for the year ended June 30, 2018 totaled \$202,019.

**15. POSTEMPLOYMENT HEALTHCARE BENEFITS**

**A. General Information about the OPEB Plan**

*Plan Description* – The District's defined benefit OPEB plan, provides OPEB for all permanent full-time employees of the District. The plan is a single-employer defined benefit OPEB plan administered by the District. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

*Benefits Provided* – The District provides healthcare and life insurance benefits for retirees and their dependents. The benefit terms are dependent on which contract each employee falls under. The specifics of each contract are on file at the District offices and are available upon request.

*Employees Covered by Benefit Terms* – At June 30, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	226
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	<u>443</u>
	<u><u>669</u></u>

**B. Total OPEB Liability**

The District's total OPEB liability of \$126,797,174 was measured as of June 30, 2018, and was determined by an actuarial valuation as of July 1, 2017. Update procedures were used to roll forward the total OPEB liability to the measurement date.

**ROCKY POINT UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

*Actuarial Assumptions and Other Inputs* – The total OPEB liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.20%	
Salary increases	10.47% - 3.20%	average, including inflation
Discount rate	3.87%	
Healthcare cost trend rates	5.50%	for 2018, decreasing to an ultimate rate of 3.84% by 2078
Retirees' share of benefit-related costs	0 - 15%	of projected health insurance premiums for retirees

The discount rate was based on the Bond Buyers General Obligation 20 Year Municipal Bond Index.

Mortality rates were based on the April 1, 2010 – March 31, 2015 NYSLRS experience, with adjustments for mortality improvements based on Society of Actuaries' Scale MP-2014.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period April 1, 2010 – March 31, 2015.

**C. Changes in the Total OPEB Liability**

Balance at June 30, 2017	<u>\$ 127,220,891</u>
Changes for the year	
Service cost	4,242,571
Interest	4,504,219
Changes of benefit terms	
Differences between expected and actual experience	
Changes in assumptions or other inputs	(6,361,045)
Benefit payments	<u>(2,809,462)</u>
	<u>(423,717)</u>
Balance at June 30, 2018	<u>\$ 126,797,174</u>

Changes of assumptions and other inputs reflect a change in the discount rate from 3.58% in 2017 to 3.87% in 2018.

*Sensitivity of the Total OPEB Liability to Changes in the Discount Rate* – The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.87%) or 1 percentage point higher (4.87%) than the current discount rate:

<u>OPEB</u>	<u>1% Decrease (2.87)%</u>	<u>Discount Rate (3.87)%</u>	<u>1% Increase (4.87)%</u>
Total OPEB liability	<u>\$ (154,359,826)</u>	<u>\$ (126,797,174)</u>	<u>\$ (109,069,189)</u>



**ROCKY POINT UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

*Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates* – The following presents the total OPEB liability of the District, as well as what the District’s total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower (4.50%) or 1 percentage point higher (6.50%) than the current healthcare cost trend rate:

OPEB	1% Decrease (4.50)%	Healthcare Cost Trend Rates (5.50)%	1% Increase (6.50)%
Total OPEB liability	<u>\$ (107,542,538)</u>	<u>\$ (126,797,174)</u>	<u>\$ (156,777,023)</u>

**D. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

For the year ended June 30, 2018, the District recognized OPEB expense of \$8,050,150. At June 30, 2018, the District reported deferred inflows of resources related to OPEB from the following sources:

	Deferred	
	Outflows of Resources	Inflows of Resources
Differences between expected and actual experience	\$	\$
Changes of assumptions		5,664,405
Total	\$ -	\$ 5,664,405

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30,	Amount
2019	\$ (696,640)
2020	(696,640)
2021	(696,640)
2022	(696,640)
2023	(696,640)
Thereafter	(2,181,205)
	\$ (5,664,405)

**ROCKY POINT UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

**16. RISK MANAGEMENT**

**A. General Information**

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.

**B. Risk Retention**

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:

	2017	2018
Unpaid claims at beginning of year	\$ 664,932	\$ 603,311
Incurred claims and claim adjustment expenses	329,296	243,202
Claim payments	(390,917)	(367,987)
Unpaid claims at year end	\$ 603,311	\$ 478,526

**C. Public Entity Risk Pool**

The District participates in New York Schools Insurance Reciprocal (NYSIR), a non-risk-retained public entity risk pool for its property and liability insurance coverage. The pool is operated for the benefit of individual governmental units located within the pool's geographic area, and is considered a self-sustaining risk pool that will provide coverage for its members. The pool obtains independent coverage for insured events in excess of certain defined limits, and the District has essentially transferred all related risk to the pool.

**17. RESTRICTED FUND BALANCE – APPROPRIATED RESERVES**

The District expects to appropriate the following amounts from reserves, which are reported in the June 30, 2018 restricted fund balances, to fund the budget and reduce taxes for the year ending June 30, 2019:

Workers' Compensation	\$ 600,000
Unemployment Insurance	50,000
Retirement Contributions	1,045,009
Employee Benefit Accrued Liability	583,000
Debt Service	22,801
	\$ 2,300,810

**18. ASSIGNED: APPROPRIATED FUND BALANCE**

The amount of \$2,183,000 has been appropriated to reduce taxes for the year ending June 30, 2019.

**ROCKY POINT UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

**19. RESTATEMENT OF NET POSITION**

For the fiscal year ended June 30, 2018, the District implemented GASB Statement No. 75. The implementation of Statement No. 75 resulted in the reporting of a change in the liability for other postemployment benefits obligation and a deferred outflow of resources. The District's net position has been restated as follows:

Net position beginning of year, as previously stated	<u>\$ 31,966,068</u>
GASB Statement No. 75 implementation	
Beginning total other postemployment benefits obligation	(127,220,891)
Less: Net other postemployment benefits obligation under GASB Statement No. 45	<u>38,512,608</u>
	<u>(88,708,283)</u>
 Net position (deficit) beginning of year, as restated	 <u><u>\$(56,742,215)</u></u>

**20. COMMITMENTS AND CONTINGENCIES**

**A. Encumbrances**

All encumbrances are classified as either restricted or assigned fund balance. At June 30, 2018, the District encumbered the following amounts:

Assigned: Unappropriated Fund Balance:	
General Fund	
General Support	\$ 1,457,970
Instruction	<u>295,890</u>
	1,753,860
Capital Projects	
Capital Projects Fund	<u>4,856,209</u>
	 <u><u>\$ 6,610,069</u></u>

**B. 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, would be immaterial.

**C. Litigation**

The District is not aware of any material pending or threatened litigation claims against the District. The District is also unaware of any unasserted claims or assessments that would require financial statement disclosure.

**ROCKY POINT UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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**21. SUBSEQUENT EVENTS**

The District has evaluated subsequent events through the date of the auditor's report, which is the date the financial statements were available to be issued. No significant events were identified that would require adjustment of or disclosure in the financial statements, except for the following:

**A. Issuance of TANs**

On July 26, 2018, the District issued tax anticipation notes in the amount of \$4,500,000, which are due June 25, 2019 and bear interest at rates ranging from 1.77% to 3.00%.

**B.** On July 26, 2018, the District issued serial bonds in the amount of \$6,715,000, which are payable through June 15, 2033. Interest on the bonds is paid semi-annually at an interest rate of 3%.

**SUPPLEMENTARY INFORMATION**

**ROCKY POINT UNION FREE SCHOOL DISTRICT**  
**Schedule of Revenues, Expenditures and Changes In Fund Balance**  
**Budget and Actual - General Fund**  
**For the Year Ended June 30, 2018**

	Original Budget	Final Budget	Actual	Final Budget Variance with Actual
<b>REVENUES</b>				
<b>Local Sources</b>				
Real property taxes	\$ 43,404,259	\$ 43,404,259	\$ 43,578,119	\$ 173,860
Other tax items	6,225,000	6,225,000	6,051,213	(173,787)
Charges for services	123,000	123,000	254,585	131,585
Use of money and property	35,500	35,500	87,662	52,162
Sale of property and compensation for loss			45,813	45,813
Miscellaneous	234,000	239,913	659,020	419,107
<b>Total Local Sources</b>	<b>50,021,759</b>	<b>50,027,672</b>	<b>50,676,412</b>	<b>648,740</b>
State Sources	29,139,281	29,139,281	28,397,072	(742,209)
Medicaid Reimbursement	37,000	37,000	89,169	52,169
<b>Total Revenues</b>	<b>79,198,040</b>	<b>79,203,953</b>	<b>79,162,653</b>	<b>(41,300)</b>
<b>OTHER FINANCING SOURCES</b>				
Operating Transfers In	100,000	100,000	100,000	-
<b>Total Revenues and Other Sources</b>	<b>79,298,040</b>	<b>79,303,953</b>	<b>79,262,653</b>	<b>\$ (41,300)</b>
<b>APPROPRIATED FUND BALANCE</b>				
Prior Years' Surplus	2,105,309	2,105,309		
Prior Year's Encumbrances	1,415,164	1,415,164		
Appropriated Reserves	1,882,997	5,268,962		
<b>Total Appropriated Fund Balance</b>	<b>5,403,470</b>	<b>8,789,435</b>		
<b>Total Revenues, Other Sources and Appropriated Fund Balance</b>	<b>\$ 84,701,510</b>	<b>\$ 88,093,388</b>		

**Note to Required Supplementary Information**

**Budget Basis of Accounting**

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

**ROCKY POINT UNION FREE SCHOOL DISTRICT**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual - General Fund (Continued)**  
**For the Year Ended June 30, 2018**

	Original Budget	Final Budget	Actual	Year End Encumbrances	Final Budget Variance with Actual & Encumbrances
<b>EXPENDITURES</b>					
<b>General Support</b>					
Board of education	\$ 38,405	\$ 38,935	\$ 28,247	\$ -	\$ 10,688
Central administration	389,965	394,448	382,563		11,885
Finance	838,268	1,013,596	911,263	8,500	93,833
Staff	591,516	648,372	533,941		114,431
Central services	7,458,311	9,078,497	7,364,328	1,449,470	264,699
Special Items	848,725	848,725	820,839		27,886
<b>Total General Support</b>	<b>10,165,190</b>	<b>12,022,573</b>	<b>10,041,181</b>	<b>1,457,970</b>	<b>523,422</b>
<b>Instruction</b>					
Administration & Improvement	2,869,026	2,813,601	2,513,665	3,441	296,495
Teaching - regular school Programs for students with disabilities	23,739,351	22,822,295	22,092,652	191,701	537,942
Occupational education	14,476,568	13,758,790	13,251,314	1,814	505,662
Teaching - special schools	1,243,440	1,243,698	1,218,381		25,317
Instructional media	1,002,388	1,002,388	770,340		232,048
Pupil services	908,830	990,464	787,194	89,611	113,659
	3,754,558	3,828,233	3,670,379	9,323	148,531
<b>Total Instruction</b>	<b>47,994,161</b>	<b>46,459,469</b>	<b>44,303,925</b>	<b>295,890</b>	<b>1,859,654</b>
Pupil Transportation	5,034,318	4,818,779	4,535,431		283,348
Employee Benefits	17,498,760	17,397,521	16,966,760		430,761
<b>Debt Service</b>					
Principal Interest	-	-	-		-
	95,000	95,000	65,394		29,606
<b>Total Debt Service</b>	<b>95,000</b>	<b>95,000</b>	<b>65,394</b>	<b>-</b>	<b>29,606</b>
<b>Total Expenditures</b>	<b>80,787,429</b>	<b>80,793,342</b>	<b>75,912,691</b>	<b>1,753,860</b>	<b>3,126,791</b>
<b>OTHER USES</b>					
Operating Transfers Out	3,914,081	7,300,046	7,235,285		64,761
<b>Total Expenditures and Other Uses</b>	<b>\$ 84,701,510</b>	<b>\$ 88,093,388</b>	<b>83,147,976</b>	<b>\$ 1,753,860</b>	<b>\$ 3,191,552</b>
<b>Net Change in Fund Balance</b>			<b>(3,885,323)</b>		
<b>Fund Balance - Beginning of Year</b>			<b>25,324,963</b>		
<b>Fund Balance - End of Year</b>			<b>\$ 21,439,640</b>		

**Note to Required Supplementary Information**

**Budget Basis of Accounting**

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

**ROCKY POINT UNION FREE SCHOOL DISTRICT**  
**Schedule of the District's Proportionate Share of the Net Pension Asset/Liability**  
**Last Five Fiscal Years**

*Teachers' Retirement System*

	2018	2017	2016	2015	2014
District's proportion of the net pension asset (liability)	0.1912950%	0.1907390%	0.1920870%	0.1921920%	0.1846500%
District's proportionate share of the net pension asset (liability)	\$ 1,454,033	\$ (2,042,891)	\$ 19,951,689	\$ 21,408,959	\$ 1,215,462
District's covered payroll	\$ 30,361,397	\$ 29,837,597	\$ 29,330,293	\$ 28,863,547	\$ 27,413,149
District's proportionate share of the net pension asset (liability) as a percentage of its covered payroll	4.79 %	(6.85)%	68.02 %	74.17 %	4.43 %
Plan fiduciary net position as a percentage of the total pension liability	100.66%	99.01%	110.46%	111.48%	100.70%

*Employees' Retirement System*

	2018	2017	2016	2015	2014
District's proportion of the net pension liability	0.0221614%	0.0205259%	0.0209623%	0.0213375%	0.0213375%
District's proportionate share of the net pension liability	\$ (715,248)	\$ (1,928,662)	\$ (3,364,507)	\$ (720,832)	\$ (964,210)
District's covered payroll	\$ 6,754,339	\$ 5,798,809	\$ 6,004,599	\$ 5,967,941	\$ 5,876,902
District's proportionate share of the net pension liability as a percentage of its covered payroll	(10.59)%	(33.26)%	(56.03)%	(12.08)%	(16.41)%
Plan fiduciary net position as a percentage of the total pension liability	98.24%	94.70%	90.70%	97.90%	97.20%

**Note to Required Supplementary Information**

**Teachers' Retirement System**

The discount rate decreased from 8.0% to 7.5% to 7.25% as reflected in 2016, 2017 and 2018 above.

**Employees' Retirement System**

The discount rate decreased from 7.5% to 7.0% as reflected in 2015 and 2016 above.



**ROCKY POINT UNION FREE SCHOOL DISTRICT**  
**Schedule of District Pension Contributions**  
**Last Ten Fiscal Years**

*Teachers' Retirement System*

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually required contribution	\$ 3,058,118	\$ 3,553,573	\$ 3,902,802	\$ 5,058,112	\$ 4,613,327	\$ 3,202,382	\$ 2,968,191	\$ 2,278,162	\$ 1,586,463	\$ 1,914,890
Contributions in relation to the contractually required contribution	<u>3,058,118</u>	<u>3,553,573</u>	<u>3,902,802</u>	<u>5,058,112</u>	<u>4,613,327</u>	<u>3,202,382</u>	<u>2,968,191</u>	<u>2,278,162</u>	<u>1,586,463</u>	<u>1,914,890</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 31,205,286	\$ 30,361,397	\$ 29,837,597	\$ 29,330,293	\$ 28,863,547	\$ 27,413,149	\$ 27,067,061	\$ 26,855,362	\$ 25,992,425	\$ 25,480,860
Contributions as a percentage of covered payroll	10%	12%	13%	17%	16%	12%	11%	8%	6%	8%

*Employees' Retirement System*

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually required contribution	\$ 954,307	\$ 891,815	\$ 1,056,812	\$ 1,006,747	\$ 1,103,423	\$ 1,009,429	\$ 778,468	\$ 677,186	\$ 420,588	\$ 371,697
Contributions in relation to the contractually required contribution	<u>954,307</u>	<u>891,815</u>	<u>1,056,812</u>	<u>1,086,747</u>	<u>1,103,423</u>	<u>1,009,429</u>	<u>778,468</u>	<u>677,186</u>	<u>420,588</u>	<u>371,697</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 6,393,775	\$ 5,798,809	\$ 6,170,976	\$ 6,060,580	\$ 5,896,138	\$ 5,704,899	\$ 5,621,245	\$ 5,698,163	\$ 5,643,202	\$ 5,472,222
Contributions as a percentage of covered payroll	15%	15%	17%	18%	19%	18%	14%	12%	7%	7%

See Paragraph on Required Supplementary Information Included in Auditor's Report

**ROCKY POINT UNION FREE SCHOOL DISTRICT**  
**Schedule of Changes in the District's Total OPEB Liability and Related Ratios**  
**Last Fiscal Year**

	<b>2018</b>
<b>Total OPEB liability</b>	
Service cost	\$ 4,242,571
Interest	4,504,219
Changes in benefit terms	.
Differences between expected and actual experience	.
Changes of assumptions or other inputs	(6,361,045)
Benefit payments	(2,809,462)
Net change in total OPEB liability	(423,717)
<b>Total OPEB liability, beginning</b>	<b>127,220,891</b>
<b>Total OPEB liability, ending</b>	<b>\$ 126,797,174</b>
<b>Covered employee payroll</b>	<b>\$ 34,807,204</b>
<b>Total OPEB liability as a percentage of covered employee payroll</b>	<b>364.28%</b>

**Notes to Schedule:**

**Trust Assets**

There are no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits.

The amounts presented for the fiscal year were determined as of the measurement date of the plan.

**Change of Assumptions**

The discount rate was 3.58% as of June 30, 2017

The discount rate was 3.87% as of June 30, 2018

**ROCKY POINT UNION FREE SCHOOL DISTRICT**  
**Schedules of Change from Adopted Budget to Final Budget**  
**and the Real Property Tax Limit - General Fund**  
**For the Year Ended June 30, 2018**

**CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET**

Adopted Budget		\$ 83,286,346
Additions:		
Prior year's encumbrances		<u>1,415,164</u>
Original Budget		84,701,510
Budget revision		<u>3,391,878</u>
Final Budget		<u>\$ 88,093,388</u>

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

2018-19 voter-approved expenditure budget		<u>\$ 86,128,785</u>
Maximum allowed (4% of 2018-19 budget)		<u>\$ 3,445,151</u>
<b>General Fund Fund Balance Subject to § 1318 of Real Property Tax Law:</b>		
Unrestricted fund balance:		
Assigned fund balance	\$ 3,936,860	
Unassigned fund balance	<u>3,445,151</u>	
		\$ 7,382,011
Less:		
Appropriated fund balance	2,183,000	
Encumbrances	<u>1,753,860</u>	
Total adjustments		<u>3,936,860</u>
General Fund Fund Balance Subject to § 1318 of Real Property Tax Law:		<u>\$ 3,445,151</u>
Actual Percentage		4.00%

**ROCKY POINT UNION FREE SCHOOL DISTRICT**  
**Schedule of Project Expenditures and Financing Resources - Capital Projects Fund**  
**For the Year Ended June 30, 2018**

PROJECT TITLE	Budget June 30, 2017	Budget June 30, 2018	Expenditures			Unexpended Balance	Methods of Financing			Fund Balance June 30, 2018	
			Prior Years	Current Year	Total		Proceeds of Obligations	State Aid	Local Sources		Total
District Wide	\$ 475,788	\$ 104,018	\$ 6,747	\$ 84,261	\$ 91,008	\$ 13,010	\$ 104,018	\$ -	\$ -	\$ 104,018	\$ 13,010
F.J. Carasiti - Playground	39,013	41,364	31,262	2,664	33,926	7,438	41,364			41,364	7,438
J.A. Edgar		23,637		23,637	23,637	-	23,637			23,637	-
F.J. Carasiti	282,400	247,400	232,107	4,074	232,107	15,293	247,400			247,400	15,293
F.J. Carasiti	8,500	8,500	1,860	5,934	5,934	2,566	8,500			8,500	2,566
F.J. Carasiti	50,000	50,000	12,865	10,145	23,010	26,990	50,000			50,000	26,990
F.J. Carasiti	1,296,448	374,330		68,001	68,001	306,329	374,330			374,330	306,329
J.A. Edgar	387,800	360,800	11,429	327,855	339,284	21,516	360,800			360,800	21,516
J.A. Edgar	2,393,227	3,201,697	111,876	2,608,576	2,720,452	481,245	3,201,697			3,201,697	481,245
MSHS	691,315	729,159	53,178	548,845	602,023	127,136	729,159			729,159	127,136
MSHS	1,784,357	2,584,653	46,864	1,323,399	1,369,463	1,215,190	2,584,653			2,584,653	1,215,190
MSHS	2,091,152	1,631,442		508,768	508,768	1,122,674	1,631,442			1,631,442	1,122,674
Pitt Field		2,168,840		92,022	92,022	2,076,818	90,000		2,078,840	2,168,840	2,076,818
HSMS Music Room		792,125		59,945	59,945	732,180	35,000		757,125	792,125	732,180
District-wide Security System Upgrades		568,000		11,853	11,853	556,147	18,000		550,000	568,000	556,147
<b>Totals</b>	<b>\$ 9,500,000</b>	<b>\$ 12,885,965</b>	<b>\$ 507,388</b>	<b>\$ 5,674,045</b>	<b>\$ 6,181,433</b>	<b>\$ 6,704,532</b>	<b>\$ 9,500,000</b>	<b>\$ -</b>	<b>\$ 3,385,965</b>	<b>\$ 12,885,965</b>	<b>\$ 6,704,532</b>

See Paragraph on Other Supplementary Information Included in Auditor's Report

**ROCKY POINT UNION FREE SCHOOL DISTRICT**  
**Net Investment in Capital Assets**  
**June 30, 2018**

Capital assets, net	<u>\$ 50,075,610</u>
Deduct:	
Short-term portion of bonds payable	3,120,000
Long-term portion of bonds payable	13,460,000
Less: Unspent bond proceeds	<u>(3,482,387)</u>
	<u>13,097,613</u>
Net Investment in Capital Assets	<u>\$ 36,977,997</u>

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

To the Board of Education  
Rocky Point Union Free School District

We have audited, 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, the financial statements of the governmental activities, each major fund, and the fiduciary funds of the Rocky Point Union Free School District, as of and for the fiscal year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Rocky Point Union Free School District's basic financial statements, and have issued our report thereon dated October 12, 2018.

**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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the 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*

R.S. Abrams & Co., LLP  
Islandia, NY  
October 12, 2018