

Masconomet Regional School District
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For the Year Ended June 30, 2013

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INDEPENDENT AUDITORS REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Masconomet Regional School District, Massachusetts as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Masconomet Regional School District, as of June 30, 2013 and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the retirement system schedules and the other post employment benefit schedules

listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The schedule of non major governmental funds, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The schedule of non major governmental funds and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of non major governmental funds and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our reported dated October 8, 2013, on our consideration of the Masconomet Regional School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Masconomet Regional School District's internal control over financial reporting and compliance.

Giusti, Hingston and Company

Giusti, Hingston and Company
Certified Public Accountants
October 8, 2013

**Masconomet Regional School District
Management's Discussion and Analysis
Required Supplementary Information
June 30, 2013**

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, 2013.

Financial Highlights

- The assets of the Masconomet Regional School District exceeded its liabilities at the close of the most recent fiscal year by \$8,358,050 (*Net Position – Page 10*).
- The net position of the District decreased by \$4,095,150 (Page 6). \$3,750,000 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 \$1,266,851 (Page 26) 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 \$1,783,409 (Page 12), (\$471,577 of this fund balance amount relates to the Stabilization Fund which is now required to be included with the general fund for financial statement purposes in accordance with the new GASB 54 requirements. Please see the Notes to the Financial Statements for a description of the new GASB 54 requirements on Pages 21 and 22).
- The Masconomet Regional School District's total debt decreased by 8 percent during the current year. The decrease was the result of the retirement of \$1,575,000 (Page 8) of general obligation bonds

Overview of the Financial Statements

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

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

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

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

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

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Masconomet Regional School District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. All of the funds of the Masconomet Regional School District can be divided into two categories: governmental funds and fiduciary funds.

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

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

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

Reconciliation of Government-wide Financial Statements to Fund Financial Statements

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

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

Net Position

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

	<u>Governmental Activities</u>		<u>Change</u>
	<u>2013</u>	<u>2012</u>	
Current Assets	\$ 4,859,041	\$ 4,923,398	\$ (64,357)
Noncurrent Assets	9,862,428	10,484,682	(622,254)
Capital Assets	33,483,171	34,750,022	(1,266,851)
Total Assets	<u>48,204,640</u>	<u>50,158,102</u>	<u>(1,953,462)</u>
Current Liabilities	2,240,339	2,093,672	(146,667)
Long Term Liabilities	37,606,251	35,477,151	(2,129,100)
Total Liabilities	<u>39,846,590</u>	<u>37,570,823</u>	<u>(2,275,767)</u>
Net Position:			
Invested in Capital Assets			
Net of Related Debt	27,272,853	27,751,092	(478,239)
Restricted	1,850,856	1,775,269	75,587
Unrestricted (Deficit) (See Note Below)	(20,765,659)	(17,073,161)	(3,692,498)
Total Net Position	<u>\$ 8,358,050</u>	<u>\$ 12,453,200</u>	<u>\$ (4,095,150)</u>

The reason the unrestricted Net Position reflects a deficit is that the GASB 45 OPEB (Other Post Employment Benefits) liability of \$22,560,675, is required to be recorded in the Statement of Net Position.

The net position of the District decreased by \$4,095,150 (See Above). \$3,750,000 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 \$1,266,851 (Page 26) of depreciation expense (relating to the Building Project and other fixed assets) that was recorded in the current year in accordance with the GASB 34 requirements.

Changes in Net Position

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

	<u>Governmental Activities</u>		<u>Change</u>
	<u>2013</u>	<u>2012</u>	
Revenues			
Program Revenues:			
Charges for Services	\$ 2,076,020	\$ 1,957,714	118,306
Operating Grants and MTRB Contributions	6,047,926	6,344,669	(296,743)

	<u>Governmental Activities</u>		<u>Change</u>
	<u>2013</u>	<u>2012</u>	
General Revenues:			
Assessments to Member Towns - Operating	20,536,048	19,817,432	718,616
Assessments to Member Towns - Capital/Debt	1,077,488	1,073,553	3,935
Intergovernmental - Unrestricted	4,770,799	4,686,999	83,800
Unrestricted Investment Earnings	9,735	11,586	(1,851)
Other Revenue	2,204	980	1,224
Disposal of Assets	-	(12,765)	12,765
Transfers In (Out)	(112,891)	-	(112,891)
Total Revenues	<u>34,407,329</u>	<u>33,880,168</u>	<u>527,161</u>
Expenses			
Instruction:			
Middle School	6,408,307	6,258,920	(149,387)
High School	13,244,815	12,816,203	(428,612)
Special Education	3,841,663	3,229,459	(612,204)
Other	412,787	550,340	137,553
Support Services:			
Administration	386,869	397,707	10,838
Business	5,240,562	5,719,172	478,610
Buildings and Grounds	3,008,134	2,905,446	(102,688)
Food Services	816,385	743,536	(72,849)
MTRS On-Behalf Payments	4,015,695	3,951,853	(63,842)
Student Activity Funds	334,955	306,728	(28,227)
Debt Service	792,307	849,303	56,996
Total Expenses	<u>38,502,479</u>	<u>37,728,667</u>	<u>(773,812)</u>
Increase (Decrease) in Net Position	<u>\$ (4,095,150)</u>	<u>\$ (3,848,499)</u>	<u>\$ (246,651)</u>

Governmental Activities

In fiscal year 2013 and 2012 member assessments accounted for approximately 63% and 62% (respectively) of the total revenues.

Financial Analysis of the District's Funds

Governmental Funds

General Fund

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

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

**Changes in Fund Balance
General Fund**

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

<u>Fiscal Year</u>	<u>Unassigned</u>	<u>Total Fund Balance</u>	<u>Excess and Deficiency</u>
2011	\$ 1,720,052	\$ 1,720,052	\$ 1,086,801
2012	1,735,010	1,735,010	1,206,868
2013	1,783,409	1,783,409 *	1,232,899 Estimate

* The fiscal year ended June 30, 2013 fund balance amount includes \$471,577, 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, 2013, amounts to \$33,483,171 (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, 2012 and 2013 are as follows:

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

	Governmental Activities	
	<u>2013</u>	<u>2012</u>
Land	\$ 86,950	\$ 86,950
Total Capital Assets Not Being Depreciated	<u>86,950</u>	<u>86,950</u>
Buildings and Improvements	33,187,608	34,365,018
Furniture, Fixtures and Equipment	178,076	262,035
Vehicles	30,537	36,019
Total Capital Assets Being Depreciated	<u>33,396,221</u>	<u>34,663,072</u>
Total	<u>\$ 33,483,171</u>	<u>\$ 34,750,022</u>

Debt

The District had \$16,595,000 in bonds outstanding on June 30, 2013. This represents a \$1,575,000 decrease or 8.0% reduction from the previous year.

Outstanding Debt at June 30

Governmental Activities	<u>2013</u>	<u>2012</u>
General Obligation Bonds Payable	<u>\$ 16,595,000</u>	<u>\$ 18,170,000</u>

Fiscal Year 2013 and 2014 Budgets

In May, voters in all three towns approved the fiscal year 2013 budget adopted by the School Committee. The budget adopted by the School Committee included state aid estimates available at the time. The final approved state budget in July included an increase in funding for Chapter 70 (general aid for education) and regional school transportation reimbursement; \$83,800 and \$30,386 respectively. Although Chapter 70 aid receipts typically mirror the information provided on the Cherry Sheet, transportation reimbursement does not. Fortunately, the transportation receipts in fiscal year 2013 were greater than the amount noted on the Cherry Sheet by \$13,226. As a result, the positive variance in transportation reimbursement by the end of the year was \$43,612.

In the winter of 2012, the school committee elected to adopt MGL Chapter 32B sections 21, 22, and 23 per the Health Care Reform Act of 2011. This legislation enabled the SC to unilaterally change the plan design for health insurance effective July 1, 2012 (Fiscal Year 2013). The regulations mandated that the District negotiate a mitigation component with employee bargaining units through a Public Employee Committee (PEC). A Memorandum of Understanding (MOU) with the PEC relative to mitigation was signed on March 15, 2012. The MOU defines eligible reimbursements, the plans, a process for implementation, and a mitigation funding cap of \$156,024. The funding for this was generated from savings acquired through the change in plan design. At the close of the year, unused mitigation money was set aside for future claims in a claims trust fund. This amount totaled \$126,512. Further, contract settlements with employees in June called for the District to transfer an additional \$100,000 (Fiscal Year 2014- \$25,000, Fiscal Year 2015 - \$50,000, Fiscal Year 2016 - \$25,000) into the mitigation fund.

Another favorable variance that occurred in the fiscal year 2013 budget was the result of staff changes related to leaves of absences and resignations. There were 14 leaves of absence, 4 staff members retired, and 28 resignations. Replacements for these positions were less expensive. Fortunately, this created positive breakage that helped to offset some other expenses that were not anticipated including a deficit in the Pupil Personnel Services budget. There were two other noteworthy variances in the fiscal year 2013 spending plan. Copiers purchased at the end of fiscal year 2012 included one year of free maintenance; this resulted in a \$21,500 savings. The energy conservation measures pursued through lighting retrofit projects have continued to result in additional savings as the District's consumption has declined. The additional utility savings in fiscal year 2013 was \$37,554.

Transfers and other transactions that occurred in fiscal year 2013 include six (6) appropriations from the Excess and Deficiency fund. These transactions totaled \$557,403. These transactions are as follows: 1) \$23,000 for the LMS/SIS, 2) \$170,000 for IT infrastructure upgrades, 3) \$126,512 to the Mitigation Fund (the balance of the fiscal year 2013 mitigation fund proceeds), 4) \$100,000 to the Mitigation Fund (per fiscal year 2014, 2015, and 2016 employee contract settlements), 5) \$25,000 to the Professional Negotiator special revenue fund, and 6) \$112,891 to the Other Post Employment Benefits trust fund. The District also closed two capital project funds; the Library Conversion project was closed to E&D (\$1,580) and the Middle School Lighting project was closed to the stabilization fund (\$22,560).

By the close of the fiscal year, the final revenue surplus was \$117,089 and unspent appropriations totaled \$463,848 thus enabling the district to close the fiscal year with a favorable balance of \$580,937 (see page 34). Other activity that occurred in fiscal year 2013 that impacted the fund balance included six appropriations totaling \$557,403 from the Excess and Deficiency fund. Two capital project funds were also closed in fiscal year 2013 totaling \$24,140. The net impact of all transactions resulted in a slight increase in the fund balance at the close of fiscal year 2013.

Fortunately for fiscal year 2014, overrides were not necessary in any of the towns. After the passage of the budget and the fiscal year began, the state approved an fiscal year 2014 budget that provided more state aid for education than was anticipated when the local budgets were adopted in the spring. The increase in state aid is estimated to be \$99,562. The School Committee will deliberate over the appropriate use of these funds at some point later in the year. They will carefully weigh the pros and cons of using this one-time revenue surplus to fund the Districts' OPEB liability, infrastructure improvements, and/or provide one-time assessment relief to the communities.

Masconomet Regional School District
Statement of Net Position
June 30, 2013

	<u>Government - Wide Activities</u>
Assets	
Current:	
Cash/Investments	\$ 3,899,511
Accounts Receivable:	
Other	150
Intergovernmental	959,380
Noncurrent:	
Accounts Receivable:	
Deferred Debit on Debt Refunding Issue (See Footnote D-ii Page 28)	87,500
Intergovernmental	9,774,928
Capital Assets:	
Assets Not Being Depreciated (Land)	86,950
Assets Being Depreciated, Net	<u>33,396,221</u>
 Total Assets	 <u>48,204,640</u>
 Liabilities	
Current:	
Warrants Payable	273,851
Accrued Wages Payable	18,502
Withholdings Payable	118,071
Accrued Interest Payable	180,091
Bonds Payable	1,635,000
Collections in Advance	14,824
Noncurrent:	
Compensated Absences Payable	85,576
Bonds Payable	14,960,000
Other Post Employment Benefits Payable	<u>22,560,675</u>
 Total Liabilities	 <u>39,846,590</u>
 Net Position	
Invested in Capital Assets, Net of Related Debt	27,272,853
Restricted for:	
Capital Projects	139,850
Other Purposes	1,711,006
Unrestricted (Deficit) (See Footnote II A-Page 23)	<u>(20,765,659)</u>
 Total Net Position	 <u><u>\$ 8,358,050</u></u>

Masconomet Regional School District
Statement of Activities
Fiscal Year Ended June 30, 2013

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenues and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
<i>Governmental Activities:</i>					
Instruction:					
Middle School	\$ 6,408,307	\$ 1,271	\$ -	\$ -	\$ (6,407,036)
High School	13,244,815	761,324	20,963	-	(12,462,528)
Special Education	3,841,663	17,280	935,986	-	(2,888,397)
Other	412,787	-	56,154	-	(356,633)
Support Services:					
Administration	386,869	-	53,704	-	(333,165)
Business	5,240,562	182,776	392,088	-	(4,665,698)
Buildings and Grounds	3,008,134	-	-	-	(3,008,134)
Food Services	816,385	756,879	68,226	-	8,720
MTRS On-Behalf Payments	4,015,695	-	4,015,695	-	-
Student Activity Funds	334,955	356,490	-	-	21,535
Debt Service	792,307	-	505,110	-	(287,197)
Total Governmental Activities	<u>\$ 38,502,479</u>	<u>\$ 2,076,020</u>	<u>\$ 6,047,926</u>	<u>\$ -</u>	<u>(30,378,533)</u>
<i>General Revenues:</i>					
					20,536,048
					1,077,488
					4,770,799
					9,735
					2,204
Special Items:					
					(112,891)
					<u>26,283,383</u>
Change in Net Position					
					<u>(4,095,150)</u>
Net Position:					
					<u>12,587,279</u>
					<u>(134,079)</u>
					<u>12,453,200</u>
					<u>\$ 8,358,050</u>

Masconomet Regional School District
 Governmental Funds
 Balance Sheet
 June 30, 2013

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Assets</u>			
Cash/Investments	\$ 1,979,267	\$ 1,920,244	\$ 3,899,511
Accounts Receivable:			
Other	-	150	150
Intergovernmental	10,599,248	135,060	10,734,308
Total Assets	\$ 12,578,515	\$ 2,055,454	\$ 14,633,969
<u>Liabilities and Fund Balances</u>			
Liabilities:			
Warrants Payable	\$ 273,851	\$ -	\$ 273,851
Accrued Wages Payable	18,502	-	18,502
Withholdings Payable	118,071	-	118,071
Unearned Revenue - Advance Payments	-	14,824	14,824
Unearned Revenue - Intergovernmental	10,384,682	-	10,384,682
Total Liabilities	10,795,106	14,824	10,809,930
Fund Equity:			
Fund Balances:			
Restricted (See Schedule on Pages 43 and 44)	-	1,850,856	1,850,856
Committed (See Schedule on Pages 43 and 44)	-	189,774	189,774
Unassigned	1,783,409	-	1,783,409
Total Fund Balances	1,783,409	2,040,630	3,824,039
Total Liabilities and Fund Balances	\$ 12,578,515	\$ 2,055,454	\$ 14,633,969

Masconomet Regional School District
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
Fiscal Year Ended June 30, 2013
(Continued on Page 14)

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
<u>Revenues:</u>			
Assessments to Member Towns - Operating	\$ 20,536,048	\$ -	\$ 20,536,048
Assessments to Member Towns - Capital and Debt	1,077,488	-	1,077,488
Intergovernmental			
State Aid - Education	4,770,799	-	4,770,799
State Aid - Transportation	387,725	-	387,725
State Aid - School Construction	1,291,498	-	1,291,498
Other State and Federal Grants	48,779	1,037,334	1,086,113
MTRS On-Behalf Payments	4,015,695	-	4,015,695
Charges for Services	40,718	2,035,302	2,076,020
Contributions and Donations	-	53,283	53,283
Investment Income	9,735	-	9,735
Miscellaneous	2,204	-	2,204
Total Revenues	<u>32,180,689</u>	<u>3,125,919</u>	<u>35,306,608</u>
<u>Expenditures:</u>			
Instruction:			
Middle School	4,859,335	18,216	4,877,551
High School	9,985,105	212,237	10,197,342
Special Education	2,772,892	921,771	3,694,663
Other	246,671	112,747	359,418
Support Services:			
Administration	280,786	25,242	306,028
Business	6,036,640	332,925	6,369,565
Buildings and Grounds	1,582,914	125,801	1,708,715
Food Services	-	815,289	815,289
MTRS On-Behalf Payments	4,015,695	-	4,015,695
Student Activity Funds	-	334,955	334,955
Debt Service	2,368,989	-	2,368,989
Total Expenditures	<u>32,149,027</u>	<u>2,899,183</u>	<u>35,048,210</u>
Excess of Revenues Over (Under) Expenditures	<u>31,662</u>	<u>226,736</u>	<u>258,398</u>

Masconomet Regional School District
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
Fiscal Year Ended June 30, 2013
(Continued from Page 13)

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Other Financing Sources (Uses):			
Operating Transfers In	574,140	444,512	1,018,652
Operating Transfers (Out)	<u>(557,403)</u>	<u>(574,140)</u>	<u>(1,131,543)</u>
Total Other Financing Sources (Uses)	<u>16,737</u>	<u>(129,628)</u>	<u>(112,891)</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>48,399</u>	<u>97,108</u>	<u>145,507</u>
Fund Balance, Beginning	<u>1,735,010</u>	<u>2,077,601</u>	<u>3,812,611</u>
Reclassification (Page 32)	<u>-</u>	<u>(134,079)</u>	<u>(134,079)</u>
Fund Balance, Beginning as Restated	<u>1,735,010</u>	<u>1,943,522</u>	<u>3,678,532</u>
Fund Balance, Ending	<u>\$ 1,783,409</u>	<u>\$ 2,040,630</u>	<u>\$ 3,824,039</u>

Masconomet Regional School District
 Reconciliation of the Governmental Funds Balance Sheet
 Total Fund Balances to the Statement of Net Position
 Fiscal Year Ended June 30, 2013

Total Governmental Fund Balances	\$ 3,824,039
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	33,483,171
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	10,384,682
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.	87,500
In the Statement of Activities, interest is accrued on outstanding long term debt. In the fund financial statements, interest is not reported until due.	(180,091)
Certain liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:	
Compensated Absences Payable	(85,576)
Bonds Payable	(16,595,000)
Other Post Employment Benefits Payable	<u>(22,560,675)</u>
Net Position of Governmental Activities	<u><u>\$ 8,358,050</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, 2013

Net Change in Fund Balances - Total Governmental Funds	\$ 145,507
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.	(1,266,851)
Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable differ between the two statements. This amount represents the net change in Unearned Revenue.	(786,388)
The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on Net Position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	1,562,500
This item represents the current year OPEB cost. Since it is a long term liability, it is not reported in the governmental funds.	(3,750,000)
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>82</u>
Change in Net Position of Governmental Activities	<u><u>\$ (4,095,150)</u></u>

Masconomet Regional School District
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2013

	OPEB Trust and Agency <u>Funds</u>
Assets	
Cash	\$ 250,066
Total Assets	<u>250,066</u>
 Liabilities	
Current:	
Other Liabilities	<u>2,805</u>
Total Liabilities	<u>2,805</u>
 Net Position	
Other Post Employment Benefits Trust	<u>247,261</u>
Total Net Position	<u><u>\$ 247,261</u></u>

Masconomet Regional School District
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Fiscal Year Ended June 30, 2013

	<u>OPEB Trust and Agency Funds</u>
Additions:	
Interest, Dividends, and Contributions	<u>\$ 291</u>
Deductions:	
Other Post Employment Benefits	<u>-</u>
Change in Net Position Before Transfers	<u>291</u>
Transfers In (Out):	
Operating Transfers In	<u>112,891</u>
Change in Net Position	<u>113,182</u>
Net Position:	
Beginning of the Year	<u>-</u>
Reclassification (Page 32)	<u>134,079</u>
Fund Balance, Beginning as Restated	<u>134,079</u>
End of the Year	<u><u>\$ 247,261</u></u>

Masconomet Regional School District
Notes to the Financial Statements
June 30, 2013

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, 2013, conform to accounting principles generally accepted in the United States of America for local government units, except as indicated hereafter.

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

A. **Reporting Entity**

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

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

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

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

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

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

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

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

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

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

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

The District reports the following major governmental funds:

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

D. Assets, Liabilities and Fund Balances

i. Deposits and Investments

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

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

ii. Capital Assets

Capital assets, which include land, buildings and improvements, vehicles and furniture fixtures and equipment are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

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

iii. Fund Balances

Fund Balance Classification Policies and Procedures

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

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

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

1.Nonspendable, includes amounts that cannot be spent because they are (a) not in spendable form (such as fund balance associated with inventories) or are (b) legally or contractually required to stay intact (i.e. corpus of a permanent trust fund). This does not apply to the Masconomet Regional School District as of June 30, 2013,

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

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

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

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

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

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

Details of Fund Balance Classifications

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

<u>Fund</u>	<u>Account</u>	<u>General Fund</u>	<u>Non Major Funds</u>
Fund Balances:			
Restricted for:			
202	Book Store	\$ -	\$ 7,518
203	College Prep	-	18,706
205	Community School Program	-	12,198
217	Circuit Breaker	-	453,685
218	Athletic & Co-curricular	-	55,827
219	Non Resident Tuition	-	170,956
220	School Lunch	-	336,398
221	Use of School Property	-	102,138
225	Summer School	-	39,593
226	SPED Summer Program	-	20,838
258	TTEF Gift Fund	-	1,781
262	Cultural Council HS	-	85
263	Fidelity Gift Fund	-	750
265	Joe Carroll Gift Fund	-	972
266	Gifts & Donations	-	25,059
267	Music Dept Gift Fund	-	2,152
270	SPED IDEA - Entitlement Grant (DOE 240)	-	8,002
272	Title I Carryover (Fund 305)	-	5,143
273	Title I Carryover (Fund 305)	-	16
301	Capital Project - Irrigation System	-	22,878
302	Capital Project - Waste Water Treatment Plant	-	9,869
307	Capital Project - Doors & Security	-	683
309	Capital Project - Technology	-	49,824
310	Capital Project - Lighting Retrofit Project	-	43,675
312	Capital Project - Tech Infrastructure	-	8,388
313	Capital Project - Tech Pilot Program	-	4,533
702	Other Post Employment Benefits Trust Fund	-	226,512
801	Student Activity Middle School	-	28,984
802	Student Activity High School	-	193,693
Total Restricted		-	1,850,856

<u>Fund</u>	<u>Account</u>	<u>General Fund</u>	<u>Non Major Funds</u>
Committed to:			
210	Restitution	-	75,935
211	MS Obligations/Lost Book	-	5,366
212	HS Obligations/Lost Book	-	62,400
245	Accounting Software	-	7,629
246	Professional Negotiator	-	28,679
247	Mandated Compliance	-	9,765
Total Committed		-	189,774
Unassigned		1,783,409	-
Total Fund Balances		<u>\$ 1,783,409</u>	<u>\$ 2,040,630</u>

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 \$471,577. The stabilization fund is reported as a component of unassigned fund balance in the general fund on the District’s balance sheet in accordance with the GASB 54 requirements.

II Stewardship, Compliance and Accountability

A. Net Position – Unrestricted (Deficit)

The reason the unrestricted Net Position reflects a deficit is that the GASB 45 OPEB (Other Post-Employment Benefits) liability of \$22,560,675, is required to be recorded in the Statement of Net Position.

B. General Budgetary Information

i. General Budget Policies

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

ii. Budget Basis of Accounting

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

The following reconciliation summarizes the differences between the budget and GAAP basis principles for the year ended June 30, 2013:

	<u>Revenues</u>
As Reported Budget Basis	\$ 28,164,051
Adjustments:	
Other Revenues Not Reported on Budget Basis (Stablization Fund)	943
MTRS - On Behalf Payments	<u>4,015,695</u>
As Reported GAAP Statement	<u>\$ 32,180,689</u>
	<u><u>Expenditures</u></u>
As Reported Budget Basis	\$ 28,133,114
Adjustments:	
Miscellaneous	218
MTRS - On Behalf Payments	<u>4,015,695</u>
As Reported GAAP Statement	<u>\$ 32,149,027</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, 2013, none of the District's bank balance of \$5,411,892 was exposed to credit risk.

Investments

Their investments fall into two account: MMDT in the amount of \$1,806,663 and TD Bank investment sweep account in the amount of \$1,956,414. The TD account(s) are covered by a Line of Credit (LOC) held by a third party. The LOC covers \$6,000,000 above FDIC insurance coverage.

Interest Rate Risk - Investments

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

increasing interest rates. However, the District does not currently have any investments that are subject to interest rate risk.

Custodial Credit Risk - Investments

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District does not have a policy for custodial credit risk of investments. As of June 30, 2013, the District was not exposed to custodial credit risk.

Credit Risk-Investments

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

Concentration of Credit Risk

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

B. Capital Assets

Capital asset activity for the year ended June 30, 2013 was as follows:

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

B. Capital Assets (Continued)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
<u>Capital Assets (continued):</u>				
Less Accumulated Depreciation for:				
Buildings and Improvements	(12,570,845)	(1,177,409)	-	(13,748,254)
Furniture, Fixtures and Equipment	(6,993,591)	(83,960)	-	(7,077,551)
Vehicles	(36,798)	(5,482)	-	(42,280)
Total Accumulated Depreciation	<u>(19,601,234)</u>	<u>(1,266,851)</u>	<u>-</u>	<u>(20,868,085)</u>
Total Capital Assets Being Depreciated, Net	<u>34,663,072</u>	<u>(1,266,851)</u>	<u>-</u>	<u>33,396,221</u>
Governmental Activities Capital Assets, Net	<u>\$ 34,750,022</u>	<u>\$ (1,266,851)</u>	<u>\$ -</u>	<u>\$ 33,483,171</u>

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

Instruction:	
Middle School	\$ 19,016
High School	40,606
Support Services:	
Administration	2,851
Buildings and Grounds	1,203,282
Food Services	1,096
	<u>\$ 1,266,851</u>

C. Accounts Receivable

Intergovernmental:

Due from Commonwealth of Massachusetts:

Current:

State Grant	\$ 135,060
School Building Assistance Bureau Grant	<u>824,320</u>
Total Current	<u>\$959,380</u>

Noncurrent:

School Building Assistance Bureau Grant	<u>9,774,928</u>
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Total Intergovernmental \$10,734,308

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.

D. Debt

Liabilities

(i) Long Term Debt

General obligation bonds outstanding at June 30, 2013 bear interest at various rates.

Changes in Long Term Debt - the following is a summary of bond transactions for the year ended June 30, 2013.

<u>Project</u>	<u>Issue Date</u>	<u>Rate</u>	<u>Outstanding June 30, 2012</u>	<u>Redeemed</u>	<u>Outstanding June 30, 2013</u>
School Construction	April 1, 2002	4.37% - 5.10%	\$ 6,145,000	\$ (495,000)	\$ 5,650,000
School Construction	September 15, 2003	3.50% - 5.00%	6,750,000	(495,000)	6,255,000
School Construction - Refunding Issue	July 15, 2009	3.00% - 5.00%	5,275,000	(585,000)	4,690,000
Total Outstanding			<u>\$ 18,170,000</u>	<u>\$(1,575,000)</u>	<u>\$ 16,595,000</u>

Summary of Debt Service Requirements to Maturity

	<u>General Long Term Debt</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
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	1,920,000	454,015	2,374,015
2019-2023	7,715,000	989,265	8,704,265
	<u>\$ 16,595,000</u>	<u>\$ 3,977,409</u>	<u>\$ 20,572,409</u>

D. Debt (Continued)

(ii) Refunding of Long Term Debt

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

<u>Fiscal Year</u>	<u>Existing Debt Principal & Interest</u>	<u>Refunding Bonds Principal & Interest</u>
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>\$ 6,012,874</u>	<u>\$ 5,447,500</u>

Economic Gain from Refunding Issue

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

Deferred Debit on Debt Refunding Issue

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

E. Compensated Absences and Interfund Transfers

i. Interfund Transfers

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

	<u>Transfers In</u>	<u>Transfers (Out)</u>	<u>Total</u>
General	\$ 574,140	\$ (557,403)	\$ 16,737
Non-Major Governmental	444,512	(574,140)	(129,628)
OPEB Trust	112,891	-	112,891
Total	<u>\$ 1,131,543</u>	<u>\$ (1,131,543)</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, 2013, 2012 and 2011 were \$382,468, \$340,619 and \$298,631, 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, 2013. These statements require the District to account for and report the value of its future OPEB obligations currently rather than on a pay as you go basis. Certain information that is required to be disclosed by GASB 45, is noted below. In addition, certain Required Supplementary Information (RSI), required by GASB 45, is presented following the notes to the financial statements.

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

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

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

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

Annual Required Contribution (ARC)	\$5,380,000
Interest on Net OPEB Obligation	840,000
Adjustment to Annual Required Contribution	(1,100,000)
Annual OPEB Cost (Expense)	5,120,000
Contributions Made	(1,240,000)
Adjustment for Trust Funding	(130,000)
Increase in Net OPEB Obligation	3,750,000
Net OPEB Obligation (NOO)- Beginning of Year	18,810,675
Net OPEB Obligation (NOO)- End of Year	<u><u>\$22,560,675</u></u>

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

<u>Fiscal Year</u> <u>Ended June 30</u>	<u>Annual OPEB</u> <u>Cost</u>	<u>Percentage of</u> <u>Annual OPEB</u> <u>Cost Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
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
2013	\$5,120,000	24.2%	\$22,560,675

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

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

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

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

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

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

Instruction:	
Middle School	\$1,507,674
High School	3,006,229
Special Education	145,091
Other	53,369
Support Services:	
Administration	79,501
Business	234,340
Buildings and Grounds	93,796
Total	<u><u>\$5,120,000</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, 2013, the Commonwealth paid \$4,015,695 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, 2013, or fund balances at June 30, 2013.

E. Subsequent Year Authorization

The School Committee adopted a fiscal year 2014 budget totaling \$29,572,272. The accompanying financial statements do not reflect the adoption of the fiscal year 2014 budget. The budgetary amounts will be financed by the following sources:

Member Assessments	\$ 22,460,024
State and Federal Aid	6,510,248
Local Receipts	52,000
Fund Transfers	550,000
Total	<u><u>\$ 29,572,272</u></u>

F. Reclassification

In order to comply with Generally Accepting Accounting Principles, we have reclassified the Other Post Employment Benefits Trust Fund (\$134,079) as a fiduciary fund. It had previously been reported as a permanent trust.

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, 2013

	<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	\$ 20,536,048	\$ 20,536,048	\$ 20,536,048	\$ -
Assessments to Member Towns - Capital and Debt	1,077,491	1,077,491	1,077,488	(3)
Intergovernmental				
State Aid - Education	4,686,999	4,686,999	4,770,799	83,800
State Aid - Transportation	344,113	344,113	387,725	43,612
State Aid - School Construction	1,291,498	1,291,498	1,291,498	-
Other State and Federal Aid	54,700	54,700	48,779	(5,921)
Departmental	37,000	37,000	40,718	3,718
Investment Income	12,000	12,000	8,792	(3,208)
Miscellaneous	7,114	7,113	2,204	(4,909)
Total Revenues	<u>28,046,963</u>	<u>28,046,962</u>	<u>28,164,051</u>	<u>117,089</u>
<u>Expenditures</u>				
Instruction:				
Middle School	5,013,485	4,925,786	4,859,335	66,451
High School	10,290,312	10,291,179	9,985,105	306,074
Special Education	2,311,827	2,777,967	2,772,892	5,075
Other	224,186	259,531	246,671	12,860
Support Services:				
Administration	296,911	286,209	280,568	5,641
Business	6,422,707	6,076,668	6,036,640	40,028
Buildings and Grounds	1,668,546	1,610,633	1,582,914	27,719
Debt Service	2,368,989	2,368,989	2,368,989	-
Total Expenditures	<u>28,596,963</u>	<u>28,596,962</u>	<u>28,133,114</u>	<u>463,848</u>
Excess (Deficiency) Of Revenues Over Expenditures	<u>(550,000)</u>	<u>(550,000)</u>	<u>30,937</u>	<u>580,937</u>
<u>Other Financing Sources (Uses):</u>				
Other Available Funds	-	557,403	557,403	-
Operating Transfers In	550,000	550,000	551,580	1,580
Operating Transfers Out	-	(557,403)	(557,403)	-
Total Other Financing Sources (Uses)	<u>550,000</u>	<u>550,000</u>	<u>551,580</u>	<u>1,580</u>
Excess (Deficiency) Of Revenues And Other Financing Sources (Uses) Over (Under) Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 582,517</u>	<u>\$ 582,517</u>

Essex Regional Retirement System
Required Supplementary Information
Schedule of Funding Progress

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

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, 2013

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

Masconomet Regional School District
 Required Supplementary Information - GASB 45
 Valuation Details
 Fiscal Year Ended June 30, 2013

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

Actuarial Assumptions:

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

Plan Membership:

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

Masconomet Regional School District
Notes to the Required Supplementary Information
June 30, 2013

(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, 2013:

	<u>Revenues</u>
As Reported Budget Basis	\$ 28,164,051
Adjustments:	
Other Revenues Not Reported on Budget Basis (Stablization Fund)	943
MTRS - On Behalf Payments	<u>4,015,695</u>
As Reported GAAP Statement	<u><u>\$ 32,180,689</u></u>
	<u>Expenditures</u>
As Reported Budget Basis	\$ 28,133,114
Adjustments:	
Miscellaneous	218
MTRS - On Behalf Payments	<u>4,015,695</u>
As Reported GAAP Statement	<u><u>\$ 32,149,027</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 dependents by paying for a portion of their health care and life insurance benefits. Currently there are approximately 228 active employees and 135 retired employees who are eligible to participate in the plan.

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

Supplementary Information

Masconomet Regional School District
Schedule of Nonmajor Governmental Funds
Fiscal Year Ended June 30, 2013
(Continued on Page 44)

Fund	Account	Balance			Transfers In (Out)	Balance	
		Beginning July 1, 2012	Revenues	Expenditures		Ending June 30, 2013	GASB 54
<u>Special Revenue Funds</u>							
<u>Revolving Funds</u>							
202	Book Store	\$ 9,749	\$ 21,597	\$ 23,828	\$ -	\$ 7,518	Restricted
203	College Prep	19,486	79,275	80,055	-	18,706	Restricted
205	Community School Program	12,198	-	-	-	12,198	Restricted
210	Restitution	68,500	73,177	65,742	-	75,935	Committed
211	MS Obligations/Lost Book	4,871	1,271	776	-	5,366	Committed
212	HS Obligations/Lost Book	57,930	9,990	5,520	-	62,400	Committed
217	Circuit Breaker	450,384	453,685	450,384	-	453,685	Restricted
218	Athletic & Co-curricular	67,825	567,959	59,957	(520,000)	55,827	Restricted
219	Non Resident Tuition	143,246	27,710	-	-	170,956	Restricted
220	School Lunch	356,582	825,105	815,289	(30,000)	336,398	Restricted
221	Use of School Property	118,933	109,599	126,394	-	102,138	Restricted
225	Summer School	36,018	14,075	10,500	-	39,593	Restricted
226	SPED Summer Program	11,680	17,280	8,122	-	20,838	Restricted
245	Accounting Software	7,629	-	-	-	7,629	Committed
246	Professional Negotiator	17,429	-	13,750	25,000	28,679	Committed
247	Mandated Compliance	11,895	-	2,130	-	9,765	Committed
Total Revolving Funds		<u>1,394,355</u>	<u>2,200,723</u>	<u>1,662,447</u>	<u>(525,000)</u>	<u>1,407,631</u>	
<u>Gifts and Donations Funds</u>							
258	TTEF Gift Fund	2,740	4,363	5,322	-	1,781	Restricted
260	Boosters Gift	-	13,006	13,006	-	-	Restricted
262	Cultural Council HS	85	-	-	-	85	Restricted
263	Fidelity Gift Fund	750	-	-	-	750	Restricted
265	Joe Carroll Gift Fund	180	1,000	208	-	972	Restricted
266	Gifts & Donations	17,802	30,956	23,699	-	25,059	Restricted
267	Music Dept Gift Fund	2,152	3,957	3,957	-	2,152	Restricted
Total Gifts and Donations Funds		<u>23,709</u>	<u>53,282</u>	<u>46,192</u>	<u>-</u>	<u>30,799</u>	
<u>Grants</u>							
268	Essential School Health Service Grant	-	3,000	3,000	-	-	Restricted
270	SPED IDEA -(DOE 240)	-	435,445	427,443	-	8,002	Restricted
271	Sped access - prog imp (274)	-	9,421	9,421	-	-	Restricted
272	Title I Carryover (Fund 305)	-	7,055	1,912	-	5,143	Restricted
273	Title I Carryover (Fund 305)	-	41,331	41,315	-	16	Restricted
274	Academic Support Summer (DOE 625)	-	4,348	4,348	-	-	Restricted
276	Title IIA Teacher Quality (DOE 140)	-	10,146	10,146	-	-	Restricted
279	Education Jobs Grant (DOE206)	-	4,677	4,677	-	-	Restricted
290	SPED IDEA - (DOE 240)	7,991	-	7,991	-	-	Restricted
291	Sped access - prog imp (274)	12,344	-	12,344	-	-	Restricted
292	Title I Carryover (Fund 305)	4,343	-	4,343	-	-	Restricted
293	Title I (DOE 305)	7,806	-	7,806	-	-	Restricted
295	Academic Support (DOE 632)	3,825	-	3,825	-	-	Restricted
296	Title IIA Teacher Qual carry (DOE 140)	3,170	-	3,170	-	-	Restricted
299	Ed Job (206)	9,066	-	9,066	-	-	Restricted
Total Grant Funds		<u>48,545</u>	<u>515,423</u>	<u>550,807</u>	<u>-</u>	<u>13,161</u>	

Masconomet Regional School District
Schedule of Nonmajor Governmental Funds
Fiscal Year Ended June 30, 2013
(Continued from Page 43)

<u>Fund</u>	<u>Account</u>	Balance Beginning July 1, 2012	Actual Receipts	Expenditures	Transfers In (Out)	Balance Ending June 30, 2013	<u>GASB 54</u>
<u>Student Activity Funds</u>							
801	Student Activity MS	22,344	46,729	40,089	-	28,984	Restricted
802	Student Activity HS	178,798	309,761	294,866	-	193,693	Restricted
	Total Student Activity Funds	<u>201,142</u>	<u>356,490</u>	<u>334,955</u>	<u>-</u>	<u>222,677</u>	
	<i>Total Special Revenue Funds</i>	<u>1,667,751</u>	<u>3,125,918</u>	<u>2,594,401</u>	<u>(525,000)</u>	<u>1,674,268</u>	
<u>Capital Projects Funds</u>							
301	Capital Proj - Irrigation System	22,879	-	-	-	22,879	Restricted
302	Capital Project - Waste Water Tmt Plant	9,869	-	-	-	9,869	Restricted
307	Capital Project - Doors & Security	9,683	-	9,000	-	683	Restricted
308	Capital Project - Library Conversion	5,906	-	4,326	(1,580)	-	Restricted
309	Capital Project - SIS/LMS	97,028	-	28,205	(19,000)	49,823	Restricted
310	Capital Project - Lighting Retrofit Project	90,408	-	46,733	-	43,675	Restricted
311	Capital Project - MS Lighting	40,000	-	17,440	(22,560)	-	Restricted
312	Capital Project - Tech Infrastructure	-	-	161,612	170,000	8,388	Restricted
313	Capital Project - Tech Pilot Program	-	-	37,467	42,000	4,533	Restricted
	<i>Total Capital Projects Funds</i>	<u>\$ 275,773</u>	<u>\$ -</u>	<u>\$ 304,783</u>	<u>\$ 168,860</u>	<u>\$ 139,850</u>	
702	Mitigation Trust Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 226,512</u>	<u>\$ 226,512</u>	Restricted
	Total Nonmajor Funds	<u>\$ 1,943,524</u>	<u>\$ 3,125,918</u>	<u>\$ 2,899,184</u>	<u>\$ (129,628)</u>	<u>\$ 2,040,630</u>	
<u>Summary of Fund Balances</u>							
	Restricted	\$ 1,909,348				\$ 1,850,856	
	Committed	<u>168,253</u>				<u>189,774</u>	
	Total	<u>\$ 2,077,601</u>				<u>\$ 2,040,630</u>	

Masconomet Regional School District
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2013

<u>Federal Grantor Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
<u>U.S. Department of Agriculture</u>		
School Lunch	10.555	<u>\$ 60,994</u>
Total Department of Agriculture		<u>60,994</u>
<u>U.S. Department of Education</u>		
Title I	84.010	<u>55,376</u>
SPED 94-142	84.027	<u>457,199</u>
Teacher Quality	84.367	<u>13,315</u>
Education Jobs	84.410	<u>13,743</u>
Total U.S. Department of Education		<u>539,633</u>
Total Schedule of Expenditures of Federal Awards		<u><u>\$ 600,627</u></u>

Masconomet Regional School District
Notes to Schedule of Expenditures of Federal Awards
June 30, 2013

(1) Scope of Audit

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

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

(2) Summary of Significant Accounting Policies

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

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

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

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Masconomet Regional School District, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Masconomet Regional School District's basic financial statements, and have issued our report thereon dated October 8, 2013.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did issue a management letter dated October 8, 2013 that addresses issues (not significant deficiencies or material weaknesses) that we believe should be communicated to you.

Compliance and Other Matters

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

Purpose of this Report

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

Giusti, Hingston and Company

Giusti, Hingston and Company
Certified Public Accountants
October 8, 2013

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

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

Report on Compliance for Each Major Federal Program

We have audited the Masconomet Regional School District's compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of the Masconomet Regional School District's major federal programs for the year ended June 30, 2013. The Masconomet Regional School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the Masconomet Regional School District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

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

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

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

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

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

Giusti, Hingston and Company

Giusti, Hingston and Company
Certified Public Accountants
October 8, 2013

Masconomet Regional School District
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2013

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.