

**SOUTHERN WORCESTER COUNTY REGIONAL**  
**VOCATIONAL SCHOOL DISTRICT**

**REPORT ON THE EXAMINATION  
OF BASIC FINANCIAL STATEMENTS**

**FISCAL YEAR ENDED JUNE 30, 2011**

**SOUTHERN WORCESTER COUNTY REGIONAL VOCATIONAL  
SCHOOL DISTRICT**

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## Independent Auditor's Report

To the School Committee  
Southern Worcester County Regional  
Vocational School District  
Charlton, Massachusetts

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Southern Worcester County Regional Vocational School District, as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Southern Worcester County Regional Vocational School District's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 Southern Worcester County Regional Vocational School District, as of June 30, 2011, and the respective changes in financial position, 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.

As discussed in Note 1B to the financial statements, the District adopted the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* in 2011.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2011, on our consideration of the Southern Worcester County Regional Vocational School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, appearing on pages 3 through 9, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the *Governmental Accounting Standards Board*, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Southern Worcester County Regional Vocational School District's financial statements as a whole. The Supplementary Schedule, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements. The Supplementary Schedule is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Scanlon & Associates, LLC*  
Scanlon & Associates, LLC  
South Deerfield, Massachusetts

November 22, 2011

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

## Management's Discussion and Analysis

As management of the Southern Worcester County Regional Vocational School District, we offer readers of these financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2011.

### Financial Highlights

- The District's assets exceeded its liabilities by \$2,732,157 (net assets) for the fiscal year reported. This compares to the previous year when assets exceeded liabilities by \$3,994,980 or a decrease of \$1,262,823 (32%).
- Total net assets are comprised of the following:
  - (1) Capital assets, net of related debt, of \$2,747,250 include property and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of capital assets.
  - (2) Net assets of \$2,095,322 are restricted by constraints imposed from outside the District such as grantors, laws or regulations.
  - (3) Unrestricted net assets of (\$2,110,415) represent a portion available to maintain the District's continuing obligations to citizens and creditors.
- The District's governmental funds reported total ending fund balance of \$3,577,787 this year. This compares to the prior year ending fund balance of \$4,467,518 showing a decrease of \$889,731 (20%). The decrease was the result of the District expending \$1,280,365 (6%) more in expenditures. The District used its excess and deficiency to fund the deficit as a result of receiving restitution from a prior embezzlement.
- The General Fund's total fund balance decreased \$1,265,910 to \$1,482,465 (46%). The ending General fund balance is .08% of revenues and other sources and .08% of expenditures and other uses.
- The District's long term liabilities increased by \$666,159 (21%) during the fiscal year ending June 30, 2011. The change was primarily due to an increase of \$723,287 in the OPEB liability and a decrease of \$51,721 in compensated absences.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Southern Worcester County Regional Vocational School District's basic financial statements. These basic financial statements are comprised 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 finances, in a manner similar to private-sector business.

The *statement of net assets* presents information on all assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise 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., earned but unused vacation leave).

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

The government-wide financial statements can be found on pages 10-11 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 that is used to ensure and demonstrate compliance with finance-related legal requirements. All of the funds are categorized as Governmental funds described below.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund statements focus on *near-term inflows 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 a government's near-term financial 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 activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decision. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintains numerous 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 fund which is considered to be a major fund. Data from the other individual governmental funds are combined into a single, aggregated presentation titled *nonmajor governmental funds*

The District adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with the fiscal year 2011 budget at the functional level.

**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 own programs.

**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.

### ***Government-wide Financial Analysis***

The following table presents a comparative analysis of the government-wide data.

## Financial Highlights

	Governmental Activities		
	2011	2010	Change
<b>Assets:</b>			
Current assets	\$ 4,984,567	\$ 5,703,165	\$ (718,598)
Capital assets	3,192,279	2,891,583	300,696
<b>Total assets</b>	<b>8,176,846</b>	<b>8,594,748</b>	<b>(417,902)</b>
<b>Liabilities:</b>			
Current liabilities	1,548,510	1,369,748	178,762
Noncurrent liabilities	3,896,179	3,230,020	666,159
<b>Total liabilities</b>	<b>5,444,689</b>	<b>4,599,768</b>	<b>844,921</b>
<b>Net Assets:</b>			
Capital assets net of related debt	2,747,250	2,439,486	307,764
Restricted	2,095,322	1,719,143	376,179
Unrestricted	(2,110,415)	(163,649)	(1,946,766)
<b>Total net assets</b>	<b>\$ 2,732,157</b>	<b>\$ 3,994,980</b>	<b>\$ (1,262,823)</b>
<b>Program Revenues:</b>			
Charges for services	\$ 1,146,867	\$ 1,616,844	\$ (469,977)
Operating grants and contributions	4,330,788	4,065,948	264,840
Capital grants and contributions	322,175	-	322,175
<b>General Revenues:</b>			
Member town assessments	5,901,246	6,165,091	(263,845)
Nonrestricted grants	9,171,200	8,886,822	284,378
Unrestricted investment income	15,230	28,545	(13,315)
Miscellaneous	67,878	59,145	8,733
<b>Total revenues</b>	<b>20,955,384</b>	<b>20,822,395</b>	<b>132,989</b>
<b>Expenses:</b>			
Administration and benefits	645,980	640,966	(5,014)
Instruction	9,198,493	9,306,024	107,531
Other school services	3,554,842	3,505,050	(49,792)
Operation and maintenance	1,788,746	1,484,831	(303,915)
Fixed charges	5,761,316	6,435,534	674,218
Acquisitions	118,182	34,935	(83,247)
Special education	1,382,921	1,250,025	(132,896)
<b>Total expenses</b>	<b>22,450,480</b>	<b>22,657,365</b>	<b>206,885</b>
<b>Special Item:</b>			
Proceeds from insurance net of expenses	232,273	129,509	(102,764)
<b>Change in net assets</b>	<b>(1,262,823)</b>	<b>(1,705,461)</b>	<b>442,638</b>
<b>Beginning net assets</b>	<b>3,994,980</b>	<b>5,700,441</b>	<b>(1,705,461)</b>
<b>Ending net assets</b>	<b>\$ 2,732,157</b>	<b>\$ 3,994,980</b>	<b>\$ (1,262,823)</b>

### **Net Assets**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. Assets exceeded liabilities by \$2,732,157 at the close of FY 2011.

Net assets of \$2,747,250 reflects its investment in capital assets (e.g., land, buildings and renovations, and vehicles and equipment), less any related debt used to acquire those assets that are still outstanding. The District uses these capital assets 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 its 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 net assets \$2,095,322 represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$2,110,415) may be used to meet the government's ongoing obligations to citizens and creditors. The unrestricted net assets resulted in a negative position as a result of recognizing the OPEB liability of \$3,380,290.

### **Change in Net Assets**

The District's total net assets decreased by \$1,262,823 from the previous year. This decrease was caused in part by the District recognizing the current year's OPEB liability expense of \$723,287.

### ***Financial Analysis of the Government's Funds***

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

### **Governmental funds**

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

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$3,577,787 a decrease of \$889,731 (20%) in comparison with the prior year.

Breakdown of the governmental funds and the percentage of total governmental fund balances they represent are as follows:

- Restricted fund balance- \$606,237 (17%).
- Committed fund balance- \$1,489,085 (41%).
- Assigned fund balance - \$260,068 (8%).

- Unassigned fund balance - \$1,222,397 (34%).

At the end of the fiscal year, the General Fund reported a fund balance of \$1,482,465 decreasing \$1,265,910 (46%) from the prior year. Of the \$1,482,465, the unassigned amount is \$1,222,397 and the assigned amount is \$260,068. General fund revenues were \$296,789 (2%) more than the prior fiscal year and expenditures increased by \$1,124,155 (6%).

### **General Fund Budgetary Highlights**

The final general fund budget for fiscal year 2011 was \$17,208,517. This was an increase of \$819,691 (5%) over the previous year's budget.

### **Fiscal 2012**

The approved total Fiscal 2012 budget of \$16,713,507 is approximately 3.13 percent lower than the Fiscal 2011 budget.

### ***Capital Asset and Debt Administration***

#### **Capital Assets**

The District's investment in capital assets for its governmental activities at the end of the fiscal year totaled \$3,192,279 (net of accumulated depreciation). This investment in capital assets includes land, buildings and renovations, machinery and equipment and infrastructure. This amount represents a net increase of \$300,696 from the prior year representing additions of \$930,530 and depreciation of \$629,834.

The capital events during the current fiscal year included the following:

- An energy management system for \$198,400.
- Computer mobile carts for \$154,440.
- Lockers for culinary and automotive students for \$12,849.
- Tractor for \$27,916.
- Physics in context stations for \$37,400.
- Various machinery and equipment for \$222,923.
- IPAD and cases for \$23,880.
- Monitoring system for wind, solar and meteorological for \$24,709.
- Copier for \$9,865.
- Software for \$10,500.
- Construction in progress consists of the energy house for \$115,211 and the integrated waterjet system for \$92,437.

Additional information on the District's capital assets can be found in Note 3C of this report.

#### **Debt Administration**

At the end of the fiscal year there are no bonds or notes outstanding.

Please refer to notes 3C, 3F and 3G for further discussion of the major capital and debt activity.

***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 Mr. John A. Lafleche, Assistant to the Superintendent for Business, 57 Old Muggett Hill Road, Charlton, Massachusetts.

## **BASIC FINANCIAL STATEMENTS**

**SOUTHERN WORCESTER COUNTY REGIONAL  
VOCATIONAL SCHOOL DISTRICT**

**STATEMENT OF NET ASSETS**

**JUNE 30, 2011**

	<b>Primary Government</b>
	<b>Governmental</b>
	<b>Activities</b>
<b>ASSETS</b>	
<b>CURRENT:</b>	
Cash and Cash Equivalents	\$ 4,699,957
Receivables, net of allowance for uncollectibles:	
Intergovernmental	282,731
Other	1,879
<b>Total current assets</b>	<b>4,984,567</b>
<b>NONCURRENT:</b>	
Capital Assets, net of accumulated Depreciation:	
Nondepreciable	245,297
Depreciable	2,946,982
<b>Total noncurrent assets</b>	<b>3,192,279</b>
<b>Total Assets</b>	<b>8,176,846</b>
<b>LIABILITIES</b>	
<b>CURRENT:</b>	
Warrants Payable	602,791
Accrued Payroll	759,489
Other	95,186
Compensated Absences	60,294
Betterment Payable	30,750
<b>Total current liabilities</b>	<b>1,548,510</b>
<b>NONCURRENT:</b>	
Compensated Absences	152,296
OPEB Obligation Payable	3,380,290
Betterment Payable	338,250
Other	25,343
<b>Total noncurrent liabilities</b>	<b>3,896,179</b>
<b>Total Liabilities</b>	<b>5,444,689</b>
<b>NET ASSETS:</b>	
Invested in Capital Assets, net of related debt	2,747,250
Restricted for:	
Federal & State Grants	33,035
Capital Projects	1,489,085
Other Purposes	573,202
Unrestricted	(2,110,415)
<b>Total Net Assets</b>	<b>\$ 2,732,157</b>

The Notes to the Financial Statements are an integral part of this Statement.



**SOUTHERN WORCESTER COUNTY REGIONAL  
VOCATIONAL SCHOOL DISTRICT**

**BALANCE SHEET - GOVERNMENTAL FUNDS**

JUNE 30, 2011

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 2,753,731	\$ 1,946,226	\$ 4,699,957
Receivables, net of allowances for accounts:			
Intergovernmental	-	282,731	282,731
Other	1,879	-	1,879
<b>Total Assets</b>	<b>\$ 2,755,610</b>	<b>\$ 2,228,957</b>	<b>\$ 4,984,567</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Warrants Payable	\$ 469,156	\$ 133,635	\$ 602,791
Accrued Payroll	759,489	-	759,489
Other	44,500	-	44,500
<b>Total Liabilities</b>	<b>1,273,145</b>	<b>133,635</b>	<b>1,406,780</b>
<b>Fund Balances:</b>			
Restricted	-	606,237	606,237
Committed	-	1,489,085	1,489,085
Assigned	260,068	-	260,068
Unassigned	1,222,397	-	1,222,397
<b>Total Fund Balances</b>	<b>1,482,465</b>	<b>2,095,322</b>	<b>3,577,787</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 2,755,610</b>	<b>\$ 2,228,957</b>	<b>\$ 4,984,567</b>

The Notes to the Financial Statements are an integral part of this Statement.

**SOUTHERN WORCESTER COUNTY REGIONAL  
VOCATIONAL SCHOOL DISTRICT**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES - GOVERNMENTAL FUNDS**

**FOR THE YEAR ENDED JUNE 30, 2011**

	<b>General Fund</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Revenues:</b>			
Assessments to Member Towns	\$ 5,901,246	\$ -	\$ 5,901,246
Charges for Services	-	1,146,867	1,146,867
Intergovernmental	9,752,205	1,855,701	11,607,906
Interest on Investments	15,230	-	15,230
MTRS On-behalf Payments	2,051,916	-	2,051,916
Contributions	-	100,000	100,000
Miscellaneous	67,878	64,341	132,219
<b>Total Revenues</b>	<b>17,788,475</b>	<b>3,166,909</b>	<b>20,955,384</b>
<b>Expenditures:</b>			
Current:			
Administration and Benefits	621,760	-	621,760
Instruction	8,987,531	326,264	9,313,795
Other School Services	2,005,341	1,772,571	3,777,912
Operation and Maintenance	1,374,516	304,143	1,678,659
Fixed Charges	4,905,310	132,719	5,038,029
Acquisitions	170,529	-	170,529
Special Education	821,671	655,033	1,476,704
<b>Total Expenditures</b>	<b>18,886,658</b>	<b>3,190,730</b>	<b>22,077,388</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(1,098,183)</b>	<b>(23,821)</b>	<b>(1,122,004)</b>
<b>Other Financing Sources (Uses):</b>			
Operating Transfers In	250,000	650,000	900,000
Operating Transfers Out	(650,000)	(250,000)	(900,000)
Proceeds from Insurance net of expenses	232,273	-	232,273
<b>Total Other Financing Sources (Uses)</b>	<b>(167,727)</b>	<b>400,000</b>	<b>232,273</b>
<b>Net Change in Fund Balances</b>	<b>(1,265,910)</b>	<b>376,179</b>	<b>(889,731)</b>
<b>Fund Balances, Beginning of Year, as restated</b>	<b>2,748,375</b>	<b>1,719,143</b>	<b>4,467,518</b>
<b>Fund Balances, End of Year</b>	<b>\$ 1,482,465</b>	<b>\$ 2,095,322</b>	<b>\$ 3,577,787</b>

The Notes to the Financial Statements are an integral part of this Statement.

**SOUTHERN WORCESTER COUNTY REGIONAL  
VOCATIONAL SCHOOL DISTRICT**

**Reconciliation of the Governmental Funds Balance Sheet  
Total Fund Balances to the Statement of Net Assets**

**For the Year Ended June 30, 2011**

<b>Total Governmental Fund Balances</b>	\$		3,577,787
Capital Assets (net) used in governmental activities are not financial resources and therefore, are not reported in the funds.			3,192,279
Long Term liabilities are not due and payable in the current period and, therefore, are not reported in governmental funds:			
Energy Management System Loan	\$	(76,029)	
Betterment		(369,000)	
OPEB Obligation Payable		(3,380,290)	
Compensated Absences		(212,590)	(4,037,909)
<b>Net Assets of Governmental Activities</b>	\$		<u><u>2,732,157</u></u>

The Notes to the Financial Statements are an integral part of this Statement.

**SOUTHERN WORCESTER COUNTY REGIONAL  
VOCATIONAL 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, 2011**

<b>Net Change in Fund Balances - Total Governmental Funds</b>	\$	(889,731)
<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 are reported as depreciation expense:</p>		
Capital Outlay Purchases	\$ 930,530	
Depreciation	<u>(629,834)</u>	300,696
<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 effect on net assets:</p>		
Proceeds from Energy Management System Loan	(101,372)	
Repayment of Energy Management System Loan	25,343	
Repayment of Lease and Betterment Principal	<u>83,097</u>	7,068
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:</p>		
Net Change in Compensated Absences	42,431	
Net Change in OPEB Obligation Payable	<u>(723,287)</u>	<u>(680,856)</u>
<b>Change in Net Assets of Governmental Activities</b>	<b>\$</b>	<b><u><u>(1,262,823)</u></u></b>

The Notes to the Financial Statements are an integral part of this Statement.

**SOUTHERN WORCESTER COUNTY REGIONAL  
VOCATIONAL SCHOOL DISTRICT**

**STATEMENT OF REVENUES AND EXPENDITURES -  
BUDGETARY BASIS - (NON-GAAP) -  
BUDGET AND ACTUAL - GENERAL FUND**

**FOR THE YEAR ENDED JUNE 30, 2011**

	Budgeted Amounts		Actual	Amounts Carried Forward to Next Year	Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Budgetary Basis		
<b>Revenues:</b>					
Assessments to Member Towns	\$ 6,172,933	\$ 5,901,246	\$ 5,901,246	\$ -	\$ -
Intergovernmental	9,876,053	9,707,149	9,752,205	-	45,056
Interest on Investments	-	-	15,230	-	15,230
Miscellaneous	-	-	36,804	-	36,804
<b>Total Revenues</b>	<b>16,048,986</b>	<b>15,608,395</b>	<b>15,705,485</b>	<b>-</b>	<b>97,090</b>
<b>Expenditures:</b>					
Current:					
Administration and Benefits	652,858	628,054	621,760	-	6,294
Instruction	8,819,670	9,091,715	8,987,531	60,349	43,835
Other School Services	2,000,259	2,015,702	2,005,341	5,652	4,709
Operation and Maintenance	1,475,813	1,400,979	1,374,516	8,018	18,445
Fixed Charges	3,052,015	2,912,394	2,853,394	-	59,000
Acquisitions	148,910	334,848	170,529	63,910	100,409
Special Education	839,890	824,825	821,671	-	3,154
<b>Total Expenditures</b>	<b>16,989,415</b>	<b>17,208,517</b>	<b>16,834,742</b>	<b>137,929</b>	<b>235,846</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(940,429)</b>	<b>(1,600,122)</b>	<b>(1,129,257)</b>	<b>(137,929)</b>	<b>332,936</b>
<b>Other Financing Sources (Uses):</b>					
Operating Transfers In (Out)	-	-	(400,000)	-	(400,000)
Proceeds from Insurance net of expenses	(400,000)	(400,000)	232,273	-	632,273
<b>Total Other Financing Sources (Uses)</b>	<b>(400,000)</b>	<b>(400,000)</b>	<b>(167,727)</b>	<b>-</b>	<b>232,273</b>
<b>Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses</b>	<b>(1,340,429)</b>	<b>(2,000,122)</b>	<b>(1,296,984)</b>	<b>(137,929)</b>	<b>565,209</b>
<b>Budgetary Fund Balance - Beginning of Year</b>	<b>2,513,689</b>	<b>2,513,689</b>	<b>2,513,689</b>	<b>-</b>	<b>-</b>
<b>Budgetary Fund Balance - End of Year</b>	<b>\$ 1,173,260</b>	<b>\$ 513,567</b>	<b>\$ 1,216,705</b>	<b>\$ (137,929)</b>	<b>\$ 565,209</b>

The Notes to the Financial Statements are an integral part of this Statement.

**SOUTHERN WORCESTER COUNTY REGIONAL  
VOCATIONAL SCHOOL DISTRICT**

**Reconciliation of Revenues and Expenditures  
from Budgetary Basis to GAAP Basis**

**For the Year Ended June 30, 2011**

	<b>Revenues</b>	<b>Expenditures</b>
<b>Reported on a Budgetary Basis</b>	<b>\$ 15,705,485</b>	<b>\$ 16,834,742</b>
<i>Adjustments:</i>		
Activity for Stabilization Fund Recorded in the General Fund for GAAP Purposes	31,074	-
Recognition of Intergovernmental Revenue - "on behalf payments"	2,051,916	-
Recognition of Expenditures - "on behalf payments"	-	2,051,916
	<b>\$ 17,788,475</b>	<b>\$ 18,886,658</b>
<b>Reported on a GAAP Basis</b>	<b>\$ 17,788,475</b>	<b>\$ 18,886,658</b>

The Notes to the Financial Statements are an integral part of this Statement.

**SOUTHERN WORCESTER COUNTY REGIONAL  
VOCATIONAL SCHOOL DISTRICT**

**FIDUCIARY FUNDS**

**STATEMENT OF FIDUCIARY NET ASSETS**

**June 30, 2011**

	<b>Private Purpose Trust Funds</b>	<b>Agency Funds</b>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 37,598	\$ 226,935
<b>Total Assets</b>	<b>37,598</b>	<b>226,935</b>
<b>LIABILITIES</b>		
Payroll Withholdings	-	55,296
Due to Student Groups	-	171,639
<b>Total Liabilities</b>	<b>-</b>	<b>226,935</b>
<b>NET ASSETS:</b>		
Held in Trust for Other Purposes	<b>\$ 37,598</b>	<b>\$ -</b>

The Notes to the Financial Statements are an integral part of this Statement.

**SOUTHERN WORCESTER COUNTY REGIONAL  
VOCATIONAL SCHOOL DISTRICT**

**FIDUCIARY FUNDS**

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**

**FOR THE YEAR ENDED JUNE 30, 2011**

	<b>Private Purpose Trust Funds</b>
<b>Additions</b>	
Contributions	\$ 8,007
Investment Income	160
<b>Total Additions</b>	<b>8,167</b>
<b>Deductions:</b>	
Scholarships	8,086
<b>Total Deductions</b>	<b>8,086</b>
<b>Change in Net Assets</b>	<b>81</b>
<b>Net Assets at Beginning of Year</b>	<b>37,517</b>
<b>Net Assets at End of Year</b>	<b>\$ 37,598</b>

The Notes to the Financial Statements are an integral part of this Statement.

**SOUTHERN WORCESTER COUNTY REGIONAL  
VOCATIONAL SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2011**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying basic financial statements of the Southern Worcester County Regional Vocational School District, Charlton, Massachusetts (the District) 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 recognized standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies are described herein.

**A. Reporting Entity**

The District was formed under Chapter 71 of the Massachusetts General Laws. The District is comprised of the Towns of Auburn, Charlton, Dudley, North Brookfield, Oxford, Paxton, Rutland, Southbridge, Spencer and Webster. The District operates under a regional agreement made on January 18, 1967, and serves as a vocational high school consisting of grades nine through twelve. The form of government is an elected twenty member school committee, which is responsible for appointing a Superintendent who is the chief operating official for the District.

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.

**B. Implementation of New Accounting Principle**

In fiscal year 2011, the District adopted GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement establishes criteria for classifying governmental fund balances into specifically defined classifications. Classifications are hierarchical and are based primarily on the extent to which the District is bound to honor constraints on specific purposes for which amounts in the funds may be spent. Application of the Statement requires the District to classify and report amounts in the appropriate fund balance classifications. The District's accounting and finance policies are used to interpret the nature and/or requirements of the funds and their corresponding assignment of restricted, committed, assigned or unassigned.

**SOUTHERN WORCESTER COUNTY REGIONAL  
VOCATIONAL SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2011**

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

**Government-Wide Financial Statements**

The government-wide financial statements (e.g., statement of net assets and the statement of activities) report information on all of the 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. Major individual governmental funds are reported as separate columns in the fund financial statements. Non-major funds are aggregated and displayed in a single column.

***Major Fund Criteria***

Major funds must be reported if the following criteria are met:

- If the total assets, liabilities, revenues or expenditures/expenses of an individual governmental fund are at least 10 percent of the corresponding element (assets, liabilities, etc.) for all funds of that category or type (total governmental funds),

*and*

- If the total assets, liabilities, revenues or expenditures/expenses of the individual governmental funds are at least 5 percent of the corresponding element for all governmental funds combined.

Additionally, any other governmental fund that management believes is particularly significant to the basic financial statements may be reported as a major fund.

Fiduciary funds are reported by fund type.

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

**Government-Wide Financial Statements**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis* of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred.

**SOUTHERN WORCESTER COUNTY REGIONAL  
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Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The government-wide financial statements apply all applicable Financial Accounting Standards Boards (FASB) pronouncements issued on or prior to November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

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.
- Operating grants and contributions that are restricted to meeting the operational requirements of a specific function or segment.
- Capital grants and contributions that are restricted to meeting the capital requirements of a specific function or segment.

Assessments and other items not identifiable as program revenues are reported as general revenues.

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, and certain compensated absences, claims and judgments which are recognized when the obligations are expected to be liquidated with current expendable available resources.

**SOUTHERN WORCESTER COUNTY REGIONAL  
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Membership assessments are apportioned amongst capital and operating costs, less intergovernmental and other revenues, and are based upon student enrollment.

Investment income is susceptible to accrual. Other receipts and revenues become measurable and available when the cash is received and are recognized as revenue at that time.

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 fund is reported:

The *general fund* is the primary operating fund. It accounts for all financial resources, except those required to be accounted for in another fund.

Additionally, the government reports the following fund types:

*Fiduciary fund* 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 programs.

The *private-purpose trust fund* is used to account for trust arrangements, other than those properly reported in the permanent fund, under which principal and investment income exclusively benefit individuals, private organizations, or other governments.

The *agency fund* is used to account for assets held in a purely custodial capacity and consists of student activity funds and payroll withholdings.

## **E. Cash and Cash Equivalents**

### **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.

**SOUTHERN WORCESTER COUNTY REGIONAL  
VOCATIONAL SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2011**

**F. Investments**

**Government-Wide and Fund Financial Statements**

State and local statutes place certain limitations on the nature of deposits and investments available to the District. Deposits in any financial institution may not exceed certain levels within the financial institution. Non-fiduciary fund investments can be made in securities issued by or unconditionally guaranteed by the U. S. Government or agencies that have a maturity of less than one year from the date of purchase and repurchase agreements guaranteed by such securities with maturity dates of no more than 90 days from the date of purchase.

**G. Accounts Receivables**

**Government-Wide and Fund Financial Statements**

The recognition of revenues 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.

**H. Capital Assets**

**Government-Wide Financial Statements**

Capital assets, which include land, buildings and renovations, machinery and equipment and other and infrastructure are reported in the applicable 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.

All purchase and construction costs are capitalized based upon various dollar thresholds at the date of acquisition or construction with expected useful lives of greater than one year.

**SOUTHERN WORCESTER COUNTY REGIONAL  
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Capital assets (excluding land) are depreciated on a straight-line basis. The estimated useful lives of fixed assets are as follows:

<u>Capital Asset Type</u>	<u>Years</u>
Buildings and renovations	7-40
Machinery, equipment and other	4-10
Infrastructure	20-40

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.

**Fund Financial Statements**

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

**I. Interfund Receivables and Payables**

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

**Government-Wide Financial Statements**

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

**Fund Financial Statements**

Transactions of a buyer/seller nature between and within governmental funds are not eliminated from the individual fund statements.

**J. Interfund Transfers**

During the course of its operations, resources are permanently reallocated between and within funds. These transactions are reported as operating transfers in and operating transfers out.

**Government-Wide Financial Statements**

Operating transfers between and within governmental funds are eliminated from the governmental activities in the statement of net assets.

**SOUTHERN WORCESTER COUNTY REGIONAL  
VOCATIONAL SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2011**

**Fund Financial Statements**

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

**K. Deferred Revenue**

Deferred revenue at the fund financial statement level represents 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 (full accrual) financial statements.

**L. Net Assets and Fund Balances**

**Government-Wide Financial Statements (Net Assets)**

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

Net assets have been "restricted for" the following:

"Federal and state grants" represents amounts restricted for by the federal and state government for various programs.

"Capital projects" represents amounts restricted for capital expenses.

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

**Fund Financial Statements (Fund Balances)**

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of those resources.

The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form – prepaid items or inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned and unassigned.

*Restricted fund balance.* This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors,-

**SOUTHERN WORCESTER COUNTY REGIONAL  
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contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

*Committed fund balance.* These amounts can only be used for specific purposes pursuant to constraints imposed by formal action of the District's highest level of decision making authority, which is the District's School committee can be modified through these actions. Committed amounts cannot be use for any other purpose unless the District removes or changes the specified use by taking the same type of action it employed to previously commit.

*Assigned fund balance.* This classification reflects the amounts constrained by the District's "intent" to be used for specific purposes, but are neither restricted nor committed. The business manager and school committee have the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

*Unassigned fund balance.* This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When the restricted and other fund balance resources are available for use, it is the District's policy to use restricted resources first, followed by committed, assigned, and unassigned amounts respectively.

**M. Long-term Obligations**

**Government-Wide Financial Statements**

Long-term debt and other long-term obligations are reported as liabilities in the government-wide statement of net assets.

**Fund Financial Statements**

The face amount of governmental funds long-term debt is reported as other financing sources. 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 general government expenditures.

**SOUTHERN WORCESTER COUNTY REGIONAL  
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**N. Investment Income**

Investment income derived from major and non-major governmental funds is legally assigned to the general fund unless otherwise directed by Massachusetts General Laws (MGL).

**O. Compensated Absences**

The District grants to employees sick and vacation leave in varying amounts based upon 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.

**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.

**P. 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 revenues and expenditures/expenses during the fiscal year. Actual results could vary from estimates that were used.

**Q. Total Column**

**Fund Financial Statements**

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

**2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgetary Information**

Municipal Law requires the adoption of a balanced budget that is approved by the District's members and school committee.

**SOUTHERN WORCESTER COUNTY REGIONAL  
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Annually, the School Committee prepares a tentative budget, including capital costs. In accordance with the District Agreement, the School Committee adopts the annual operating and maintenance budget not later than 75 days to the earliest date on which the first business session of the annual Town meeting of any member Town is held. The final budget, divided between operating costs and capital costs, is then apportioned among the member Towns. The apportioned amount for each member Town must be certified to the Treasurers of such Towns within 30 days from the date on which said annual budget is adopted by the committee.

**B. Assessments**

Assessments are levied annually against the member Towns of the District for the fiscal year beginning July 1.

Most capital and operating costs of the District in excess of each Town's net minimum contribution are apportioned to the member Towns on the basis of their respective pupil enrollments in the District on October 1<sup>st</sup> of the preceding year. Certain costs, such as transportation and debt service, are outside of the net school spending requirements established by the Commonwealth. These costs are apportioned to the member towns based on either the above percentage or on a member-specific basis. For the year ended June 30, 2011, the assessments were calculated as follows:

	Minimum Contribution	Additional Contribution	Excess and Deficiency Reduction	Return of Surplus Excess and Deficiency	Total Assessment
Auburn	\$ 791,567	\$ -	\$ (34,022)	\$ (31,072)	\$ 726,473
Charlton	757,511	-	(32,606)	(29,735)	695,170
Dudley	382,087	-	(16,501)	(14,998)	350,588
North Brookfield	345,547	15,057	(14,880)	(13,564)	332,160
Oxford	991,687	-	(42,675)	(38,927)	910,085
Paxton	207,718	14,723	(8,932)	(8,154)	205,355
Rutland	228,329	-	(9,821)	(8,963)	209,545
Southbridge	1,316,590	-	(56,751)	(51,681)	1,208,158
Spencer	559,403	34,130	(24,163)	(21,959)	547,411
Webster	780,591	-	(33,649)	(30,641)	716,301
<b>Total</b>	<b>\$ 6,361,030</b>	<b>\$ 63,910</b>	<b>\$ (274,000)</b>	<b>\$ (249,694)</b>	<b>\$ 5,901,246</b>

**C. Deficit Fund Balance**

The general fund incurred a deficit budget variance of \$2,000,122. The District voted \$1,755,115 from the excess and deficiency account to fund the deficit budget and \$245,007 was carried forward from the previous year as encumbrances and continuing appropriations.

**SOUTHERN WORCESTER COUNTY REGIONAL  
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NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2011**

**3. DETAILED NOTES**

**A. Cash and Investments**

**Custodial Credit Risks – Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned. The government does not have a deposit policy for custodial credit risk. Deposits at June 30, 2011 were \$5,600,386. Of this, none was exposed to custodial credit risk as uninsured and uncollateralized.

**Investment Policies**

Investments of funds, except for trust funds, are generally restricted by Massachusetts General Laws, Chapter 44, Section 55. That statute permits investments of available revenue funds and bond and note proceeds in term deposits and certificates of deposit of banks and trust companies, in obligations issued or unconditionally guaranteed by the federal government or an agency thereof with a maturity of not more than one year, in repurchase agreements with a maturity of not more than 90 days secured by federal or federal agency securities, in participation units in the Massachusetts Municipal Depository Trust ("MMDT"), or in shares in SEC-registered money market funds with the highest possible rating from at least one nationally recognized rating organization.

The MMDT is an investment pool created by the Commonwealth under the supervision of the State Treasurer's office. According to the State Treasurer, the Trust's investment policy is designed to maintain an average weighted maturity of 90 days or less and is limited to high-quality, readily marketable fixed income instruments, including U. S. Government obligations and highly-rated corporate securities with maturities of one year or less.

As of June 30, 2011, the District had no investments.

**B. Receivables**

At June 30, 2011, receivables for the individual non-major governmental funds, including the applicable allowances for uncollectible accounts, are as follows:

	<b>Gross Amount</b>	<b>Allowance for Uncollectibles</b>	<b>Net Amount</b>
<b>Major and Non-major governmental funds:</b>			
Intergovernmental	\$ 282,731	\$ -	\$ 282,731
Departmental and other	1,879	-	1,879
	<u>\$ 284,610</u>	<u>\$ -</u>	<u>\$ 284,610</u>

**SOUTHERN WORCESTER COUNTY REGIONAL  
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NOTES TO THE FINANCIAL STATEMENTS  
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The composition of the intergovernmental receivables as of June 30, 2011 for government funds is as follows:

<b>Governmental Funds:</b>	
<b>Nonmajor Governmental Funds:</b>	
<i>U. S. Department of Agriculture</i>	
School lunch	\$ 8,340
<i>U. S. Department of Education</i>	
School title grants	63,942
<b>Commonwealth of Massachusetts:</b>	
Massachusetts Department of Elementary and Secondary Education:	
School lunch	278
Executive Office of Energy and Environmental Affairs:	
Department of Energy Resources	130,816
<b>Massachusetts School Building Authority:</b>	
Feasibility study	79,355
	<u>\$ 282,731</u>

The composition of other receivables as of June 30, 2011 for governmental funds is as follows:

<b>Governmental Funds:</b>	
<b>General Fund:</b>	
Federal Tax on interest withheld	<u>\$ 1,879</u>

**C. Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2011, was as follows:

**SOUTHERN WORCESTER COUNTY REGIONAL  
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**Governmental Activities**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 21,000	-	-	\$ 21,000
Construction in progress	16,649	207,648	-	224,297
	<u>37,649</u>	<u>207,648</u>	<u>-</u>	<u>245,297</u>
Capital assets being depreciated:				
Buildings and renovations	5,470,039	260,249	-	5,730,288
Machinery, equipment and other	6,119,315	462,633	(91,141)	6,490,807
Infrastructure	1,170,751	-	-	1,170,751
Total capital assets being depreciated	<u>12,760,105</u>	<u>722,882</u>	<u>(91,141)</u>	<u>13,391,846</u>
Less accumulated depreciation for:				
Buildings and renovations	4,987,653	160,347	-	5,148,000
Machinery, equipment and other	4,606,104	420,669	(91,141)	4,935,632
Infrastructure	312,414	48,818	-	361,232
Total accumulated depreciation	<u>9,906,171</u>	<u>629,834</u>	<u>(91,141)</u>	<u>10,444,864</u>
Total capital assets being depreciated, net	<u>2,853,934</u>	<u>93,048</u>	<u>-</u>	<u>2,946,982</u>
Total governmental activities capital assets, net	<u>\$ 2,891,583</u>	<u>\$ 300,696</u>	<u>\$ -</u>	<u>\$ 3,192,279</u>

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

<b>Governmental Activities:</b>	
Administration and benefits	\$ 33,230
Instruction	338,961
Other school services	19,712
Operation and maintenance	237,931
	<u>\$ 629,834</u>

**D. Interfund Receivables, Payables and Transfers**

Interfund transfers for the fiscal year ended June 30, 2011, are summarized as follows:

Transfers Out:	Transfers In:		
	General fund	Nonmajor governmental funds	Total
General fund	\$ -	\$ 650,000	\$ 650,000
Nonmajor governmental funds	250,000	-	250,000
Total transfers out	<u>\$ 250,000</u>	<u>\$ 650,000</u>	<u>\$ 900,000</u>

**SOUTHERN WORCESTER COUNTY REGIONAL  
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**E. Other Liabilities**

The composition of the other liabilities as of June 30, 2011 for governmental funds is as follows:

<b>Governmental Funds:</b>	
Tailings (Unclaimed funds)	<u>\$ 44,500</u>

**F. Long Term Debt**

**Betterment Assessment – Sewer Tie-In**

In fiscal year 2003, the District tied into the municipal sewer lines and incurred a special assessment for Phase II Sewer Improvements from the Town of Charlton. The total cost of the assessment of \$615,000 will be paid in 20 equal annual installments of \$30,750, beginning in fiscal year 2004. No interest is accrued on the balance due. The outstanding amount at June 30, 2011 is \$369,000.

**Changes in General Long-Term Liabilities**

A summary of the changes in governmental activities long term liabilities during the year is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due within One Year
<b>Governmental activities:</b>					
Capital lease	\$ 52,347	\$ -	\$ 52,347	\$ -	\$ -
Betterment - sewer tie-in	399,750	-	30,750	369,000	30,750
National Grid - Energy system	-	101,372	25,343	76,029	50,686
OPEB Liability	2,657,003	723,287	-	3,380,290	-
Compensated absences	255,021	13,182	55,613	212,590	60,294
<b>Governmental activity Long-term liabilities</b>	<b>\$ 3,364,121</b>	<b>\$ 837,841</b>	<b>\$ 164,053</b>	<b>\$ 4,037,909</b>	<b>\$ 141,730</b>

**G. Fund Balances**

The following is a summary of the Governmental Fund fund balances of the Town at the year ended June 30, 2011:

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	<b>General Fund</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
Restricted:			
Grants	\$ -	\$ 71,620	\$ 71,620
Revolving funds	-	526,666	526,666
Gifts and donations	-	7,951	7,951
	-	606,237	606,237
Committed:			
Capital improvement projects	-	1,489,085	1,489,085
Assigned:			
Encumbrances	137,929	-	137,929
Subsequent year's expenditures	122,139	-	122,139
	260,068	-	260,068
Unassigned:	1,222,397	-	1,222,397
Total Governmental fund balances	\$ 1,482,465	\$ 2,095,322	\$ 3,577,787

#### **4. OTHER INFORMATION**

##### **A. Risk Management**

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. The District has obtained a variety of commercial liability insurance policies which passes the risk of loss listed above to independent third parties. Settlement claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

##### **B. Contingent Liabilities**

###### **Litigation**

Litigation is subject to many uncertainties, and the outcome of individual matters is not always predictable. Although the amount of the liability, if any, at June 30, 2011, cannot be ascertained, management believes any resulting liability should not materially affect the financial position of the District at June 30, 2011.

###### **Federal Financial Assistance**

The District receives significant financial assistance from numerous federal and state agencies in the form of grants and entitlements. Expenditures of funds under these programs require compliance with the grant agreements and are subject to

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audit procedures prescribed under the Single Audit Act Amendments of 1996. Any disallowed expenditures resulting from such audits become a liability of the District.

The outcome of lawsuits and any findings with respect to disallowed expenditures is not expected to materially affect the financial condition of the District.

**Material Contingency**

The District has documentation to support approximately \$6,400,000 of missing funds through fiscal year 2000. The former business manager has pleaded guilty to embezzlement and tax evasion in connection with the missing funds. The plea agreement calls for the former employee to make restitution, to the extent possible, up to a maximum of \$5,465,000. As of June 30, 2011, the District had received \$1,256,138 from the restitution and used \$1,373,000 to pay related debt plus legal costs. In fiscal year 2011 the District received \$232,273 (net of legal expenses) in insurance proceeds.

**C. Employee Retirement Systems and Plans**

**Plan Description**

The District, as a member of the Town of Southbridge Retirement System (the System), participates in a cost-sharing multiple-employer defined benefit pension plan administered by the Town of Southbridge Retirement Board. Each participating employers' share of the total annual contribution is determined on the basis of active payroll. Substantially, all employees are members of the System, except for public school teachers and administrators who are members of Commonwealth of Massachusetts Teachers' Retirement System to which the District 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 approximately \$2,051,916 for the fiscal year ending June 30, 2011, and, accordingly are reported in the General Fund.

The System provides retirement, disability, and death benefits to plan members and beneficiaries. Chapter 32 of the Massachusetts General Laws assigns authority to establish and amend benefit provisions of the plan. Cost of living adjustments granted between 1981 and 1987 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 approved by the Board and are borne by the System. The System issues a publicly available unaudited financial report in accordance with guidelines established by the Commonwealth's PERAC. That report may be obtained by contacting the System through the Town of Southbridge Accountant's Department, Southbridge, Massachusetts.

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**Funding Policy**

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 active current payroll. Administrative expenses are funded through investment earnings. Chapter 32B of the Massachusetts general laws governs the contributions of plan members and the District.

The District's contribution to the System for the fiscal years ended June 30, 2011, 2010 and 2009 is shown below, which equaled its required contribution for each fiscal year.

<b>Fiscal Year Ended June 30</b>	<b>District's Contribution</b>
2011	\$ 334,169
2010	\$ 311,544
2009	\$ 276,893

The last actuarial valuation was prepared by Public Employee Retirement Administration Commission (PERAC) as of January 1, 2010.

The unfunded actuarial liability for the entire system is \$28,898,985. The District's portion of such liability is approximately 13.05% or \$3,771,318.

**Reporting Policies**

The funds of the System are accounted for under the accrual basis. Under the accrual basis of accounting, all revenues and expenditures are accrued and investments are amortized to value. The books are maintained on a calendar year basis from January 1st to December 31st in accordance with the standards and procedures outlined by the Commissioner of the Public Employees Retirement Administration.

Investments are reported in accordance with PERAC requirements.

**D. Other Post Employment Benefits Payable**

**GASB Statement No. 45**

The cost of post employment benefits generally should be associated with the periods in which costs occur rather than in the future year when it will be paid. The District adopted the requirements of GASB Statement No. 45 during the year

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ended June 30, 2008, and thus recognizes the cost of post employment benefits in the year when the employee services are received, reports the accumulated liability from prior years and provides information useful in assessing potential demands on the District's future cash flows.

**Plan Description**

The District presently provides health, dental & vision and life insurance benefits for active and retired employees and their covered dependents.

Health insurance benefits are fully insured. Active employees have four medical benefit options - HMO Blue New England, Blue Choice of MA, Fallon Direct and Fallon Select.

Retirees not on Medicare have the same options as active employees. For these retirees, the District pays 50% of the cost of the premiums and the retirees pay the other 50%.

Medicare Retirees have three medical benefit options - BCBS Medicare HMO Blue, BCBS Medex II, and Fallon Senior Plan.

The District offers a \$1,000 life benefit to all retirees. The benefit is fully insured. The retiree rate per \$1,000 of coverage is the same as for active employees. Retirees pay 52.2% of the premium for this benefit.

The number of participants as of January, 2010 follows:

Active members	148
Retirees	43
Total	<u>191</u>

**Funding Policy**

The contribution requirements of plan members and the District are established pursuant to applicable collective bargaining and employment contracts. The required contribution is based on the projected pay-as-you-go financing requirements. For the 2011 fiscal year the District provided expected contributions of \$135,102 towards the annual OPEB cost, comprised of benefit payments made on behalf of retirees (net of reinsurance), administrative expenses and reinsurance payments, and net of retiree contributions.

**Annual OPEB Cost and Net OPEB Obligation**

The District's annual other post employment benefit ("OPEB") cost (expense) is calculated based on the annual required contribution of the employer ("ARC"), an amount actuarially determined in accordance with the parameters of GASB

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Statement No. 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 (30) years. The following table shows the components of the District's annual OPEB costs for the fiscal year, the amount actually contributed to the plan and changes in the District's net OPEB obligation to the plan:

Normal Cost	\$	621,607
Amortization of unfunded actuarial accrued liability		524,929
Annual required contribution		1,146,536
Interest on net OPEB obligation		60,748
Adjustment to annual required contribution		121,797
Annual OPEB cost (expense)		1,085,487
Contributions made during the fiscal year		135,102
Increase in net OPEB obligation		950,385
Net OPEB Obligation - beginning of year		2,429,905
Net OPEB Obligation - end of year	\$	3,380,290

The District's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for the 2011 fiscal year and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2009	\$ 931,699	12.65%	\$ 1,496,881
6/30/2010	1,061,693	12.12%	2,429,905
6/30/2011	1,085,487	12.45%	3,380,290

**Funded Status and Funding Process**

As of July 1, 2010, the most recent valuation date, the plan was 0.0% funded. The actuarial liability for benefits was \$10,342,755, and the actuarial value of assets was 0.0 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$10,342,755.

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 contribution of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

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**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 employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The District initial OPEB actuarial valuation as of July 1, 2008, used the project unit credit method. The OPEB liability is currently unfunded and the actuarial assumptions include a 2.50% interest discount rate and a trend rate of 9.0% for the current fiscal year followed by 8.0%, 7.0%, 6.0% and 5.0% thereafter.

The unfunded actuarial accrued liability is being amortized over 30 years on a level dollar amount open basis. The remaining amortization period at June 30, 2011 is 27 years.

**5. RESTATEMENT**

As required by GASB Statement No. 54, fund balances as of June 30, 2010, have been restated. The beginning fund balance of the General fund increased by \$234,686 to \$2,748,375 to reflect the stabilization fund in the General fund and the beginning fund balance of the stabilization fund (a prior major fund) was decreased by \$234,686.

## **SUPPLEMENTARY INFORMATION**

**SOUTHERN WORCESTER COUNTY REGIONAL VOCATIONAL SCHOOL DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NON-MAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2011**

	Fund Balances		Revenues		Expenditures		Other Financing Sources (Uses)		Fund Balances
	July 1, 2010								June 30, 2011
<b>Special Revenue Funds:</b>									
<b>Federal Grants:</b>									
School Grants	\$ 47,895	\$	825,731	\$	841,795	\$	-	\$	31,831
Emergency Recovery Program	123		246,101		245,020		-		1,204
<b>State Grants:</b>									
School Grants	-		27,200		27,200		-		-
Clean Energy Workforce Grant	-		21,333		21,333		-		-
Energy Conservation Grant	17,623		15,065		32,688		-		-
Transportation Routing Grant	1		-		-		-		1
Wind Feasibility Study Grant	6,190		130,816		137,006		-		-
<b>Revolving Accounts:</b>									
School Lunch Program	19,060		327,774		309,288		-		37,546
School Lunch Commodities	-		16,254		16,254		-		-
Athletic Revolving	22,203		9,892		6,439		-		25,656
Evening School Revolving	119,172		399,900		436,946		-		82,126
Facilities Rental Revolving	11,541		5,521		5,266		-		11,796
Out of District Tuition Revolving	34,489		5,458		-		-		39,947
Practical Nursing Revolving	72,567		361,020		362,168		-		71,419
Shop Revolving	115,478		318,505		280,470		-		153,513
Summer School Revolving	14,533		15,440		13,200		-		16,773
Tuition Revolving	256,712		118,724		-		(250,000)		125,436
<b>Other:</b>									
French River Education Center Donation	388		-		-		-		388
DiGregorio Memorial Machining Center	-		100,000		92,438		-		7,562
National Grid Grant	-		64,341		64,341		-		-
Tech Prep Mini-Grant	1,039		-		-		-		1,039
<b>Total Special Revenue Funds</b>	<b>739,014</b>		<b>3,009,075</b>		<b>2,891,852</b>		<b>(250,000)</b>		<b>606,237</b>
<b>Capital Projects Funds:</b>									
Auto Body Fund	188,367		-		-		-		188,367
Cabinet Spray Booth	20,000		-		-		(20,000)		-
Dust Collector Replacement	95,000		-		-		120,300		215,300
Electrical Service Replacement	25,300		-		-		(25,300)		-
Roof Design	75,000		-		-		(75,000)		-
School Expansion Study	414,535		157,834		268,128		250,000		554,241
Water System Upgrade	-		-		-		400,000		400,000
Sewer Project	161,927		-		30,750		-		131,177
<b>Total Capital Projects Funds</b>	<b>980,129</b>		<b>157,834</b>		<b>298,878</b>		<b>650,000</b>		<b>1,489,085</b>
<b>Total Non-Major Governmental Funds</b>	<b>\$ 1,719,143</b>		<b>\$ 3,166,909</b>		<b>\$ 3,190,730</b>		<b>\$ 400,000</b>		<b>\$ 2,095,322</b>