

**MARTHA'S VINEYARD REGIONAL
HIGH SCHOOL DISTRICT**

**INDEPENDENT AUDITORS' REPORT ON
BASIC FINANCIAL STATEMENTS AND
REQUIRED SUPPLEMENTARY INFORMATION**

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

**MARTHA'S VINEYARD REGIONAL
HIGH SCHOOL DISTRICT**

**INDEPENDENT AUDITORS' REPORT ON
BASIC FINANCIAL STATEMENTS AND
REQUIRED SUPPLEMENTARY INFORMATION**

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

TABLE OF CONTENTS

	Page
Independent Auditors' Report	1
Management's Discussion and Analysis.....	4
Basic Financial Statements	13
Statement of net position.....	14
Statement of activities	15
Governmental funds – balance sheet.....	16
Reconciliation of the governmental funds balance sheet total fund balances to the statement of net position	17
Governmental funds – statement of revenues, expenditures and changes in fund balances	18
Reconciliation of the statement of revenues, expenditures and changes in fund balances of governmental funds to the statement of activities	19
Fiduciary funds – statement of fiduciary net position	20
Fiduciary funds – statement of changes in fiduciary net position.....	21
Notes to basic financial statements	22
Required Supplementary Information	41
General fund – schedule of revenues, expenditures and changes in fund balance – budget and actual.....	42
Pension plan schedules.....	44
Schedules of funding progress (system)	44
Schedule of employer contributions (system)	44
District's share of system ARC	44
Other post employment benefits schedule	45
Schedules of funding progress	45
Notes to required supplementary information	46

This page left intentionally blank.

Independent Auditors' Report



Certified Public Accountants

SULLIVAN, ROGERS & COMPANY, LLC

Corporate Place I, Suite 204 • 99 South Bedford Street
Burlington, Massachusetts 01803
P • 781-229-5600 F • 781-229-5610 www.sullivan-rogers.com

Independent Auditors' Report

To the Honorable School Committee
Martha's Vineyard Regional High School District

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 Martha's Vineyard Regional High School District (District), as of and for the fiscal 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 accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinions

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

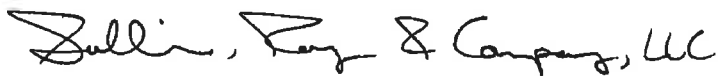
Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (located on pages 4 through 12) and general fund budgetary comparison and certain pension and other postemployment benefits information (located on pages 41 through 46) 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 20, 2014 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



January 20, 2014

Management's Discussion and Analysis

As management of the Martha's Vineyard Regional High School District (District) we offer readers of these financial statements this narrative overview and analysis of the District's financial activities for the fiscal year ended June 30, 2013.

Financial Highlights

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$8,034,148 (net position).
- The District's total net position decreased by \$2,562,858.
- At the end of the fiscal year, unassigned fund balance for the general fund totaled \$368,372, or 1.8% of total general fund expenditures and transfers out.
- The District's total bonded debt increased by \$635,000 during the fiscal year. The District recognized \$1,800,000 of general obligation bonds during fiscal year 2013 for high school roof repairs and \$1,165,000 of long-term debt was retired.

Overview of the Basic Financial Statements

This discussion and analysis is intended to serve as an introduction to the *basic financial statements*, which consists of the following three components:

1. Government-wide financial statements
2. Fund financial statements
3. Notes to the basic financial statements.

This report also contains required supplementary information in addition to the basic financial statements.

Government-wide financial statements

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

The **statement of net position** presents information on all of the District's non-fiduciary assets, deferred outflows, liabilities and deferred inflows, with the difference 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 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 to 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 (e.g., state school construction reimbursement revenue).

Both of the government-wide financial statements report the functions of the District that are principally supported by member town assessments and intergovernmental revenues (*governmental activities*). Governmental activities include all of the District's basic services, such as instruction and support services.

The government-wide financial statements can be found on pages 14-15 of this report.

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 District, like other school districts, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds can be divided into the following categories and are described below:

1. Governmental funds
2. Fiduciary funds

Governmental Funds

Governmental funds are used to account for the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on near-term inflows and outflows of expendable resources, as well as on balances of expendable resources available 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 effect of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains 90 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the general and high school roof repair funds, each of which is considered to be major funds. Data from the other 88 governmental funds are combined into a single, aggregated presentation titled *nonmajor governmental funds*.

The basic governmental funds financial statements can be found on pages 16-19 of this report.

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.

The fiduciary funds provide information for the District's private-purpose trust funds and agency funds, and are combined into a single, aggregate presentation in the fiduciary funds financial statements under the captions "private purpose trust funds" and "agency funds", respectively.

The basic fiduciary funds financial statements can be found on pages 20-21 of this report.

Notes to the basic financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 22-40 of this report.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. Presented in this information is the budget comparison for the general fund and certain pension and other postemployment benefits information, which can be located on pages 41-46 of this report.

Government-Wide Financial Analysis

The following tables present current and prior year data on the government-wide financial statements.

Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The District's assets exceeded liabilities by \$8,034,148 at the close of the fiscal year and are summarized as follows:

	<i>Governmental Activities</i>	
	2013	2012
Assets		
Current assets.....	\$ 6,249,249	\$ 4,453,599
Noncurrent assets (excluding capital assets).....	874,901	1,730,209
Capital assets (net).....	<u>14,499,642</u>	<u>14,517,371</u>
Total assets.....	<u>21,623,792</u>	<u>20,701,179</u>
Liabilities		
Current liabilities (excluding debt).....	2,050,258	1,470,445
Noncurrent liabilities (excluding debt).....	7,514,386	6,093,728
Current debt.....	1,740,000	1,165,000
Noncurrent debt.....	<u>2,285,000</u>	<u>1,375,000</u>
Total liabilities.....	<u>13,589,644</u>	<u>10,104,173</u>
Net Position		
Net investment in capital assets.....	13,124,696	11,977,371
Restricted.....	328,443	469,341
Unrestricted.....	<u>(5,418,991)</u>	<u>(1,849,706)</u>
Total net position.....	<u>\$ 8,034,148</u>	<u>\$ 10,597,006</u>

A significant portion of the District's net position (\$13,124,696) reflect its net investment in capital assets (e.g., land, buildings and grounds, machinery and equipment, vehicles – transportation and vehicles - other). These capital assets are used to provide services to students; consequently, these assets are not available for future spending. Although the investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the District's net position (\$328,443) represents resources that are subject to external restrictions on how they may be used.

At year-end, the District reports an unrestricted net deficit of \$5,418,991. Such resources have been consumed with the recognition of other postemployment benefit liabilities.

Changes in Net Position

For the fiscal year ended June 30, 2013, the District's total net position decreased by \$2,562,858, compared to a decrease of \$2,173,420 in the prior fiscal year. These amounts are summarized as follows:

	<i>Governmental Activities</i>	
	2013	2012
Revenues		
<i>Program Revenues:</i>		
Charges for services.....	\$ 1,048,286	\$ 1,267,136
Operating grants and contributions.....	4,147,422	4,184,949
<i>General Revenues:</i>		
Member town assessments.....	13,589,025	13,175,262
Grants and contributions not restricted to specific programs.....	2,720,400	2,691,760
Unrestricted investment income.....	19,692	19,751
Other.....	14,198	36,417
Total revenues.....	<u>21,539,023</u>	<u>21,375,275</u>
Expenses		
<i>Instruction:</i>		
Regular.....	7,742,012	7,673,245
Special education.....	4,021,091	3,137,852
Vocational.....	667,892	778,977
Other.....	88,524	79,520
<i>Support services:</i>		
Pupil.....	2,549,528	2,518,196
Instructional.....	712,130	737,156
Administration.....	2,713,301	2,774,655
Business.....	82,803	81,100
Buildings and grounds.....	2,292,275	2,495,860
Transportation.....	1,857,613	1,761,596
Food.....	339,647	434,719
Community services.....	170,857	161,759
State assessments.....	765,033	759,085
Debt service - interest.....	99,175	154,975
Total expenses.....	<u>24,101,881</u>	<u>23,548,695</u>
Change in net position.....	(2,562,858)	(2,173,420)
Net position - beginning of year.....	<u>10,597,006</u>	<u>12,770,426</u>
Net position - end of year.....	<u>\$ 8,034,148</u>	<u>\$ 10,597,006</u>

The key element of the change in net position from the prior fiscal year is the District's contribution to the Dukes County Pooled OPEB Trust totaling \$402,704.

Fund Financial Statement Analysis

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds

The focus of the governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the District's financing requirements.

At the end of the current fiscal year, the governmental funds reported combined ending fund balances totaling \$2,550,968, an increase of \$341,501 in comparison with the prior year. Approximately \$266,000 represents unassigned fund balance. The remainder of fund balance includes the following constraints:

- Restricted (\$1,578,367)
- Committed (\$640,597)
- Assigned (\$66,036)

The general fund is the chief operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund totaled \$368,372, while total fund balance was \$484,408. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures and transfers out. Unassigned fund balance represents 1.8% of total general fund expenditures and transfers out, while total fund balance represents 2.3% of that same amount.

The fund balance of the District's general fund decreased \$699,890 during the current fiscal year. Although the District recognized an approximate \$20,000 positive budget to actual variance (excluding encumbrances), approximately \$720,000 of unassigned fund balance was utilized for spending during fiscal year 2013.

Financial highlights of the District's other major governmental fund are as follows:

The fund balance of the high school roof repair fund (capital projects) increased \$1,074,961 during the current fiscal year. Expenditures of \$725,093 were incurred during the fiscal year. The fund also recognized \$54 in investment income and \$1,800,000 in bond proceeds.

General Fund Budgetary Highlights

The original general fund budget of \$18,326,840 was increased by \$665,054 (3.6%) during the fiscal year. The following table summarizes the increase:

<u>Purpose of Increase</u>	<u>Amount</u>	<u>Funding Source</u>
Contributions to OPEB trust.....	\$ 402,704	Unassigned fund balance
Building security system upgrade.....	140,500	Unassigned fund balance
Exterior shingling.....	50,000	Unassigned fund balance
Four Pine Street building maintenance.....	25,000	Unassigned fund balance
Safety portable bleachers.....	20,000	Unassigned fund balance
Room realignment.....	16,000	Unassigned fund balance
School lunch.....	10,850	Unassigned fund balance
Total increase.....	<u>\$ 665,054</u>	

During the year, general fund revenues and expenditures and encumbrances were less than budgetary estimates, and other financing sources were greater than budgetary estimates, resulting in a negative budget to actual variance of approximately \$46,000.

Capital Asset and Debt Administration

Capital assets

The District's investment in capital assets at the end of the fiscal year totaled \$14,499,642 (net of accumulated depreciation). This investment in capital assets includes land, buildings and grounds, machinery and equipment, vehicles - transportation and vehicles - other. The total decrease in the investment in capital assets for the current fiscal year totaled \$17,729 or 0.1%.

The major capital asset events that occurred during the current fiscal year were the repairs to the high school roof totaling approximately \$725,000 and the track renovation project totaling \$66,500.

The following table summarizes the District's capital assets (net of accumulated depreciation):

	<i>Governmental Activities</i>	
	2013	2012
Land.....	\$ 179,744	\$ 179,744
Buildings and grounds.....	13,331,240	13,161,026
Machinery and equipment.....	35,208	47,332
Vehicles - transportation.....	830,327	987,727
Vehicles - other.....	123,123	141,542
Total capital assets.....	<u>\$ 14,499,642</u>	<u>\$ 14,517,371</u>

Additional information on the District's capital assets can be found in Note 5 on pages 31-32 of this report.

Long-Term Debt

At the end of the current fiscal year, total bonded general obligation debt outstanding was \$3,175,000, which is backed by the full faith and credit of the District. The District's total bonded debt consists entirely of general obligation bonds. The District's total debt increased \$635,000 (25.0%) during the current fiscal year. The District recognized \$1,800,000 of general obligation bonds during fiscal year 2013 for high school roof repairs.

The District's bond rating from Moody's Investors Services for the September 2013 bond issuance was Aa2.

Additional information on the District's long-term debt can be found in Note 9 on pages 33-34 of this report.

Economic Factors and Next Year's Budgets and Rates

During the budget process for fiscal year 2014 the District Committee proposed an operating budget increase of \$723,926, an increase of 4.28% from the prior fiscal year. Local revenues were estimated to decrease by \$28,993, or 0.87%. Assessments to the member towns of the District increased \$752,920, or 5.54%. The District Committee proposed the use of the Commonwealth's statutory method of assessment to the six member towns for their annual town meetings held in the spring of fiscal year 2013. At annual town meetings member towns approved the total statutory assessments at \$14,349,964.

Revenues

For the fiscal year 2014 revenue budget, the District Committee anticipated increases and decreases in the following revenue sources.

- Chapter 71 regional transportation aid was estimated to be level to fiscal years 2013 and 2012. The District Committee based their estimate on level reimbursements from fiscal year 2012, although reimbursement rates were increased by the Commonwealth in fiscal year 2013, the District Committee was not certain the higher reimbursement rate would be funded again for fiscal year 2014.
- Chapter 70 school aid increased slightly from fiscal year 2013 rates based on preliminary state budget estimates for fiscal year 2014 which included a small amount of minimum aid to school districts.
- The interest and investment income budget was decreased by \$5,000 for fiscal year 2014.
- Charter School tuition and reimbursement rates were budgeted for 2014 using enrollment data from October 1, 2013 and preliminary tuition estimates from fiscal year 2013. The District Committee decreased the tuition assessment by \$66,074 due to a decreased enrollment. Charter School tuition reimbursements to the District were decreased significantly by \$122,507 due to changes in the funding formula and decreased enrollment.

Expenditures

The operational budget of fiscal year 2014 increased by \$723,926 compared to the prior fiscal year. Additional increases and decreases in the operational budget are listed below.

- In fiscal year 2013 the District restructured its alternative educational programs for students with significant special needs. For fiscal year 2014, and the continued success of the alternative education program, additional funding included a Social Worker, classroom teaching assistants, and other IEP required expenses.
- The Driver's Education program was funded for the second year in the operational budget for \$25,000.
- The fiscal year 2014 wage adjustment, from collective bargaining for teachers and other bargaining units increased salaries by 2%. Teachers retiring in fiscal year 2014 reduces the budget of several educational departments.
- Fiscal year 2014 phases out the vocational program of Child Care Services and phases in a new program of Nursing Assistance. The total vocational education budget remains level funded.
- The most significant increase to the budget is for the education and residential care of students with severe special needs, outside of the District. This budgeted increase is offset by Circuit Breaker reimbursements from the Commonwealth. The expense budget increased by \$559,761 an increase of 151% from the prior fiscal year.
- The District Committee decreased the debt service budget by \$59,875 following current debt schedules for construction; fiscal year 2014 will be the final year of full principal and interest payments on the 1995 construction project. Fiscal year 2015 will be the final year of debt service payment with principal and interest payments of one half year.
- Fiscal year 2013 was the final payment on debt service for the 2009 bus fleet purchase. The budgeted amount was reclassified from debt service to transportation capital purchases of \$267,800 to begin the replacement of older models in the fleet.

- During the summer of 2013 the District replaced the roofing systems of the Martha's Vineyard Regional High School. The cost is estimated at \$2,650,000 and the District will fund the project through a bond sale in fiscal year 2014. The fiscal year 2014 budget anticipates the first payment of interest on the bonds at \$66,735.

The District Committee voted not to use any Excess and Deficiency (E & D) funds from fiscal year 2013 to offset the fiscal year 2014 operational budget. At 2013 fiscal year end the District Committee voted to commit \$50,000 of E&D funds for the future payment of postemployment benefits. The District Committee also voted to transfer \$251,500 of E&D to fund various capital improvements at the high school campus and the administrative building at Four Pine Street in Tisbury.

Requests for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the School Business Administrator, 4 Pine Street, Vineyard Haven, Massachusetts 02568.

Basic Financial Statements

STATEMENT OF NET POSITION

JUNE 30, 2013

	Governmental Activities
ASSETS	
Current assets:	
Cash and cash equivalents.....	\$ 1,779,896
Restricted cash and cash equivalents.....	3,144,214
Receivables, net of allowance for uncollectible amounts:	
Intergovernmental.....	855,308
Due from agency funds.....	469,831
Total current assets.....	6,249,249
Noncurrent assets:	
Receivables, net of allowance for uncollectible amounts:	
Intergovernmental.....	874,901
Capital assets not being depreciated.....	179,744
Capital assets, net of accumulated depreciation.....	14,319,898
Total noncurrent assets.....	15,374,543
Total assets.....	21,623,792
LIABILITIES	
Current liabilities:	
Warrants payable.....	980,769
Accrued payroll.....	968,777
Other liabilities.....	43,426
Compensated absences.....	27,726
Short-term notes payable.....	850,000
Wastewater connection payable.....	29,560
Long-term bonds and notes payable.....	890,000
Total current liabilities.....	3,790,258
Noncurrent liabilities:	
Compensated absences.....	249,537
Net OPEB obligation.....	6,880,582
Wastewater connection payable.....	384,267
Long-term bonds and notes payable.....	2,285,000
Total noncurrent liabilities.....	9,799,386
Total liabilities.....	13,589,644
NET POSITION	
Net investment in capital assets.....	13,124,696
Restricted for:	
Other specific purposes.....	328,443
Unrestricted.....	(5,418,991)
Total net position.....	\$ 8,034,148

See notes to basic financial statements.

STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Functions/Programs	Expenses	Program Revenues		Net (Expense)/ Revenue
		Charges for Services	Operating Grants and Contributions	
Primary government:				
Governmental activities:				
Instruction:				
Regular.....	\$ 7,742,012	\$ 30,945	\$ 1,191,632	\$ (6,519,435)
Special education.....	4,021,091	129,352	1,055,684	(2,836,055)
Vocational.....	667,892	81,560	66,048	(520,284)
Other.....	88,524	34,943	5,600	(47,981)
Support services:				
Pupil.....	2,549,528	34,518	393,630	(2,121,380)
Instructional.....	712,130	1,137	276,024	(434,969)
Administration.....	2,713,301	-	278,739	(2,434,562)
Business.....	82,803	-	-	(82,803)
Buildings and grounds.....	2,292,275	5,635	98,766	(2,187,874)
Transportation.....	1,857,613	488,678	462,527	(906,408)
Food.....	339,647	241,518	50,866	(47,263)
Community services.....	170,857	-	170,857	-
State assessments.....	765,033	-	44,965	(720,068)
Debt service - interest.....	99,175	-	52,084	(47,091)
Total governmental activities.....	<u>\$ 24,101,881</u>	<u>1,048,286</u>	<u>4,147,422</u>	<u>(18,906,173)</u>
General revenues:				
Member town assessments.....				13,589,025
Grants and contributions not restricted to specific programs.....				2,720,400
Unrestricted investment income.....				19,692
Other.....				<u>14,198</u>
Total general revenues.....				<u>16,343,315</u>
Change in net position.....				(2,562,858)
Net position - beginning of year.....				<u>10,597,006</u>
Net position - end of year.....			\$	<u>8,034,148</u>

See notes to basic financial statements.

**GOVERNMENTAL FUNDS
BALANCE SHEET**

JUNE 30, 2013

	General	High School Roof Repair	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents.....	\$ 1,183,238	\$ -	\$ 596,658	\$ 1,779,896
Receivables, net of allowance for uncollectible amounts:				
Intergovernmental.....	1,730,209	-	-	1,730,209
Due from agency funds.....	469,831	-	-	469,831
Restricted assets:				
Cash and cash equivalents.....	-	2,650,054	494,160	3,144,214
TOTAL ASSETS.....	\$ 3,383,278	\$ 2,650,054	\$ 1,090,818	\$ 7,124,150
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Warrants payable.....	\$ 239,722	\$ 725,093	\$ 15,954	\$ 980,769
Accrued payroll.....	885,512	-	83,265	968,777
Other liabilities.....	43,427	-	-	43,427
Deferred revenue.....	1,730,209	-	-	1,730,209
Short-term notes payable.....	-	850,000	-	850,000
TOTAL LIABILITIES.....	2,898,870	1,575,093	99,219	4,573,182
FUND BALANCES:				
Restricted.....	-	1,074,961	503,406	1,578,367
Committed.....	50,000	-	590,597	640,597
Assigned.....	66,036	-	-	66,036
Unassigned.....	368,372	-	(102,404)	265,968
TOTAL FUND BALANCES.....	484,408	1,074,961	991,599	2,550,968
TOTAL LIABILITIES AND FUND BALANCES.....	\$ 3,383,278	\$ 2,650,054	\$ 1,090,818	\$ 7,124,150

See notes to basic financial statements.

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TOTAL FUND BALANCES TO THE STATEMENT OF NET POSITION**

JUNE 30, 2013

Total governmental fund balances (page 16).....	\$ 2,550,968
Capital assets (net of accumulated depreciation) used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.....	14,499,642
Other assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.....	1,730,209
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.	
Bonds and notes payable.....	(3,175,000)
Compensated absences.....	(277,262)
Net OPEB obligation.....	(6,880,582)
Contract/wastewater connection payable.....	<u>(413,827)</u>
Net position of governmental activities (page 14).....	<u>\$ 8,034,148</u>

See notes to basic financial statements.

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	General	High School Roof Repair	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES				
Member town assessments.....	\$ 13,589,025	\$ -	\$ -	\$ 13,589,025
User fees.....	655,749	-	485,541	1,141,290
Intergovernmental:				
State aid - foundation.....	2,720,400	-	-	2,720,400
State aid - transportation.....	313,545	-	-	313,545
State aid - school construction reimbursement.....	881,813	-	-	881,813
State aid - charter school assessment reimbursement.....	44,965	-	-	44,965
State aid - circuit breaker.....	-	-	217,816	217,816
Other state and federal grants.....	1,975,766	-	1,412,229	3,387,995
Departmental.....	18,352	-	29,252	47,604
Contributions and donations.....	-	-	3,804	3,804
Investment income.....	19,638	54	801	20,493
TOTAL REVENUES.....	20,219,253	54	2,149,443	22,368,750
EXPENDITURES				
Current:				
Instruction:				
Regular.....	4,660,823	-	377,311	5,038,134
Special education.....	2,323,093	-	844,974	3,168,067
Vocational.....	390,886	-	62,882	453,768
Other.....	79,068	-	9,456	88,524
Support services:				
Pupil.....	1,551,250	-	169,751	1,721,001
Instructional.....	330,487	-	184,389	514,876
Administration.....	1,605,062	-	18,143	1,623,205
Business.....	82,803	-	-	82,803
Buildings and grounds.....	1,181,965	725,093	255,690	2,162,748
Transportation.....	1,198,802	-	-	1,198,802
Food.....	-	-	339,647	339,647
Community services.....	-	-	170,857	170,857
Pension benefits.....	2,288,905	-	-	2,288,905
Employee benefits.....	2,677,387	-	-	2,677,387
Property and liability insurance.....	269,317	-	-	269,317
State assessments:				
Charter school.....	765,033	-	-	765,033
Debt service - principal.....	1,165,000	-	-	1,165,000
Debt service - interest.....	99,175	-	-	99,175
TOTAL EXPENDITURES.....	20,669,056	725,093	2,433,100	23,827,249
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	(449,803)	(725,039)	(283,657)	(1,458,499)
OTHER FINANCING SOURCES (USES)				
Transfers in.....	12,263	-	262,350	274,613
Proceeds of bonds and notes.....	-	1,800,000	-	1,800,000
Transfers out.....	(262,350)	-	(12,263)	(274,613)
TOTAL OTHER FINANCING SOURCES (USES).....	(250,087)	1,800,000	250,087	1,800,000
NET CHANGE IN FUND BALANCES.....	(699,890)	1,074,961	(33,570)	341,501
FUND BALANCES AT BEGINNING OF YEAR.....	1,184,298	-	1,025,169	2,209,467
FUND BALANCES AT END OF YEAR.....	\$ 484,408	\$ 1,074,961	\$ 991,599	\$ 2,550,968

See notes to basic financial statements.

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES**

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Net change in fund balances - total governmental funds (page 18).....	\$ 341,501
<p>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. These amounts represent the related activity of the current period.</p>	
Capital outlays.....	865,390
Depreciation.....	(883,119)
<p>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 (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in deferred revenue.....</p>	
	(829,728)
<p>The issuance of long-term debt (e.g., bonds and leases) 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 impact 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 represents the related activity of the current period.</p>	
Bond proceeds.....	(1,800,000)
Bond maturities.....	1,165,000
<p>Some expenses reported in the statement activities do not require the use of current financial resources and, therefore, are not reported in the governmental funds. These amounts represent the net changes:</p>	
Compensated absences.....	(12,447)
Net OPEB obligation.....	(1,439,015)
Contract/wastewater connection payable.....	29,560
Changes in net position of governmental activities (page 15).....	\$ <u>(2,562,858)</u>

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2013

ASSETS	Private Purpose Trust Funds	Agency Funds
Cash and cash equivalents.....	\$ 52,728	\$ 48,276
Investments.....	947,064	-
Receivables, net of allowance for uncollectible amounts:		
Intergovernmental.....	-	655,740
Total assets.....	<u>999,792</u>	<u>704,016</u>
LIABILITIES		
Warrants payable.....	63,400	7,501
Accrued payroll.....	-	178,408
Other liabilities.....	-	141
Liabilities due depositors.....	-	48,135
Due to other funds.....	-	469,831
Total liabilities.....	<u>63,400</u>	<u>704,016</u>
NET POSITION		
Held in trust for other purposes.....	<u>\$ 936,392</u>	<u>\$ -</u>

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	<u>Private Purpose Trust Funds</u>
ADDITIONS	
Contributions:	
Private donations.....	\$ <u>41,881</u>
Net investment income:	
Net appreciation/(depreciation) in fair value of investments.....	7,116
Interest.....	<u>29,462</u>
Total investment income (loss).....	<u>36,578</u>
TOTAL ADDITIONS.....	78,459
DEDUCTIONS	
Scholarships awarded.....	<u>63,744</u>
CHANGE IN NET POSITION.....	14,715
NET POSITION AT BEGINNING OF YEAR.....	<u>921,677</u>
NET POSITION AT END OF YEAR.....	<u><u>\$ 936,392</u></u>

See notes to basic financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**A. General**

The basic financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies are described herein.

B. Reporting Entity

The District was formed pursuant to Chapter 71 of the Massachusetts General Laws (MGL). The District consists of the Towns of Aquinnah, Chilmark, Edgartown, Oak Bluffs, Tisbury and West Tisbury, and is governed by the Martha's Vineyard Regional High School Committee (Committee). The Committee consists of two representatives from the Towns of Edgartown, Oak Bluffs and Tisbury, and one representative from the Towns of Aquinnah, Chilmark and West Tisbury.

For financial reporting purposes, the basic financial statements include all funds, organizations, account groups, agencies, boards, commissions and institutions that are not legally separate from the District.

The District has also considered all potential component units for which it is financially accountable as well as other organizations for which the nature and/or significance of their relationship with the District are such that exclusion would cause the District's basic financial statements to be misleading or incomplete. There are no component units that meet the requirements for inclusion in the District's basic financial statements.

C. Implementation of New Accounting Principles

For the year ending June 30, 2013, the District implemented the following pronouncements issued by the GASB:

- GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*
- GASB Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*
- GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*
- GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*

GASB Statement No. 63 identifies net position as the residual of all other elements presented in a statement of financial position, which amends the net asset reporting requirements of Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, and other pronouncements, by renaming net assets to net position.

The implementation of GASB Statement No.'s 60, 61 and 62 had no reporting impact for the District.

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

The government-wide financial statements (statement of net position and the statement of activities) report information on all non-fiduciary activities of the primary government. The District reports *Governmental activities*, which are primarily supported by member town assessments and intergovernmental revenues.

Fund Financial Statements

Separate financial statements are provided for governmental funds and fiduciary funds, even though fiduciary funds are excluded from the government-wide financial statements. Nonmajor funds are aggregated and displayed in a single column. Fiduciary funds are reported by fund type.

E. Measurement Focus, Basis of Accounting and Basis of Presentation

Government-Wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when the liabilities are incurred. Member town assessments and intergovernmental billings are recognized as revenues in the fiscal year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of activities demonstrates the degree to which the direct expenses of a 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 the following:

- Charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment.
- Grants and contributions that are restricted to meeting the operational requirements of a specific function or segment.
- Grants and contributions that are restricted to meeting the capital requirements of a specific function or segment.

Other revenues not identifiable as program revenues are reported as general revenues.

The effect of interfund activity has been eliminated from the government-wide financial statements.

Fund Financial Statements

Governmental fund financial statements are reported using the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due.

Membership assessments are apportioned amongst capital and operating costs, less intergovernmental and other revenues, and are based on student population.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria is met. Expenditure driven grants recognize revenue when the qualifying expenditures are incurred and all other grant requirements are met.

The following major governmental funds are reported:

The *general fund* is used to account for and report all financial resources not accounted for and reported in another fund.

The *high school roof repair fund* is a capital projects fund used to account for the accumulation of resources to repair the roof of the Martha's Vineyard Regional High School.

The nonmajor governmental funds consist of special revenue and capital projects funds that are aggregated and presented in the *nonmajor governmental funds* column on the governmental funds financial statements. The following describes the general use of these fund types:

Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Capital projects funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Capital projects funds exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments.

Fiduciary funds financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting. Fiduciary funds are used to account for assets held in a trustee capacity for others that cannot be used to support the government's programs.

The following fiduciary fund types are reported:

The *private-purpose trust fund* is used to account for trust arrangements under which principal and investment income exclusively benefits individuals (scholarships), private organizations, or other governments.

The *agency fund* is used to account for assets held in a custodial capacity. Agency funds consist primarily of the operations of the Superintendent's office.

F. Deposits and Investments

Government-Wide and Fund Financial Statements

Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with an original maturity of three months or less from the date of acquisition.

Investments are carried at fair value based on quotations from a national securities exchange.

G. Accounts Receivable

Government-Wide and Fund Financial Statements

The recognition of revenue related to accounts receivable reported in the government-wide financial statements and fund financial statements are reported under the accrual basis of accounting and the modified accrual basis of accounting, respectively.

Intergovernmental

Various state and federal operating and capital grants are applied for and received annually. For non-expenditure driven grants, revenue is recognized as soon as all eligibility requirements imposed by the provider have been met. For expenditure driven grants, revenue is recognized when the qualifying expenditures are incurred and all other grant requirements are met.

Intergovernmental receivables are considered 100% collectible and therefore do not report an allowance for uncollectible accounts.

H. InventoriesGovernment-Wide and Fund Financial Statements

Inventories are recorded as expenditures at the time of purchase. Such inventories are not material in total to the government-wide and fund financial statements and therefore are not reported.

I. Restricted AssetsGovernment-Wide and Fund Financial Statements

Assets are reported as restricted when limitations on their use change the nature of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation.

J. Capital AssetsGovernment-Wide Financial Statements

Capital assets, which consist of land, buildings and grounds, machinery and equipment, vehicles – transportation and vehicles - other, are reported in the governmental activities column of the government-wide financial statements. Capital assets are recorded at historical cost or at estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at the estimated fair market value at the date of donation. Construction period interest is not capitalized on constructed capital assets.

All purchases and construction costs in excess of \$5,000 are capitalized at the date of acquisition or construction, respectively, with expected useful lives of greater than one year.

Capital assets (excluding land) are depreciated on a straight-line basis. The estimated useful lives of capital assets are as follows:

<u>Capital Asset Type</u>	<u>Estimated Useful Life (in years)</u>
Buildings and grounds.....	15 - 40
Machinery and equipment.....	5 - 10
Vehicles - transportation.....	10
Vehicles - other.....	10

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized and are treated as expenses when incurred. Improvements are capitalized.

Governmental Fund Financial Statements

Capital asset costs are recorded as expenditures in the acquiring fund in the fiscal year of the purchase.

K. Interfund Receivables and Payables

During the course of its operations, transactions occur between funds that may result in amounts owed between funds.

Government-Wide Financial Statements

Transactions of a buyer/seller nature between governmental funds are eliminated from the governmental activities in the statement of net position.

Fund Financial Statements

Transactions of a buyer/seller nature between funds are not eliminated from the individual fund statements. Receivables and payables resulting from these transactions are classified as "Due from other funds" or "Due to other funds" on the balance sheet.

L. Interfund Transfers

During the course of its operations, resources are permanently reallocated between funds.

Government-Wide Financial Statements

Transfers between governmental funds are eliminated from the governmental activities in the statement of net position.

Fund Financial Statements

Transfers between funds are not eliminated from the individual fund statements and are reported as transfers in and transfers out.

M. Deferred Revenue

Deferred revenue at the fund financial statement level represents billed receivables that do not meet the available criterion in accordance with the current financial resources measurement focus and the modified accrual basis of accounting. Deferred revenue is recognized as revenue in the conversion to the government-wide financial statements (full accrual).

N. Net Position and Fund BalancesGovernment-Wide Financial Statements and Proprietary Fund Financial Statements (Net Position)

Net position is reported as restricted when amounts are not available for appropriation or are legally restricted by outside parties for a specific future use.

Net position has been "restricted" for the following:

"Other specific purposes" represents restrictions placed on assets from outside parties.

Governmental Funds Financial Statements (Fund Balances)

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

Nonspendable — represents amounts that cannot be spent either because they are in nonspendable form (i.e., prepaid amounts) or because they are legally or contractually required to be maintained intact (i.e., principal of permanent fund).

Restricted — represents amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – represents amounts that can be used only for specific purposes imposed by a formal action of School Committee, which is the highest level of decision-making authority for the District. Committed amounts may be established, modified, or rescinded only through actions approved by the School Committee.

Assigned – represents amounts that do not meet the criteria to be classified as restricted or committed but are intended to be used for specific purposes. Under the District's structure, only authorized assignments for non-contractual encumbrances can be made by individual department heads.

Unassigned – represents the residual fund balance for the General Fund and the negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting assigned fund balance amounts.

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is depleted in the order of restricted, committed, assigned and unassigned.

Encumbrance amounts have been assigned for specific purposes for which resources already have been allocated.

O. Long-term Debt

Government-Wide Financial Statements

Long-term debt is reported as liabilities in the government-wide statements of net position. Material bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

Governmental Funds Financial Statements

The face amount of governmental funds long-term debt is reported as other financing sources when the debt is issued. Bond premiums and discounts, as well as issuance costs, are recognized in the current period. Bond premiums are reported as other financing sources and bond discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual bond proceeds received, are reported as administration (support services) expenditures.

P. Investment Income

Investment income derived from major and nonmajor governmental funds is legally assigned to the general fund unless otherwise directed by MGL.

Q. Compensated Absences

Employees are granted vacation and sick leave in varying amounts based on collective bargaining agreements, state laws and executive policies.

Government-Wide Financial Statements

Vested or accumulated vacation and sick leave are reported as liabilities and expensed as incurred.

Governmental Fund Financial Statements

Vested or accumulated vacation and sick leave, which will be liquidated with expendable available financial resources, are reported as expenditures and fund liabilities upon employee retirements and resignations.

R. Post Retirement Benefits**Government-Wide and Fund Financial Statements**

In addition to providing pension benefits, and as more fully described in Note 10, the District provides health and life insurance coverage for retirees and their spouses.

S. Use of Estimates**Government-Wide and Fund Financial Statements**

The preparation of basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure for contingent assets and liabilities at the date of the basic financial statements and the reported amounts of the revenues and expenditures/expenses during the fiscal year. Actual results could vary from estimates that were used.

T. Total Column**Fund Financial Statements**

The total column presented on the fund financial statements is presented only to facilitate financial analysis. Data in this column is not the equivalent of consolidated financial information.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY***A. Budgetary Information***

Municipal Law requires the adoption of a balanced budget that is approved by the Committee. The Superintendent of Schools presents an annual budget to the Committee, which includes estimates of revenues and other financing sources and recommendations of expenditures and other financing uses. The Committee, which has full authority to amend and/or reject the budget or any line item, adopts the expenditure budget by two-thirds majority vote.

Subsequent to the Committee's approval, the budget is presented to the member towns. The budget is accepted by majority Town Meeting approval and must be approved by two-thirds of the District's members.

Increases in the budget subsequent to the approval of the annual budget require majority Committee approval.

The majority of appropriations are non-continuing which lapse at the end of each fiscal year. Others are continuing appropriations for which the governing body has authorized that an unspent balance from a prior fiscal year be carried forward and made available for spending in the current fiscal year.

Generally, expenditures may not exceed the level of spending authorized for an appropriation account. However, the District is statutorily required to pay debt service, regardless of whether such amounts are appropriated.

An annual budget is adopted for the general fund in conformity with the guidelines described above. The original fiscal year 2013 approved budget for the general fund authorized \$18,326,840 in appropriations. During fiscal year 2013, supplemental appropriations totaling \$665,054 were authorized.

The Accountant's office has the responsibility to ensure that budgetary control is maintained. Budgetary control is exercised through the accounting system.

B. Fund Deficits

At June 30, 2013, the following fund deficits exist:

<u>Fund</u>	<u>Amount</u>	<u>Funding Source</u>
Insurance proceeds.....	\$ 47,347	Available funds
Cafeteria.....	36,745	Available funds
Race to the top.....	18,312	Federal grant

NOTE 3 - DEPOSITS AND INVESTMENTS

The municipal finance laws of the Commonwealth authorize the District to invest temporarily idle cash in bank term deposits and certificates of deposits, and treasury and agency obligations of the United States government, with maturities of one year or less; U.S. treasury or agency repurchase agreements with maturities of not more than 90 days; money market accounts; and the state treasurer's investment pool - the Massachusetts Municipal Depository Trust (MMDT).

A cash and investment pool is maintained that is available for use by all funds with unrestricted cash and investments. The deposits and investments of private purpose trust funds are held separately from other District funds.

Deposits - Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the District's deposits may not be recovered. The District does not have a policy for custodial credit risk of deposits. As of June 30, 2013, \$291,093 of the District's bank balance of \$5,093,241 was uninsured and uncollateralized and therefore exposed to custodial credit risk.

Investments Summary

The District's investments at June 30, 2013 are presented below. All investments are presented by investment type, with debt securities presented by maturity.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>		
		<u>Less Than 1</u>	<u>1 - 5</u>	<u>6 - 10</u>
<u>Debt Securities:</u>				
Corporate bonds.....	\$ 866,084	\$ 91,718	\$ 282,384	\$ 491,982
Money market mutual funds.....	68,948	68,948	-	-
Mutual bond funds.....	80,980	80,980	-	-
Total debt securities.....	<u>\$ 1,016,012</u>	<u>\$ 241,646</u>	<u>\$ 282,384</u>	<u>\$ 491,982</u>

Investments - Interest Rate Risk of Debt Securities

Interest rate risk for debt securities is the risk that changes in interest rates of debt securities will adversely affect the fair value of an investment. The District does not have a policy for interest rate risk of debt securities.

Investments - Custodial Credit Risk

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, all of the District's investments were uninsured, not registered in the name of the District and exposed to custodial credit risk as follows:

Investment Type	Fair Value	Held by Counterparty's Trust or Agent
Corporate bonds.....	\$ 866,084	\$ 866,084
Money market mutual funds.....	68,948	68,948
Mutual bond funds.....	80,980	80,980
Total.....	<u>\$ 1,016,012</u>	<u>\$ 1,016,012</u>

Investments - Credit Risk of Debt Securities

Credit risk for investments is the risk that an issuer or other counterparty to a debt security will not fulfill its obligations. The District does not have a policy for credit risk of debt securities. As of June 30, 2013, the credit ratings of the District's investments in debt securities are as follows:

Quality Ratings *	Corporate Bonds	Money Market Mutual Funds	Mutual Bond Funds	Totals
AA+.....	\$ 81,528	\$ -	\$ -	\$ 81,528
A+.....	40,192	-	-	40,192
A.....	137,433	-	-	137,433
A-.....	483,462	-	-	483,462
BBB+.....	77,961	-	-	77,961
BBB.....	45,507	-	-	45,507
Unrated.....	-	68,948	80,980	149,927
Total.....	<u>\$ 866,084</u>	<u>\$ 68,948</u>	<u>\$ 80,980</u>	<u>\$ 1,016,012</u>

* Per the rating scale of Standard and Poor's (a national credit rating organization)

Investments - Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the District's investment in a single issuer. The District does not have a policy for concentration of credit risk. As of June 30, 2013, the District was not exposed to concentration of credit risk.

NOTE 4 - ACCOUNTS RECEIVABLE

At June 30, 2013, receivables for the individual major governmental funds and nonmajor governmental and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Intergovernmental.....	\$ 2,385,949	\$ -	\$ 2,385,949

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. The following identifies the component of *deferred revenue* reported in the governmental funds:

	General Fund
<u>Receivable type:</u>	
Intergovernmental (state school construction).....	\$ 1,730,209

The Commonwealth has approved school construction assistance to the District. The assistance program, which is administered by the Massachusetts School Building Authority, provides resources for future debt service of general obligation school bonds outstanding. During fiscal year 2013, \$881,813 of such assistance was received and \$1,763,625 will be received in future fiscal years. Of this amount, \$33,416 represents reimbursement of long-term interest costs, and \$1,730,209 represents reimbursement of incurred and approved construction costs. Accordingly, a \$1,730,209 intergovernmental receivable and corresponding deferred revenue have been reported in the governmental funds financial statements. The deferred revenue has been recognized as revenue in the conversion to the government-wide financial statements.

NOTE 5 - CAPITAL ASSETS

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 179,744	\$ -	\$ -	\$ 179,744
<u>Capital assets being depreciated:</u>				
Buildings and grounds.....	26,910,385	865,390	-	27,775,775
Machinery and equipment.....	750,913	-	-	750,913
Vehicles - transportation.....	1,612,374	-	-	1,612,374
Vehicles - other.....	264,376	-	-	264,376
Total capital assets being depreciated.....	29,538,048	865,390	-	30,403,438
<u>Less accumulated depreciation for:</u>				
Buildings and grounds.....	(13,749,359)	(695,176)	-	(14,444,535)
Machinery and equipment.....	(703,581)	(12,124)	-	(715,705)
Vehicles - transportation.....	(624,647)	(157,400)	-	(782,047)
Vehicles - other.....	(122,834)	(18,419)	-	(141,253)
Total accumulated depreciation.....	(15,200,421)	(883,119)	-	(16,083,540)
Total capital assets being depreciated, net.....	14,337,627	(17,729)	-	14,319,898
Total governmental activities capital assets, net.....	\$ 14,517,371	\$ (17,729)	\$ -	\$ 14,499,642

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:

Support Services: Administration.....	\$ 4,711
Support Services: Building and Grounds.....	702,589
Support Services: Transportation.....	175,819

Total depreciation expense - governmental activities..... \$ 883,119

NOTE 6 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Receivables and payables between funds at June 30, 2013, are summarized as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Agency fund	\$ <u>469,831</u> (1)

(1) Represents cash advances related to the operation of the Superintendent's Office.

Interfund transfers for the fiscal year ended June 30, 2013, are summarized as follows:

Transfers Out:	Transfers In:		
	General Fund	Nonmajor Governmental Funds	Total
General Fund.....	\$ -	\$ 262,350	\$ 262,350 (1)
Nonmajor Governmental Funds.....	12,263	-	12,263 (2)
	<u>\$ 12,263</u>	<u>\$ 262,350</u>	<u>\$ 274,613</u>

- (1) Represents budgeted transfers to fund the following projects: security system upgrade (\$140,500); exterior shingling project (\$50,000); four pine street maintenance (\$25,000); portable bleachers safety upgrade (\$20,000) and room alignment (\$16,000). Also represents a budgeted transfer to the cafeteria special revenue fund (\$10,850).
- (2) Represents transfers from various special revenue and capital project funds to close out fund balances.

NOTE 7 - SHORT-TERM FINANCING

Short-term debt may be authorized and issued to fund the following:

- Current operating costs prior to the collection of revenues through issuance of revenue anticipation notes (RAN) or tax anticipation notes (TAN).
- Capital project costs and other approved expenditures incurred prior to obtaining permanent financing through issuance of bond anticipation notes (BAN) or grant anticipation notes (GAN).

Short-term loans are general obligations and carry maturity dates that are limited by statute. Interest expenditures for short-term borrowings are accounted for in the general fund.

Details related to the short-term debt activity for the fiscal year ended June 30, 2013, is as follows:

Type	Description	Origination Date	Maturity Date	Interest Rate	Balance at June 30, 2012	Increases	Decreases	Balance at June 30, 2013
BAN	High school roof repair.....	6/27/2013	10/1/2013	0.42	\$ -	\$ 2,650,000	\$ (1,800,000)	\$ 850,000

Subsequent Event

On September 15, 2013, the District issued \$1,800,000 of general obligation bonds. This issuance was used to retire a portion of the BANs outstanding at June 30, 2013 for the high school roof repair. Accordingly, \$1,800,000 is recorded as a long-term debt obligation at June 30, 2013.

NOTE 8 - LONG-TERM OBLIGATIONS

The following represents a summary of changes that occurred in long-term obligations during the fiscal year ended June 30, 2013:

	Balance June 30, 2012	Increases	Decreases	Balance June 30, 2013	Current Portion
Governmental Activities:					
Bonds and notes payable.....	\$ 2,540,000	\$ 1,800,000	\$ (1,165,000)	\$ 3,175,000	\$ 890,000
Compensated absences.....	264,816	12,447	-	277,263	27,726
Net OPEB obligation.....	5,441,567	2,509,153	(1,070,138)	6,880,582	-
Wastewater connection payable.....	443,387	-	(29,560)	413,827	29,560
Total.....	<u>\$ 8,689,770</u>	<u>\$ 4,321,600</u>	<u>\$ (2,264,698)</u>	<u>\$ 10,746,672</u>	<u>\$ 947,286</u>

The general fund liquidates the District's long-term liabilities.

NOTE 9 - LONG-TERM DEBT

Details related to the District's outstanding indebtedness at June 30, 2013, and the future debt service requirements are as follows:

Project	Interest Rate	Outstanding at June 30, 2012	Issued	Redeemed	Outstanding at June 30, 2013
School Construction Refunding.....	4.00% - 5.00%	\$ 2,280,000	\$ -	\$ (905,000)	\$ 1,375,000
Bus Acquisition.....	3.00%	260,000	-	(260,000)	-
High school roof repair.....	3.00%	-	1,800,000	-	1,800,000
Total governmental funds.....		<u>\$ 2,540,000</u>	<u>\$ 1,800,000</u>	<u>\$ (1,165,000)</u>	<u>\$ 3,175,000</u>

Debt service requirements for principal and interest for governmental bonds payable in future fiscal years are as follows:

Fiscal Year	Principal	Interest	Total
2014.....	\$ 890,000	\$ 73,500	\$ 963,500
2015.....	665,000	63,425	728,425
2016.....	180,000	45,900	225,900
2017.....	180,000	40,500	220,500
2018.....	180,000	35,100	215,100
2019.....	180,000	29,700	209,700
2020.....	180,000	24,300	204,300
2021.....	180,000	18,900	198,900
2022.....	180,000	13,500	193,500
2023.....	180,000	8,100	188,100
2024.....	180,000	2,700	182,700
Total.....	<u>\$ 3,175,000</u>	<u>\$ 355,625</u>	<u>\$ 3,530,625</u>

On September 15, 2013, the District issued \$1,800,000 of general obligation bonds. The proceeds of the bonds were used to retire \$1,800,000 of BANs issued June 27, 2013 related to the high school roof repairs project.

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS

Plan Description - The District provides health and life insurance coverage for its retirees and their survivors (hereinafter referred to as the "Plan") as a single-employer defined benefit Other Postemployment Benefit (OPEB) plan. Chapter 32B of the MGL assigns authority to establish and amend benefit provisions. Changes to plan design and contribution rates must be accomplished through the collective bargaining process.

The number of participants as of July 1, 2012, the latest actuarial valuation, is as follows:

Active employees.....	168
Retired employees.....	77
Total.....	<u>245</u>

Dukes County Pooled OPEB Trust Fund

During fiscal year 2011, the District became a member of the Dukes County Pooled OPEB Trust Fund (Trust), an agent multiple-employer plan. The purpose of the Trust is to accumulate resources to offset its members' (various governmental units) unfunded OPEB liability. The Trust is governed by a Board of Trustees comprised of an appointed member from each governmental unit. Member/Employer contributions to the trust are irrevocable and all investment income (losses) is retained by the Trust. Although the assets of the Trust are commingled for investment purposes, each member's assets may only be used for the reimbursement of OPEB to the member of that plan, in accordance with the terms of the plan. The Trust does not currently issue separate standalone financial statements.

During fiscal year 2013, the District made contributions to the Trust in the amount of \$402,704.

Funding Policy - The contribution requirements of Plan members and the District are established and may be amended by the District. The required health insurance contribution rates of Plan members and the District are 25% and 75%, respectively. The Plan members contribute 25% and the District contributes 75%, respectively, towards a \$5,000 term life insurance premium. The District currently contributes enough money to the Plan to satisfy current obligations on a pay-as-you-go basis. The costs of administering the Plan are paid by the District.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an actuarially determined amount that is calculated in accordance with the parameters set forth in GASB Statement #45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

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

	<u>Amount</u>
Annual required contribution.....	\$ 2,459,752
Interest on net OPEB obligation.....	217,662
Adjustment to annual required contribution.....	<u>(168,261)</u>
Annual OPEB cost.....	2,509,153
Contributions made (pay-as-you-go).....	(667,434)
Contributions made to Trust.....	<u>(402,704)</u>
Increase in net OPEB obligation.....	1,439,015
Net OPEB obligation at beginning of year.....	<u>5,441,567</u>
Net OPEB obligation at end of year.....	<u><u>\$ 6,880,582</u></u>

Trend information regarding annual OPEB cost, the percentage of the annual OPEB cost contributed and the net OPEB obligation is as follows:

<u>Fiscal Year Ending</u>	<u>Annual OPEB Cost (AOPEBC)</u>	<u>Percentage of AOPEBC Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2011.....	\$ 1,849,118	25.8%	\$ 3,928,843
June 30, 2012.....	2,312,133	34.6%	5,441,567
June 30, 2013.....	2,509,153	42.6%	6,880,582

Funded Status and Funding Progress – The funded status of the Plan at July 1, 2012, the most recent actuarial valuation, was as follows:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (A)</u>	<u>Actuarial Accrued Liability (AAL) Projected Unit Credit (B)</u>	<u>Unfunded AAL (UAAL) (B-A)</u>	<u>Funded Ratio (A/B)</u>	<u>Covered Payroll (C)</u>	<u>UAAL as a Percentage of Covered Payroll ((B-A)/C)</u>
07/01/12	\$ -	\$ 29,462,920	\$ 29,462,920	-	\$ 11,296,567	261%

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 schedules of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Methods and Assumptions - Projections of benefits for financial reporting purposes are based on the substantive Plan (the Plan as understood by the employer and 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 include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The significant methods and assumptions as of the latest actuarial valuation are as follows:

Valuation date:	July 1, 2012
Actuarial cost method:	Projected Unit Credit
Amortization method:	Increasing at 4.5% over 30 years (open and closed)
Remaining amortization period:	30 years at July 1, 2012 (open period)
Interest discount rate:	4.0%
Healthcare/Medical cost trend rate:	9.0% decreasing 1.0% annually to an ultimate level of 5.0%
Inflation rate:	4.5% annually

Allocation of AOEBC - AOEBC costs were allocated to the District's functions as follows:

Governmental Activities:

Instruction: Regular.....	\$ 1,060,668
Instruction: Special Education.....	334,155
Instruction: Vocational.....	83,879
Support Services: Pupil.....	324,559
Support Services: Instructional.....	77,270
Support Services: Administration.....	313,991
Support Services: Building & Grounds.....	125,429
Support Services: Transportation.....	<u>189,202</u>
Total AOEBC - governmental activities.....	\$ <u><u>2,509,153</u></u>

NOTE 11 - WASTEWATER CONNECTION PAYABLE

During fiscal year 2010, the District executed a written agreement for wastewater services with the Town of Oak Bluffs Wastewater Commission (Commission). Among other things, the agreement provided for the construction of a wastewater collection pipe and pump stations from the Commission's Wastewater Treatment Facilities (Facility) to the District. The agreement also provides for the Commission to intercept, accept, transmit, treat and dispose of wastewater collected by the District.

The District's share of the costs associated with the wastewater connection totaled \$443,387, plus interest equaling the Commission's long-term borrowing rate associated with the connection. The amount is payable by the District over the life of the debt issued by the Commission to fund the project. The Commission anticipates permanently financing this debt over a 15 year period during fiscal year 2014.

The District's obligation related to the wastewater connection is as follows at June 30, 2013:

<u>Years</u>	<u>Amounts Representing Principal</u>	<u>Amounts Representing Interest</u>	<u>Total</u>
2014.....	\$ 29,560	\$ 13,449	\$ 43,009
2015.....	29,560	12,489	42,049
2016.....	29,560	11,528	41,088
2017.....	29,560	10,567	40,127
2018.....	29,560	9,607	39,167
2019-2023.....	147,800	33,622	181,422
2024-2027.....	118,227	9,605	127,832
Totals.....	\$ 413,827	\$ 100,867	\$ 514,694

NOTE 12 - FUND BALANCES

The constraints on fund balances as listed in aggregate in the Governmental Funds Balance Sheet are detailed as follows:

	<u>General</u>	<u>High School Roof Repair</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Restricted for:				
Buildings and grounds.....	\$ -	\$ 1,074,961	\$ -	\$ 1,074,961
Special education.....	-	-	206,961	206,961
Vocational.....	-	-	36,066	36,066
Performing arts center.....	-	-	82,380	82,380
Other.....	-	-	177,999	177,999
Sub-total - Restricted.....	-	1,074,961	503,406	1,578,367
Committed to:				
Other postemployment benefits.....	50,000	-	-	50,000
Capital improvements.....	-	-	590,597	590,597
Sub-total - Committed.....	50,000	-	590,597	640,597
Assigned to:				
Building equipment, supplies and maintenance.....	41,031	-	-	41,031
Other.....	25,005	-	-	25,005
Sub-total - Assigned.....	66,036	-	-	66,036
Unassigned.....	368,372	-	(102,404)	265,968
Total fund balance.....	\$ 484,408	\$ 1,074,961	\$ 991,599	\$ 2,550,968

NOTE 13 - RISK FINANCING

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance. The amount of claims settlements has not exceeded insurance coverage in any of the previous three fiscal years.

The District participates in a health insurance risk pool administered by the Cape Cod Municipal Health Group (Group). The Group offers a variety of premium based plans to its members with each participating governmental unit charged a premium for coverage based on rates established by the Group. The District is obligated to pay the Group its required premiums and, in the event the Group is terminated, its proportionate share of a deficit, should one exist.

NOTE 14 - PENSION PLAN

Plan Description - The District contributes to the Dukes County Retirement System (System), a cost-sharing multiple-employer defined benefit pension plan administered by the Dukes County Retirement Board. School teachers and certain administrators are members of the Massachusetts' Teachers Retirement System, to which the District does not contribute.

Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan. The System provides retirement, disability and death benefits to plan members and beneficiaries. Cost-of-living adjustments granted between 1981 and 1997 and any increases in other benefits imposed by the Commonwealth's state law during those years are borne by the Commonwealth and are deposited into the pension fund. Cost-of-living adjustments granted after 1997 must be authorized by the Dukes County Retirement Board and are borne by the System. The System issues a publicly available report in accordance with guidelines established by the Commonwealth's Public Employee Retirement Administration Commission. That report may be obtained by contacting the System located at 9 Airport Road, Edgartown, Massachusetts, 02539.

Funding Policy - Chapter 32 of the MGL governs the contributions of plan members and the District. Plan members are required to contribute to the System at rates ranging from 5% to 11% of annual covered compensation. The District is required to pay into the System its share of the system-wide actuarial determined contribution that is apportioned among the employers based on annual covered payroll. The District's contributions (which includes contributions from the Superintendent's Office, accounted for as an Agency Fund, and various state and federal grants) to the System for the fiscal years ended June 30, 2013, 2012, and 2011 were \$516,117, \$453,800 and \$433,476, respectively, which equaled its required contribution for each fiscal year.

NOTE 15 - MASSACHUSETTS TEACHERS RETIREMENT SYSTEM

Public school teachers and certain administrators are members of the Massachusetts Teachers Retirement System, to which the Town does not contribute. Pension benefits and administrative expenses paid by the Teachers Retirement Board are the legal responsibility of the Commonwealth. The amount of these on-behalf payments totaled \$1,975,766 for the fiscal year ended June 30, 2013, and, accordingly, are reported in the general fund as intergovernmental revenues and pension expenditures.

NOTE 16 - CONTINGENCIES

Various legal actions and claims are pending against the District. Litigation is subject to many uncertainties, and the outcome of individual litigated matters is not always predictable. Although the amount of liability, if any, at June 30, 2013, cannot be ascertained, management believes any resulting liability should not materially affect the financial position of the District at June 30, 2013.

The District participates in a number of federal award programs. Although the grant programs have been audited in accordance with the provisions of the Single Audit Act Amendments of 1996 through June 30, 2013, these programs are still subject to financial and compliance audits. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the District expects such amounts, if any, to be immaterial.

NOTE 17 - FUTURE IMPLEMENTATION OF GASB PRONOUNCEMENTS

The GASB has issued the following statements:

- Statement No. 65, Items Previously Reported as Assets and Liabilities, which is required to be implemented during fiscal year 2014. Management does not believe the implementation of this Statement will significantly impact the basic financial statements.
- Statement No. 66, Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62, which is required to be implemented during fiscal year 2014. Management does not believe the implementation of this Statement will impact the basic financial statements.
- Statement No. 67, Financial Reporting for Pension Plans – an Amendment of GASB Statement No. 25, which is required to be implemented during fiscal year 2014. Management has determined that the implementation of this Statement will not impact the basic financial statements.
- Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27, which is required to be implemented during fiscal year 2015. The implementation of this Statement will represent a significant change in the accounting and reporting of pension expense and the related liability. For the first time, the District will be required to recognize its long-term obligation for pension benefits as a liability and to more comprehensively measure the annual costs of pension benefits. The implementation of this Statement also expands pension related note disclosures and required supplementary information.
- Statement No. 69, Government Combinations and Disposals of Government Operations, which is required to be implemented during fiscal year 2015. Management does not believe the implementation of this Statement will impact the basic financial statements.
- Statement No. 70, Accounting and Financial Reporting for Nonexchange Financial Guarantees, which is required to be implemented during fiscal year 2014. Management does not believe the implementation of this Statement will impact the basic financial statements.

These pronouncements will be implemented by their respective implementation dates.

Required Supplementary Information

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
(NON-GAAP BUDGETARY BASIS)
BUDGET AND ACTUAL

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Prior Year Encumbrances and Continuing Appropriations	Original Budget	Supplemental Appropriations and Transfers	Final Budget
REVENUES				
Member town assessments.....	\$ -	\$ 13,589,025	\$ -	\$ 13,589,025
User fees.....	-	626,250	-	626,250
Intergovernmental:				
State aid - foundation.....	-	2,691,760	-	2,691,760
State aid - transportation.....	-	288,883	-	288,883
State aid - school construction reimbursement.....	-	881,813	-	881,813
State aid - charter school assessment reimbursement.....	-	209,309	-	209,309
Departmental.....	-	14,800	-	14,800
Investment income.....	-	25,000	-	25,000
TOTAL REVENUES.....	-	18,326,840	-	18,326,840
EXPENDITURES				
Current:				
Instruction:				
Regular.....	4,082	4,693,990	-	4,698,072
Special education.....	-	1,998,790	-	1,998,790
Vocational.....	2,444	391,534	-	393,978
Other.....	582	85,824	-	86,406
Support services:				
Pupil.....	4,046	1,558,844	-	1,562,890
Instructional.....	1,375	339,282	-	340,657
Administration.....	3,393	1,635,064	-	1,638,457
Business.....	-	95,000	-	95,000
Buildings and grounds.....	38,719	1,255,013	-	1,293,732
Transportation.....	255	1,199,447	-	1,199,702
Pension benefits.....	-	409,803	-	409,803
Employee benefits.....	-	2,301,174	402,704	2,703,878
Property and liability insurance.....	-	273,741	-	273,741
State assessments:				
Charter school.....	-	825,159	-	825,159
Debt service - principal.....	-	1,165,000	-	1,165,000
Debt service - interest.....	-	99,175	-	99,175
TOTAL EXPENDITURES.....	54,896	18,326,840	402,704	18,784,440
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	(54,896)	-	(402,704)	(457,600)
OTHER FINANCING SOURCES (USES)				
Transfers in.....	-	-	-	-
Transfers out.....	-	-	(262,350)	(262,350)
TOTAL OTHER FINANCING SOURCES (USES).....	-	-	(262,350)	(262,350)
NET CHANGE IN FUND BALANCE.....	(54,896)	-	(665,054)	(719,950)
FUND BALANCE AT BEGINNING OF YEAR.....	1,184,298	1,184,298	1,184,298	1,184,298
FUND BALANCE AT END OF YEAR.....	\$ 1,129,402	\$ 1,184,298	\$ 519,244	\$ 464,348

Actual	Current Year Encumbrances and Continuing Appropriations	Actual and Encumbrances and Continuing Appropriations	Variance Positive/ (Negative)
\$ 13,589,025	\$ -	\$ 13,589,025	\$ -
655,749	-	655,749	29,499
2,720,400	-	2,720,400	28,640
313,545	-	313,545	24,662
881,813	-	881,813	-
44,965	-	44,965	(164,344)
18,352	-	18,352	3,552
19,638	-	19,638	(5,362)
18,243,487	-	18,243,487	(83,353)
4,660,823	695	4,661,518	36,554
2,323,093	14,293	2,337,386	(338,596)
390,886	-	390,886	3,092
79,068	257	79,325	7,081
1,551,250	2,465	1,553,715	9,175
330,487	420	330,907	9,750
1,605,062	4,238	1,609,300	29,157
82,803	-	82,803	12,197
1,181,965	43,418	1,225,383	68,349
1,198,802	250	1,199,052	650
313,139	-	313,139	96,664
2,677,387	-	2,677,387	26,491
269,317	-	269,317	4,424
765,033	-	765,033	60,126
1,165,000	-	1,165,000	-
99,175	-	99,175	-
18,693,290	66,036	18,759,326	25,114
(449,803)	(66,036)	(515,839)	(58,239)
12,263	-	12,263	12,263
(262,350)	-	(262,350)	-
(250,087)	-	(250,087)	12,263
(699,890)	(66,036)	(765,926)	(45,976)
1,184,298	1,184,298	1,184,298	-
\$ 484,408	\$ 1,118,262	\$ 418,372	\$ (45,976)

PENSION PLAN SCHEDULES

The following schedules provide information related to the System as a whole, for which the District is one participating employer.

SCHEDULES OF FUNDING PROGRESS (SYSTEM)

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)
01/01/11	\$ 73,989,143	\$ 110,358,557	\$ 36,369,414	67.0%	\$ 29,118,456	124.9%
01/01/09	60,628,878	97,882,251	37,253,373	61.9%	30,407,294	122.5%
01/01/07	53,493,298	82,756,819	29,263,521	64.6%	26,285,973	111.3%
01/01/05	43,587,979	68,303,109	24,715,130	63.8%	22,710,276	108.8%
01/01/03	36,978,826	63,042,045	26,063,219	58.7%	20,191,180	129.1%
01/01/01	31,491,429	45,304,948	13,813,519	69.5%	18,408,970	75.0%

SCHEDULE OF EMPLOYER CONTRIBUTIONS (SYSTEM)

Year Ended December 31	Annually Required Contributions (ARC)	Percentage of ARC Contributed (%)
2007	\$ 3,612,812	100
2008	4,200,863	100
2009	4,398,687	100
2010	4,663,656	100
2011	4,575,700	100
2012	5,112,101	100

The following schedule provides information related to the District's portion of the System's ARC:

DISTRICT'S SHARE OF SYSTEM ARC

Fiscal Year Ended	ARC	Percentage of ARC Contributed (%)	District ARC as a Percentage of System ARC (%)
2008	\$ 345,659	100	9.6%
2009	400,717	100	9.5%
2010	419,860	100	9.5%
2011	433,476	100	9.3%
2012	453,800	100	9.9%
2013	516,117	100	10.1%

OTHER POSTEMPLOYMENT BENEFITS SCHEDULE

The following schedule provides information related to the District's other postemployment benefits plan:

SCHEDULES OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Projected Unit Credit (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
07/01/07	\$ -	\$ 21,263,614	\$ 21,263,614	-	\$ 9,481,527	224%
06/30/09	-	20,609,266	20,609,266	-	9,805,427	210%
07/01/10	-	26,927,703	26,927,703	-	10,892,872	247%
07/01/12	-	29,462,920	29,462,920	-	11,296,567	261%

The significant changes to the methods and assumptions used in the actuarial valuations identified above that impacted trends in the schedules of funding progress are as follows:

- The 07/01/10 valuation reflects unfavorable claims experience that resulted in a change in plan rates
- The 07/01/10 valuation reflects an increase in the healthcare trend rate
- The 07/01/10 valuation reflects an increase in the discount rate from 3.5% to 4.0%
- The 07/01/10 valuation reflects an increase in plan participation rates

NOTE A - BUDGETARY - GAAP RECONCILIATION

For budgetary financial reporting purposes, the Uniform Massachusetts Accounting System basis of accounting (established by the Commonwealth) is followed, which differs from the GAAP basis of accounting. A reconciliation of budgetary-basis to GAAP-basis results for the general fund for the fiscal year ended June 30, 2013, is presented below:

	<u>Revenues</u>	<u>Expenditures</u>
Budgetary basis as reported on the schedule of revenues, expenditures and changes in fund balance - budget and actual.....	\$ 18,243,487	\$ 18,759,326
<u>Adjustments</u>		
To record activity for MTRS on-behalf payments.....	1,975,766	1,975,766
To record encumbrances.....	<u>-</u>	<u>(66,036)</u>
GAAP basis as reported on the statement of revenues, expenditures and changes in fund balances.....	<u>\$ 20,219,253</u>	<u>\$ 20,669,056</u>

NOTE B - PENSION PLAN

Additional information as of the latest actuarial valuation is as follows:

Valuation date:	January 1, 2011
Actuarial cost method:	Entry age normal
Amortization method:	4.5% increasing payments
Remaining amortization period:	18 years (closed)
Asset valuation method:	Asset smoothing
<u>Actuarial assumptions:</u>	
Investment rate of return:	8.0%
Cost of living adjustments:	3.0% of the first \$12,000 of retirement income
Projected salary increases:	5.0%