

Masconomet Regional School District
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For the Year Ended June 30, 2012

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INDEPENDENT AUDITORS REPORT

School Committee
Masconomet Regional School District
20 Endicott Road
Topsfield, Massachusetts 01983

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 as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Masconomet Regional School District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Masconomet Regional School District as of June 30, 2012 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Governmental Auditing Standards*, we have also issued our report dated September 28, 2012 on our consideration of the Masconomet Regional School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the budgetary comparison information, the retirement system schedules and other post employment benefits schedules 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.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the Masconomet Regional School District taken as a whole. The accompanying schedule of expenditures of federal awards required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

The schedule of non major governmental funds listed in the table of contents as supplementary information has not be subjected to the auditing procedures applied in the audit of the basic financial statements. Accordingly, we do not express an opinion or provide any assurance on it.

Giusti, Hingston and Company

Giusti, Hingston and Company
Certified Public Accountants
September 28, 2012

**Masconomet Regional School District
Management's Discussion and Analysis
Required Supplementary Information
June 30, 2012**

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, 2012.

Financial Highlights

- The assets of the Masconomet Regional School District exceeded its liabilities at the close of the most recent fiscal year by \$12,587,279 (*Net Assets – Page 10*).
- The net assets of the District decreased by \$3,848,495 (Page 6). \$3,880,000 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 \$1,271,613 (Page 24) 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 \$1,735,010 (Page 12), (\$448,074 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 Page 19).
- The Masconomet Regional School District's total debt decreased by 7.7 percent during the current year. The decrease was the result of the retirement of \$1,515,000 (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 assets* presents information on all of the Masconomet Regional School District's assets and liabilities, with the differences between the two reported as *net assets*. Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets 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 assets. 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 assets.
- Reconciliation of the statement of revenues and expenditures and changes in fund balance of governmental funds to the statement of activities.

Net Assets

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

	<u>Governmental Activities</u>		<u>Change</u>
	<u>2012</u>	<u>2011</u>	
Current Assets	\$ 4,923,398	\$ 5,178,479	\$ (255,081)
Noncurrent Assets	10,484,682	11,283,570	(798,888)
Capital Assets	34,750,022	35,925,211	(1,175,189)
Total Assets	<u>50,158,102</u>	<u>52,387,260</u>	<u>(2,229,158)</u>
Current Liabilities	2,093,672	2,735,719	642,047
Long Term Liabilities	35,477,151	33,215,763	(2,261,388)
Total Liabilities	<u>37,570,823</u>	<u>35,951,482</u>	<u>(1,619,341)</u>
Net Assets:			
Invested in Capital Assets			
Net of Related Debt	27,751,092	28,162,004	(410,912)
Restricted	1,909,348	1,528,789	380,559
Unrestricted (Deficit) (See Note Below)	(17,073,161)	(13,255,015)	(3,818,146)
Total Net Assets	<u>\$ 12,587,279</u>	<u>\$ 16,435,778</u>	<u>\$ (3,848,499)</u>

The reason the unrestricted net assets reflects a deficit is that the GASB 45 OPEB (Other Post Employment Benefits) liability of \$18,810,675, is required to be recorded in the Statement of Net Assets.

The net assets of the District decreased by \$3,848,499 (See Above). \$3,880,000 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 \$1,271,613 (Page 24) 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 Assets

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

	<u>Governmental Activities</u>		<u>Change</u>
	<u>2012</u>	<u>2011</u>	
Revenues			
Program Revenues:			
Charges for Services	\$ 1,957,714	\$ 2,017,912	(60,198)
Operating Grants and MTRB Contributions	6,344,669	6,223,696	120,973

	<u>Governmental Activities</u>		
	<u>2012</u>	<u>2011</u>	<u>Change</u>
General Revenues:			
Assessments to Member Towns - Operating	19,817,432	19,373,537	443,895
Assessments to Member Towns - Capital/Debt	1,073,553	1,078,653	(5,100)
Intergovernmental - Unrestricted	4,686,999	4,666,199	20,800
Unrestricted Investment Earnings	11,586	13,507	(1,921)
Other Revenue	980	6,804	(5,824)
Disposal of Assets	(12,765)	-	(12,765)
Total Revenues	<u>33,880,168</u>	<u>33,380,308</u>	<u>499,860</u>
Expenses			
Instruction:			
Middle School	6,258,920	6,119,893	(139,027)
High School	12,816,203	12,353,548	(462,655)
Special Education	3,229,459	3,465,839	236,380
Other	550,340	342,816	(207,524)
Support Services:			
Administration	397,707	369,260	(28,447)
Business	5,719,172	5,715,387	(3,785)
Buildings and Grounds	2,905,446	3,766,797	861,351
Food Services	743,536	757,659	14,123
MTRS On-Behalf Payments	3,951,853	3,745,893	(205,960)
Student Activity Funds	306,728	322,122	15,394
Debt Service	849,303	900,530	51,227
Total Expenses	<u>37,728,667</u>	<u>37,859,744</u>	<u>131,077</u>
 Increase (Decrease) in Net Assets	 <u>\$ (3,848,499)</u>	 <u>\$ (4,479,436)</u>	 <u>\$ 630,937</u>

Governmental Activities

In fiscal year 2012 and 2011 member assessments accounted for approximately 62% and 61% (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 *	1,254,945 Estimated

* - The fiscal year ended June 30, 2012 fund balance amount includes \$448,074 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. 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, 2012, amounts to \$34,750,022 (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, 2011 and 2012 are as follows:

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

	Governmental Activities	
	<u>2012</u>	<u>2011</u>
Land	\$ 86,950	\$ 86,950
Total Capital Assets Not Being Depreciated	<u>86,950</u>	<u>86,950</u>
Buildings and Improvements	34,365,018	35,542,427
Furniture, Fixtures and Equipment	262,035	286,956
Vehicles	36,019	8,878
Total Capital Assets Being Depreciated	<u>34,663,072</u>	<u>35,838,261</u>
Total	<u>\$ 34,750,022</u>	<u>\$ 35,925,211</u>

Debt

The District had \$18,170,000 in bonds outstanding on June 30, 2012. This represents a \$1,515,000 decrease or 7.7% reduction from the previous year.

Outstanding Debt at June 30

Governmental Activities	<u>2012</u>	<u>2011</u>
General Obligation Bonds Payable	<u>\$ 18,170,000</u>	<u>\$ 19,685,000</u>

Fiscal Year 2012 and 2013 Budgets

In early February, the proposed FY12 budget was distributed to the School Committee and the public. Budget deliberations took place for the next four weeks and the School Committee took the following actions that reduced the proposed FY12 budget before adopting the final budget that was sent to the towns for town meeting approval:

On March 7, 2011, the School Committee voted to make the following FY12 Budget adjustments:

Increases to the General Fund income:

State Aid – Transportation	\$22,017 (Level Fund)
Local Revenue	<u>\$32,000</u> (Fees Structure).
Total Increases	\$54,017

Reductions to the General Fund expenses as follows:

Middle School Operations	\$16,000
High School Operations	\$40,000
Pupil Personnel	\$10,500
Development Office	\$2,000
School Committee	\$1,000
Supt. Operations	\$1,000
Human Resource	\$14,000
Building & Grounds	<u>\$8,000</u>
Total Reductions	\$92,500

On April 6, 2011 the School Committee made further reductions to Pupil Personnel Services budget in the amount of \$143,175, based on changing student needs, which reduced the impact on the tuition and transportation lines.

On April 27, 2011 the School Committee made the following Motion/Resolution:

“Move that the School Committee resolve to utilize the net effect of any changes in the cherry sheet (after rollback of the recent \$32,570 increase in student fees) to lower the Masconomet assessment to the towns provided that the towns approve the FY12 budget as certified by the School Committee on April 6, 2011.”

Shortly after the fiscal year began, the state approved their 2011-2012 budget. The resolution that was made on April 27th stated that the District would reduce the assessments to the towns by the net effect of the cherry sheet changes (increased revenue from the state less increased assessments from the state) after rolling back the \$32,570 increase to user fees. The net result created a one-time revenue surplus for the school district in the amount of \$259,808. The district honored the resolution made on April 27th and returned this money to the towns in September as follows:

Boxford	\$95,912.15
Middleton	\$87,705.10
Topsfield	\$76,190.75

In late February, we learned that the amount that we would receive in transportation reimbursement from the state and the amount that we could expect to receive for E-rate reimbursement would be significantly less than anticipated when the budget was recertified. This created a revenue shortfall of approximately \$120,000. In order to address the revenue shortfall, the school district pursued cost saving opportunities throughout the year to lower expenditures. By the close of the fiscal year, the final revenue deficit was \$120,085 and unspent appropriations totaled \$361,655 thus enabling the district to close the fiscal year with a favorable balance of \$236,144 (see page 32). Other activity that occurred in FY12 that impacted the fund balance included three appropriations totaling \$68,000 from the excess and deficiency fund. The School Committee appropriated \$11,000 to procure a lawnmower, \$15,000 to conduct a review of the facilities for compliance with AHERA regulations, and \$42,000 to purchase supplies and equipment for the mobile device pilot program. The School Committee also appropriated a total of \$156,000 from the stabilization fund for capital repairs; \$80,000 for phase 1 of the lighting retrofit project, \$36,000 for phase 2 of the lighting retrofit project, and \$40,000 to repair light fixture attachments in the middle school. The impact of all of the fiscal year activity resulted in a increase in the District's general fund, fund balance by \$168,144.

In recent years the district has been able to avoid layoffs while experiencing little to no increase in its operating budget for the past 4 fiscal years. The FY09 and FY10 approved operating budgets excluding debt were \$24,805,341. In FY11, the approved operating budget was \$25,175,161 and in FY12 it was \$25,606,263. This represents a budgetary increase of \$800,922 or 3.2% over four fiscal years. Revenue losses coupled with little or no increase in our operating budget over the past couple of years, has presented us with a unique challenge to preserve the quality of education.

Our diminishing resources have made budget deliberations difficult as different constituency groups vie for limited local resources. In order to meet town imposed spending caps in prior years, the district outsourced cleaning and food services, restructured and rebid services and supplies, negotiated changes in health insurance contributions, and restructured a number of departments to eliminate jobs and save money. In some cases, we brought about needed improvements, for which we are extremely proud, and in others, we cut too much. These efforts, while prudent in most cases, have left little opportunity for cost saving strategies in FY13 and beyond as the variable footprint of the organization has become extraordinarily lean. Evidence of this can be seen when comparing the districts per pupil costs (\$12,849.81) against the state average (\$13,369.19) and other high performing school districts (comparison community average \$14,472.91).

Fortunately for FY13, 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 FY13 budget that provided more state aid for education than was anticipated when the local budgets were adopted in the spring. The net increase in state aid is \$114,186. The School Committee is currently deliberating over a potential budget recertification. They are carefully weighing the pros and cons of using this one-time revenue surplus this early in the budget year against the need to fund OPEB, infrastructure improvements, and providing one-time assessment relief to the sending communities. There is some evidence of economic improvement in the three communities. Unemployment has improved in all three towns and overall cash reserves have remained stable. New growth increased slightly in two of the three towns as well.

Masconomet Regional School District
Statement of Net Assets
June 30, 2012

	<u>Government - Wide Activities</u>
Assets	
Current:	
Cash/Investments	\$ 4,123,759
Accounts Receivable:	
Intergovernmental	799,639
Noncurrent:	
Accounts Receivable:	
Intergovernmental	10,384,682
Deferred Debit on Debt Refunding Issue (See Footnote E-ii Page 26)	100,000
Capital Assets:	
Assets Not Being Depreciated (Land)	86,950
Assets Being Depreciated, Net	<u>34,663,072</u>
 Total Assets	 <u>50,158,102</u>
 Liabilities	
Current:	
Warrants Payable	201,558
Accrued Wages Payable	12,484
Withholdings Payable	98,822
Accrued Interest Payable	194,273
Bonds Payable	1,575,000
Other Liabilities	11,535
Noncurrent:	
Compensated Absences Payable	71,476
Bonds Payable	16,595,000
Other Post Employment Benefits Payable	<u>18,810,675</u>
 Total Liabilities	 <u>37,570,823</u>
 Net Assets	
Invested in Capital Assets, Net of Related Debt	27,751,092
Restricted for:	
Capital Projects	275,773
Other Purposes	1,633,575
Unrestricted (Deficit) (See Footnote II A-Page 21)	<u>(17,073,161)</u>
 Total Net Assets	 <u>\$ 12,587,279</u>

Masconomet Regional School District
Statement of Activities
Fiscal Year Ended June 30, 2012

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenues and Changes in Net Assets</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	\$ 6,258,920	\$ 1,287	\$ 32,083	\$ -	\$ (6,225,550)
High School	12,816,203	729,470	14,250	-	(12,072,483)
Special Education	3,229,459	3,840	964,973	-	(2,260,646)
Other	550,340	450	326,270	-	(223,620)
Support Services:					
Administration	397,707	-	70,245	-	(327,462)
Business	5,719,172	128,658	381,268	-	(5,209,246)
Buildings and Grounds	2,905,446	-	-	-	(2,905,446)
Food Services	743,536	782,099	62,665	-	101,228
MTRS On-Behalf Payments	3,951,853	-	3,951,853	-	-
Student Activity Funds	306,728	311,910	287	-	5,469
Debt Service	849,303	-	540,775	-	(308,528)
Total Governmental Activities	<u>\$ 37,728,667</u>	<u>\$ 1,957,714</u>	<u>\$ 6,344,669</u>	<u>\$ -</u>	<u>(29,426,284)</u>
 <i>General Revenues:</i>					
					19,817,432
					1,073,553
					4,686,999
					11,586
					980
					(12,765)
					<u>25,577,785</u>
					(3,848,499)
 Net Assets:					
					16,435,778
					<u>\$ 12,587,279</u>

Masconomet Regional School District
Governmental Funds
Balance Sheet
June 30, 2012

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Assets</u>			
Cash/Investments	\$ 2,047,874	\$ 2,075,885	\$ 4,123,759
Accounts Receivable:			
Intergovernmental	11,171,070	13,251	11,184,321
Total Assets	\$ 13,218,944	\$ 2,089,136	\$ 15,308,080
<u>Liabilities and Fund Balances</u>			
Liabilities:			
Warrants Payable	\$ 201,558	\$ -	\$ 201,558
Accrued Wages Payable	12,484	-	12,484
Withholdings Payable	98,822	-	98,822
Deferred Revenue - Advance Payments	-	11,535	11,535
Deferred Revenue - Intergovernmental	11,171,070	-	11,171,070
Total Liabilities	11,483,934	11,535	11,495,469
Fund Equity:			
Fund Balances:			
Restricted (See Schedule on Pages 41 and 42)	-	1,909,348	1,909,348
Committed (See Schedule on Pages 41 and 42)	-	168,253	168,253
Unassigned	1,735,010	-	1,735,010
Total Fund Balances	1,735,010	2,077,601	3,812,611
Total Liabilities and Fund Balances	\$ 13,218,944	\$ 2,089,136	\$ 15,308,080

Masconomet Regional School District
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
Fiscal Year Ended June 30, 2012

	General <u>Fund</u>	Nonmajor Governmental <u>Funds</u>	Governmental <u>Funds</u>
<u>Revenues:</u>			
Assessments to Member Towns - Operating	\$ 19,817,432	\$ -	\$ 19,817,432
Assessments to Member Towns - Capital and Debt	1,073,553	-	1,073,553
Intergovernmental			
State Aid - Education	4,686,999	-	4,686,999
State Aid - Transportation	378,028	-	378,028
State Aid - School Construction	1,291,498	-	1,291,498
Other State and Federal Grants	30,607	1,396,138	1,426,745
MTRS On-Behalf Payments	3,951,853	-	3,951,853
Charges for Services	-	1,908,110	1,908,110
Departmental	37,789	13,315	51,104
Contributions and Donations	-	46,572	46,572
Investment Income	11,586	696	12,282
Miscellaneous	980	-	980
Total Revenues	31,280,325	3,364,831	34,645,156
<u>Expenditures:</u>			
Instruction:			
Middle School	4,717,333	48,053	4,765,386
High School	9,541,255	178,105	9,719,360
Special Education	2,351,118	730,639	3,081,757
Other	144,401	381,706	526,107
Support Services:			
Administration	303,054	-	303,054
Business	6,637,783	185,619	6,823,402
Buildings and Grounds	1,575,663	86,302	1,661,965
Food Services	-	742,440	742,440
MTRS On-Behalf Payments	3,951,853	-	3,951,853
Student Activity Funds	-	306,728	306,728
Debt Service	2,365,051	-	2,365,051
Total Expenditures	31,587,511	2,659,592	34,247,103
Excess of Revenues Over (Under) Expenditures	(307,186)	705,239	398,053
Other Financing Sources (Uses):			
Operating Transfers In	521,455	199,311	720,766
Operating Transfers (Out)	(199,311)	(521,455)	(720,766)
Total Other Financing Sources (Uses)	322,144	(322,144)	-
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	14,958	383,095	398,053
Fund Balance, Beginning	1,720,052	1,694,506	3,414,558
Fund Balance, Ending	\$ 1,735,010	\$ 2,077,601	\$ 3,812,611

Masconomet Regional School District
 Reconciliation of the Governmental Funds Balance Sheet
 Total Fund Balances to the Statement of Net Assets
 Fiscal Year Ended June 30, 2012

Total Governmental Fund Balances	\$ 3,812,611
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	34,750,022
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	11,171,070
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.	100,000
In the Statement of Activities, interest is accrued on outstanding long term debt. In the fund financial statements, interest is not reported until due.	(194,273)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:	
Compensated Absences Payable	(71,476)
Bonds Payable	(18,170,000)
Other Post Employment Benefits Payable	<u>(18,810,675)</u>
Net Assets of Governmental Activities	<u><u>\$ 12,587,279</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, 2012

Net Change in Fund Balances - Total Governmental Funds	\$ 398,053
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.	(1,160,924)
In the statement of activities, the gain or (loss) on the trade in of capital assets is reported, whereas in the governmental funds, the gain is not reported.	(14,265)
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 deferred revenue.	(750,723)
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 assets. 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.	1,502,500
This item represents the current year OPEB cost. Since it is a long term liability, it is not reported in the governmental funds.	(3,880,000)
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>56,860</u>
Change in Net Assets of Governmental Activities	<u><u>\$ (3,848,499)</u></u>

Masconomet Regional School District
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2012

	Agency <u>Funds</u>
Assets	
Cash	\$ 2,805
Total Assets	<u>2,805</u>
Liabilities	
Current:	
Other Liabilities	<u>2,805</u>
Total Liabilities	<u>2,805</u>
Total Net Assets	<u><u>\$ -</u></u>

Masconomet Regional School District
Notes to the Financial Statements
June 30, 2012

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, 2012, 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 assets** 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 2012) 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, 2012,

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 41 and 42),

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 41 and 42),

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	\$ -	\$ 9,749
203	College Prep	-	19,486
205	Community School Program	-	12,198
217	Circuit Breaker	-	450,384
218	Athletic & Co-curricular	-	67,825
219	Non Resident Tuition	-	143,246
220	School Lunch	-	356,582
221	Use of School Property	-	118,933
225	Summer School	-	36,018
226	SPED Summer Program	-	11,680
258	TTEF Gift Fund	-	2,740
262	Cultural Council HS	-	85
263	Fidelity Gift Fund	-	750
265	Joe Carroll Gift Fund	-	180
266	Gifts & Donations	-	17,802
267	Music Dept Gift Fund	-	2,152
290	SPED IDEA - (DOE 240)	-	7,991
291	Sped access - prog imp (274)	-	12,344
292	Title I Carryover (Fund 305)	-	1,300
293	Title I (DOE 305)	-	12,149
295	Academic Support (DOE 632)	-	3,825
296	Title IIA Teacher Qual carry (DOE 140)	-	1,870
299	Ed Job (206)	-	9,066
301	Capital Project - Irrigation System	-	22,878
302	Capital Project - Waste Water Treatment Plant	-	9,869
307	Capital Project - Doors & Security	-	9,683
308	Capital Project - Library Conversion	-	5,906
309	Capital Project - Technology	-	97,028
310	Capital Project - Lighting Retrofit Project	-	90,408
311	Capital Project - MS Lighting	-	40,000
701	Other Post Employment Benefits Trust Fund	-	134,079
801	Student Activity Middle School	-	22,344
802	Student Activity High School	-	178,798
	Total Restricted	-	1,909,348

		<u>General Fund</u>	<u>Non Major Funds</u>
Committed to:			
210	Restitution	-	68,500
211	MS Obligations/Lost Book	-	4,871
212	HS Obligations/Lost Book	-	57,930
245	Accounting Software	-	7,628
246	Professional Negotiator	-	17,429
247	Mandated Compliance	-	11,895
Total Committed		-	168,253
Unassigned		1,735,010	-
Total Fund Balances		\$ 1,735,010	\$ 2,077,601

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 \$448,074. 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 Assets – Unrestricted (Deficit)

The reason the unrestricted net assets reflects a deficit is that the GASB 45 OPEB (Other Post Employment Benefits) liability of \$18,810,675, is required to be recorded in the Statement of Net Assets.

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, 2012:

	<u>Revenues</u>
As Reported Budget Basis	\$ 27,327,113
Adjustments:	
Other Revenues Not Reported on Budget Basis (Stablization Fund)	1,359
MTRS - On Behalf Payments	<u>3,951,853</u>
As Reported GAAP Statement	<u><u>\$ 31,280,325</u></u>
	<u>Expenditures</u>
As Reported Budget Basis	\$ 27,635,658
Adjustments:	
MTRS - On Behalf Payments	<u>3,951,853</u>
As Reported GAAP Statement	<u><u>\$ 31,587,511</u></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, 2012, the entire balance was fully insured or collateralized.

Investments

At June 30, 2012, the District had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years) Less Than 1</u>
Repurchase Agreements	\$ 1,562,196	\$ 1,562,196
External Investment Pools (MMDT)	<u>2,198,170</u>	<u>2,198,170</u>
Total	<u><u>\$ 3,760,366</u></u>	<u><u>\$ 3,760,366</u></u>

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, 2012, 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.

C. Capital Assets

Capital asset activity for the year ended June 30, 2012 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	7,248,885	78,066	(71,324)	7,255,627
Vehicles	55,194	32,623	(15,000)	72,817
Total Capital Assets Being Depreciated	<u>54,239,941</u>	<u>110,689</u>	<u>(86,324)</u>	<u>54,264,306</u>

C. 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	(11,393,435)	(1,177,409)	-	(12,570,844)
Furniture, Fixtures and Equipment	(6,961,929)	(88,722)	57,059	(6,993,592)
Vehicles	(46,316)	(5,482)	15,000	(36,798)
Total Accumulated Depreciation	<u>(18,401,680)</u>	<u>(1,271,613)</u>	<u>72,059</u>	<u>(19,601,234)</u>
 Total Capital Assets Being Depreciated, Net	 <u>35,838,261</u>	 <u>(1,160,924)</u>	 <u>(14,265)</u>	 <u>34,663,072</u>
 Governmental Activities Capital Assets, Net	 <u>\$ 35,925,211</u>	 <u>\$ (1,160,924)</u>	 <u>\$ (14,265)</u>	 <u>\$ 34,750,022</u>

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

Instruction:	
Middle School	\$ 21,615
High School	42,768
Support Services:	
Administration	2,851
Buildings and Grounds	1,203,283
Food Services	1,096
	<u>\$ 1,271,613</u>

D. Accounts Receivable

Intergovernmental:

Due from Commonwealth of Massachusetts:

Current:

State Grant	\$ 13,251
School Building Assistance Bureau Grant	786,388
Total Current	<u>\$799,639</u>

Noncurrent:

School Building Assistance Bureau Grant	<u>10,384,682</u>
Total Intergovernmental	<u>\$11,184,321</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 \$16,789,474 over the life of the related bond. The projected reimbursements for future

interest costs are \$4,148,830. 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.

E. Debt

(i) Long Term Debt

General obligation bonds outstanding at June 30, 2012 bear interest at various rates.

Changes in Long Term Debt - the following is a summary of bond transactions for the year ended June 30, 2012.

<u>Project</u>	<u>Issue Date</u>	<u>Rate</u>	<u>Outstanding June 30, 2011</u>	<u>Redeemed</u>	<u>Outstanding June 30, 2012</u>
School Construction	April 1, 2002	4.37% - 5.10%	\$ 6,615,000	\$ (470,000)	\$ 6,145,000
School Construction	September 15, 2003	3.50% - 5.00%	7,225,000	(475,000)	6,750,000
School Construction - Refunding Issue	July 15, 2009	3.00% - 5.00%	<u>5,845,000</u>	<u>(570,000)</u>	<u>5,275,000</u>
Total Outstanding			<u>\$ 19,685,000</u>	<u>\$ (1,515,000)</u>	<u>\$ 18,170,000</u>

Summary of Debt Service Requirements to Maturity

	<u>General Long Term Debt</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 1,575,000	\$ 793,989	\$ 2,368,989
2014	1,635,000	734,364	2,369,364
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
2018-2022	8,880,000	1,405,530	10,285,530
2023	<u>755,000</u>	<u>37,750</u>	<u>792,750</u>
	<u>\$ 18,170,000</u>	<u>\$ 4,771,398</u>	<u>\$ 22,941,398</u>

E. 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>
2013	\$ 843,280	\$ 774,555
2014	849,122	777,005
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>\$ 6,856,154</u>	<u>\$ 6,222,055</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 Assets, and amortized over the remaining life of the debt. The balance to be amortized as of June 30, 2012 is \$100,000.

F. 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	\$ 521,455	\$ (199,311)	\$ 322,144
Non-Major Governmental	199,311	(521,455)	(322,144)
Total	<u>\$ 720,766</u>	<u>\$ (720,766)</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, 2012, 2011 and 2010 were \$340,619, \$298,631 and \$291,418, 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, 2012. 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 dependants with payments for a portion of their health care and life insurance benefits. Currently there are approximately 240 active employees and 157 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.

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)	\$5,400,000
Interest on Net OPEB Obligation	680,000
Adjustment to Annual Required Contribution	(880,000)
Annual OPEB Cost (Expense)	5,200,000
Contributions Made	(1,320,000)
Increase in Net OPEB Obligation	3,880,000
Net OPEB Obligation (NOO)- Beginning of Year	14,930,675
Net OPEB Obligation (NOO)- End of Year	<u>\$18,810,675</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>
2009	\$6,794,416	16.4%	\$5,678,130
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

Funded Status and Funding Progress. An interim update to the actuarial valuation was prepared on July 1, 2012. The Actuarial Accrued Liability (AAL) for benefits and the Unfunded Actuarial Accrued Liability (UAAL) was \$47,270,000 as of June 30, 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 28 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	\$1,539,498
High School	3,065,074
Special Education	148,072
Other	24,233
Support Services:	
Administration	82,631
Business	241,100
Buildings and Grounds	99,392
Total	<u><u>\$5,200,000</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, 2012, the Commonwealth paid \$3,951,853 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, 2012, or fund balances at June 30, 2012.

E. Subsequent Year Authorization

The School Committee adopted a fiscal year 2013 budget totaling \$28,596,692. The accompanying financial statements do not reflect the adoption of the fiscal year 2013 budget. The budgetary amounts will be financed by the following sources:

Member Assessments	\$ 21,613,540
State and Federal Aid	6,377,310
Local Receipts	56,112
Fund Transfers	550,000
Total	<u><u>\$ 28,596,962</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, 2012

	<u>Budgeted Amounts</u>		Actual Budget Basis Amounts	Variance with Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Assessments to Member Towns - Operating	\$ 19,817,431	\$ 19,817,431	\$ 19,817,432	\$ 1
Assessments to Member Towns - Capital and Debt	1,073,553	1,073,553	1,073,553	-
Intergovernmental				
State Aid - Education	4,675,993	4,675,993	4,686,999	11,006
State Aid - Transportation	474,044	474,044	378,028	(96,016)
State Aid - School Construction	1,291,498	1,291,498	1,291,498	-
Other State and Federal Aid	65,682	65,682	30,607	(35,075)
Departmental	33,000	33,000	37,789	4,789
Investment Income	13,000	13,000	10,227	(2,773)
Miscellaneous	7,113	7,113	980	(6,133)
Total Revenues	<u>27,451,314</u>	<u>27,451,314</u>	<u>27,327,113</u>	<u>(124,201)</u>
<u>Expenditures</u>				
Instruction:				
Middle School	4,709,305	4,771,951	4,717,333	54,618
High School	9,690,556	9,690,347	9,541,255	149,092
Special Education	2,395,766	2,395,976	2,351,118	44,858
Other	168,179	164,305	144,401	19,904
Support Services:				
Administration	291,803	312,540	303,054	9,486
Business	6,670,199	6,678,931	6,637,783	41,148
Buildings and Grounds	1,680,455	1,618,212	1,575,663	42,549
Debt Service	2,365,051	2,365,052	2,365,051	1
Total Expenditures	<u>27,971,314</u>	<u>27,997,314</u>	<u>27,635,658</u>	<u>361,656</u>
Excess (Deficiency) Of Revenues Over Expenditures	<u>(520,000)</u>	<u>(546,000)</u>	<u>(308,545)</u>	<u>237,455</u>
<u>Other Financing Sources (Uses):</u>				
Other Available Funds	-	68,000	68,000	-
Operating Transfers In	520,000	520,000	520,000	-
Operating Transfers Out	-	(42,000)	(43,311)	(1,311)
Total Other Financing Sources (Uses)	<u>520,000</u>	<u>546,000</u>	<u>544,689</u>	<u>(1,311)</u>
Excess (Deficiency) Of Revenues And Other Financing Sources (Uses) Over (Under) Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 236,144</u>	<u>\$ 236,144</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)
1/1/1999	\$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%
1/1/2010	278,332,006	536,115,536	257,783,530	51.92%	119,707,156	215.35%

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

<u>System Wide</u>				<u>Masconomet Regional School District</u>	
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%

Masconomet Regional School District
 Required Supplementary Information - GASB 45
 Schedule of Funding Progress
 Fiscal Year Ended June 30, 2012

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)]
7/1/2008	\$0	\$59,809,715	\$59,809,715	0%	\$13,451,254	445%
7/1/2010	\$0	\$43,630,000	\$43,630,000	0%	\$14,060,000	310%
7/1/2012*	\$0	\$47,270,000	\$47,270,000	0%	\$14,670,000	322%

*The 7/1/2012 valuation was an interim valuation, not a full actuarial valuation.

Subsequent to the most recent full actuarial valuation (7/1/2010), the District established an Other Post Employment Benefits trust fund. The balance in the trust fund at June 30, 2012 was \$134,079.

Masconomet Regional School District
Required Supplementary Information - GASB 45
Valuation Details
Fiscal Year Ended June 30, 2012

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% Graded to 5.0% Over Ten Years

Plan Membership:

Current retirees, beneficiaries, and dependents	157
Current active members	<u>240</u>
Total	<u>397</u>

Masconomet Regional School District
Notes to the Required Supplementary Information
June 30, 2012

(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, 2012:

	<u>Revenues</u>
As Reported Budget Basis	\$ 27,327,113
Adjustments:	
Other Revenues Not Reported on Budget Basis (Stablization Fund)	1,359
MTRS - On Behalf Payments	<u>3,951,853</u>
As Reported GAAP Statement	<u><u>\$ 31,280,325</u></u>
<u>Expenditures</u>	
As Reported Budget Basis	\$ 27,635,658
Adjustments:	
MTRS - On Behalf Payments	<u>3,951,853</u>
As Reported GAAP Statement	<u><u>\$ 31,587,511</u></u>

(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 dependants by paying for a portion of their health care and life insurance benefits. Currently there are approximately 240 active employees and 157 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, 2012
(Continued on Page 42)

Fund	Account	Balance			Transfers In (Out)	Balance	
		Beginning July 1, 2011	Revenues	Expenditures		Ending June 30, 2012	GASB 54
<u>Special Revenue Funds</u>							
<u>Revolving Funds</u>							
202	Book Store	\$ 9,746	\$ 14,884	\$ 14,881	\$ -	\$ 9,749	Restricted
203	College Prep	19,035	79,400	78,949	-	19,486	Restricted
205	Community School Program	12,108	450	360	-	12,198	Restricted
210	Restitution	73,388	27,931	32,820	-	68,500	Committed
211	MS Obligations/Lost Book	4,074	1,287	490	-	4,871	Committed
212	HS Obligations/Lost Book	45,902	12,028	-	-	57,930	Committed
217	Circuit Breaker	250,580	450,384	250,580	-	450,384	Restricted
218	Athletic & Co-curricular	68,052	580,269	60,496	(520,000)	67,825	Restricted
219	Non Resident Tuition	143,246	-	-	-	143,246	Restricted
220	School Lunch	254,258	844,764	742,440	-	356,582	Restricted
221	Use of School Property	157,610	102,227	140,903	-	118,933	Restricted
225	Summer School	40,468	5,100	9,550	-	36,018	Restricted
226	SPED Summer Program	7,840	3,840	-	-	11,680	Restricted
245	Accounting Software	7,629	-	-	-	7,629	Committed
246	Professional Negotiator	17,429	-	-	-	17,429	Committed
247	Mandated Compliance	17,295	-	5,400	-	11,895	Committed
	Total Revolving Funds	1,128,658	2,122,565	1,336,869	(520,000)	1,394,354	
<u>Gifts and Donations Funds</u>							
258	TTEF Gift Fund	5,996	3,240	6,496	-	2,740	Restricted
260	Boosters Gift	-	11,000	11,000	-	-	Restricted
262	Cultural Council HS	85	-	-	-	85	Restricted
263	Fidelity Gift Fund	500	250	-	-	750	Restricted
265	Joe Carroll Gift Fund	408	-	228	-	180	Restricted
266	Gifts & Donations	33,283	32,082	47,564	-	17,802	Restricted
267	Music Dept Gift Fund	2,152	-	-	-	2,152	Restricted
	Total Gifts and Donations Funds	42,424	46,572	65,288	-	23,709	
<u>Grants</u>							
268	Essential School Health Service Grant	-	3,000	3,000	-	-	Restricted
270	SPED IDEA -(DOE 240)	(784)	-	-	784	-	Restricted
279	Title I Carryover (Fund 305)	(528)	-	-	528	-	Restricted
280	SPED IDEA - (DOE 240)	9,207	-	9,207	-	-	Restricted
281	Teacher Quality Carryover (DOE 140)	2,600	-	2,600	-	-	Restricted
282	ARRA IDEA Grant (DOE 760)	(189)	189	-	-	-	Restricted
283	Title I (DOE 305)	4,269	-	4,269	-	-	Restricted
285	Academic Support (DOE 632)	-	544	544	-	-	Restricted
286	Title IIA Teacher Quality (DOE 140)	619	-	619	-	-	Restricted
287	Title I FY11 Carryover	2	-	2	-	-	Restricted
288	Title V Part A safe/drug (DOE 332)	1,461	-	1,461	-	-	Restricted
289	Education Jobs Grant (DOE206)	(1,338)	1,338	-	-	-	Restricted
290	SPED IDEA - (DOE 240)	-	435,368	427,377	-	7,991	Restricted
291	Sped access - prog imp (274)	-	24,519	12,175	-	12,344	Restricted
292	Title I Carryover (Fund 305)	-	4,343	-	-	4,343	Restricted
293	Title I (DOE 305)	-	47,010	39,204	-	7,806	Restricted
294	Academic Support Summer (DOE 625)	-	3,550	3,550	-	-	Restricted
295	Academic Support (DOE 632)	-	8,149	4,324	-	3,825	Restricted
296	Title IIA Teacher Qual carry (DOE 140)	-	20,420	17,250	-	3,170	Restricted
299	Ed Job (206)	-	267,751	258,685	-	9,066	Restricted
	Total Grant Funds	15,319	816,181	784,266	1,311	48,545	

Masconomet Regional School District
Schedule of Nonmajor Governmental Funds
Fiscal Year Ended June 30, 2012
(Continued from Page 41)

<u>Fund</u>	<u>Account</u>	Balance Beginning July 1, 2011	Actual Receipts	Expenditures	Transfers In (Out)	Balance Ending June 30, 2012	<u>GASB 54</u>
<u>Student Activity Funds</u>							
801	Student Activity MS	22,584	30,599	30,839	-	22,344	Restricted
802	Student Activity HS	173,089	281,598	275,889	-	178,798	Restricted
	Total Student Activity Funds	<u>195,673</u>	<u>312,197</u>	<u>306,728</u>	<u>-</u>	<u>201,142</u>	
	<i>Total Special Revenue Funds</i>	<u>1,382,075</u>	<u>3,297,515</u>	<u>2,493,152</u>	<u>(518,689)</u>	<u>1,667,749</u>	
<u>Capital Projects Funds</u>							
301	Capital Proj - Irrigation System	22,879	-	-	-	22,879	Restricted
302	Capital Project - Waste Water Tmt Plant	10,779	-	910	-	9,869	Restricted
306	Capital Project - FH Vent Feasibility Study	1,455	-	-	(1,455)	-	Restricted
307	Capital Project - Doors & Security	54,000	-	44,317	-	9,683	Restricted
308	Capital Project - Library Conversion	56,556	-	50,650	-	5,906	Restricted
309	Capital Project - SIS/LMS	100,000	-	44,972	42,000	97,028	Restricted
310	Capital Project - Lighting Retrofit Project	-	43,185	68,777	116,000	90,408	Restricted
311	Capital Project - MS Lighting	-	-	-	40,000	40,000	Restricted
	<i>Total Capital Projects Funds</i>	<u>\$ 245,670</u>	<u>\$ 43,185</u>	<u>\$ 209,626</u>	<u>\$ 196,545</u>	<u>\$ 275,774</u>	
701	Other Post Employment Benefits Trust Fund	<u>\$ 66,762</u>	<u>\$ 67,317</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 134,079</u>	Restricted
	Total Nonmajor Funds	<u>\$ 1,694,506</u>	<u>\$ 3,408,017</u>	<u>\$ 2,702,778</u>	<u>\$ (322,144)</u>	<u>\$ 2,077,601</u>	
<u>Summary of Fund Balances</u>							
	Restricted					\$ 1,909,348	
	Committed					<u>168,253</u>	
	Total					<u>\$ 2,077,601</u>	

Masconomet Regional School District
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2012

<u>Federal Grantor Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Grantor's Number</u>	<u>Expenditures</u>
<u>U.S. Department of Agriculture</u>			
School Lunch	10.555		\$ 55,576
Total Department of Agriculture			<u>55,576</u>
 <u>U.S. Department of Education</u>			
Title I	84.010		<u>43,475</u>
SPED 94-142	84.027		436,584
SPED Program Improvement	84.027		<u>12,175</u>
Subtotal 84.027			<u>448,759</u>
Drug-Free Schools	84.186		<u>1,461</u>
Teacher Quality	84.367		<u>20,468</u>
Education Jobs	84.410		<u>258,685</u>
Total U.S. Department of Education			<u>772,848</u>
 <u>Federal Emergency Management Agency</u>			
Public Assistance Grants	97.036		<u>3,672</u>
Total Federal Emergency Management Agency			<u>3,672</u>
Total Schedule of Expenditures of Federal Awards			<u>\$ 832,096</u>

Masconomet Regional School District
Notes to Schedule of Expenditures of Federal Awards
June 30, 2012

(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.

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
Topsfield, Massachusetts 01983

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Masconomet Regional School District as of and for the year ended June 30, 2012, and have issued our report thereon dated September 28, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Masconomet Regional School District's, internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Masconomet Regional School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Masconomet Regional School District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

We noted certain other matters that we reported to management of the Masconomet Regional School District in a separate letter dated September 28, 2012.

The report is intended solely for the information and use of management, the School Committee and others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Giusti, Hingston and Company

Giusti, Hingston and Company
Certified Public Accountants
September 28, 2012

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB
CIRCULAR A-133

School Committee
Masconomet Regional School District
20 Endicott Road
Topsfield, Massachusetts 01983

Compliance

We have audited the compliance of the Masconomet Regional School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2012. The Masconomet Regional School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Masconomet Regional School District's management. Our responsibility is to express an opinion on the Masconomet Regional School District's compliance based on our audit.

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. Our audit does not provide a legal determination on the Masconomet Regional School District's compliance with those requirements.

In our opinion, the Masconomet Regional School District, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

The management of the Masconomet Regional School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Masconomet Regional School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance 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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the School Committee, management, others within the organization, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Giusti, Hingston and Company

Giusti, Hingston and Company
Certified Public Accountants
September 28, 2012

Masconomet Regional School District
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2012

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 not 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.