

MASCONOMET REGIONAL SCHOOL DISTRICT

Financial Statements

For the Year Ended June 30, 2014

(With Accountants' Report Thereon)

Masconomet Regional School District
Table of Contents
For the Year Ended June 30, 2014

	Page
Independent Auditors' Report	1,2
Management's Discussion and Analysis (Required Supplementary Information)	3-9
Basic Financial Statements	
Government-wide Financial Statements	
• Statement of Net Position	10
• Statement of Activities	11
Fund Financial Statements	
• Balance Sheet – Governmental Funds	12
• Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds	13
• Reconciliation of the Governmental Funds Balance Sheet - Total Fund Balances to the Statement of Net Position	14
• Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	15
• Statement of Fiduciary Net Position – Fiduciary Funds	16
• Statement of Changes in Fiduciary Net Position – Fiduciary Funds	17
Notes to the Financial Statements	18-31
Required Supplementary Information	
• Statement of Revenues and Expenditures – Budget and Actual - General Fund	33
• Essex Regional Retirement System – Schedule of Funding Progress	34
• Essex Regional Retirement System – Schedule of Employer’s Contributions	35
• GASB 45 – Schedule of Funding Progress	36
• GASB 45 – Valuation Details	37
• Notes to the Required Supplementary Information	38-40
Supplementary Information	
• Schedule of Non Major Governmental Funds	42,43

Masconomet Regional School District
Table of Contents
For the Year Ended June 30, 2014

	Page
Schedule of Expenditures of Federal Awards	44
Notes to Schedule of Expenditures of Federal Awards	45
Independent Auditors Report on Internal Control Over Financial Reporting and On Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Governmental Auditing Standards</i>	46,47
Independent Auditors Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133	48,49
Schedule of Findings and Questioned Costs	50

INDEPENDENT AUDITORS REPORT

School Committee
Masconomet Regional School District
20 Endicott Road
Boxford, Massachusetts 01921

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Masconomet Regional School District, Massachusetts as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Masconomet Regional School District, as of June 30, 2014 and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary statement, the retirement system schedules and the other post employment benefit schedules listed in the table of contents 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 an opinion on the financial statements that collectively comprise the District's basic financial statements. The schedule of non major governmental funds, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The schedule of non major governmental funds and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate 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 schedule of non major governmental funds and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our reported dated October 10, 2014, on our consideration of the Masconomet Regional 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 Masconomet Regional School District's internal control over financial reporting and compliance.

Giusti, Hingston and Company

Giusti, Hingston and Company
Certified Public Accountants
Georgetown, Massachusetts
October 10, 2014

**Masconomet Regional School District
Management's Discussion and Analysis
Required Supplementary Information
June 30, 2014**

As management of the Masconomet Regional School District, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the Masconomet Regional School District for the fiscal year ended June 30, 2014.

Financial Highlights

- The assets of the Masconomet Regional School District exceeded its liabilities at the close of the most recent fiscal year by \$3,727,487 (*Net Position – Page 10*).
- The net position of the District decreased by \$4,630,563 (Page 6). \$4,109,325 of the decrease relates to the current year accrual of the Other Post Employment Benefits that must be recorded in accordance with the GASB 45 requirements. In addition, the decrease also includes \$1,247,569 (Page 25) of depreciation expense (relating to the Building Project and other fixed assets) that was recorded in the current year in accordance with the GASB 34 requirements.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$1,494,784 (Page 12), (\$398,868 of this fund balance amount relates to the Stabilization Fund which is now required to be included with the general fund for financial statement purposes in accordance with the new GASB 54 requirements. Please see the Notes to the Financial Statements for a description of the new GASB 54 requirements on Pages 20 through 22).
- The Masconomet Regional School District's total debt decreased by 10 percent during the current year. The decrease was the result of the retirement of \$1,635,000 (Page 8) of general obligation bonds

Overview of the Financial Statements

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Masconomet Regional School District's finances, in a manner similar to private-sector business.

The *Statement of Net Position* presents information on all of the Masconomet Regional School District's assets and liabilities, with the differences between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Masconomet Regional School District is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise of the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements report the District's governmental activities (there are no business-type activities). The District's activities are classified as follows:

- **Governmental Activities** – Activities reported here are for educational purposes. Member assessment, charges for services, federal, state and other miscellaneous revenues finance these activities.

Fund financial statements. 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 Masconomet Regional School District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. All of the funds of the Masconomet Regional School District can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government'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*.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's programs. The accounting used for fiduciary funds is similar to that used for the government-wide financial statements.

Agency funds are reported and combined into a single, aggregate presentation in the fiduciary fund financial statements.

Reconciliation of Government-wide Financial Statements to Fund Financial Statements

The governmental activities of the government-wide financial statements and the governmental funds of the fund financial statements do not use the same accounting basis and measurement focus. In accordance with the GASB 34 requirements, capital assets and long-term liabilities are not included on the balance sheet of the governmental funds, but are included on the Statement of Net Position. Capital assets are recorded as expenditures when they are purchased in the governmental funds and depreciated over the useful life in the government-wide financial statements. We have included schedules that provide a crosswalk from the government-wide financial statements to the governmental funds of the fund financial statements:

- Reconciliation of the Governmental funds balance sheet – total fund balances to the Statement of Net Position.
- Reconciliation of the statement of revenues and expenditures and changes in fund balance of governmental funds to the statement of activities.

Net Position

Net position may serve over time as a useful indicator of a government’s financial position. The following table reflects the condensed net position.

	<u>Governmental Activities</u>	
	<u>2014</u>	<u>2013</u>
Current Assets	\$ 5,680,674	\$ 4,859,041
Noncurrent Assets	8,696,238	9,862,428
Capital Assets	32,247,302	33,483,171
Total Assets	46,624,214	48,204,640
Current Liabilities	2,969,189	2,240,339
Long Term Liabilities	40,002,538	37,606,251
Total Liabilities	42,971,727	39,846,590
Net Position:		
Net Investment in Capital Assets	26,847,664	27,272,853
Restricted	1,977,401	1,850,856
Unrestricted (Deficit) (See Note Below)	(25,097,578)	(20,765,659)
Total Net Position	\$ 3,727,487	\$ 8,358,050

The reason the unrestricted Net Position reflects a deficit is that the GASB 45 OPEB (Other Post Employment Benefits) liability of \$26,670,000, is required to be recorded in the Statement of Net Position.

The net position of the District decreased by \$4,630,563. \$4,109,325 of the decrease relates to the current year accrual of the Other Post Employment Benefits that must be recorded in accordance with GASB 45 requirements. In addition, the decrease also includes \$1,247,569 (Page 25) of depreciation expense (relating to the Building Project and other fixed assets) that was recorded in the current year in accordance with the GASB 34 requirements.

Changes in Net Position

The following condensed financial information was derived from the government-wide Statement of Activities. It reflects how the District's net position has changed during the fiscal year.

	<u>Governmental Activities</u>	
	<u>2014</u>	<u>2013</u>
Revenues		
Program Revenues:		
Charges for Services	\$ 2,018,495	\$ 2,076,020
Operating Grants and MTRB Contributions	6,020,962	6,047,926

	<u>Governmental Activities</u>	
	<u>2014</u>	<u>2013</u>
General Revenues:		
Assessments to Member Towns - Operating	21,412,910	20,536,048
Assessments to Member Towns - Capital/Debt	1,077,866	1,077,488
Intergovernmental - Unrestricted	4,826,345	4,770,799
Unrestricted Investment Earnings	9,039	9,735
Other Revenue	12,613	2,204
Transfers In (Out)	-	(112,891)
Total Revenues	<u>35,378,230</u>	<u>34,407,329</u>
Expenses		
Instruction:		
Middle School	6,725,245	6,408,307
High School	13,788,424	13,244,815
Special Education	3,980,045	3,841,663
Other	496,571	412,787
Support Services:		
Administration	419,873	386,869
Business	5,708,919	5,240,562
Buildings and Grounds	3,041,312	3,008,134
Food Services	777,004	816,385
MTRS On-Behalf Payments	3,988,773	4,015,695
Student Activity Funds	350,659	334,955
Debt Service	731,968	792,307
Total Expenses	<u>40,008,793</u>	<u>38,502,479</u>
Increase (Decrease) in Net Position	<u>\$ (4,630,563)</u>	<u>\$ (4,095,150)</u>

Governmental Activities

In fiscal year 2014 and 2013 member assessments accounted for approximately 61% and 63% (respectively) of the total revenues.

Financial Analysis of the District's Funds

Governmental Funds

General Fund

Based upon the balance sheet as of the close of each fiscal year, the Commonwealth of Massachusetts Department of Revenue (DOR) determines the amount of fund balance (general fund) available for appropriation. In general, this amount (commonly known as "Excess and Deficiency" or "E&D") is generated when actual revenues on a cash basis exceed budgeted amounts and expenditures and encumbrances (unpaid commitments) are less than appropriations, or both.

The following table reflects the trend in all the components of fund balance and details the Excess and Deficiency.

**Changes in Fund Balance
General Fund**

<u>Fiscal Year</u>	<u>Unreserved</u>	<u>Total Fund Balance</u>	<u>Excess and Deficiency</u>
2009	\$ 965,204	\$ 965,204	\$ 1,003,437
2010	1,240,954	1,240,954	1,244,902

<u>Fiscal Year</u>	<u>Unassigned</u>	<u>Total Fund Balance</u>	<u>Excess and Deficiency</u>
2011	\$ 1,720,052	\$ 1,720,052	\$ 1,086,801
2012	1,735,010	1,735,010	1,206,868
2013	1,783,409	1,783,409	1,311,833
2014 *	1,494,784	1,494,784 *	1,255,668 Estimate

* The fiscal year ended June 30, 2014 fund balance amount includes \$398,868, which relates to the Stabilization Fund, which is required to be included with the general fund for financial statement purposes in accordance with the new GASB 54 requirements. The change in the total fund balance from fiscal year 2013 to 2014, is also shown on Page 13 of the fund financial statements. The reduction in Excess and Deficiency (from fiscal year 2013 to 2014), is less than the reduction in total fund balance because the fund financial statements include certain accrual adjustments, that do not effect Excess and Deficiency. Please see the Notes to the Financial Statements for a description of the new GASB 54 requirements.

Capital Asset and Debt Administration

Capital assets. The Masconomet Regional School District's investment in capital assets for its governmental activities as of June 30, 2014, amounts to \$32,247,302 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, vehicles and furniture, fixtures and equipment. The capital assets as of June 30, 2013 and 2014 are as follows:

**Capital Assets at June 30
(Net of Depreciation)**

	Governmental Activities	
	<u>2014</u>	<u>2013</u>
Land	\$ 86,950	\$ 86,950
Total Capital Assets Not Being Depreciated	<u>86,950</u>	<u>86,950</u>
Buildings and Improvements	32,010,199	33,187,608
Furniture, Fixtures and Equipment	115,738	178,076
Vehicles	34,415	30,537
Total Capital Assets Being Depreciated	<u>32,160,352</u>	<u>33,396,221</u>
Total	<u><u>\$ 32,247,302</u></u>	<u><u>\$ 33,483,171</u></u>

Debt

The District had \$14,960,000 in bonds outstanding on June 30, 2014. This represents a \$1,635,000 decrease or 10% reduction from the previous year.

Outstanding Debt at June 30

Governmental Activities	<u>2014</u>	<u>2013</u>
General Obligation Bonds Payable	\$ 14,960,000	\$ 16,595,000

Fiscal Year 2014 and 2015 Budgets

In May, voters in all three towns approved the fiscal year 2014 budget adopted by the School Committee. The budget adopted by the School Committee included state aid estimates available at the time. The final approved state budget in July included an increase in funding for Chapter 70 (general aid for education) and regional school transportation reimbursement; \$52,300 and \$47,262 respectively. Although Chapter 70 receipts typically mirror the information provided on the Cherry Sheet, transportation reimbursement does not. The transportation receipts in fiscal year 2014 were less than the amount noted on the Cherry Sheet by \$25,083 but higher than the amount anticipated when the budget was adopted by \$22,179. In the end, the year closed with a positive revenue variance of \$85,857; \$74,479 of this was from the aforementioned changes in state aid.

During the year there were a number of favorable variances in the expenditure accounts. The most noteworthy appear in the salary accounts, school supply and services accounts, and the employee benefit section. Savings of \$109,538 accumulated in the salary accounts for the following reasons: 1) There were several staff members who took "leaves of absence" midyear. Long term substitutes were hired to fill these positions at a lower rate of pay. 2) There was a lag between when vacancies occurred and when replacements could be appointed. 3) Several staff members did not move on the salary guide as planned. 4) There were several positions and/or FTEs not filled; 1 behavior shadow, a part time math tutor, and a .2 English Language Learner teacher. There were also savings in non-salary accounts including \$68,362 in supplies and materials for the schools and \$112,469 in benefits.

As is true in any year, there are also areas where unfavorable variances occur in expenditure accounts. In fiscal year 2014 there were two areas where these deficits proved to be significant; special education out of district placement costs and utilities. In the second quarter of fiscal year 2014, the District encountered unusual growth in the number of special education out of district placements. The anticipated deficit in this area at that time was \$136,390. By the end of the third quarter, the projected deficit had grown to \$324,273. By year end, the deficit was slightly lower at \$312,075. The electricity contracts expired in December and unfortunately, the rates were at an unprecedented high in the months leading up to, at the time of, and after, the contract expiration. In an attempt to mitigate the longer term impact of the spiking rates, the District entered into a series of short term arrangements to ensure service through the winter and spring months. The utility deficit that resulted from this rate volatility reached \$79,000 by the close of the year.

Transfers and other transactions that occurred in fiscal year 2014 include four (4) appropriations from the Excess and Deficiency fund. These transactions totaled \$73,550. These transactions are as follows: 1) \$30,000 for the superintendent search, 2) \$20,000 for New England Association of Schools and Colleges accreditation review, 3) \$150 for a prior year expense, and 4) \$23,400 to pay for durable goods that were cut from the fiscal year 2015 budget. In addition, the District approved two appropriations from the stabilization fund - \$75,000 for technology infrastructure and \$43,000 to repair the High School elevator. The District also closed two capital project funds; the Door and Security project was closed to the stabilization fund (\$682.60) and the Lighting Retrofit project was closed to the stabilization fund (\$43,675.12).

By the close of the fiscal year, the final revenue surplus was \$85,857 and overspent appropriations totaled \$68,472, thus the District closed the fiscal year with an favorable balance of \$17,385 (see page 33). Other activity that occurred in fiscal year 2014 that impacted the fund balance included four appropriations totaling \$73,550 from the Excess and Deficiency fund. Two capital project funds were also closed in fiscal year 2014 totaling \$44,358. Finally, there were two appropriations made from the stabilization fund totaling \$118,000. The net impact of all transactions resulted in a decrease in both the general fund and stabilization fund balance at the close of fiscal year 2014.

Fortunately for fiscal year 2015, overrides were not necessary in two of the three Towns and in the Town that elected to put forth an override, the override passed. After the passage of the budget and the fiscal year began, the state approved an fiscal year 2015 budget that provided more state aid for education than was anticipated when the local budgets were adopted in the spring. The increase in state aid is estimated to be \$91,741. The District is closely monitoring both the special education out of District placement accounts as well as the utility accounts as these areas are currently running over budget in fiscal year 2015. With careful monitoring, the administration believes that they will be able to manage the budget in fiscal year 2015 in a manner that will result in a neutral impact on the overall financial condition of the organization in spite of these challenges.

Masconomet Regional School District
Statement of Net Position
June 30, 2014

	Government - Wide <u>Activities</u>
Assets	
Current:	
Cash/Investments	\$ 4,689,303
Accounts Receivable:	
Intergovernmental	991,371
Noncurrent:	
Accounts Receivable:	
Intergovernmental	8,696,238
Capital Assets:	
Assets Not Being Depreciated (Land)	86,950
Assets Being Depreciated, Net	<u>32,160,352</u>
Total Assets	<u>46,624,214</u>
 Deferred Outflows of Resources	
Deferred Debit on Debt Refunding Issue	<u>75,000</u>
 Liabilities	
Current:	
Warrants Payable	797,314
Accrued Wages Payable	159,752
Withholdings Payable	125,324
Accrued Interest Payable	165,195
Bonds Payable	1,700,000
Collections in Advance	21,604
Noncurrent:	
Compensated Absences Payable	72,538
Bonds Payable	13,260,000
Other Post Employment Benefits Payable	<u>26,670,000</u>
Total Liabilities	<u>42,971,727</u>
 Net Position	
Net Investment in Capital Assets	26,847,664
Restricted for:	
Capital Projects	168,509
Other Purposes	1,808,892
Unrestricted (Deficit) (See Footnote II A-Page 23)	<u>(25,097,578)</u>
Total Net Position	<u><u>\$ 3,727,487</u></u>

Masconomet Regional School District
Statement of Activities
Fiscal Year Ended June 30, 2014

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenues and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
<i>Governmental Activities:</i>					
Instruction:					
Middle School	\$ 6,725,245	\$ 1,712	\$ -	\$ -	\$ (6,723,533)
High School	13,788,424	765,493	15,425	-	(13,007,506)
Special Education	3,980,045	2,880	1,019,692	-	(2,957,473)
Other	496,571	-	25,087	-	(471,484)
Support Services:					
Administration	419,873	-	17,183	-	(402,690)
Business	5,708,919	134,467	402,096	-	(5,172,356)
Buildings and Grounds	3,041,312	-	-	-	(3,041,312)
Food Services	777,004	746,716	85,528	-	55,240
MTRS On-Behalf Payments	3,988,773	-	3,988,773	-	-
Student Activity Funds	350,659	367,227	-	-	16,568
Debt Service	731,968	-	467,178	-	(264,790)
Total Governmental Activities	<u>\$ 40,008,793</u>	<u>\$ 2,018,495</u>	<u>\$ 6,020,962</u>	<u>\$ -</u>	<u>(31,969,336)</u>
 <i>General Revenues:</i>					
					21,412,910
					1,077,866
					4,826,345
					9,039
					12,613
					<u>27,338,773</u>
					(4,630,563)
 Net Position:					
					<u>8,358,050</u>
					<u>\$ 3,727,487</u>

Masconomet Regional School District
Governmental Funds
Balance Sheet
June 30, 2014

	<u>General</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
<u>Assets</u>			
Cash/Investments	\$ 2,575,389	\$ 2,113,914	\$ 4,689,303
Accounts Receivable:			
Intergovernmental	9,560,362	127,247	9,687,609
Total Assets	<u>\$ 12,135,751</u>	<u>\$ 2,241,161</u>	<u>\$ 14,376,912</u>
 <u>Liabilities and Fund Balances</u>			
Liabilities:			
Warrants Payable	\$ 795,529	\$ 1,785	\$ 797,314
Accrued Wages Payable	159,752	-	159,752
Withholdings Payable	125,324	-	125,324
Unearned Revenue - Advance Payments	-	21,604	21,604
Unearned Revenue - Intergovernmental	9,560,362	-	9,560,362
Total Liabilities	<u>10,640,967</u>	<u>23,389</u>	<u>10,664,356</u>
 Fund Equity:			
Fund Balances:			
Restricted (See Schedule on Pages 42 and 43)	-	1,977,401	1,977,401
Committed (See Schedule on Pages 42 and 43)	-	240,371	240,371
Unassigned	1,494,784	-	1,494,784
Total Fund Balances	<u>1,494,784</u>	<u>2,217,772</u>	<u>3,712,556</u>
Total Liabilities and Fund Balances	<u>\$ 12,135,751</u>	<u>\$ 2,241,161</u>	<u>\$ 14,376,912</u>

Masconomet Regional School District
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
Fiscal Year Ended June 30, 2014

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
<u>Revenues:</u>			
Assessments to Member Towns - Operating	\$ 21,412,910	\$ -	\$ 21,412,910
Assessments to Member Towns - Capital and Debt	1,077,866	-	1,077,866
Intergovernmental			
State Aid - Education	4,823,099	-	4,823,099
State Aid - Transportation	396,678	-	396,678
State Aid - School Construction	1,291,498	-	1,291,498
Other State and Federal Grants	39,908	1,099,513	1,139,421
MTRS On-Behalf Payments	3,988,773	-	3,988,773
Charges for Services	45,451	1,973,044	2,018,495
Contributions and Donations	-	32,158	32,158
Investment Income	9,039	-	9,039
Miscellaneous	12,613	-	12,613
Total Revenues	<u>33,097,835</u>	<u>3,104,715</u>	<u>36,202,550</u>
<u>Expenditures:</u>			
Instruction:			
Middle School	5,172,973	1,214	5,174,187
High School	10,534,674	202,515	10,737,189
Special Education	2,900,292	942,914	3,843,206
Other	400,592	48,227	448,819
Support Services:			
Administration	311,657	30,830	342,487
Business	6,382,841	148,948	6,531,789
Buildings and Grounds	1,751,652	-	1,751,652
Food Services	-	775,908	775,908
MTRS On-Behalf Payments	3,988,773	-	3,988,773
Student Activity Funds	-	350,659	350,659
Debt Service	2,369,364	-	2,369,364
Total Expenditures	<u>33,812,818</u>	<u>2,501,215</u>	<u>36,314,033</u>
Excess of Revenues Over (Under) Expenditures	<u>(714,983)</u>	<u>603,500</u>	<u>(111,483)</u>
Other Financing Sources (Uses):			
Operating Transfers In	594,358	168,000	762,358
Operating Transfers (Out)	(168,000)	(594,358)	(762,358)
Total Other Financing Sources (Uses)	<u>426,358</u>	<u>(426,358)</u>	<u>-</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>(288,625)</u>	<u>177,142</u>	<u>(111,483)</u>
Fund Balance, Beginning	<u>1,783,409</u>	<u>2,040,630</u>	<u>3,824,039</u>
Fund Balance, Ending	<u>\$ 1,494,784</u>	<u>\$ 2,217,772</u>	<u>\$ 3,712,556</u>

Masconomet Regional School District
 Reconciliation of the Governmental Funds Balance Sheet
 Total Fund Balances to the Statement of Net Position
 Fiscal Year Ended June 30, 2014

Total Governmental Fund Balances	\$ 3,712,556
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	32,247,302
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	9,560,362
In the Statement of Activities, the debt principal issued in excess of the refunded debt is deferred and expensed as interest over the life of the new bond. In the fund financial statements, the excess is expensed as a payment to the escrow agent.	75,000
In the Statement of Activities, interest is accrued on outstanding long term debt. In the fund financial statements, interest is not reported until due.	(165,195)
Certain liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:	
Compensated Absences Payable	(72,538)
Bonds Payable	(14,960,000)
Other Post Employment Benefits Payable	<u>(26,670,000)</u>
Net Position of Governmental Activities	<u><u>\$ 3,727,487</u></u>

Masconomet Regional School District
 Reconciliation of the Statement of Revenues, Expenditures,
 and Changes in Fund Balances of Governmental Funds
 to the Statement of Activities
 Fiscal Year Ended June 30, 2014

Net Change in Fund Balances - Total Governmental Funds	\$ (111,483)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.	(1,235,869)
Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable differ between the two statements. This amount represents the net change in Unearned Revenue.	(824,320)
The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on Net Position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	1,622,500
This item represents the current year OPEB cost. Since it is a long term liability, it is not reported in the governmental funds.	(4,109,325)
Some expenses reported in the Statement of Activities, such as accrued interest and compensated absences payable, do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. This represents the net change in those expenses.	<u>27,934</u>
Change in Net Position of Governmental Activities	<u><u>\$ (4,630,563)</u></u>

Masconomet Regional School District
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2014

	<u>OPEB Trust</u>
Assets	
Cash	\$ 326,425
Total Assets	<u>326,425</u>
Liabilities	
Current:	
Other Liabilities	<u>-</u>
Total Liabilities	<u>-</u>
Net Position	
Other Post Employment Benefits Trust	<u>326,425</u>
Total Net Position	<u><u>\$ 326,425</u></u>

Masconomet Regional School District
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Fiscal Year Ended June 30, 2014

	<u>OPEB Trust</u>
Additions:	
Interest, Dividends, and Contributions	\$ 79,164
	<hr/>
Deductions:	
Other Post Employment Benefits	-
	<hr/>
Change in Net Position Before Transfers	79,164
	<hr/>
Transfers In (Out):	
Operating Transfers In	-
	<hr/>
Change in Net Position	79,164
	<hr/>
Net Position:	
Beginning of the Year	247,261
	<hr/>
End of the Year	\$ 326,425
	<hr/> <hr/>

Masconomet Regional School District
Notes to the Financial Statements
June 30, 2014

I **Summary of Significant Accounting Policies**

The accounting policies of the Masconomet Regional School District, as reflected in the accompanying financial statements for the year ended June 30, 2014, conform to accounting principles generally accepted in the United States of America for local government units, except as indicated hereafter.

The more significant accounting policies of the District are summarized below.

A. **Reporting Entity**

The financial statements of the Masconomet Regional School District include the operations of all organizations for which the School Committee exercises oversight responsibility. Oversight responsibility is demonstrated by financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters.

Based on the aforementioned oversight criteria, the Regional School District was the only entity determined necessary for inclusion in the accompanying financial statements.

B. **Government-Wide and Fund Financial Statements**

The **government-wide financial statements** (i.e., the **Statement of Net Position** and the **statement of activities**) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of the interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Member assessments and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. These revenues are recognized when they become measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Primary sources of revenue considered susceptible to accrual consist principally of member assessments amounts due under grants, charges for services and investment income. All other revenues are recognized when received.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to this general rule include: (1) accumulated vacation, accumulated sick pay, and other employee amounts which are not to be liquidated from expendable and available resources; and (2) debt service expenditures which are recognized when due.

Agency fund assets and liabilities are accounted for on the accrual basis of accounting.

The District reports the following major governmental funds:

General Fund - This is the District's general operating fund. It accounts for all financial resources of the general government except those required to be accounted for in another fund.

D. Assets, Liabilities and Fund Balances

i. Deposits and Investments

The District's cash and cash equivalents are considered to be demand deposits and short term investments with original maturities of three months or less from the date of acquisition.

State and local statutes place certain limitations on the nature of deposits and investments available to the District. Deposits (including demand deposits, term deposits and certificates of deposit) in any one financial institution may not exceed certain prescribed levels without collateralization by the financial institutions involved. Investments can also be made in securities issued by or unconditionally guaranteed by the U.S. governments or agencies that have a maturity of less than one year from the date of purchase, repurchase agreements guaranteed by such securities with maturity dates of no more than 90 days from the date of purchase, and units in the Massachusetts Depository Trust ("MMDT").

ii. Capital Assets

Capital assets, which include land, buildings and improvements, vehicles and furniture fixtures and equipment are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial individual cost of more than

\$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs (which do not add to the value of the asset or materially extend assets lives) is not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Land, buildings and improvements, vehicles and furniture fixtures and equipment are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	40
Furniture, Fixtures and Equipment	5-15
Vehicles	10

iii. Fund Balances

Fund Balance Classification Policies and Procedures

The Governmental Accounting Standards Board (GASB) issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). This Statement (effective for fiscal year 2013) establishes accounting and financial reporting standards for all governmental funds. It establishes criteria for classifying fund balances into specifically defined classifications.

Fund balance for governmental funds should be reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to the constraints on the specific purposes for which the amounts in those funds can be spent.

GASB 54 requires the fund balance amounts to be reported within one of the fund balance categories list below.

1.Nonspendable, includes amounts that cannot be spent because they are (a) not in spendable form (such as fund balance associated with inventories) or are (b) legally or contractually required to stay intact (i.e. corpus of a permanent trust fund). This does not apply to the Masconomet Regional School District as of June 30, 2014,

2.Restricted, constraints are placed on the use of resources that can be spent only for the specific purposes that are either (a) imposed by creditors, grantors or contributors, or (b) imposed by law through constitution provisions or through enabling legislation, (for example, gifts, donations and most revolving funds. Please see Page 43 and 44),

3.Committed, includes amounts that can be used only for the specific purposes determined by a formal action of the School Committee (the district’s highest level of decision-making authority – please see Pages 43 and 44),

4.Assigned, intended (by the School Committee, Superintendent or Chief Financial Officer) to be used by the government for specific purposes, but do not meet the criteria to be classified as restricted or committed, and

5.Unassigned, the residual classification for the government’s general fund and includes all spendable amounts not contained in the restricted, committed or assigned categories.

The School Committee is the highest level of decision making authority in the District. Committed fund balance cannot be used for any other purposes without formal action by the School Committee.

The District has not formally adopted a policy for its use of unrestricted fund balance. Therefore, in accordance with GASB 54, it considered that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which any of the unrestricted fund balance classifications could be used.

Details of Fund Balance Classifications

The following schedule shows the detail of the fund balance classifications displayed in the aggregate on the District’s balance sheet.

<u>Fund</u>	<u>Account</u>	<u>General Fund</u>	<u>Non Major Funds</u>
Fund Balances:			
Restricted for:			
202	Book Store	\$ -	\$ 10,145
203	College Prep	-	3,656
205	Community School Program	-	12,198
217	Circuit Breaker	-	508,988
218	Athletic & Co-curricular	-	46,323
219	Non Resident Tuition	-	185,025
220	School Lunch	-	362,735
221	Use of School Property	-	94,853
225	Summer School	-	51,798
226	SPED Summer Program	-	23,081
258	TTEF Gift Fund	-	5,356
262	Cultural Council HS	-	85
263	Fidelity Gift Fund	-	750
265	Joe Carroll Gift Fund	-	3,672
266	Gifts & Donations	-	26,046
267	Music Dept Gift Fund	-	4,252
273	Title I Carryover (Fund 305)	-	16
280	SPED IDEA - (DOE 240)	-	7,855
281	Sped access - prog imp (274)	-	3,343
282	Title I (DOE 305)	-	(201)
283	Title I (DOE 305)	-	(6,191)
286	Title IIA Teacher Qual carry (DOE 140)	-	(650)

<u>Fund</u>	<u>Account</u>	<u>General Fund</u>	<u>Non Major Funds</u>
Fund Balances:			
Restricted for:			
301	Capital Project - Irrigation System	-	22,878
302	Capital Project - Irrigation System	-	9,869
309	Capital Project - Doors & Security	-	23,990
312	Capital Project - Tech Infrastructure	-	67,988
313	Capital Project - Tech Pilot Program	-	784
314	Capital Project - Elevator	-	43,000
702	Mitigation Trust Fund		226,512
801	Student Activity Middle School	-	38,993
802	Student Activity High School	-	200,252
	Total Restricted	-	1,977,401
Committed to:			
210	Restitution	-	95,457
211	MS Obligations/Lost Book	-	5,864
212	HS Obligations/Lost Book	-	66,204
245	Accounting Software	-	7,629
246	Professional Negotiator	-	28,179
247	Mandated Compliance		17,038
249	NEASC 2014 Review	-	20,000
	Total Committed	-	240,371
	Unassigned	1,494,784	-
	Total Fund Balances	\$ 1,494,784	\$ 2,217,772

Stabilization Fund

The District has established a stabilization fund in accordance with Massachusetts General Laws Chapter 71 Section 16G½. That section of the law stipulates that “A regional school district may, upon a majority vote of all the members of the regional district school committee and, with the approval of a majority of the local appropriating authorities of the member municipalities, establish a stabilization fund and may, in any year, include in its annual budget for deposit in the stabilization fund an amount not exceeding five per cent of the aggregate amount apportioned to the member municipalities for the preceding fiscal year or such larger amount as may be approved by the director of accounts. The aggregate amount in the fund at any time shall not exceed five per cent of the combined equalized valuations of the member municipalities. Any interest shall be added to and become a part of the fund.”

“The stabilization fund may be appropriated by vote of two-thirds of all of the members of the regional district school committee for any purpose for which regional school districts may borrow money or for such other district purpose as the director of accounts may approve”.

The District’s stabilization fund has a current balance of \$398,868. The stabilization fund is reported as a component of unassigned fund balance in the general fund on the District’s balance sheet in accordance with the GASB 54 requirements.

II Stewardship, Compliance and Accountability

A. Net Position – Unrestricted (Deficit)

The reason the unrestricted net position reflects a deficit is that the GASB 45 OPEB (Other Post-Employment Benefits) liability of \$26,670,000, is required to be recorded in the Statement of Net Position.

B. General Budgetary Information

i. General Budget Policies

The District's original budget is adopted by the School Committee and must be approved by a majority of the member communities. The budget approved by the member communities is a "bottom line" budget, The School Committee may, at its discretion, transfer between appropriation accounts.

ii. Budget Basis of Accounting

The amounts shown in the financial statements as the final budgeted amounts consist of the original adopted budget - adjusted by any transfers or supplemental appropriations authorized by the School Committee.

The following reconciliation summarizes the differences between the budget and GAAP basis principles for the year ended June 30, 2014:

	<u>Revenues</u>
As Reported Budget Basis	\$ 29,108,129
Adjustments:	
Other Revenues Not Reported on Budget Basis (Stabilization Fund)	933
MTRS - On Behalf Payments	3,988,773
As Reported GAAP Statement	<u>\$ 33,097,835</u>
	<u>Expenditures</u>
As Reported Budget Basis	\$ 29,664,294
Adjustments:	
Accrual Adjustments	159,751
MTRS - On Behalf Payments	3,988,773
As Reported GAAP Statement	<u>\$ 33,812,818</u>

III Detailed Notes on All Funds

A. Deposits and Investments

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a formal deposit policy for custodial credit risk. As of June 30, 2014, none of the District's bank balance of \$5,538,834 was exposed to credit risk.

Investments

Their investments fall into two account: MMDT in the amount of \$3,883,209 and TD Bank investment sweep account in the amount of \$728,256. The TD account(s) are covered by a Line of Credit (LOC) held by a third party. The LOC covers \$6,000,000 above FDIC insurance coverage.

Interest Rate Risk - Investments

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, the District does not currently have any investments that are subject to interest rate risk.

Custodial Credit Risk - Investments

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District does not have a policy for custodial credit risk of investments. As of June 30, 2014, the District was not exposed to custodial credit risk.

Credit Risk-Investments

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District does not have a formal policy relating to credit risk. However, the District does not currently have investments that are subject to this risk.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The District does not have a formal policy that limits the amount it may invest in a single issuer. However, the District does not currently have investments that are subject to this risk.

B. Capital Assets

Capital asset activity for the year ended June 30, 2014 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Governmental Activities:				
Assets Not Being Depreciated:				
Land	\$ 86,950	\$ -	\$ -	\$ 86,950
Total Capital Assets Not Being Depreciated	<u>86,950</u>	<u>-</u>	<u>-</u>	<u>86,950</u>
Assets Being Depreciated:				
Buildings and Improvements	46,935,862	-	-	46,935,862
Furniture, Fixtures and Equipment	7,255,627	-	-	7,255,627
Vehicles	72,817	11,700	-	84,517
Total Capital Assets Being Depreciated	<u>54,264,306</u>	<u>11,700</u>	<u>-</u>	<u>54,276,006</u>

B. Capital Assets (Continued)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
<u>Capital Assets (continued):</u>				
Less Accumulated Depreciation for:				
Buildings and Improvements	(13,748,254)	(1,177,409)	-	(14,925,663)
Furniture, Fixtures and Equipment	(7,077,551)	(62,338)	-	(7,139,889)
Vehicles	(42,280)	(7,822)	-	(50,102)
Total Accumulated Depreciation	<u>(20,868,085)</u>	<u>(1,247,569)</u>	<u>-</u>	<u>(22,115,654)</u>
 Total Capital Assets Being Depreciated, Net	 <u>33,396,221</u>	 <u>(1,235,869)</u>	 <u>-</u>	 <u>32,160,352</u>
 Governmental Activities Capital Assets, Net	 <u>\$ 33,483,171</u>	 <u>\$ (1,235,869)</u>	 <u>\$ -</u>	 <u>\$ 32,247,302</u>

Depreciation expense was charged to functions of the District as follows:

Instruction:	
Middle School	\$ 14,691
High School	23,309
Support Services:	
Administration	2,851
Buildings and Grounds	1,205,622
Food Services	1,096
	<u>\$ 1,247,569</u>

C. Accounts Receivable

Intergovernmental:

Due from Commonwealth of Massachusetts:

Current:

State Grant	\$ 127,247
School Building Assistance Bureau Grant	<u>864,124</u>
Total Current	<u>\$991,371</u>

Noncurrent:

School Building Assistance Bureau Grant	<u>8,696,238</u>
---	------------------

Total Intergovernmental	<u>\$9,687,609</u>
-------------------------	--------------------

The District was approved for a construction assistance program administered by the Massachusetts School Building Authority (MSBA). The MSBA will reimburse the District for a percentage of the principal and interest costs related to the school building project. The District received \$1,291,498 in the current fiscal year – all of which was recognized as revenue in the fund financial statements which utilize the modified accrual basis of accounting. Only the amount related to debt interest was recognized in the entity wide financial statements since the amount related to the construction costs had been accrued in prior fiscal years. The District will receive \$13,166,357 over the life of the related bond. The projected reimbursements for future interest costs are \$1,238,800. The reimbursements for interest are based on the current debt amortization schedule and are subject to change if the debt is refunded and the interest rate is

reduced. An intergovernmental receivable has been recorded in the accompanying financial statements for the portion of the MSBA assistance related to the approved construction costs – since those costs have already been expended. The MSBA intergovernmental receivable has been deferred in the fund financial statements and has been recognized as revenue (in a prior fiscal year) in the entity wide financial statements. The portion of the MSBA assistance related to the future interest cost will be recognized as revenue in the entity wide statements as reimbursements are received and the related expenditures are incurred.

D. Debt

Liabilities

(i) Long Term Debt

General obligation bonds outstanding at June 30, 2014 bear interest at various rates.

Changes in Long Term Debt - the following is a summary of bond transactions for the year ended June 30, 2014.

<u>Project</u>	<u>Issue Date</u>	<u>Rate</u>	<u>Outstanding June 30, 2013</u>	<u>Redeemed</u>	<u>Outstanding June 30, 2014</u>
School Construction	April 1, 2002	4.37% - 5.10%	\$ 5,650,000	\$ (515,000)	\$ 5,135,000
School Construction	September 15, 2003	3.50% - 5.00%	6,255,000	(515,000)	5,740,000
School Construction - Refunding Issue	July 15, 2009	3.00% - 5.00%	4,690,000	(605,000)	4,085,000
Total Outstanding			<u>\$ 16,595,000</u>	<u>\$(1,635,000)</u>	<u>\$ 14,960,000</u>

Summary of Debt Service Requirements to Maturity

	<u>General Long Term Debt</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2015	\$ 1,700,000	\$ 671,795	\$ 2,371,795
2016	1,780,000	599,745	2,379,745
2017	1,845,000	528,225	2,373,225
2018	1,920,000	454,015	2,374,015
2019	2,000,000	374,065	2,374,065
2020-2023	5,715,000	615,200	6,330,200
	<u>\$ 14,960,000</u>	<u>\$ 3,243,045</u>	<u>\$ 18,203,045</u>

D. Debt (Continued)

(ii) Refunding of Long Term Debt

On July 15, 2009, the District issued \$6,535,000 of General Obligation Refunding Bonds with an average interest rate of 3.70% to advance refund \$6,410,000 of outstanding school construction debt with an average interest rate of 5.69%. The net proceeds (after payment of underwriting fees, insurance and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded debt. As a result, the refunded debt is considered to be defeased. The principal and interest costs on the existing debt and the new refunding bonds are detailed below:

<u>Fiscal Year</u>	<u>Existing Debt Principal & Interest</u>	<u>Refunding Bonds Principal & Interest</u>
2015	\$ 852,802	\$ 778,855
2016	854,592	778,855
2017	858,842	779,355
2018	860,892	779,255
2019	865,012	777,175
2020	871,612	777,000
Total	<u>\$ 5,163,752</u>	<u>\$ 4,670,495</u>

Economic Gain from Refunding Issue

The net present value benefit as a result of the refunding issue is \$682,262.

Deferred Debit on Debt Refunding Issue

As noted above, the District issued \$6,535,000 of General Obligation Bonds to advance refund \$6,410,000 of School Construction debt. This resulted in an increased principal balance of \$125,000. In accordance with generally accepted accounting principles, the \$125,000 of added debt principal is required to be shown as a deferred debit, on the Statement of Net Position, and amortized over the remaining life of the debt. The balance to be amortized as of June 30, 2013 is \$87,500.

E. Compensated Absences and Interfund Transfers

i. Interfund Transfers

The District's financial statements reflect transactions between the various funds. These transactions represent operating transfers and do not constitute revenues or expenditures of the funds.

	<u>Transfers In</u>	<u>Transfers (Out)</u>	<u>Total</u>
General	\$ 594,358	\$ (168,000)	\$ 426,358
Non-Major Governmental	168,000	(594,358)	(426,358)
Total	<u>\$ 762,358</u>	<u>\$ (762,358)</u>	<u>\$ -</u>

ii. Compensated Absences

Vacation and sick leave are granted to employees based on contractual agreements and/or years of service.

The accumulated vacation leave benefit liability is reflected in the accompanying financial statements. Since accumulated sick leave benefits cannot be “bought back” a liability is not required.

IV Other Information

A. Pension Plans

a) Plan Description

The District provides pension benefits to employees (other than teachers) by contributing to the Essex Regional Retirement System, a cost sharing multiple-employer defined benefit pension plan administered by the Essex Regional Retirement System. The system provides retirement benefits, cost of living adjustments, disability benefits and death benefits.

The system is a member of the Massachusetts Contributory System and is governed by Chapter 32 of the Massachusetts General Laws (MGL). The authority to establish and amend benefit provisions requires a statutory change to Chapter 32. The Essex Regional Retirement System issues a publicly available financial report in accordance with guidelines established by the Commonwealth’s Public Employee Retirement Administration Commission. That report may be obtained by writing to Essex County Retirement System, County Office Building, 36 Federal Street, Room 210, Salem, Massachusetts 01970-3483.

b) Funding Plan

Active members of the Essex Regional Retirement System contribute either 5, 7, 8 or 9% of their gross regular compensation depending on the date upon which their membership began. An additional 2% is required from employees for earnings in excess of \$30,000. The District is required to pay an actuarially determined rate. The contribution requirements of plan members is determined by M.G.L. Chapter 32. The District’s contribution requirement is established and may be amended by the Essex Regional Retirement System with the approval of the Public Employee Retirement Administration Commission.

The District’s contribution to the Essex Retirement System for the years ended June 30, 2014, 2013 and 2012 were \$433,821, \$382,468 and \$340,619, respectively, which equaled its required contribution for each fiscal year.

B. Massachusetts Teachers Retirement System

All licensed professional staff are covered by and must participate in MTRS. Benefits fully vest after 10 years of full-time employment. An employee may receive retirement benefits after 20 years of service, or after 10 years of service and having attained the age of 55. Covered employees are required by state statute to contribute 5%, 7%, 8%, 9% or 11% of their gross regular compensation depending upon the employee’s date of employment. An additional 2% is required from employees for earnings in excess of \$30,000, if they entered the Massachusetts Teachers Retirement System on or after January 1, 1979 and before July 1, 2001.

Public school teachers and certain administrators are members of the Massachusetts Teachers Retirement System, to which the District does not contribute. However, included in the financial

statements, you will notice an account titled, MRTS-On Behalf Payments. This amount represents the Commonwealth of Massachusetts’ contribution made on behalf of the District’s teaching employees. Pension benefits and administrative expenses paid by the Teachers Retirement Board are the legal responsibility of the Commonwealth.

C. Other Post Employment Benefits (OPEB) Disclosures

The Governmental Accounting Standards Board (GASB) issued Statement No. 43 (GASB 43) – “Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans” and Statement No. 45 (GASB 45), “Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions” that are effective June 30, 2014. These statements require the District to account for and report the value of its future OPEB obligations currently rather than on a pay as you go basis. Certain information that is required to be disclosed by GASB 45, is noted below. In addition, certain Required Supplementary Information (RSI), required by GASB 45, is presented following the notes to the financial statements.

Plan Description. In addition to providing pension benefits described above, the District provides retired employees and their spouses and dependents with payments for a portion of their health care and life insurance benefits. Currently there are approximately 228 active employees and 135 retired employees who are eligible to participate in the plan.

Funding Policy. Retirees and their spouses pay 27.5% of the cost of medical premiums and 30% of the dental premiums. In addition, the retirees and their spouses pay 23% of the premiums for either a \$2,000 or \$10,000 life insurance policy. Benefits paid by the District are on a pay-as-you-go basis. The contribution requirements of plan members and the District are established through collective bargaining and may be amended from time to time.

On June 8, 2011, the school committee voted to establish an “other post employment benefits trust fund” in accordance with Massachusetts General Law Chapter 32B, Section 20. They also established a policy to allocate all Federal Medicare program reimbursements (Medicare Part D) to this fund effective June 1, 2011. During fiscal year 2011, \$66,761 was received from this source and deposited into the trust fund. During fiscal year 2012, an additional \$67,317 was deposited into the Trust Fund and \$112,891 was deposited during fiscal year 2013.

Annual OPEB Cost and OPEB Obligation. The annual Other Postemployment Benefit (OPEB) cost is calculated based on the Annual Required Contribution (ARC) of the District, an amount that has been actuarially determined in accordance with the parameters of GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and to amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table shows the components of the District’s annual OPEB cost, the amount actually contributed to the plan, and the District’s Net OPEB Obligation (NOO):

Annual Required Contribution (ARC)	\$5,510,000
Interest on Net OPEB Obligation	1,020,000
Adjustment to Annual Required Contribution	(1,330,675)
Annual OPEB Cost (Expense)	<u>5,199,325</u>
Contributions Made	(1,090,000)
Adjustment for Trust Funding	-
Increase in Net OPEB Obligation	<u>4,109,325</u>
Net OPEB Obligation (NOO)- Beginning of Year	<u>22,560,675</u>
Net OPEB Obligation (NOO)- End of Year	<u><u>\$26,670,000</u></u>

The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the recent years are as follows:

<u>Fiscal Year</u> <u>Ended June 30</u>	<u>Annual OPEB</u> <u>Cost</u>	<u>Percentage of</u> <u>Annual OPEB</u> <u>Cost Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
2010	\$6,794,416	16.7%	\$11,340,675
2011	\$4,860,000	26.1%	\$14,930,675
2012	\$5,200,000	25.4%	\$18,810,675
2013	\$5,120,000	24.2%	\$22,560,675
2014	\$5,199,325	24.2%	\$26,670,000

Funded Status and Funding Progress. An interim update to the actuarial valuation was prepared on July 1, 2012. The Actuarial Accrued Liability (AAL) was \$45,060,000 and the Unfunded Actuarial Accrued Liability (UAAL) was \$44,920,000 as of July 1, 2012.

As a historical note, the District implemented a major plan design change (during fiscal year 2010), to retiree health insurance. These two actions (establishing and funding the OPEB trust, as described on Page 30 under “Funding Policy”, and the change in plan design) reduced the OPEB liability (during fiscal year 2010) for the District by \$16,179,715.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as Required Supplementary Information (RSI) following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

In the actuarial valuation, the projected unit cost method was used. The actuarial assumptions included a 4.0 percent investment rate of return (net of administrative expenses).

Allocation of Accrued Other Post Employment Benefit Costs. Other Post Employment Benefit Costs were accrued and reported in the Statement of Activities. The costs were allocated as follows:

Instruction:	
Middle School	\$1,535,133
High School	3,032,706
Special Education	142,788
Other	47,752
Support Services:	
Administration	77,993
Business	270,165
Buildings and Grounds	92,789
Total	<u><u>\$5,199,326</u></u>

D. On Behalf Payments

In accordance with Governmental Accounting Standards Board Statement Number 24, "Accounting and Financial Reporting for Certain Grants and Other Financial Assistance," the District is required to recognize, as income, certain payments made on behalf of the District by the Commonwealth. Specifically, the Commonwealth makes contributions to a contributory retirement plan administered by the Massachusetts Teachers' Retirement Board (the "State Plan") on behalf of the District's teaching employees; the District is not legally required to contribute to the State Plan, which is fully funded by the Commonwealth.

For the fiscal year ended June 30, 2014, the Commonwealth paid \$3,988,773 to the State Plan on behalf of employees of the District. Accordingly, the accompanying financial statements include the required adjustments, which have increased both revenues and expenditures by the same amount. The net effect of this adjustment does not change the excess of revenues and other financing sources over expenditures and other financing uses for the year ended June 30, 2014, or fund balances at June 30, 2014.

E. Subsequent Year Authorization

The School Committee adopted a fiscal year 2015 budget totaling \$31,132,313. The accompanying financial statements do not reflect the adoption of the fiscal year 2015 budget. The budgetary amounts will be financed by the following sources:

Member Assessments	\$ 23,905,555
State and Federal Aid	6,626,158
Local Receipts	50,600
Fund Transfers	550,000
Total	<u><u>\$ 31,132,313</u></u>

Required Supplementary Information

Masconomet Regional School District
Required Supplementary Information
General Fund
Statement of Revenues and Expenditures - Budget and Actual
For the Year Ended June 30, 2014

	<u>Budgeted Amounts</u>		Actual Budget Basis <u>Amounts</u>	Variance with Final Budget Favorable <u>(Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Assessments to Member Towns - Operating	\$ 21,382,158	\$ 21,412,910	\$ 21,412,910	\$ -
Assessments to Member Towns - Capital and Debt	1,077,866	1,077,866	1,077,866	-
Intergovernmental				
State Aid - Education	4,823,099	4,770,799	4,823,099	52,300
State Aid - Transportation	352,951	374,499	396,678	22,179
State Aid - School Construction	1,291,498	1,291,498	1,291,498	-
Other State and Federal Aid	42,700	42,700	39,908	(2,792)
Departmental	37,000	37,000	45,451	8,451
Investment Income	10,000	10,000	8,106	(1,894)
Miscellaneous	5,000	5,000	12,613	7,613
Total Revenues	<u>29,022,272</u>	<u>29,022,272</u>	<u>29,108,129</u>	<u>85,857</u>
<u>Expenditures</u>				
Instruction:				
Middle School	5,128,575	5,193,918	5,163,253	30,665
High School	10,517,979	10,657,578	10,509,814	147,764
Special Education	2,492,105	2,583,088	2,889,542	(306,454)
Other	429,040	425,327	396,557	28,770
Support Services:				
Administration	302,661	307,399	294,426	12,973
Business	6,691,544	6,381,772	6,310,592	71,180
Buildings and Grounds	1,641,004	1,677,376	1,730,746	(53,370)
Debt Service	2,369,364	2,369,364	2,369,364	-
Total Expenditures	<u>29,572,272</u>	<u>29,595,822</u>	<u>29,664,294</u>	<u>(68,472)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(550,000)</u>	<u>(573,550)</u>	<u>(556,165)</u>	<u>17,385</u>
<u>Other Financing Sources (Uses):</u>				
Other Available Funds	-	73,550	73,550	-
Operating Transfers In	550,000	550,000	550,000	-
Operating Transfers Out	-	(50,000)	(50,000)	-
Total Other Financing Sources (Uses)	<u>550,000</u>	<u>573,550</u>	<u>573,550</u>	<u>-</u>
Excess (Deficiency) of Revenues and Other Financing Sources (Uses) Over (Under) Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,385</u>	<u>\$ 17,385</u>

Essex Regional Retirement System
Required Supplementary Information
Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Entry Age (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
1/1/1994	\$ 80,878,500	\$ 178,256,800	\$ 97,378,300	45.37%	\$ 62,076,500	156.87%
1/1/1996	106,176,700	200,397,500	94,220,800	52.98%	72,953,200	129.15%
1/1/1998	151,293,900	245,965,100	94,671,200	61.51%	85,785,000	110.36%
1/1/1999	180,034,700	268,386,000	88,351,300	67.08%	89,645,300	98.56%
1/1/2000	190,363,700	253,847,100	63,483,400	74.99%	69,525,900	91.31%
1/1/2002	218,346,198	287,390,715	69,044,517	75.98%	85,005,338	81.22%
1/1/2004	229,852,971	333,396,222	103,543,251	68.94%	93,404,002	110.86%
1/1/2006	261,327,047	376,034,621	114,707,574	69.50%	98,641,094	116.29%
1/1/2008	301,420,965	445,171,554	143,750,589	67.71%	111,726,856	128.66%
1/1/2011	278,332,006	536,115,536	257,783,530	51.92%	119,707,156	215.35%
1/1/2013	314,565,925	619,339,080	304,773,155	50.79%	119,292,287	255.48%

Essex Regional Retirement System
 Required Supplementary Information
 Schedule of Employer's Contributions

System Wide				Masconomet Regional School District	
Plan Year Ended December 31	Annual Required Contributions	Actual Contributions (A)	Percentage Contributed	Actual Contributions (B)	District's Percentage of System Wide Actual Contributions (B/A)
2004	\$12,223,776	\$12,223,776	100.00%	\$304,344	2.49%
2005	13,080,011	13,080,011	100.00%	333,279	2.55%
2006	16,622,274	16,622,274	100.00%	278,195	1.67%
2007	15,788,864	15,788,864	100.00%	283,647	1.80%
2008	21,355,202	21,355,202	100.00%	283,647	1.33%
2009	18,258,062	18,258,062	100.00%	272,654	1.49%
2010	19,136,746	19,136,746	100.00%	291,418	1.52%
2011	19,566,952	19,566,952	100.00%	298,631	1.53%
2012	21,084,190	21,084,190	100.00%	340,619	1.62%
2013	22,770,925	22,770,925	100.00%	382,468	1.68%

Masconomet Regional School District
 Required Supplementary Information - GASB 45
 Schedule of Funding Progress
 Fiscal Year Ended June 30, 2014

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a) / (b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b) - (a) / (c)]
7/1/2010	\$0	\$43,630,000	\$43,630,000	0%	\$14,060,000	310%
7/1/2011	\$0	\$47,270,000	\$47,270,000	0%	\$14,670,000	322%
7/1/2012	\$140,000	\$45,060,000	\$44,920,000	0%	\$15,470,000	290%

Masconomet Regional School District
 Required Supplementary Information - GASB 45
 Valuation Details
 Fiscal Year Ended June 30, 2014

Interim Valuation Date	July 1, 2012
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level Dollar Basis/Open; Over 30 Year
Asset Valuation Method	Market Value

Actuarial Assumptions:

Investment Rate of Return	4.5% Per Annum
Medical/Drug Cost Trend Rate	9.5% first year, decreases by 0.5% per year through year 10 to 5.0%

Plan Membership:

Current retirees, beneficiaries, and dependents	135
Current active members	<u>228</u>
Total	<u>363</u>

Masconomet Regional School District
Notes to the Required Supplementary Information
June 30, 2014

(A) Budgetary Information

i. General Budget Policies

The District's original budget is adopted by the School Committee and must be approved by a majority of the member communities. The budget approved by the member communities is a "bottom line" budget. The School Committee may, at its discretion, transfer between appropriation accounts.

ii. Budget Basis of Accounting

The amounts shown in the financial statements as the final budgeted amounts consist of the original adopted budget - adjusted by any transfers or supplemental appropriations authorized by the School Committee.

The following reconciliation summarizes the differences between the budget and GAAP basis principles for the year ended June 30, 2014:

	<u>Revenues</u>
As Reported Budget Basis	\$ 29,108,129
Adjustments:	
Other Revenues Not Reported on Budget Basis (Stabilization Fund)	933
MTRS - On Behalf Payments	3,988,773
As Reported GAAP Statement	\$ 33,097,835
	<u>Expenditures</u>
As Reported Budget Basis	\$ 29,664,294
Adjustments:	
Accrual Adjustments	159,751
MTRS - On Behalf Payments	3,988,773
As Reported GAAP Statement	\$ 33,812,818

(B) Pension Plans

1. Plan Description

The District provides pension benefits to employees by contributing to Essex Regional Retirement System, a cost sharing multiple-employer defined benefit pension plan administered by the Essex Regional Retirement System. The system provides retirement benefits, cost of living adjustments, disability benefits and death benefits.

The system is a member of the Massachusetts Contributory Retirement System and is governed by Chapter 32 of the Massachusetts General Laws (MGL). The authority to establish and amend benefit provisions requires a statutory change to Chapter 32. The Essex Regional Retirement System issues a publicly available financial report in

accordance with guidelines established by the Commonwealth's Public Employee Retirement Administration Commission. That report may be obtained by writing to the Essex Regional Retirement System, County Office Building, 36 Federal Street, Room 210, Salem, Massachusetts 01970-3483.

2. Funding Plan

Active members of the Essex Regional Retirement System contribute either 5%, 7%, 8% or 9% of their gross regular compensation depending on the date upon which their membership began. An additional 2% is required from employees for earnings in excess of \$30,000. The District is required to pay an actuarially determined rate. The contribution requirements of plan members is determined by M.G.L. Chapter 32. The District's contribution requirement is established and may be amended by the Essex Regional Retirement System with the approval of the Public Employee Retirement Administration Commission.

The schedule of funding progress, presented as required supplementary information, presents multiyear trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the accrued liability for benefits. Additionally, a schedule of employer contributions is presented as required supplementary information. The schedules presented relate to the Essex Regional Retirement System as a whole (of which the District is one participating employer). The District's data included should be helpful for understanding the scale of the information presented relative to the District.

3. Actuarial Assumptions

Valuation Date	January 1, 2011
Actuarial Cost Method	Entry age normal cost method
Amortization Method	Level dollar for ERI liability for most units, 4.5% annual increase for ERI liability for other units, increasing amortization for the remaining unfunded liability. Increase in total appropriation not to exceed 8%.
Remaining Amortization Period	As of July 1, 2011, schedules as selected by units for 2002 ERI liability, schedules as selected by unit for 2003 ERI liability and 24 years for the remaining unfunded liability.
Asset Valuation Method	Sum of actuarial value at the beginning of the year and increase in cost value during the year excluding realized appreciation or losses plus 20% of market value at the end of the year (as reported in the Annual Statement) in excess of that preliminary value, adjusted to be within 20% of their market value.

Actuarial Assumptions:

Investment Rate of Return	8.25% (previously 8.5%)
Projected Salary Increases	5.00%
Cost of Living Adjustments	3.00% of the first \$12,000 of retirement income

Plan Membership:

Retired Participants and Beneficiaries Receiving Benefits	1,624
Inactive Participants Entitled to a Return of their Employee Contributions	844
Invested Participants with a Vested Right to a Deferred or Immediate Benefit	70
Active Participants	<u>3,013</u>
Total	<u>5,551</u>

(C) Other Postemployment Benefits (OPEB) Disclosures

Plan Description. The District provides for retired employees and their spouses and dependents by paying for a portion of their health care and life insurance benefits. Currently there are approximately 228 active employees and 135 retired employees who are eligible to participate in the plan.

Funding Policy. In general the retirees and their spouses pay 27.5% of the cost of medical premiums and 30% of the dental premiums. In addition, the retirees and their spouses pay 23% of the premiums for either a \$2,000 or \$10,000 life insurance policy. Benefits paid by the District are on a pay-as-you-go basis. The contribution requirements of plan members and the District are established through collective bargaining and may be amended from time to time.

Supplementary Information

Masconomet Regional School District
Schedule of Nonmajor Governmental Funds
Fiscal Year Ended June 30, 2014
(Continued on Page 43)

Fund	Account	Balance			Transfers In (Out)	Balance	
		Beginning July 1, 2013	Revenues	Expenditures		Ending June 30, 2014	GASB 54
<u>Special Revenue Funds</u>							
<u>Revolving Funds</u>							
202	Book Store	\$ 7,518	\$ 11,568	\$ 8,940	\$ -	\$ 10,146	Restricted
203	College Prep	18,706	64,360	79,410	-	3,656	Restricted
205	Community School Program	12,198	-	-	-	12,198	Restricted
210	Restitution	75,935	21,766	2,244	-	95,457	Committed
211	MS Obligations/Lost Book	5,366	1,712	1,214	-	5,864	Committed
212	HS Obligations/Lost Book	62,400	13,651	9,847	-	66,204	Committed
217	Circuit Breaker	453,685	508,988	453,685	-	508,988	Restricted
218	Athletic & Co-curricular	55,827	585,144	74,648	(520,000)	46,323	Restricted
219	Non Resident Tuition	170,956	24,069	10,000	-	185,025	Restricted
220	School Lunch	336,398	832,244	775,908	(30,000)	362,734	Restricted
221	Use of School Property	102,138	112,700	119,985	-	94,853	Restricted
225	Summer School	39,593	21,250	9,045	-	51,798	Restricted
226	SPED Summer Program	20,838	2,880	637	-	23,081	Restricted
245	Accounting Software	7,629	-	-	-	7,629	Committed
246	Professional Negotiator	28,679	-	500	-	28,179	Committed
247	Mandated Compliance	9,765	-	5,725	12,998	17,038	Committed
248	Superintendent Search Fund	-	-	17,002	17,002	-	
249	NEASC 2014 Review	-	-	-	20,000	20,000	Committed
Total Revolving Funds		1,407,631	2,200,332	1,568,790	(500,000)	1,539,173	
<u>Gifts and Donations Funds</u>							
258	TTEF Gift Fund	1,781	5,418	1,844	-	5,355	Restricted
260	Boosters Gift	-	7,325	7,325	-	-	Restricted
262	Cultural Council HS	85	-	-	-	85	Restricted
263	Fidelity Gift Fund	750	-	-	-	750	Restricted
265	Joe Carroll Gift Fund	972	3,000	300	-	3,672	Restricted
266	Gifts & Donations	25,059	14,315	13,328	-	26,046	Restricted
267	Music Dept Gift Fund	2,152	2,100	-	-	4,252	Restricted
Total Gifts and Donations Funds		30,799	32,158	22,797	-	40,160	
<u>Grants</u>							
268	Essential School Health Service Grant	-	3,000	3,000	-	-	Restricted
270	SPED IDEA -(DOE 240)	8,002	-	8,001	-	1	Restricted
271	Sped Access - Prog Imp (274)	-	6,015	6,015	-	-	Restricted
272	Title I Carryover (Fund 305)	5,143	-	5,143	-	-	Restricted
273	Title I Carryover (Fund 305)	16	-	-	-	16	Restricted
280	SPED IDEA - (DOE 240)	-	422,050	414,195	-	7,855	Restricted
281	Sped Access - Prog Imp (274)	-	8,837	5,494	-	3,343	Restricted
282	Title I (DOE 305)	-	-	201	-	(201)	Restricted
283	Title I (DOE 305)	-	39,970	46,161	-	(6,191)	Restricted
284	Academic Support Summer (DOE 625)	-	7,275	7,275	-	-	Restricted
285	Academic Support (DOE 632)	-	1,700	1,700	-	-	Restricted
286	Title IIA Teacher Qual Carry (DOE 140)	-	4,050	4,700	-	(650)	Restricted
287	Title IIA Teacher Qual Carry (DOE 140)	-	10,500	10,500	-	-	Restricted
288	Development of Transition Assesmt (DOE243)	-	1,600	1,600	-	-	Restricted
Total Grant Funds		13,161	504,997	513,985	-	4,173	

Masconomet Regional School District
Schedule of Nonmajor Governmental Funds
Fiscal Year Ended June 30, 2014
(Continued from Page 42)

<u>Fund</u>	<u>Account</u>	Balance Beginning July 1, 2013	Actual Receipts	Expenditures	Transfers In (Out)	Balance Ending June 30, 2014	<u>GASB 54</u>
<u>Student Activity Funds</u>							
801	Student Activity MS	28,984	52,678	42,700	-	38,962	Restricted
802	Student Activity HS	193,693	314,549	307,960	-	200,282	Restricted
	Total Student Activity Funds	<u>222,677</u>	<u>367,227</u>	<u>350,660</u>	<u>-</u>	<u>239,244</u>	
	<i>Total Special Revenue Funds</i>	<u>1,674,268</u>	<u>3,104,714</u>	<u>2,456,232</u>	<u>(500,000)</u>	<u>1,822,750</u>	
<u>Capital Projects Funds</u>							
301	Capital Project - Irrigation System	22,879	-	-	-	22,879	Restricted
302	Capital Project - Waste Water Tmt Plant	9,869	-	-	-	9,869	Restricted
307	Capital Project - Doors & Security	683	-	-	(683)	-	Restricted
309	Capital Project - SIS/LMS	49,823	-	25,833	-	23,990	Restricted
310	Capital Project - Lighting Retrofit Project	43,675	-	-	(43,675)	-	Restricted
312	Capital Project - Tech Infrastructure	8,388	-	15,400	75,000	67,988	Restricted
313	Capital Project - Tech Pilot Program	4,533	-	3,749	-	784	Restricted
314	Capital Project - High School Elevator	-	-	-	43,000	43,000	Restricted
	<i>Total Capital Projects Funds</i>	<u>\$ 139,850</u>	<u>\$ -</u>	<u>\$ 44,982</u>	<u>\$ 73,642</u>	<u>\$ 168,510</u>	
702	Mitigation Trust Fund	<u>\$ 226,512</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 226,512</u>	Restricted
	Total Nonmajor Funds	<u>\$ 2,040,630</u>	<u>\$ 3,104,714</u>	<u>\$ 2,501,214</u>	<u>\$ (426,358)</u>	<u>\$ 2,217,772</u>	
<u>Summary of Fund Balances</u>							
	Restricted	\$ 1,850,856				\$ 1,977,401	
	Committed	<u>189,774</u>				<u>240,371</u>	
	Total	<u>\$ 2,040,630</u>				<u>\$ 2,217,772</u>	

701 In addition to the above noted Non-Major Government Funds, that are reflected in the Government Wide financial statements, the District also has an OPEB Trust Fund that has a balance of \$326,425, which is shown on Page 16 and 17.

Masconomet Regional School District
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2014

<u>Federal Grantor Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
<u>U.S. Department of Agriculture</u>		
School Lunch	10.555	\$ 67,881
Total Department of Agriculture		67,881
<u>U.S. Department of Education</u>		
Title I	84.010	51,505
SPED 94-142	84.027	435,306
Teacher Quality	84.367	15,200
Total U.S. Department of Education		502,011
<u>Federal Emergency Management Agency</u>		
Public Assistance Grants	97.036	10,818
Total Schedule of Expenditures of Federal Awards		\$ 580,710

Masconomet Regional School District
Notes to Schedule of Expenditures of Federal Awards
June 30, 2014

(1) Scope of Audit

The Masconomet Regional School District (the District) is a governmental agency established by the laws of the Commonwealth of Massachusetts.

All federal grant operations of the District are included in the scope of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. The single audit was performed in accordance with the provisions of OMB's Circular A-133, *Compliance Supplement*.

(2) Summary of Significant Accounting Policies

The accompanying Schedule of Expenditures of Federal Awards includes all of the federal grant expenditures of the District.

Federal grant revenues are recognized in the District's governmental funds on the modified accrual basis of accounting whereby revenue is recognized when it becomes available and measurable.

Disbursements of federal grant funds are recorded on the accrual basis.

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*

School Committee
Masconomet Regional School District
20 Endicott Road
Boxford, Massachusetts 01921

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

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Masconomet Regional 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 the Masconomet Regional School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Masconomet Regional School District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did issue a management letter dated October 10, 2014 that addresses issues (not significant deficiencies or material weaknesses) that we believe should be communicated to you.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Masconomet Regional 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.

Giusti, Hingston and Company

Giusti, Hingston and Company
Certified Public Accountants
Georgetown, Massachusetts
October 10, 2014

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

School Committee
Masconomet Regional School District
20 Endicott Road
Boxford, Massachusetts 01921

Report on Compliance for Each Major Federal Program

We have audited the Masconomet Regional School District's compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of the Masconomet Regional School District's major federal programs for the year ended June 30, 2014. The Masconomet Regional School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Masconomet Regional School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Masconomet Regional School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Masconomet Regional School District's compliance.

Opinion on Each Major Federal Program

In our opinion, the Masconomet Regional School District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of the Masconomet Regional School District, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Masconomet Regional School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-

133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Masconomet Regional School District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Giusti, Hingston and Company

Giusti, Hingston and Company
Certified Public Accountants
Georgetown, Massachusetts
October 10, 2014

Masconomet Regional School District
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2014

I. Summary of Auditors' Results

1. The opinion on the basic financial statements was unqualified.
2. No significant deficiencies in internal control were reported related to the audit of the financial statements.
3. No instances of noncompliance which were material to the financial statements were reported.
4. No material weaknesses in internal controls relating to a major program were reported.
5. The opinion on compliance with requirements applicable to major programs was unqualified.
6. No findings related to a major federal award program were reported.
7. The major program identified was:

<u>Funding Source</u>	<u>Program</u>	<u>CFDA#</u>
U.S. Department of Education	SPED 94-142 Allocation	84.027

8. The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
9. The auditee did qualify as low risk.

II. Findings - Financial Statement Audit

There were no findings related to the Financial Statements.

III. Findings and Questioned Costs for Federal Awards

No findings or questioned costs were reported.