

ACTON-BOXBOROUGH REGIONAL SCHOOL DISTRICT
BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013
AND
REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

ACTON-BOXBOROUGH REGIONAL SCHOOL DISTRICT

BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2013

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INDEPENDENT AUDITORS' REPORT

The Honorable School Committee
Acton-Boxborough Regional School District
Acton, Massachusetts

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Acton-Boxborough Regional School District, Acton, Massachusetts, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the School 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 of material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including 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 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 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, business-type activities, each major fund, and the aggregate remaining fund information of the Acton-Boxborough Regional School District, Acton, Massachusetts, as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof, and the respective budgetary comparison for the general fund, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Certified Public Accountants

5 Edgell Road, Suite 38, Framingham, Massachusetts 01701 (508) 620-7911 FAX (508) 620-7608 www.borgattiharrison.com

Other Matters

Required Supplementary information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 10 and required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the *Government Accounting Standards Board*, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Acton-Boxborough Regional School District, Acton, Massachusetts's basic financial statements. The accompanying Schedule of Treasurer's Cash is presented for purposes of additional analysis and is not a required part of the financial statements.

The Schedule of Treasurer's Cash is the responsibility of management and was derived from and directly relates to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Treasurer's Cash is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated September 24, 2013, on our consideration of the Acton-Boxborough Regional School District, Acton, Massachusetts'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 tests on internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



Borgatti Harrison & Co.

Framingham, Massachusetts
September 24, 2013

Acton-Boxborough Regional School District

Management Discussion and Analysis

As management of the Acton-Boxborough Regional School District School (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2013. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our basic statements and notes to the basic statements.

The District is audited annually by Borgatti Harrison & Company, Certified Public Accountants.

Financial Highlights:

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$30,157,639 (net position).
- The District's total net position decreased by \$1,937,914 or 6.04% in Fiscal 2013.
- The total cost of all District services for Fiscal 2013 was \$55,120,420. The District operated within the budget established by the School Committee for the year ended June 30, 2013.
- The District served 2,969 students in Fiscal 2013, a decrease of 0.1% from Fiscal 2012. Total expenditures for instructional costs were \$30,152,335, or 54.7%; expenditures for fringe benefits were \$5,473,795, or 13.6%.
- Revenues were primarily derived from assessments to towns totaling \$31,094,432, state aid of \$7,222,363, and program revenues, primarily grants, insurance recovery and earnings on investments.
- The District reported a general fund balance of \$3,021,847 at the end of Fiscal 2013. There was a \$461,936 increase in total general fund balance from the prior year. The unassigned fund balance for the general fund was \$1,087,304.
- Beginning July 1, 2014, the School District is expanded to include the elementary school grades from both the Towns of Acton and Boxborough. The current School District includes grades 7 through 12.

Overview of the Financial Statements:

This overview is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements:

The government-wide financial statements are designed to provide readers with a broad overview of the District's financial position, in a manner similar to a private sector business. The statement of net position presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the District'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 the cash flows. Thus, revenue and expenses reported in this statement for some items will only result in cash flows in future fiscal periods (e.g., uncollected revenue and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions and activities of the District that are principally supported by regional assessments and intergovernmental revenues (governmental activities) from other functions and activities that are intended to recover all or a significant portion of their costs through user fees or charges. The government activities of the District include the broad functions of School Committee, Superintendent, Finance, School Leadership, Instruction, Textbooks, etc., consistent with Massachusetts Department of Education functional classifications.

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 Massachusetts school districts, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

Governmental Funds:

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements.

However, unlike the government-wide financial statements, government fund financial statements focus on the near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the District's near-term financing requirements.

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

The District maintains a general fund, state and federal grant funds, cafeteria fund, revolving funds, community education fund and capital projects funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and the capital projects fund. Data from the other five categories of funds are combined into a single, aggregated presentation under the caption nonmajor governmental funds.

The basic governmental fund financial statements can be found on Pages 13 through 16 of this report.

Fiduciary Funds:

Fiduciary funds, which include scholarships and student activities, are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not included in the government-wide financial statements because the resources of the funds are not available to support the District's own functions and activities. The accounting used for fiduciary funds is much like that used for general funds.

The fiduciary fund financial statements provide separate information for the agency and private purpose funds of the District. The fiduciary fund financial statements can be found on Pages 18 and 19 of this report.

Notes to the 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 Page 21 through 40 of this report. An index of the notes appears on Page 20.

Government-Wide Financial Analysis:

	<u>FY 2013</u>	<u>FY2012</u>	<u>Net Change</u>
Current Assets	\$ 5,204,498	\$ 5,425,647	\$ (221,149)
Capital Assets (Net)	<u>\$58,080,555</u>	<u>\$58,718,890</u>	<u>\$ (638,335)</u>
Total Assets	<u>\$63,285,053</u>	<u>\$64,144,537</u>	<u>\$ (859,484)</u>
Current Liabilities	\$ 2,056,413	\$ 1,995,543	\$ 60,870
Non-Current Liabilities	<u>\$31,071,001</u>	<u>\$30,053,441</u>	<u>\$ 1,017,560</u>
Total Liabilities	<u>\$33,127,414</u>	<u>\$32,048,984</u>	<u>\$ 1,078,430</u>
Net Position			
Invested in Capital assets, Net of related debt	\$ 38,108,449	\$38,968,108	\$ (859,659)
Restricted	\$ 77,321	\$ 25,953	51,368
Unrestricted	<u>\$(8,028,131)</u>	<u>\$(6,898,508)</u>	<u>\$(1,129,623)</u>
Total Net Position	<u>\$30,157,639</u>	<u>\$32,095,553</u>	<u>\$(1,937,914)</u>

Included within current assets are \$4,683,292 in cash and cash equivalents. Capital assets include all buildings and equipment, both completed and in progress, that are owned by the District. Current liabilities principally include \$216,117 for accounts payable, accrued expenses and \$269,295 in accrued interest and current portion of long-term liabilities of \$1,571,001. Long-term liabilities include \$1,305,365 for longevity incentives and \$11,178,271 for other post employment benefits.

The largest portion (91.78%) of the District's total assets reflects its investment in land, buildings, furniture and equipment and vehicles. The District uses capital assets to provide services to students; therefore, these assets are not available for future spending. Net position decreased \$1,937,914 principally from depreciation expense of \$2,621,372 and a \$1,113,189 increase in net OPEB obligation that was recognized by the School District as result of Government Accounting Standards Board (GASB) Statement 45. The \$11,178,271 net OPEB obligation represents the difference between the School District's annual required contribution for other post employment benefits (principally health insurance) and the School District's pay-as-you-go funding for retiree benefits. During fiscal 2013, the School District created an OPEB Irrevocable Trust and contributed \$236,000 towards its unfunded OPEB liability.

Approximately 4.99% of the District's net position represent resources that are considered unrestricted, but are subject to designation by the School Committee. Such designations include capital projects, encumbrances, and subsequent year expenses. The remaining balance of unrestricted net position \$(9,038,114) may be used to meet the District's ongoing obligations to employees for early retirement/longevity incentive, students and creditors.

Financial Analysis of Governmental Funds:

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with local, state and federal requirements.

Governmental Funds – The focus of the District's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the District's financial requirements. In particular, undesignated fund balance may serve as a useful measure of a district's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the District. At June 30, 2013, the general fund balance was \$3,021,847; \$1,503,593 of this balance was assigned by the School Committee to pay for encumbrances, debt service and carryover expenditures. 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 (including transfers to other funds). Unassigned fund balance represents 2.47% of total general fund expenditures (including transfers), while total fund balance represents 6.86% of the same amount.

General Fund Highlights:

The District's total general fund balance increased \$1,216,757 during Fiscal 2013.

Total general fund revenues were \$43,795,266, an increase of \$722,918, or 1.68% from prior year. District assessments to member communities increased \$507,616, or 1.66%, to \$31,094,432. State aid increased \$216,331 in FY13. Student enrollment decreased from 2,988 in Fiscal 2012 to 2,969 in Fiscal 2013. District assessments to member communities constitute the largest revenue line item, representing 79.5% of the District's general fund revenue. State aid represents the second largest revenue source (20.05%) for the District.

Member communities are apportioned an assessment based upon costs in three categories: construction costs, capital costs and operating costs. The method of determining a community's local contribution is based on a three-year average of pupil enrollment. The District will then assess additional revenue requirements based on the regional agreement. The District's budget is not approved until both member communities vote on it favorably.

Total general fund expenditure and transfers to other funds were \$44,078,509, an increase of \$544,225, or 1.25% from the previous fiscal year.

General Fund Budgetary Highlights:

Actual revenues were over budget by \$15,057 primarily due to state aid and miscellaneous revenues.

Actual expenditure and transfers were \$331,601 under budget, primarily due to tuitions out and debt service.

The table below summarizes the major categories of general fund expenditures and transfers compared to Fiscal 2012:

<u>Expenditure</u>	<u>2013 Actual</u>	<u>% of Total</u>	<u>Change from 2012</u>	<u>% Change</u>
Administration	\$1,433,066	3.6%	\$58,763	4.3%
Instructional Leadership	\$2,389,537	6.0%	\$55,390	2.4%
Classroom & Specialist Teachers	\$14,057,398	35.0%	\$358,440	2.6%
Other Teaching Services	\$1,203,184	3.0%	\$53,556	4.7%
Professional Development	\$195,401	0.5%	\$(310)	(0.2)%
Instructional Materials, Equip. & Technology	\$ 738,893	1.8%	\$(153,767)	(17.2)%
Guidance, Counseling & Testing	\$1,609,637	4.0%	\$167,822	11.6%
Pupil Services	\$3,006,901	7.5%	\$115,546	4.0%
Operations & Maintenance	\$3,688,459	9.2%	\$132,369	3.7%
Insurance	\$4,571,828	11.4%	\$(685,854)	(13.0)%
Retirement	\$968,434	2.4%	\$43,775	4.7%
Capital Outlay	\$888,617	2.2%	\$(118,670)	(11.8)%
Tuition Out	\$3,468,189	8.6%	\$331,346	10.6%
Debt Service	\$1,912,233	4.8%	\$24,249	1.3%
Total	<u>\$40,131,777</u>	<u>100.0%</u>	<u>\$382,655</u>	<u>0.9%</u>

Teaching represents 35.0% of the District's expenditures, an increase of 2.6% over the prior fiscal year. The District spent \$4,571,828 or 11.4% on fringe benefits, consisting of employee benefits including health insurance, representing the second largest expenditure line item. The third largest category of expenditure was operations and maintenance costing \$3,688,459 or 9.2% of the total. Tuition out includes school choice out, tuition to non-public schools and to collaboratives.

Pupil services costs were \$3,006,901, or 7.5% of total. Debt service, including interest payments of \$1,912,233, was 4.8% of the total.

Capital Assets: The District's investment in capital assets for government and business-type activities as of June 30, 2013 amounted to \$58,080,555, net of accumulated depreciation of \$29,092,898. The investment in capital assets includes land, buildings and improvements, furniture and equipment, and vehicles. Additional information on the District's capital assets may be found in Note 12 Capital Assets to the financial statements on page 36 of this report.

Long-Term Debt: At June 30, 2013, the District had \$18,925,000 outstanding in long-term bonds and notes, bearing interest rates of 2.0% to 6.0%, maturing through 2027.

Economic Factors and Next Year's Budget for FY 2014

Fiscal 2014 enrollment projections indicate that 2,404 students will attend the District from the Town of Acton, and 490 students from the Town of Boxborough. The communities are governed by Boards of Selectmen and Open Town Meeting. Major employers of the two towns include Cisco Systems and Haartz Auto Fabric. Median family income and per capita income for both communities are significantly greater than the national and state averages.

<u>Year 2009</u>	<u>Acton</u>	<u>Boxborough</u>	<u>Massachusetts</u>	<u>United States</u>
Median Family Income	\$112,217	\$112,477	\$ 63,313	\$ 50,054
Per Capita Income	\$ 55,111	\$ 49,608	\$ 33,411	\$ 44,872

The District has an approved FY2014 general fund budget of \$41,571,900. This represents a 3.6% increase over the final 2013 actual expenditures. The number of students enrolled is 2,969, compared to prior year enrollment of 2,988, a decrease of 19 students or .01%.

Special Initiatives

The District is recognized statewide as a value-added District, achieving high academic performance, presenting award-winning plays and musicals, and winning state championships in athletic events. The FY13 cost per pupil of \$13,697 is close to the statewide average for schools of \$13,636. The percentage of students matriculating to higher education is 96%. Students in the District have received many academic, music, art, and athletic awards.

Request for Information

This financial report is designed to provide a general overview of the District's finances for those with an interest in the District's finances. Questions concerning any information provided in this report or requests for additional financial information should be addressed to the Director of Finance, Acton-Boxborough Regional School District, 16 Charter Road, Acton, Massachusetts 01720.

ACTON-BOXBOROUGH REGIONAL SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2013

	<u>Governmental</u> <u>Activities</u>
ASSETS	
Current Assets:	
Cash and Equivalents	\$ 4,683,292
Due from other governments	20,919
Receivable, other	200
Restricted cash	77,321
Other	422,766
Total current assets	<u>5,204,498</u>
Noncurrent Assets:	
Capital assets, net of accumulated depreciation	58,080,555
Total noncurrent assets	<u>58,080,555</u>
Total Assets	<u>63,285,053</u>
LIABILITIES	
Current Liabilities:	
Accounts payable and accrued expenses	216,117
Accrued interest	269,295
Current portion of capital lease obligations	149,741
Current portion of longevity incentive	186,260
Current portion of bonds payable	1,235,000
Total current liabilities	<u>2,056,413</u>
Noncurrent Liabilities:	
Other post employment benefits obligation	11,178,271
Capital lease obligations, net of current portion	897,365
Longevity incentive, net of current portion	1,305,365
Bonds payable, net of current portion	17,690,000
Total noncurrent liabilities	<u>31,071,001</u>
Total Liabilities	<u>33,127,414</u>
NET POSITION	
Invested in capital assets, net of related debt	38,108,449
Restricted for:	
Other purposes	77,321
Unrestricted	<u>(8,028,131)</u>
Total net position	<u>\$ 30,157,639</u>

See accompanying notes to financial statements

ACTON-BOXBOROUGH REGIONAL SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government					
Governmental Activities					
Administration	\$ 1,396,604	\$ 900	\$ 27,650	\$ -	\$ (1,368,054)
Instructional leadership	2,439,452	53,271	15,710	-	(2,370,471)
Classroom and specialist teachers	14,243,308	273,026	13,814	-	(13,956,468)
Other teaching services	1,777,571	18,758	564,165	-	(1,194,648)
Professional development	241,460	151	53,135	-	(188,174)
Instructional materials, equipment and technology	731,032	58,800	13,220	-	(659,012)
Guidance, counseling and testing	1,610,008	-	546	-	(1,609,462)
Pupil services	4,366,705	1,369,896	757,777	-	(2,239,032)
Operations and maintenance	3,344,210	-	-	-	(3,344,210)
Insurance	6,150,287	-	473,982	-	(5,686,305)
Retirement	5,689,630	-	4,721,196	-	(968,434)
Community Education	2,581,364	2,709,022	-	-	127,658
School lunch	883,086	764,575	118,511	-	-
Capital outlay	1,182,309	-	1,081,364	-	(100,945)
Tuition out	4,641,869	-	1,311,616	-	(3,330,253)
Other	392,771	381,728	-	-	(11,043)
Depreciation not allocated	2,621,372	-	-	-	(2,621,372)
Interest and other charges	817,382	4,647	-	-	(812,735)
Total governmental activities	55,120,420	5,634,774	9,152,686	-	(40,332,960)
General revenues:					
Member town assessments					31,094,432
State aid					7,222,363
Investment earnings					11,712
Miscellaneous					66,539
Transfer in					-
Total general revenues					38,395,046
Change in net position					(1,937,914)
Net position - beginning of year					32,095,553
Net position - end of year					\$ 30,157,639

See accompanying notes to financial statements

**ACTON-BOXBOROUGH REGIONAL SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013**

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 2,814,998	\$ 1,868,294	\$ 4,683,292
Due from other governments	-	20,919	20,919
Receivables, other	200	-	200
Restricted cash	-	77,321	77,321
Prepaid expenses	422,766	-	422,766
	<hr/>	<hr/>	<hr/>
Total assets	\$ 3,237,964	\$ 1,966,534	\$ 5,204,498
	<hr/>	<hr/>	<hr/>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 216,117	\$ -	\$ 216,117
	<hr/>	<hr/>	<hr/>
Total liabilities	216,117	-	216,117
	<hr/>	<hr/>	<hr/>
Fund balances:			
Nonspendable	422,766	-	422,766
Restricted	8,184	568,685	576,869
Committed	-	-	-
Assigned	1,503,593	1,397,849	2,901,442
Unassigned	1,087,304	-	1,087,304
	<hr/>	<hr/>	<hr/>
Total fund balances	3,021,847	1,966,534	4,988,381
	<hr/>	<hr/>	<hr/>
Total liabilities and fund balances	\$ 3,237,964	\$ 1,966,534	\$ 5,204,498
	<hr/>	<hr/>	<hr/>

See accompanying notes to financial statements

**ACTON-BOXBOROUGH REGIONAL SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
JUNE 30, 2013**

Total fund balance, governmental funds	\$ 4,988,381
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.	58,080,555
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In the Statement of Activities, interest is accrued on outstanding long-term debt whereas in Governmental Funds, interest is not reported until due.	(269,295)
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Revenues are recognized on an accrual basis of accounting instead of a modified accrual basis.	-
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Some liabilities, (such as Notes Payable, Capital Lease Contract Payable, Long-term Compensated Absences, and Bonds Payable), are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position	(32,642,002)
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Net Position of Governmental Activities in the Statement of Net Position	<u>\$ 30,157,639</u>
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See accompanying notes to financial statements

ACTON-BOXBOROUGH REGIONAL SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES			
Member town assessments	\$ 31,094,432	\$ -	\$ 31,094,432
Intergovernmental	12,628,688	2,856,748	15,485,436
Charges for services	-	5,249,765	5,249,765
Investment earnings	9,530	2,182	11,712
Miscellaneous	62,616	3,923	66,539
Contributions and donations	-	1,274,622	1,274,622
Total revenues	<u>43,795,266</u>	<u>9,387,240</u>	<u>53,182,506</u>
EXPENDITURES			
Administration	1,368,054	28,550	1,396,604
Instructional leadership	2,370,471	68,981	2,439,452
Classroom and specialist teachers	14,057,398	286,840	14,344,238
Other teaching services	1,195,648	581,923	1,777,571
Professional development	188,174	53,286	241,460
Instructional materials, equipment and technology	658,962	72,070	731,032
Guidance, counseling and testing	1,609,462	546.00	1,610,008
Pupil services	2,985,296	1,381,409	4,366,705
Operations and maintenance	3,344,210	-	3,344,210
Insurance	4,570,828	476,270	5,047,098
Retirement	5,688,771	859	5,689,630
Community education	-	2,581,364	2,581,364
School lunch	-	883,086	883,086
Capital outlay	798,749	2,556,654	3,355,403
Tuition out	3,330,253	1,311,616	4,641,869
Other	-	381,728	381,728
Debt service:			
Principal	1,102,512	-	1,102,512
Interest and other charges	809,721	4,647	814,368
Total Expenditures	<u>44,078,509</u>	<u>10,669,829</u>	<u>54,748,338</u>
Excess (deficiency) of revenues over expenditures	<u>(283,243)</u>	<u>(1,282,589)</u>	<u>(1,565,832)</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from capital leases	-	-	-
Transfers in (out)	-	-	-
Proceeds from long-term borrowing	1,500,000	-	1,500,000
Total other financing sources and uses	<u>1,500,000</u>	<u>-</u>	<u>1,500,000</u>
Net change in fund balances	1,216,757	(1,282,589)	(65,832)
Fund balances - beginning of year	1,805,090	3,249,123	5,054,213
Fund balances - end of year	<u>\$ 3,021,847</u>	<u>\$ 1,966,534</u>	<u>\$ 4,988,381</u>

See accompanying notes to financial statements

ACTON-BOXBOROUGH REGIONAL SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

Net change in fund balances - total governmental funds:	\$	(65,832)
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Amounts reported for Governmental Activities in the Statement of Activities are different because:

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period.

This is the amount by which capital outlays (\$1,994,080) and disposals (11,043) exceeded depreciation (\$2,621,372) in the current period.		(638,335)
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Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned.

Governmental funds report bond proceeds as current financial resources. In contrast, the Statement of Activities treats such issuance of debt as a liability. Governmental funds report repayment of bond principal as an expenditure. In contrast, the Statement of Activities treats such repayments as a reduction in long-term liabilities. This is the amount by which payments exceeded proceeds.		(397,488)
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Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:

Net change in other post employment benefits liability		(1,113,189)
Capital lease payment		176,164
Accrued interest not reflected on Governmental funds		(164)
Retirement		100,930

Change in net position of governmental activities	\$	(1,937,914)
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See accompanying notes to financial statements

**ACTON-BOXBOROUGH REGIONAL SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts, Budgetary Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Member town assessments	\$ 31,094,432	\$ 31,094,432	\$ 31,094,432	\$ -
Intergovernmental	7,714,636	7,965,440	7,908,351	(57,089)
Charges for services	-	-	-	-
Investment earnings	-	-	9,530	9,530
Miscellaneous	-	-	62,616	62,616
Total revenues	<u>38,809,068</u>	<u>39,059,872</u>	<u>39,074,929</u>	<u>15,057</u>
EXPENDITURES				
Administration	1,387,100	1,388,734	1,433,066	(44,332)
Instructional leadership	2,435,186	2,445,958	2,389,537	56,421
Classroom and specialist teachers	14,213,692	14,242,427	14,057,398	185,029
Other teaching services	1,248,997	1,230,137	1,203,184	26,953
Professional development	214,193	205,745	195,401	10,344
Instructional materials, equipment and technology	744,326	722,993	738,893	(15,900)
Guidance, counseling and testing	1,565,188	1,575,188	1,609,637	(34,449)
Pupil services	2,969,293	2,969,293	3,006,901	(37,608)
Operations and maintenance	3,566,014	3,563,514	3,688,459	(124,945)
Insurance	4,687,869	4,687,869	4,571,828	116,041
Retirement	968,434	968,434	968,434	-
Capital outlay	763,576	763,576	888,617	(125,041)
Tuition out	3,658,338	3,658,338	3,468,189	190,149
Other	-	-	-	-
Debt service	2,041,172	2,041,172	1,912,233	128,939
Total Expenditures	<u>40,463,378</u>	<u>40,463,378</u>	<u>40,131,777</u>	<u>331,601</u>
Excess (deficiency) of revenues over expenditures	<u>(1,654,310)</u>	<u>(1,403,506)</u>	<u>(1,056,848)</u>	<u>346,658</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(1,654,310)	(1,403,506)	(1,056,848)	346,658
Fund balances - beginning of year	<u>3,305,090</u>	<u>3,305,090</u>	<u>3,305,090</u>	<u>-</u>
Fund balances - end of year	<u>\$ 1,650,780</u>	<u>\$ 1,901,584</u>	<u>\$ 2,248,242</u>	<u>\$ 346,658</u>

See accompanying notes to financial statements

ACTON-BOXBOROUGH REGIONAL SCSHOOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2013

	<u>Other Post- Employment Benefits Trust</u>	<u>Private Purpose Trust Fund - Simple</u>	<u>Agency Fund</u>
ASSETS			
Cash and cash equivalents	\$ 1,431	\$ 313,748	\$ 120,159
Investments	241,911	-	-
Total assets	<u>243,342</u>	<u>313,748</u>	<u>120,159</u>
LIABILITIES			
Due to student groups	-	-	120,159
Total liabilities	<u>-</u>	<u>-</u>	<u>120,159</u>
NET POSITION			
Held in trust for benefits and other purposes	<u>\$ 243,342</u>	<u>\$ 313,748</u>	<u>\$ -</u>

See accompanying notes to financial statements

**ACTON-BOXBOROUGH REGIONAL SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Other Post- Employment Benefits Trust</u>	<u>Private Purpose Trust Fund - Simple</u>
ADDITIONS		
Contributions	\$ 236,000	\$ 16,529
Investment earnings	7,342	858
Total additions	<u>243,342</u>	<u>17,387</u>
DEDUCTIONS		
Scholarships awarded	<u>-</u>	<u>34,800</u>
Total deductions	<u>-</u>	<u>34,800</u>
Change in net position	243,342	(17,413)
Transfer to other funds	-	-
Net position - beginning of year	<u>-</u>	<u>331,161</u>
Net position - end of year	<u>\$ 243,342</u>	<u>\$ 313,748</u>

See accompanying notes to financial statements

ACTON-BOXBOROUGH REGIONAL SCHOOL DISTRICT

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ACTON-BOXBOROUGH REGIONAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. General Statement

The Acton-Boxborough Regional School District, Acton, Massachusetts (the "School District") was established in 1955 under Chapter 71 of the Massachusetts General Laws, as amended and supplemented, and an Agreement, as amended, between the Towns of Acton, Massachusetts and Boxborough, Massachusetts for the purpose of providing academic and certain vocational technical education in all grades from grade seven through grade twelve.

The powers and duties of the School District are vested in and exercised by the Acton-Boxborough Regional School District School Committee (the Committee). The Committee is presently composed of nine members, six from the Town of Acton and three from the Town of Boxborough.

The accounting and reporting policies of the School District relating to the funds included in the accompanying basic financial statements conform to accounting principles generally accepted in the United State of America applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accounts in the publication entitled Audits of State and Local Governmental Units and by the Financial Accounting Standards Board (when applicable).

B. Financial Reporting Entity

The School District's basic financial statements include the accounts of all School operations. The criteria for including organizations as component units within the School District's reporting entity, as set forth in Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, include whether:

- * The organization is legally separate (can sue and be sued in their own name)
- * The School District holds the corporate powers of the organization
- * The School District appoints a voting majority of the organization's board
- * The School District is able to impose its will on the organization
- * The organization has the potential to impose a financial benefit/burden on the School District
- * There is fiscal dependency by the organization on the School District

Based on the aforementioned criteria, the Acton-Boxborough Regional School District has no component units.

Joint Venture

A joint venture is an organization (resulting from a contractual arrangement) that is owned, operated or governed by two or more participants as a separate and specific activity subject to joint control in which the participant retains an ongoing financial interest or ongoing financial responsibility. Joint control means that no single participant has the ability to unilaterally control the financial or operating policies of the joint venture. The Acton-Boxborough Regional School District has no joint ventures.

ACTON-BOXBOROUGH REGIONAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

C. Basis of Presentation

Government-Wide Financial Statements:

The government-wide financial statements (the statement of net position and the statement of changes in net position) report information on all of the activities of the School District. The effect of interfund activity, within the governmental and business-type activities columns, has been removed from these statements. Governmental activities, which normally are supported by taxes, assessments and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

Fund Financial Statements:

The School District segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental and proprietary activities. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

Governmental funds are those funds through which most governmental activities typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The School District has presented the following major governmental funds:

General Fund - This fund is the main operating fund of the School District. It is used to account for all financial resources not accounted for in other funds. All general tax and assessment revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvements costs that are not paid through other funds are paid from the General Fund. The general fund is always considered a major fund.

The nonmajor governmental funds consist of other special revenue, capital projects and permanent 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 Fund – This fund is used to account for the proceeds of specific revenue sources (other than capital projects or expendable trusts) that are restricted by law or administrative action to expenditures for specified purposes.

Capital Projects Fund - This fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by enterprise funds).

ACTON-BOXBOROUGH REGIONAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

Proprietary Fund Financial Statements:

Proprietary fund financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting, whereby revenues are recorded when earned and expenses are recorded when the liabilities are incurred.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds principal ongoing operations.

Fiduciary Fund Financial Statements:

Fiduciary fund financial statements are reported using the flow of economic resources measurement focus and 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 funds are reported:

Private-Purpose Trust Funds – This fund is used to account for resources legally held in trust for student scholarships.

Agency Funds – This fund is used to account for assets held by the School District as an agent for individuals, private organizations, and/or other governmental units. The School District reports Student Activity Funds in the Agency Fund.

Other Post-Employment Benefits Trust Fund - This fund is used to account for funds to offset the anticipated cost of premium payments for or direct payments to be made to retired employees of the School District, and to any eligible surviving spouse of or dependents of deceased employees of the School District.

D. Net Position

Net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations on their use either through the enabling legislations adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

E. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable – The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.

ACTON-BOXBOROUGH REGIONAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

Restricted - Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation (Massachusetts General Laws).

Enabling legislation authorizes the School District to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the School District can be compelled by an external party, such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

Committed – The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (ordinance or resolution) of School Committee. Those committed amounts cannot be used for any other purpose unless the School Committee removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classifications may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts by School Committee, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned – Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by School Committee or a School District official delegated that authority by the Regional School District Agreement or ordinance.

Unassigned – Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The School District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

F. Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

ACTON-BOXBOROUGH REGIONAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

The government-wide statements and fund financial statements for proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net position and the operating statements present increases (revenues) and decreases (expenses) in net total position. Under the accrual basis of accounting, revenues are recognized when earned. Expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both 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 be used to pay liabilities of the current period.

A one-year availability period is used for recognition of all other Government Fund revenues. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences, early retirement costs, claims and judgments are recorded only when payment is due.

The revenues susceptible to accrual are assessments, fees, licenses, charges for service, interest income and intergovernmental revenues. All other governmental fund revenue is recognized when received.

G. Budgetary Control

The School Committee annually determines the amount to be raised (after deducting the amount of anticipated revenues the School District expects to receive) to maintain and operate the School District during the next fiscal year and apportions the amount among the member towns in accordance with the terms of the regional agreement.

The amounts apportioned to each town are certified by the School District Treasurer to the Treasurers of the member towns. Each town takes action on the amounts certified at the next annual town meeting.

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 was \$40,463,378 in appropriations and carryforwards. During fiscal year 2013, there were no supplemental changes in appropriations.

The Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General Fund presents a comparison of budgetary data to actual results. The General Fund utilizes the same basis of accounting for both budgetary purposes and actual results, except for the effect of encumbrances and continuing appropriations, which are adjusted to the actual results for comparison. Deficits, if any, are raised in the subsequent year's budget process.

H. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

ACTON-BOXBOROUGH REGIONAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

I. Inventories of Supplies

Supplies are considered to be expenditures at the time of purchase and are not included in the statement of net assets as inventories.

J. Cash and Investments

Cash of all funds, including restricted cash, are pooled into common pooled accounts in order to maximize investment opportunities. Each fund whose monies are deposited in the pooled cash accounts has equity therein, and interest earned on the investment of these monies is allocated based upon relative equity and month end.

An individual fund's pooled Cash and Cash Investments are available upon demand and are considered to be "cash equivalents" when preparing these financial statements. In addition, any marketable securities not included in the common pooled accounts that are purchased with a maturity of ninety days or less is also considered being "cash equivalents".

All investments are recorded at fair value based on quoted market prices. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties.

K. Interfund Receivable and Payables

Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

L. Compensated Absences

Employees are granted vacation and sick leave in varying amounts based on collective bargaining agreements, state laws and executive policies. Administrative, support personnel and custodians are allowed to carryover a maximum of 15 days of vacation leave.

As a possible incentive for employment longevity, a sum of money will be paid to teacher having taught in the School District for at least ten years, calculated by multiplying the difference between the teacher's last annual Schedule A salary and that for a Step One on the bachelor's level for that same year and the relevant multiplication factor. A similar incentive exists for administrators.

M. Encumbrances and Continuing Appropriations

Encumbrance accounting, under which purchase orders, contracts and other commitments for fund expenditures are recorded in order to reserve portions of the applicable appropriation, is employed in the governmental funds. Open encumbrances at year-end are reported as reservations of fund balances since they do not constitute expenditures or liabilities.

Certain unexpended and unencumbered appropriations for incomplete projects are carried over to succeeding years. Such continuing appropriations are accounted for similar to encumbrances. Other unencumbered appropriations lapse at year-end.

ACTON-BOXBOROUGH REGIONAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

N. Transactions Between Funds

Legally authorized transfers are treated as interfund transfers and are included in the results of operations of both Governmental and Proprietary Funds.

O. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government -wide financial statements and in the fund financial statements for proprietary funds. All capital assets are valued at historical cost or estimated historical cost if actual historical is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Interest has not been capitalized during the construction period on property, plant and equipment.

Assets capitalized, not including infrastructure assets, have an original cost of \$5,000 or more and over three years of useful life. Infrastructure assets capitalized have an original cost of \$25,000 or more. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Buildings	40 Years
Machinery and Equipment	5-10 Years
Improvements	15 Years

P. Claims and Judgments

Estimated losses from judgments and claims are recorded in the Government-Wide financial statements as a liability and as an expense if the loss is probable and amounts can be reasonably estimated.

Q. Reconciliation of Government-Wide and Fund Financial Statements

A summary reconciliation of the difference between total fund balances as reflected on the governmental funds balance sheet and total net position for governmental activities as shown on the government-wide statement of net position is presented in an accompanying schedule to the governmental funds balance sheet. The asset and liability elements, which comprise the reconciliation difference, stem from governmental funds using the current financial resources measurement focus and the modified accrual basis of accounting while the government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting.

2 – DEFERRED COMPENSATION PLAN

The School District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Sections 457. The plan, available to all School District employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

ACTON-BOXBOROUGH REGIONAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

3 - BUDGETARY BASIS OF ACCOUNTING

The Acton-Boxborough Regional School District prepares its annual budget on a basis (budget basis), which differs from generally accepted accounting principles (GAAP basis). The budget and all transactions are presented in accordance with the School District's method (budget basis) in the Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund to provide meaningful comparison of actual results with budget. The major differences between budget and GAAP basis in the General Fund are that encumbrances are recorded as the equivalent of expenditures (budget) as opposed to a reservation of fund balance (GAAP).

Adjustments necessary to convert the General Fund's excess of revenues over expenditures on the budget basis to a GAAP basis are provided below:

Excess of revenues over expenditures – budget basis	\$(1,056,848)
End of year adjustment for encumbrances recognized as expenditures	773,605
Record revenue recognized for MTRS on-behalf payments	4,720,337
Record expenditures recognized for MTRS on-behalf payments	<u>(4,720,337)</u>
Excess of revenues over expenditures – GAAP basis	\$ <u>(283,243)</u>

4 - DEPOSITS AND INVESTMENTS

State and local statutes place certain limitations on the nature of deposits and investments available to the School District. Deposits (including demand deposits, term deposits and certificates of deposit) in any one financial institution may not exceed certain levels without collateralization or insurance protection by the financial institutions involved. Investments can be made in securities unconditionally guaranteed by the U.S. Government with maturities of 90 days or less which are collateralized by such securities. The School District also has the authority to purchase units in the Massachusetts Municipal Depository Trust (MMDT), a pooled fund managed for the Commonwealth.

The School District has expanded investment powers, including the ability to invest in equity securities, corporate bonds and other specified investments in relation to the School District's restricted investments in the Fiduciary Funds.

The composition of the School District's deposits and investments fluctuates throughout the year depending on the timing of assessment receipts, proceeds from borrowings, collections of state and federal aid, and capital outlays.

The School District maintains a cash and investment pool that is available for use by all funds with unrestricted cash and investments.

ACTON-BOXBOROUGH REGIONAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

Deposits – Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the School District's deposits may not be recovered. The School District does not have a policy for custodial credit risk of deposits. As of June 30, 2013, \$5,013,664 of the School District's bank balance of \$6,168,483 was uninsured and uncollateralized and, therefore, exposed to custodial credit risk.

Custodial Credit Risk – Investments

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the School 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 School District does not have a policy for custodial credit risk of investments.

Interest Rate Risk of Debt Securities – Investments

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

Credit Risk of Debt Securities – Investments

Credit risk of debt securities for investments is the risk that an issuer or other counterparty to a debt security will not fulfill its obligation. The School District does not have a policy for credit risk of debt securities.

5 - PENSION PLANS

Middlesex Contributory Retirement System

Plan Description and Provisions

The School District provides pension benefits for substantially all employees except teachers through the Middlesex Contributory Retirement System (MCRS), a cost sharing multiple-employer retirement system established under the Massachusetts Contributory Retirement Law. Benefit provisions and contribution requirements are established by state law.

The System provides retirement, disability and death benefits to plan members and beneficiaries up to two and one-half times (2-1/2x) the number of years of service, expressed as a percentage, times a member's average annual compensation for the past three years. Benefit payments are based upon a member's age, length of creditable service, level of compensation and group classification.

Members of the system become vested after 10 years of creditable service. A retirement allowance may be received upon reaching age 65 or upon retirement at age 55 if the Participant (1) has a record of 10 years creditable service, (2) was on the School District payroll on January 1, 1978, (3) voluntarily left the School District employment on or after that date, and (4) left accumulated annuity deductions in the Fund. Plan members who become permanently and totally disabled may be eligible to receive a disability retirement allowance.

ACTON-BOXBOROUGH REGIONAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

The MCRS issues a publicly available financial report that includes financial statements and required supplementary information.

Funding Policy

Active plan members contribute either 5, 7, 8, or 9% of their gross regular compensation depending on the date upon which their membership began, on a pre-tax basis. Members hired after December 31, 1978 must contribute an additional 2% of regular compensation in excess of \$30,000. The School District is required to contribute at an actuarially determined rate; the current average rate is 8.9% of annual covered payroll. The contribution requirements of plan members are established and may be amended by the MCRS board of trustees.

Annual Pension Cost

For 2013, the School District's annual pension cost of \$968,434 was equal to the School District's required and actual contributions. The periodic employer contributions to the retirement system are determined on an actuarial basis using the entry age normal actuarial cost method. Normal cost is funded on a current basis. The unfunded actuarial accrued liability is funded on a schedule that ends no later than the year 2040. The annual amortization of the unfunded actuarial liability increases each year by 4.0%. The funding strategy for normal cost and the unfunded actuarial accrued liability should provide sufficient resources to pay employee pension benefits on a timely basis. The Commonwealth of Massachusetts currently reimburses the System on a quarterly basis for the portion of benefit payments owing to cost-of-living increases granted after the implementation of Proposition 2-1/2.

The significant actuarial assumptions used in the determination of the standardized measure of the pension obligation and contributions are summarized below:

- (1) The rate of return on the investment of present and future assets is 8% per year, compounded annually.
- (2) Future pension payments reflect an assumption of 4.75% to 5.25% salary increase per year.
- (3) Future pension payments reflect no post-retirement benefit increases.

Three Year Trend Information

Fiscal Year Funding	Annual Pension Cost (APC)	Percentage of APC Contribution
2011	\$ 842,449	100%
2012	924,659	100%
2013	968,434	100%

ACTON-BOXBOROUGH REGIONAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

Massachusetts Teachers' Retirement System, a Noncontributing Employer Plan

The majority of the employees of the School Department participate in a contributory retirement plan administered by the Massachusetts Teachers' Retirement Board. Benefit provisions and contribution requirements are established by state law. Eligibility requirements for participation are as follows:

- * The employee must be employed on at least a half-time basis in a contracted professional position within the public school system located in Massachusetts.
- * The employee must be certified by the Massachusetts Department of Education for a position which requires certification.

Participation in the plan requires that members contribute a fixed percentage of their compensation (either 5%, 7%, 8%, or 9%) each pay period. This percentage varies depending upon the date of employment. Members hired after December 31, 1978 must contribute an additional 2% of regular compensation in excess of \$30,000. Employee contributions vest immediately. After 10 years of service employee benefits become fully vested. After 20 years, or upon having attained the age of 55 with at least 10 years of service, employees are eligible to receive benefits under the plan. Benefits are based on the average of the three highest-salaried years of employee service and are determined in a manner similar to the provisions of MCRS.

The School District has no obligation to contribute to the plan. All pension benefits and expenses paid by the Teachers Retirement Board are funded by the Commonwealth of Massachusetts. Payments made by the Commonwealth of Massachusetts on behalf of the School District amounted to \$4,720,337 in fiscal 2013 and are reflected as revenues and corresponding expenditures in the School District's financial statements.

6 - POST RETIREMENT BENEFITS

The School District pays 50 percent of the cost of insurance premiums for health benefits for all personnel who attain retirement age while in the employment of the School District. These costs are appropriated and expended in the fiscal year incurred.

7 - SELF INSURANCE PLANS

Health Insurance - The School District is a member of the Acton Health Insurance Trust (the Trust), a two member organization established pursuant to Chapter 32B, Section 12 (Joint Purchase and Negotiation of Health Insurance) and Chapter 40, Section 3A, of the Massachusetts General Laws to obtain health insurance for its member governments at costs eligible to larger groups. The Trust offers health insurance options through Blue Cross/Blue Shield, Master Health Plus and Harvard-Pilgrim, Health Maintenance Organization (HMO), and Tufts Medicare Preferred plans.

Each member is charged a premium for coverage based on individual and family rates as determined by the Board of Trustees in conjunction with its trust administrator. Included in these rates is an estimate for the incurred but not reported self-insurance claims. Ultimate liability for claims remains with the respective members and, accordingly, the insurance risks are not transferred to the Trust.

ACTON-BOXBOROUGH REGIONAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

The unaudited financial statements of the Trust as of June 30, 2013, reflected a liability for unpaid claims of \$1,050,000 and a fund surplus of \$2,099,608.

The School District had 330 active employees and 266 retired employees enrolled in the health insurance plans offered by the Trust.

8 - CAPITAL ASSETS

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets, not being depreciated				
Land	\$ 404,440	\$ -	\$ -	\$ 404,440
Total capital assets, not being depreciated	<u>404,440</u>	<u>-</u>	<u>-</u>	<u>404,440</u>
Capital assets, being depreciated				
Buildings	78,524,130	-	-	78,524,130
Equipment	5,480,540	547,657	133,063	5,895,134
Improvements	<u>903,326</u>	<u>1,446,423</u>	<u>-</u>	<u>2,349,749</u>
Total capital assets, being depreciated	<u>84,907,996</u>	<u>1,994,080</u>	<u>133,063</u>	<u>86,769,013</u>
Less accumulated depreciation for:				
Buildings	22,712,735	1,999,793	-	24,712,528
Equipment	3,129,345	457,097	122,020	3,464,422
Improvements	<u>751,466</u>	<u>164,482</u>	<u>-</u>	<u>915,948</u>
Total accumulated depreciation	<u>26,593,546</u>	<u>2,621,372</u>	<u>122,020</u>	<u>29,092,898</u>
Total capital assets, being depreciated, net	<u>58,314,450</u>	<u>(627,292)</u>	<u>(11,043)</u>	<u>57,676,115</u>
Governmental activities capital, assets net of accumulated depreciation	<u>\$58,718,890</u>	<u>\$ (627,292)</u>	<u>\$ (11,043)</u>	<u>\$58,080,555</u>

Depreciation expense was not charged to various functions but shown as a separate line item as unallocated in the statement of activities

ACTON-BOXBOROUGH REGIONAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

9 - LONG-TERM OBLIGATIONS

Unmatured general obligation bonds and notes payable consist of the following:

<u>Purpose of Issue</u>	<u>Governmental</u>	<u>Business-type</u>
JHS Addition, serial issue maturities through 2025, bearing interest rates of 4% to 6%	\$ 360,000	\$ -
JHS Addition, serial issue maturities through 2024, bearing interest rates of 3% to 5.25%	3,885,000	-
Athletic Fields, serial issue maturities through 2027, bearing interest rates of 2% to 3%	1,500,000	-
SHS Addition, serial issue maturities through 2025, bearing interest rates of 4% to 6%	<u>13,180,000</u>	<u>-</u>
	<u>\$18,925,000</u>	<u>\$ -</u>

General Obligation Bonds

General obligation bonds are backed by the full faith and credit of the School District. The state has approved school construction assistance subject to annual appropriation by the legislature to partially provide resources for future principal and interest requirements.

Bond anticipation notes are classified as general obligation bonds when the criteria established by FASB-6, *Classification of Short-Term Obligations Expected to be Refinanced*, are satisfied.

Arbitrage provisions of the Internal Revenue Tax Act of 1986 require the School District to rebate excess arbitrage earnings from bond proceeds to the federal government.

The School District is subject to various debt limits by statute and may issue additional general obligation debt under the normal debt limit.

Transactions for the year ended June 30, 2013 are summarized as follows:

	<u>Balance July 1</u>	<u>Issues or Additions</u>	<u>Payments or Expenditures</u>	<u>Balance June 30</u>	<u>Due Within One Year</u>
<u>Governmental Type Activities</u>					
General Obligation Bonds	\$18,520,000	\$ 1,500,000	\$ 1,095,000	\$18,925,000	\$ 1,235,000
Note Payable	7,512	-	7,512	-	-
Net OPEB Obligation	10,065,082	1,113,189	-	11,178,271	-
Longevity Incentive	1,592,555	-	100,930	1,491,625	186,260
Capital Lease Obligations	<u>1,223,270</u>	<u>-</u>	<u>176,164</u>	<u>1,047,106</u>	<u>147,741</u>
Total government	<u>\$31,408,419</u>	<u>\$ 2,613,189</u>	<u>\$ 1,379,606</u>	<u>\$32,642,002</u>	<u>\$ 1,571,001</u>

ACTON-BOXBOROUGH REGIONAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

Annual Requirements to Retire Debt Obligations

The annual aggregate maturities for each bond type for the years subsequent to June 30, 2013 are as follows:

Year Ending June 30	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2014	\$ 1,235,000	\$ 784,297	\$ -	\$ -	\$ 2,019,297
2015	1,285,000	727,764	-	-	2,012,764
2016	1,335,000	669,000	-	-	2,004,000
2017	1,385,000	609,727	-	-	1,994,727
2018	1,440,000	555,025	-	-	1,995,025
2019 - 2023	8,190,000	1,851,520	-	-	10,041,520
2024 - 2028	<u>4,055,000</u>	<u>249,985</u>	<u>-</u>	<u>-</u>	<u>4,304,985</u>
Total	<u>\$18,925,000</u>	<u>\$ 5,447,318</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$24,372,318</u>

Bonds Authorized and Unissued

The School District is subject to a dual level general debt limit; the normal debt limit and the double debt limit. Such limits are equal to 2-1/2% and 5%, respectively, of the valuation of taxable property in the School District as last equalized by the Commonwealth's Department of Revenue. Debt may be authorized up to the normal debt limit without state approval. Authorizations under the double debt limit, however, require the approval of the Commonwealth's Emergency Finance Board. Additionally, there may be categories of general obligation debt which are exempt from the debt limit but are subject to other limitations, including debt incurred under the Funding Loan Act of 1971.

10 – TEMPORARY BORROWINGS

Under state law and by authorization of the School Committee, the School District is authorized to borrow on a temporary basis to fund the following:

- (1) Current operating costs prior to the collection of revenues through the issuance of revenue or tax anticipation notes (RANs or TANs).
- (2) Capital project costs incurred prior to obtaining permanent financing through issuance of bond anticipation notes (BANs).
- (3) Federal and state aided capital projects and other program expenditures prior to receiving reimbursement through issuance of Federal and state aid anticipation notes (FANs and SANs).

Temporary loans are general obligations of the School District and carry maturity dates which are limited by statute.

ACTON-BOXBOROUGH REGIONAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

11 - CONTINGENCIES

The School District is a party to numerous legal proceedings, many of which normally occur in governmental operations. The legal proceedings, in the opinion of District Counsel, are not likely to have a material adverse impact on the School District's financial position.

Amounts received or receivable from grantor agencies are subject to audit and adjustments by the grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the School District. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the School District expects such amounts, if any, to be immaterial.

The School District has an obligation to the Town of Acton for \$4,290,000 in avoided costs for construction of the Middle Fort Pond Brook Sewer District. This amount represents the total projected costs to construct an on-site facility and sewerage collection system for the school campus located on Charter and Hayward roads. The School District has made payments to date in the amount of \$1,773,000.

12 - RISK FINANCING

The School District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; workers compensation claims; errors and omissions; and natural disasters for which the School District carries commercial insurance.

13 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description - The School District provides health and life insurance coverage for its retirees and their survivors (hereinafter referred to as the "Plan") as a single-employer defined benefits Other Post Employment Benefit (OPEB) plan. Chapter 32B of the Massachusetts General Laws (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 Plan does not issue a stand alone financial report but rather is included in the School District's financial statements as a Fiduciary Fund.

The number of participants as of December 31, 2012, the latest actuarial valuation, is as follows:

Active employees.....	335
Retired employees and beneficiaries.....	<u>256</u>
Total	591
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Funding Policy - The contribution requirements of the Plan and the School District are established, and may be amended, by the School District. The current required health insurance contribution rates of Plan members and the School District are currently 25% and 75%, respectfully, and 50% for retirees. The Plan members and the School District each contribute 50% towards a \$5,000 term life insurance premium. The School District currently contributes enough money to the Plan to satisfy current obligations on a pay-as-you-go basis.

ACTON-BOXBOROUGH REGIONAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

Annual OPEB and NET OPEB Obligation – The School 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 components of the School District’s annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the School District’s net OPEB obligation are summarized in the following table:

Normal cost	\$ 888,481
Amortization of unfunded actuarial accrued liability	1,187,935
Interest on OPEB obligation	704,556
Other adjustments	<u>(521,531)</u>
Annual OPEB cost	2,259,441
Contributions made	<u>1,146,252</u>
Increase in net OPEB obligation	1,113,189
Net OPEB obligation, beginning of year	<u>10,065,082</u>
Net OPEB obligation, end of year	<u><u>\$11,178,271</u></u>

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

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2013	\$2,259,411	50.73%	11,178,271
6/30/2012	3,652,064	30.64%	10,065,082
6/30/2011	3,442,190	28.10%	7,532,146
6/30/2010	3,352,547	22.68%	5,057,161
6/30/2009	3,167,861	22.19%	2,464,939

ACTON-BOXBOROUGH REGIONAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

Funding Status and Funding Progress – The funding status of the Plan, based upon actuarial valuations, is as follows:

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)
12/31/12	\$ 239,760	\$23,165,854	\$22,926,094	\$ 1.03%	\$ N/A	N/A
12/31/10	-	43,598,411	43,598,411	-	N/A	N/A
12/31/07	-	35,757,233	35,757,233	-	N/A	N/A

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.

Actuarial Methods and Assumptions – Projections of benefits for financial reporting purposes are based on the substantive Plan (the Plan as understood by the employer and 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 calculation.

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

Valuation date:	December 31, 2012
Actuarial cost method:	Projected Unit Credit
Amortization method:	Projected Unit Credit
Remaining amortization period:	30 Years Open
Interest discount rate:	7%
Healthcare/medical cost trend rate:	8% for six years decreasing by .5% to an ultimate level of 5% per year

Allocation of OPEB - OPEB costs were allocated 100% to the School District's insurance expense under governmental activities.

ACTON-BOXBOROUGH REGIONAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

14 - LEASES

The School District is obligated 50/50 with the Town of Acton under several leases for motor vehicles and equipment accounted for as a capital lease. The lease obligations are accounted for as a liability in the government-wide financial statements.

The following is a schedule of future minimum lease payments under capital leases, together with the net present value of the minimum lease payments as of June 30, 2013:

Year Ending <u>June 30</u>	
2014	\$ 179,015
2015	179,014
2016	179,015
2017	179,014
2018	<u>434,367</u>
Minimum lease payments for all capital leases	1,150,425
Less: Amount representing interest at the School District's incremental borrowing rate of interest	<u>103,319</u>
Present value of minimum lease payments	<u>\$ 1,047,106</u>

Included in capital assets is approximately \$1,648,411 in capital leases for vehicles and equipment.

ACTON-BOXBOROUGH REGIONAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

15- TRUST FUNDS

A summary of trust fund balances at June 30, 2013 is as follows:

James Kinsley	\$ 37,461
Katherine Kinsley	29,310
Acton-Boxborough Jamboree	3,055
American Legion 284	48,927
Brody Family Peer Leadership	34
John Prendiville Memorial	10,898
Charles Battit Memorial	24,817
Jean DeBaggis Memorial	2,944
Mary and Peter Smoltees	39,576
Raymond J. Grey School	14,590
Andrew Gratz Memorial	9
Fred Kennedy Memorial	2,965
Judith Scott Memorial	77
General Scholarships	1,419
Charles Brosie Memorial	6,564
Thomas Meagher Memorial	6,346
R&E Matusow Memorial	50,054
R. Bartolomeo Memorial	1
Sandra Wilensky Memorial	2,603
Frederick Joyce Memorial	4,148
R & R Dow	4
Alma Parkhurst	25,772
Dennis Kulsick Memorial	<u>2,174</u>
	 \$ 313,748 =====

ACTON-BOXBOROUGH REGIONAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

16 – FUND BALANCES

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

<u>Fund Balances</u>	<u>General</u>	Nonmajor Governmental <u>Funds</u>	<u>Total</u>
<u>Nonspendable:</u>			
Prepaid expenses	\$ <u>422,766</u>	\$ <u>-</u>	\$ <u>422,766</u>
Total Nonspendable	<u>422,766</u>	<u>-</u>	<u>422,766</u>
<u>Restricted For:</u>			
Reserved for debt service	8,184	-	8,184
Revolving accounts	-	491,364	491,364
Federal and state grants	<u>-</u>	<u>77,321</u>	<u>77,321</u>
Total Restricted	<u>8,184</u>	<u>568,685</u>	<u>576,869</u>
<u>Committed To:</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>Assigned To:</u>			
Revolving accounts	-	1,397,849	1,397,849
Encumbrances	773,915	-	773,915
Designated for next year	<u>729,678</u>	<u>-</u>	<u>729,678</u>
Total Assigned	<u>1,503,593</u>	<u>1,397,849</u>	<u>2,901,442</u>
<u>Unassigned:</u>	<u>1,087,304</u>	<u>-</u>	<u>1,087,304</u>
Total Fund Balances	<u>\$3,021,847</u>	<u>\$1,966,534</u>	<u>\$ 4,988,381</u>

ACCOMPANYING INFORMATION

ACTON-BOXBOROUGH REGIONAL SCHOOL DISTRICT

SCHEDULE OF TREASURER'S CASH

JUNE 30, 2013

Northern Bank and Trust	\$ 1,235,094
Middlesex Savings Bank	262,568
Workers Credit Union	702,212
Massachusetts Municipal Depository Trust	339,716
Eastern Bank	<u>2,649,620</u>
	<u>5,189,210</u>
Other	
Petty Cash	<u>5,310</u>
Total Treasurer's Cash	<u><u>\$ 5,194,520</u></u>

See accompanying auditor's report on accompanying information

REQUIRED SUPPLEMENTARY INFORMATION

ACTON-BOXBOROUGH REGIONAL SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2013

Middlesex County Retirement System

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Entry Age (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
01/01/12	\$862,323,395	\$1,974,144,909	\$1,111,821,514	43.7%	\$ 393,100,995	282.8%
01/01/10	819,987,914	1,742,380,855	922,392,941	47.1%	384,598,692	239.8%
01/01/08	774,863,669	1,529,806,307	754,942,638	50.7%	360,206,302	209.6%
01/01/06	653,156,866	1,364,582,969	711,426,103	47.9%	330,999,861	214.9%
01/01/04	618,163,380	1,223,828,127	605,664,747	50.5%	306,025,949	197.9%
01/01/02	599,699,143	1,020,828,178	421,129,035	58.7%	280,740,439	150.0%
01/01/00	570,263,467	905,280,472	335,017,005	63.0%	253,228,818	132.3%
01/01/98	476,708,969	763,093,878	286,384,909	62.5%	215,380,186	133.0%
01/01/96	373,750,361	634,920,488	261,170,127	58.9%	218,345,024	119.6%

The School District's share of the UAAL, as of January 1, 2012, is 1.20%.

Schedule of Employer Contributions

Fiscal Year	System Wide			Acton-Boxborough Regional School District	
	Annual Required Contributions	(A) Actual Contributions	Percentage Contributed	(B) Actual Contributions	(B/A) District's Percentage of System Wide Actual Contributions
2013	\$ 83,369,820	\$ 83,369,820	100%	\$ 968,434	1.16%
2012	79,640,599	79,640,599	100%	924,659	1.16%
2011	76,243,557	76,243,557	100%	842,449	1.10%

See accompanying notes to required supplementary information

ACTON-BOXBOROUGH REGIONAL SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2013

MIDDLESEX COUNTY RETIREMENT SYSTEM

The School District contributes to the Middlesex County Retirement System (Retirement System), a cost-sharing, multiple-employer defined benefit pension plan (Plan) administered by the Middlesex Retirement Board. The Retirement System provides retirement, disability, and death benefits to members and beneficiaries. Chapter 32 of the MGL assigns authority to establish and amend benefit provisions to members and beneficiaries. Plan members are required to contribute to the Retirement System at rates ranging from 5% to 11% of annual covered compensation. The School District is required to pay into the Retirement System its share of the system wide actuarially determined contribution which is apportioned to employers based on active covered payroll.

The schedule of funding progress, presented as required supplementary information, following the notes to the basic financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Additionally, the schedule of employer contributions, presented as required supplementary information, presents multiyear trend information for required and actual contributions relating to the cost-sharing plan as a whole, of which the School District is one participating employer, as well as, the School District's proportionate share of the plan's annual contributions. This information is designed to be helpful for understanding the scale of the information relative to the School District.

The following actuarial methods and assumptions were used in the Retirement System's most recent actuarial valuation:

Valuation Date:	January 1, 2012
Actuarial Cost Method:	Entry Age Normal Cost Method
Amortization Method:	Prior year's total contribution increased 6.5% for fiscal 2014 through fiscal 2020, and thereafter the remaining unfunded liability will be amortized on a 4% annual increasing basis; ERI liability amortized in level payments
Remaining Amortization Period:	As of July 1, 2012, 7 years remaining for 2002 ERI liability, 8 years remaining for 2003 ERI liability, 10 years remaining for 2010 ERI liability and 23 years for remaining unfunded liability
Asset Valuation Method:	The difference between the expected return and the actual investment return on a market value basis is recognized over a five year period as described by Revenue Procedure 2000-40
Actuarial Assumptions:	
Investment rate of return	8.00%
Projected salary increases	4.75% for Group 1 and 5.25% for Group 4
Cost of living adjustments	3% of first \$14,000 of retirement income

Plan Membership:

Retired participants and beneficiaries receiving benefits	4,886
Inactive participants entitled to a return of their employee contributions	2,708
Inactive participants with a vested right to a deferred or immediate benefit	394
Active participants	<u>8,979</u>

Total	<u><u>16,967</u></u>
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