
ANNUAL FINANCIAL REPORT
OF THE
REGIONAL SCHOOL DISTRICT NO. 13

FOR THE YEAR ENDED
JUNE 30, 2007

REGIONAL SCHOOL DISTRICT NO. 13

ANNUAL FINANCIAL REPORT
AS OF AND FOR THE YEAR ENDED JUNE 30, 2007
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**Financial
Section**



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INDEPENDENT AUDITORS' REPORT

To the Board of Education
Regional School District No. 13
Durham, Connecticut

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Regional School District No. 13, as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall basic 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 Regional School District No. 13, as of June 30, 2007, 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.

In accordance with Government Auditing Standards, we have also issued our report dated November 21, 2007, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and Schedule of Funding Progress - Regional School District No. 13 Retirement System on pages 3 through 8 and page 39, respectively, are not a required part of the basic financial statements but are supplementary information required by Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



Board of Education
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Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Regional School District No. 13's basic financial statements. The supplementary schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining fund financial statements and other schedules as listed in the table of contents have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Kostin, Ruffkess & Company, LLC

New London, Connecticut
November 27, 2007

REGIONAL SCHOOL DISTRICT 13

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Superintendent of Schools

RONALD MELNIK
Business Manager

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2007

As management of the Regional School District No.13, 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, 2007.

Financial Highlights

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$29,249,489 (*net assets*).
- The District's total net assets increased by \$1,892,416. This increase is attributable to payment of long term debt of \$1,830,000. As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$2,053,894, an increase of \$920,450 in comparison with the prior year.
- At the end of the current fiscal year, the fund balance of the general fund of \$1,372,956 was designated for next year's budget.
- The District's total debt decreased by \$2,134,778 (9.88%) during the current fiscal year. The key factors in this net decrease were the issuance of \$123,336 in capital leases, the issuance of long term debt of \$25,500 bond principal payments of \$1,830,000 and capital lease payments of \$476,367.

Overview of the Basic Financial Statements

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic 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 finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the District's 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 of the District is improving or deteriorating.

The *statement of activities* presents information showing how the District'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).

All of the functions of the District are principally supported by assessments to member towns and intergovernmental revenues. The governmental activities of the District include instructional programs, guidance services, curriculum development, educational media, general administration, student activities, and transportation.

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

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

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

The District maintains 10 individual governmental 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, capital projects fund and the special school grants and programs fund, all of which are considered to be major funds. Data from the other 7 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The District adopts an annual budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Proprietary Fund. The internal service fund is used to account for the self insurance medical benefits activity of the District. Since the District has only governmental functions, they have been included within governmental activities in the government-wide financial statements.

The data for the internal service fund is provided in Exhibits G, H, and I of this report.

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

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.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's progress in funding its obligation to provide pension benefits to its employees.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information on pensions.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$29,249,489 at the close of the most recent fiscal year.

By far the largest portion of the District's net assets (84.3%) reflects its investment in capital assets (e.g., land improvements, buildings, machinery, 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 District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Region 13 Net Assets Governmental Activities		
	2007	2006
Current and other assets.....	\$ 5,162,979	\$ 5,250,468
Capital assets	<u>43,979,315</u>	<u>44,639,000</u>
Total assets	<u>49,142,294</u>	<u>49,889,468</u>
Long-term liabilities outstanding.....	17,206,300	19,334,780
Other liabilities	<u>2,686,505</u>	<u>3,197,615</u>
Total liabilities.....	<u>19,892,805</u>	<u>22,532,395</u>
Net assets:		
Invested in capital assets, net of related debt.....	24,660,642	23,203,925
Restricted.....	34,523	23,031
Unrestricted	<u>4,554,324</u>	<u>4,130,117</u>
Total net assets.....	<u>\$29,249,489</u>	<u>\$27,357,073</u>

A portion of the District's net assets (.12%) represents resources that are subject to external restrictions on how they may be used. The balance of unrestricted net assets of \$4,554,324 may be used to meet the District's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the District is able to report positive balances in all three categories of net assets.

The District's net assets increased by \$1,892,416 during the current fiscal year. Substantially all of this is attributable to the payment of long-term debt, which is budgeted as an expense in the fund financials.

**Region 13
Change in Net Assets
Governmental Activities**

	2007	2006
REVENUES:		
Program revenues:		
Charges for services	\$ 748,585	\$ 563,302
Operating grants and contributions	2,761,019	2,757,174
Capital grants and contributions	219,435	270,138
General revenues:		
Member town assessment	28,122,480	26,684,361
Interest income	<u>146,025</u>	<u>138,754</u>
TOTAL REVENUES	<u>31,997,554</u>	<u>30,413,729</u>
EXPENSES:		
Salaries	16,917,628	16,406,211
Employee benefits	4,665,353	5,064,352
Purchased services	1,476,905	1,275,142
Property services	1,229,133	1,269,084
Operational services	3,087,618	2,816,138
Supplies	1,851,799	1,727,784
Interest expense	<u>876,692</u>	<u>325,994</u>
TOTAL EXPENSES.....	<u>30,105,128</u>	<u>28,884,705</u>
Increase in net assets	1,892,416	1,529,024
NET ASSETS - JULY 1 (AS RESTATED).....	<u>27,357,073</u>	<u>25,828,049</u>
NET ASSETS - JUNE 30.....	<u>\$29,249,489</u>	<u>\$27,357,073</u>

The debt service expense increased by a net of \$550,698, due to scheduled debt service payments. Employee benefits decreased by \$398,999 due to a change in vendor for health insurance coverage. Operational services expenses increased by \$271,480, primarily due to depreciation of buildings capitalized in the current year.

Financial Analysis of the District's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal 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 financing requirements. In particular, unreserved fund balance may serve as a useful measure of a District's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$2,053,894, a increase of \$920,450 in comparison with the prior year. The increase was attributable to general fund interest certified salaries was \$949,415 less than anticipated. Approximately 67% of this total amount, \$1,372,956, is designated for next year's budget. A portion of the remainder of fund balance is reserved to indicate that it is not available for new spending. It has already been committed for library books and textbooks (\$12,533).

The general fund is the operating fund of the District. As a measure of the general fund's liquidity, it may be useful to compare total fund balance to total fund expenditures. Fund balance represents 4.6% of total general fund expenditures. The fund balance of the District's general fund increased by \$718,514 during the current fiscal year.

Proprietary fund. Unrestricted net assets of the Dental Insurance Fund at the end of the year amounted to \$47,365.

Capital Assets and Debt Administration

Capital assets. The District's investment in capital assets for its governmental activities as of June 30, 2007, amounts to \$43,979,315 (net of accumulated depreciation). This investment in capital assets includes land, land improvements, buildings, equipment, and construction in progress. The slight decrease in the District's investment in capital assets for the current fiscal year was 1.48%.

Major capital asset events during the current fiscal year included the following:

- Construction in progress of \$33,950,865 was capitalized during the year.

	Governmental Activities	
	<u>2007</u>	<u>2006</u>
Land.....	\$ 200,000	\$ 200,000
Construction in progress.....		33,913,079
Buildings.....	42,091,017	8,763,839
Improvements other than buildings.....	83,548	89,561
Equipment.....	250,042	155,662
Vehicles.....	<u>1,354,708</u>	<u>1,516,859</u>
Total.....	<u>\$43,979,315</u>	<u>\$44,639,000</u>

Additional information on the District's capital assets can be found in Note III.C.

Long-term debt. At the end of the current fiscal year, the District had total bonded debt outstanding of \$18,670,000. All of this is backed by the full faith and credit of the District.

	Governmental Activities	
	<u>2007</u>	<u>2006</u>
General obligation bonds.....	<u>\$18,670,000</u>	<u>\$20,500,000</u>

The District's total debt decreased by \$2,134,778 (9.88 %) during the current fiscal year. The key factors in the net decrease were the net reduction of \$350,031 in capital leases and bond principal payments of \$1,830,000.

The District maintains an "AAA" rating from Standard & Poor's and Fitch and an "Aa" rating from Moody's for general obligation debt.

State statutes allow 2.25 times annual receipts of taxation from member Towns. The debt limit for the 2007 fiscal year amounted to \$63,275,580.

General Fund Budgetary Highlights

There were no differences in the original and final budget of the general fund.

Revenues exceeded the original and final budget by \$105,097. Intergovernmental revenue fell short by \$126,948 and other revenue exceeded the budget by \$42,458. Interest income was \$56,554 more than anticipated. Charges for services exceeded the budget by \$133,033.

Actual expenditures were \$1,203,820 less than anticipated. Operational services exceeded budgets by \$799,547 due to the increase in diesel fuel for buses. However the overage was more than offset by the certified salaries that were \$949,415 less than the budget.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for the District's member towns is currently 4.2% for Middlefield and 3.2% for Durham. This compares favorably to the state's average unemployment rate of 4.2% and the national average rate of 4.8%.
- Inflationary trends in the District's member towns compare favorably to national indices.
- The District has designated \$1,372,956 of fund balance for the fiscal year 2008 budget.

All of these factors were considered in preparing the District's budget for the 2008 fiscal year.

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 the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Business Manager, Ron Melnik, Regional School District No. 13, P.O. Box 190, Durham, CT 06422.

Basic Financial Statements

EXHIBIT A

REGIONAL SCHOOL DISTRICT NO. 13

**STATEMENT OF NET ASSETS
JUNE 30, 2007**

	GOVERNMENTAL ACTIVITIES
ASSETS	
Current assets:	
Cash.....	\$ 219,067
Investments.....	2,059,378
Intergovernmental receivable.....	485,804
Bond issue costs.....	4,695
Other assets.....	24,510
Total current assets.....	2,793,454
Noncurrent assets:	
Restricted assets:	
Temporarily restricted:	
Investments.....	21,990
Permanently restricted:	
Investments.....	12,533
Total restricted assets.....	34,523
Intergovernmental receivable.....	2,100,749
Bond issue costs.....	32,866
Net pension asset.....	201,387
Total other noncurrent assets.....	2,335,002
Capital assets (net of accumulated depreciation):	
Land.....	200,000
Buildings.....	42,091,017
Land improvements.....	83,548
Equipment.....	250,042
Vehicles.....	1,354,708
Total capital assets (net of accumulated depreciation).....	43,979,315
Total noncurrent assets.....	46,348,840
TOTAL ASSETS.....	49,142,294
LIABILITIES	
LIABILITIES:	
Current liabilities:	
Accounts payable.....	247,139
Accrued interest payable.....	154,455
Unearned revenue.....	10,418
Bonds and notes payable.....	1,833,500
Compensated absences.....	24,912
Capital leases.....	416,081
Total current liabilities.....	2,686,505
Noncurrent liabilities:	
Bonds and notes payable.....	16,570,533
Compensated absences.....	99,647
Capital leases.....	536,120
Total noncurrent liabilities.....	17,206,300
TOTAL LIABILITIES.....	19,892,805
NET ASSETS	
Invested in capital assets, net of related debt.....	24,660,642
Restricted for:	
Textbooks:	
Nonexpendable.....	2,615
Expendable.....	2,533
Library materials:	
Nonexpendable.....	19,375
Expendable.....	10,000
Unrestricted.....	4,554,324
TOTAL NET ASSETS.....	\$ 29,249,489

The notes to the financial statements are an integral part of this statement

EXHIBIT B

REGIONAL SCHOOL DISTRICT NO. 13

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007**

FUNCTIONS/PROGRAMS	PROGRAM REVENUES			NET EXPENSES AND CHANGES IN NET ASSETS	
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS		CAPITAL GRANTS AND CONTRIBUTIONS
GOVERNMENTAL ACTIVITIES:					
Salaries.....	\$ 16,917,628	\$ 32,789	788,871	\$	(16,095,968)
Employee benefits.....	4,665,353		1,011,270		(3,654,083)
Purchased services.....	1,476,905				(1,476,905)
Property services.....	1,229,133			219,435	(1,009,698)
Operational services.....	3,087,618	714,796	863,532		(1,509,290)
Supplies.....	1,851,799		98,346		(1,753,453)
Interest expense.....	876,692				(876,692)
TOTAL GOVERNMENTAL ACTIVITIES.....	\$ 30,105,128	\$ 747,585	\$ 2,762,019	\$ 219,435	(26,376,089)
GENERAL REVENUES:					
Member town assessment.....					\$ 28,122,480
Interest income.....					146,025
TOTAL GENERAL REVENUES.....					28,268,505
CHANGE IN NET ASSETS.....					1,892,416
NET ASSETS - JULY 1, 2006.....					27,357,073
NET ASSETS - JUNE 30, 2007.....					\$ 29,249,489

The notes to the financial statements are an integral part of this statement

REGIONAL SCHOOL DISTRICT NO. 13

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2007

	GENERAL FUND	BONDED CAPITAL PROJECTS FUND	SPECIAL SCHOOL GRANTS AND PROGRAMS	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS					
Cash.....	\$ 95,430	\$ 16,731	\$ 387	\$ 75,072	\$ 187,620
Investments.....	1,472,659	395,111		184,913	2,052,683
Intergovernmental receivable.....			11,823	9,515	21,338
Other receivables.....	14,745			9,765	24,510
TOTAL ASSETS.....	\$ 1,582,834	\$ 411,842	\$ 12,210	\$ 279,265	\$ 2,286,151
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable.....	\$ 209,878	\$ 1,775	\$ 1,792	\$ 8,394	\$ 221,839
Unearned revenue.....			10,418		10,418
Total Liabilities.....	209,878	1,775	12,210	8,394	232,257
Fund Balances:					
Reserved for:					
Endowments.....				12,533	12,533
Unreserved, reported in:					
Designated for subsequent year's budget.....	1,372,956				1,372,956
Capital project funds.....		410,067			410,067
Special revenue funds.....				236,348	236,348
Permanent funds.....				21,990	21,990
Total Fund Balances.....	1,372,956	410,067	-	270,871	2,053,894
TOTAL LIABILITIES AND FUND BALANCES.....	\$ 1,582,834	\$ 411,842	\$ 12,210	\$ 279,265	\$ 2,286,151

(Continued)

REGIONAL SCHOOL DISTRICT NO. 13

**RECONCILIATION OF FUND BALANCE
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2007**

AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF NET ASSETS (EXHIBIT A) ARE DIFFERENT FROM THE GOVERNMENTAL FUND BALANCE SHEET. THE DETAILS OF THIS DIFFERENCE ARE AS FOLLOWS:

TOTAL FUND BALANCE (EXHIBIT C, PAGE 1)..... \$ 2,053,894

CAPITAL ASSETS USED IN GOVERNMENTAL ACTIVITIES ARE NOT FINANCIAL RESOURCES AND, THEREFORE, ARE NOT REPORTED IN THE FUNDS:

Beginning net capital assets and current additions..... 44,805,617
Depreciation expense..... (826,302)

OTHER LONG-TERM ASSETS ARE NOT AVAILABLE TO PAY FOR CURRENT PERIOD EXPENDITURES AND, THEREFORE, ARE DEFERRED IN THE FUNDS:

School building receivable..... 2,565,215
Bond issue costs..... 37,561
Net pension asset..... 201,387

INTERNAL SERVICE FUNDS ARE USED BY MANAGEMENT TO CHARGE THE COST OF HEALTH INSURANCE TO INDIVIDUAL DEPARTMENTS:

The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets..... 47,365

SOME LIABILITIES, INCLUDING BONDS PAYABLE, ARE NOT DUE AND PAYABLE IN THE CURRENT PERIOD AND, THEREFORE, ARE NOT REPORTED IN THE FUNDS:

Bond and leases payable..... (18,695,500)
Less: deferred charge on refunding..... 341,029
Plus: bond premium..... (49,562)
Compensated absences..... (124,559)
Capital leases..... (952,201)
Accrued interest payable..... (154,455)

NET ASSETS OF GOVERNMENTAL ACTIVITIES..... \$ 29,249,489

(Concluded)

REGIONAL SCHOOL DISTRICT NO. 13

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

	GENERAL FUND	BONDED CAPITAL PROJECTS FUND	SPECIAL SCHOOL GRANTS AND PROGRAMS	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES:					
Member Town assessment.....	\$ 28,122,480	\$	\$	\$	\$ 28,122,480
Local sources.....	106,554	17,533		14,965	139,052
Intergovernmental.....	2,277,129	219,435	778,363	85,169	3,360,096
Contributions.....				40,888	40,888
Charges for services.....	212,033			456,158	668,191
Other.....	57,458				57,458
TOTAL REVENUES.....	30,775,654	236,968	778,363	597,180	32,388,165
EXPENDITURES:					
Current:					
Salaries.....	16,645,045			289,084	16,934,129
Employee benefits.....	4,632,546				4,632,546
Purchased services.....	698,542		778,363		1,476,905
Property services.....	780,849				780,849
Operational services.....	3,087,618				3,087,618
Supplies.....	1,587,192			264,607	1,851,799
Capital outlay.....	196,042	68,924			264,966
Debt service.....	2,587,739				2,587,739
TOTAL EXPENDITURES.....	30,215,573	68,924	778,363	553,691	31,616,551
EXCESS (DEFICIENCY) OF REVENUES OVER					
EXPENDITURES.....	560,081	168,044	-	43,489	771,614
OTHER FINANCING SOURCES:					
Transfer out.....		(9,597)			(9,597)
Transfer in.....	9,597				9,597
Proceeds from capital leases.....	148,836				148,836
NET OTHER FINANCING SOURCES.....	158,433	(9,597)	-	-	148,836
NET CHANGE IN FUND BALANCES.....	718,514	158,447	-	43,489	920,450
FUND BALANCES - JULY 1, 2006.....	654,442	251,620	-	227,382	1,133,444
FUND BALANCES - JUNE 30, 2007.....	\$ 1,372,956	\$ 410,067	\$ -	\$ 270,871	\$ 2,053,894

The notes to the financial statements are an integral part of this statement

REGIONAL SCHOOL DISTRICT NO. 13

EXHIBIT E

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007**

AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF ACTIVITIES
(EXHIBIT B) ARE DUE TO:

Net Change in Fund Balances - Total Governmental Funds (Exhibit D)..... \$ 920,450

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period:

Capital outlay..... 166,617
Depreciation expense..... (826,302)

Total (659,685)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds and revenues recognized in the funds are not reported in the Statement of Activities:

School building grant receipts..... (476,988)

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. The details of these differences in the treatment of long-term debt and related items are as follows:

Debt issued or incurred:
Issuance of capital leases..... (148,836)
Principal repayments:
General obligation bonds..... 1,830,000
Principal payments on capital leases..... 476,367

Total 2,157,531

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:

Bond premium..... 6,195
Bond issuance costs..... (4,695)
Deferred charges on refunding bonds..... (42,629)
Increase in net pension asset..... 2,820
Accrued interest payable..... (71,629)
Compensated absences..... 13,681

Total (96,257)

Internal Service Funds are used by management to charge costs of medical insurance premiums to individual department. The net revenue of the activities of the internal service fund is reported with governmental activities..... 47,365

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES (EXHIBIT B) \$ 1,892,416

REGIONAL SCHOOL DISTRICT NO. 13

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2007

	ORIGINAL AND FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
REVENUES:			
Member Town assessment.....	\$ 28,122,480	\$ 28,122,480	\$ -
Local sources.....	50,000	106,554	56,554
Intergovernmental.....	1,392,807	1,265,859	(126,948)
Charges for services.....	79,000	212,033	133,033
Other.....	15,000	57,458	42,458
TOTAL REVENUES.....	29,659,287	29,764,384	105,097
EXPENDITURES:			
Current:			
Salaries.....	17,594,460	16,645,045	949,415
Employee benefits.....	4,142,000	3,621,276	520,724
Purchased services.....	651,985	698,542	(46,557)
Property services.....	1,196,992	780,849	416,143
Operational services.....	2,432,001	3,087,618	(655,617)
Supplies.....	1,642,962	1,587,192	55,770
Capital improvements/equipment.....	11,147	47,206	(36,059)
Debt service.....	2,587,740	2,587,739	1
TOTAL EXPENDITURES.....	30,259,287	29,055,467	1,203,820
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	(600,000)	708,917	1,308,917
OTHER FINANCING SOURCES:			
Appropriation of fund balance.....	600,000		(600,000)
Transfers in.....		9,597	9,597
NET OTHER FINANCING SOURCES (USES).....	600,000	9,597	(590,403)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES.....	\$ -	718,514	\$ 718,514
FUND BALANCE - JULY 1, 2006.....		654,442	
FUND BALANCE - JUNE 30, 2007.....		\$ 1,372,956	

The notes to the financial statements are an integral part of this statement

REGIONAL SCHOOL DISTRICT NO. 13

**STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 JUNE 30, 2007**

	<u>GOVERNMENTAL ACTIVITIES</u>
	<u>INTERNAL SERVICE FUNDS</u>
<u>ASSETS</u>	
Current Assets:	
Cash.....	\$ 31,447
Investments.....	<u>41,218</u>
TOTAL ASSETS.....	<u>72,665</u>
<u>LIABILITY</u>	
Current liability:	
Claims payable.....	<u>25,300</u>
<u>NET ASSETS</u>	
Unrestricted.....	<u>47,365</u>
TOTAL NET ASSETS.....	<u>\$ 47,365</u>

EXHIBIT H

REGIONAL SCHOOL DISTRICT NO. 13

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2007**

**GOVERNMENTAL
ACTIVITIES**

**INTERNAL
SERVICE FUNDS**

OPERATING REVENUES:	
Charges for services.....	\$ 344,394
OPERATING EXPENSES:	
General and administrative.....	28,055
Claims incurred.....	269,752
TOTAL OPERATING EXPENSES.....	297,807
OPERATING INCOME (LOSS).....	46,587
NONOPERATING REVENUES (EXPENSES):	
Income from investments.....	778
CHANGE IN NET ASSETS.....	47,365
TOTAL NET ASSETS - JULY 1, 2006.....	-
TOTAL NET ASSETS - JUNE 30, 2007.....	\$ 47,365

The notes to the financial statements are an integral part of this statement.

EXHIBIT I

REGIONAL SCHOOL DISTRICT NO. 13

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2007**

	<u>GOVERNMENTAL ACTIVITIES</u>
	<u>INTERNAL SERVICE FUNDS</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from premiums.....	\$ 344,394
Claims and administrative expenses paid.....	<u>(272,507)</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES.....	<u>71,887</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Income from investments.....	<u>778</u>
NET INCREASE (DECREASE) IN CASH.....	<u>72,665</u>
CASH - JULY 1, 2006.....	<u> </u>
CASH - JUNE 30, 2007.....	<u>\$ 72,665</u>
RECONCILIATION TO EXHIBIT G - CASH:	
CASH AND CASH EQUIVALENTS PER ABOVE.....	\$ 72,665
CASH AND CASH EQUIVALENTS REPORTED AS INVESTMENTS	<u>(41,218)</u>
CASH - EXHIBIT G (INCLUDING RESTRICTED CASH).....	<u>\$ 31,447</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:	
Operating income (loss).....	\$ 46,587
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
Increase (decrease) in:	
Claims payable.....	<u>25,300</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES.....	<u>\$ 71,887</u>

The notes to the financial statements are an integral part of this statement

REGIONAL SCHOOL DISTRICT NO. 13
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2007

	PENSION TRUST FUNDS	PRIVATE PURPOSE TRUSTS	AGENCY FUNDS
ASSETS			
Cash.....	\$ 13,412	\$ 2,741	\$ 150,227
Investments:			
Certificates of deposit.....			90,670
Money market funds.....	211,784	4,999	
Proprietary mutual funds.....	1,229,953		
Corporate bonds.....	58,100		
U.S. government obligations.....	724,020		
Common stocks.....	1,783,933		
Total investments.....	4,007,790	4,999	90,670
TOTAL ASSETS.....	4,021,202	7,740	240,897
LIABILITY			
LIABILITY:			
Accounts payable.....			240,897
NET ASSETS			
Held in Trust for:			
Town of Durham employees pension benefits.....	366,816		
Regional School District No. 13 employees pension benefits....	3,654,386		
Individulas.....		7,740	
TOTAL NET ASSETS.....	\$ 4,021,202	\$ 7,740	\$ -

The notes to the financial statements are an integral part of this statement

REGIONAL SCHOOL DISTRICT NO. 13

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2007**

	PENSION TRUST FUNDS	PRIVATE PURPOSE TRUST FUNDS
ADDITIONS:		
Contributions:		
Employer.....	\$ 314,001	\$
Employee.....	88,619	
Total contributions.....	402,620	-
Investment income:		
Increase in fair value of investments.....	492,314	
Interest and dividends.....	1,775	36
Total investment income.....	494,089	36
Less investment expenses.....	7,996	
Net investment income.....	486,093	36
TOTAL ADDITIONS.....	888,713	36
DEDUCTIONS:		
Benefits.....	305,386	
CHANGES IN NET ASSETS.....	583,327	36
NET ASSETS - JULY 1, 2006.....	3,437,875	7,704
NET ASSETS - JUNE 30, 2007.....	\$ 4,021,202	\$ 7,740

The notes to the financial statements are an integral part of this statement

REGIONAL SCHOOL DISTRICT NO. 13

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

HISTORY AND ORGANIZATION

Regional School District No. 13 (the "District") was organized under provisions of the Connecticut General Statutes after approval by the member towns of Durham and Middlefield, Connecticut, for the purpose of providing education for grades 1-12.

The District operates under a Board of Education/Superintendent form of government and provides a full range of educational services to its member towns. The accompanying financial statements conform to accounting principles generally accepted in the United States of America as applicable to governments.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities* are normally supported by member town assessments, intergovernmental grants and revenues from local sources.

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

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

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Agency funds do not have a measurement focus but are accounted for using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing related cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Member town assessments, expenditure reimbursement-type grants, certain intergovernmental revenues, transfers, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items, including the state interest and bond subsidy grant, are considered to be measurable and available only when cash is received by the District.

The District reports the following major governmental funds:

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

The *Bonded Capital Projects Fund* accounts for the financial revenues to be used for new school building construction.

The *Special School Grants and Programs Fund* accounts for the financial revenues and expenditures relating to federal and state education grants.

Additionally, the District reports the following fund types:

The *Internal Service Fund* accounts for risk financing activities for dental insurance benefits as allowed by GASB Statement No. 10.

The *Pension Trust Funds* account for the activities of the District's and the Town of Durham's Employees Retirement System, which accumulates resources for pension benefit payments to qualified employees.

The *Private-Purpose Trust Funds* are used to account for resources legally held in trust for scholarships. All resources of the fund, including any earnings on invested resources, may be used for student scholarships.

The *Agency Funds* are used to account for resources held by the District in a purely custodial capacity (assets equal liabilities).

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements, except for any interfund services provided by one fund used by another fund. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers for goods and services, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town's internal service fund are charges to customers for medical insurance premiums and the expenses include costs of claims and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

C. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

Deposits – The District considers cash equivalents as cash on hand and demand deposits, money market accounts and short-term investments with original maturities of three months or less from the date of acquisition.

Investments – In general, State of Connecticut Statutes allow the District to invest in obligations of the United States of America or United States government sponsored corporations, in shares or other interests in any custodial arrangement, pool, or no-load, open-end management type investment company or investment trust (as defined), in obligations of any State or political subdivision rated within the top two rating categories of any nationally recognized rating service, or in obligations of the State of Connecticut or political subdivision rated within the top three rating categories of any nationally recognized rating service. Investment income is recorded in the fund in which it was earned.

Investments for the District are reported at fair value.

2. Receivables and Payables

Intergovernmental receivable are considered to be fully collectable and no allowance for collection losses has been recorded.

3. Unearned Revenues

Unearned revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received before the District has legal claim to them, as when grant monies are received prior to the issuance of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has legal claim to the resource, the liability for deferred revenues is removed from the balance sheet and revenue is recognized.

4. Restricted Assets

Certain donations received by the District have been classified as restricted assets because their use is limited by the donors.

REGIONAL SCHOOL DISTRICT NO. 13
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, and Net Assets or Equity (Continued)

5. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 for equipment and vehicles, \$20,000 for buildings and improvements, land and land improvements and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	45
Building improvements	45
Land improvements	20
Vehicles	7-10
Office equipment	7-10
Computer equipment	7

6. Compensated Absences

Sick leave and vacation leave expenditures are recognized in the governmental funds in the current year to the extent they are paid during the year. Unpaid benefits lapse at year end and any amounts payable during an employee's active term cannot exceed a full year's budgeted payroll and, as such, no liability is accrued.

7. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities' statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, and Net Assets or Equity (Continued)

8. Fund Equity

a. Fund Financial Statements

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

b. Government-Wide Financial Statements

Invested in Capital Assets, Net of Related Debt

This category presents the net assets that reflect capital assets net of only the debt applicable to the acquisition or construction of these assets. Debt issued for non-capital purpose is excluded.

Restricted Net Assets

This category presents the net assets restricted by external parties (creditors, grantors, contributors or laws and regulations).

Unrestricted Net Assets

This category presents the net assets of the District which are not restricted.

9. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities including disclosures of contingent assets and liabilities and reported revenues, expenses and expenditures during the fiscal year.

10. Comparative Data/Reclassifications

Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgets and Budgetary Accounting

The District establishes its general fund budget in accordance with provisions of the Connecticut General Statutes.

A budget for the general fund is authorized annually by the Board of Education. The Board of Education follows these procedures in establishing the budgetary data reflected in the financial statements:

- The citizens of the District vote on the recommended budget.
- All budget transfers must be approved by the Board of Education.

REGIONAL SCHOOL DISTRICT NO. 13
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

A. Budgets and Budgetary Accounting (Continued)

- Formal budgetary integration is employed as a management control device during the year for the general fund.
- All unencumbered appropriations of the general fund lapse at year end.
- Legal level of control (the level at which expenditures may not legally exceed appropriations) is at the total expenditure level for the general fund.
- Additional appropriations may be made during the year by the Board of Education. An additional appropriation requires approval at a District Meeting if it exceeds \$50,000 or is a second request. There were no additional appropriations for the year ended June 30, 2007.
- Encumbrances are recognized as a valid and proper charge against a budget appropriation in the year in which the purchase order, contract or other commitment is issued and, accordingly, encumbrances outstanding at year end are reported in budgetary reports (Exhibit F) as expenditures in the current year. Generally, all unencumbered appropriations lapse at year end, except those for the Capital Projects Funds. Appropriations for capital projects are continued until completion of applicable projects, even when projects extend more than one fiscal year.

B. Budget - GAAP Reconciliation

A reconciliation of revenues and expenditures between the accounting treatment required by GAAP (Exhibit D), and budgetary requirements (Exhibit F), is as follows:

	<u>REVENUES</u>	<u>EXPENDITURES</u>
BALANCE, BUDGETARY BASIS, EXHIBIT F - JUNE 30, 2007	\$ 29,764,384	\$ 29,055,467
Capital leases and other debt.....		148,836
State contribution to Teachers' Retirement System.....	<u>1,011,270</u>	<u>1,011,270</u>
BALANCE, GAAP BASIS, EXHIBIT D - JUNE 30, 2007.....	<u>\$ 30,775,654</u>	<u>\$ 30,215,573</u>

C. Capital Projects Authorizations

The following is a summary of Capital Projects at June 30, 2007:

<u>CAPITAL PROJECT</u>	<u>AUTHORIZATION</u>	<u>CURRENT YEAR EXPENDITURES</u>	<u>CUMULATIVE EXPENDITURES</u>	<u>BALANCE JUNE 30, 2007</u>
School Building Projects.....	<u>\$ 33,989,593</u>	<u>\$ 37,786</u>	<u>\$ 33,950,865</u>	<u>\$ 38,728</u>

D. Donor Restricted Endowments

The District has received certain endowments for the textbooks and library materials. The amounts are reflected in net assets as restricted for endowments. Interest earnings of \$21,990 that is approved for expenditure by the Board of Education is included in unreserved fund balance.

III. DETAILED NOTES

A. Cash and Investments

1. Deposits - Custodial Credit Risk - Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of June 30, 2007, \$2,204,242 of the District's bank balance of \$2,741,317, including certificates of deposit and money market accounts, was exposed to custodial credit risk as follows:

Uninsured and uncollateralized.....	\$ 1,956,141
Uninsured and collateral held by the pledging bank's trust department, not in the District's name.....	<u>248,101</u>
Total amount subject to custodial credit risk	<u>\$ 2,204,242</u>

2. Investments - The investments in the Pension Fund are covered by the Securities Investor Protection Corporation (SIPC) up to \$500,000, including \$100,000 of cash from sale or for purchase of investments, but not cash held solely for the purpose of earning interest. SIPC protects securities such as notes, stocks, bonds, debentures, certificates of deposit and money funds.

At June 30, 2007, the Town's investments consisted of the following investment types and maturities. Specific identification was used to determine the maturities.

TYPE OF INVESTMENT	FAIR VALUE	INVESTMENT MATURITY (IN YEARS)			
		N/A	0-1 YEARS	1-5 YEARS	5-10 YEARS
Certificates of deposit.....	\$ 701,755	\$	\$ 166,223	\$ 535,532	\$
Money market fund (bank).....	1,670,224		1,670,224		
Equity mutual funds	838,039	838,039			
Bond mutual funds	421,289			299,226	122,063
Corporate bonds.....	58,100			58,100	
U.S. government agency obligations	724,020			585,960	138,060
Common stocks	1,783,933	1,783,933			
.....	<u>\$6,197,360</u>	<u>\$2,621,972</u>	<u>\$1,836,447</u>	<u>\$1,478,818</u>	<u>\$ 260,123</u>

Interest rate risk - The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk - The District has no formal investment policy that would limit its investment choices due to credit risk other than State Statutes governing investments in obligations of any State or political subdivision.

The District's investments in Corporate Bonds, U.S. Government agency obligations and bond mutual funds had average ratings as follows by Standard & Poor's:

AVERAGE RATING	CORPORATE BONDS	U.S. GOVERNMENT AGENCY OBLIGATIONS	BOND MUTUAL FUNDS
AAA.....	\$ 18,321	\$ 724,020	\$
AA.....	39,779		421,289
TOTAL.....	<u>\$ 58,100</u>	<u>\$ 724,020</u>	<u>\$ 421,289</u>

REGIONAL SCHOOL DISTRICT NO. 13
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

III. DETAILED NOTES (CONTINUED)

A. Cash and Investments (Continued)

Custodial credit risk - Custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party.

The following Town investments are held by the counterparty's trust department or agent but not in the Town's name and, therefore, are subject to custodial credit risk.

	<u>TOTAL</u>	<u>LESS INSURED AMOUNTS</u>	<u>AMOUNT SUBJECT TO CUSTODIAL CREDIT RISK</u>
Common stocks.....	\$ 1,783,933	\$ 500,000	\$ 1,283,933
Corporate bonds.....	58,100		58,100
U.S. Government securities	<u>724,020</u>		<u>724,020</u>
 Total.....	 <u>\$ 2,566,053</u>	 <u>\$ 500,000</u>	 <u>\$ 2,066,053</u>

B. Receivables and Deferred Revenue

Receivables as of year end for the District's government-wide financial statements, by type, are as follows:

Intergovernmental Grant Receivables:

Due within one year.....	\$ 485,804
Due in more than one year.....	<u>2,100,749</u>

Total Intergovernmental Grant Receivables..... \$2,586,553

Governmental funds report *unearned revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *unearned revenue* reported in the governmental funds were as follows:

Grant drawdowns prior to meeting all eligibility requirements..... \$ 10,418

III. DETAILED NOTES (CONTINUED)

C. Capital Assets

Capital asset activity for the year ended June 30, 2007 was as follows:

	BALANCE JULY 1, 2006	INCREASES	DECREASES	BALANCE JUNE 30, 2007
Governmental Activities:				
Capital Assets not being Depreciated:				
Land.....	\$ 200,000			\$ 200,000
Construction in progress.....	33,613,079	37,786	(33,950,865)	-
Total Capital Assets not being depreciated.....	34,113,079	37,786	(33,950,865)	200,000
Capital Assets being Depreciated:				
Buildings.....	15,004,156	33,950,865		48,955,021
Land improvements other than buildings.....	364,025			364,025
Equipment.....	763,492	128,831		892,323
Vehicles.....	1,790,199			1,790,199
Total Capital Assets being Depreciated.....	17,921,872	34,079,696	-	52,001,568
Total Capital Assets.....	52,034,951	34,117,482	(33,950,865)	52,201,568
Less Accumulated Depreciation for:				
Buildings.....	6,240,317	623,687		6,864,004
Land improvements other than buildings.....	274,464	6,013		280,477
Equipment.....	607,830	34,451		642,281
Vehicles.....	273,340	162,151		435,491
Total Accumulated Depreciation.....	7,395,951	826,302	-	8,222,253
Total Capital Assets being Depreciated, net.....	10,525,921	33,253,394	-	43,779,315
Governmental Activities Capital Assets, net.....	\$ 44,639,000	\$ 33,291,180	\$ (33,950,865)	\$ 43,979,315

Depreciation expense of \$826,302 was charged to property services.

D. Changes in Long-Term Obligations

Summary of Changes

The following is a summary of changes in long-term obligations during the fiscal year:

DESCRIPTION	ORIGINAL AMOUNT	DATE OF ISSUE	DATE OF MATURITY	INTEREST RATE	BALANCE JULY 1, 2006	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30, 2007	CURRENT PORTION
BONDS									
School:									
Improvement bond	\$ 2,720,000	01/01/98	09/15/09	4.00-4.70	\$ 1,030,000	\$	\$ 265,000	\$ 765,000	\$ 260,000
Improvement bond	9,000,000	04/15/01	04/15/01	4.25-5.00	7,100,000		475,000	6,625,000	475,000
Improvement bond	7,300,000	03/01/03	09/15/03	2.50-4.30	6,470,000		415,000	6,055,000	415,000
Improvement bond	6,885,000	03/15/04	12/15/15	2.00-3.50	5,900,000		675,000	5,225,000	675,000
TOTAL BONDS.....					20,500,000	-	1,830,000	18,670,000	1,825,000
BOND PREMIUM.....					55,757		6,195	49,562	
DEFERRED CHARGES ON REFUNDING ISSUE.....					(383,658)		(42,629)	(341,029)	
TOTAL BONDS AND RELATED LIABILITIES.....					20,172,099	-	1,793,566	18,378,533	1,825,000
OBLIGATIONS UNDER CAPITAL LEASES.....					1,305,232	148,836	476,367	977,701	424,581
COMPENSATED ABSENCES.....					138,240	20,913	34,594	124,559	24,912
TOTAL GENERAL LONG-TERM OBLIGATIONS.....					\$ 21,615,571	\$ 169,749	\$ 2,304,527	\$ 19,480,793	\$ 2,274,493

All long-term liabilities listed above after bonds and notes are generally liquidated by the General Fund.

REGIONAL SCHOOL DISTRICT NO. 13
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

III. DETAILED NOTES (CONTINUED)

E. Changes in Long-Term Obligations (Continued)

The annual requirements to amortize all bonds payable as of June 30, 2007, are as follows:

FISCAL YEAR ENDED JUNE 30.	BONDS PAYABLE	
	PRINCIPAL PAYMENTS	INTEREST PAYMENTS
2008	\$ 1,825,000	\$ 702,106
2009	1,805,000	643,754
2010	1,730,000	581,195
2011	1,430,000	527,116
2012	1,420,000	475,272
2013	1,390,000	432,310
2014	1,380,000	374,822
2015	1,375,000	322,609
2016	1,365,000	268,771
2017	845,000	223,372
2018	845,000	186,514
2019	840,000	148,014
2020	840,000	109,530
2021	840,000	70,675
2022	370,000	31,635
2023	370,000	15,910
	<u>\$18,670,000</u>	<u>\$ 5,113,605</u>

The following is a summary of amounts to be provided by the State:

FISCAL YEAR ENDED JUNE 30.	PRINCIPAL PAYMENTS	INTEREST PAYMENTS	TOTAL
2008	\$ 423,530	\$ 40,936	\$ 464,466
2009	413,980	31,340	445,320
2010	398,171	21,562	419,733
2011	212,851	15,289	228,140
2012	208,677	12,478	221,155
2013	196,157	9,778	205,935
2014	191,983	7,105	199,088
2015	189,896	4,315	194,211
2016	185,723	1,444	187,167
	<u>\$ 2,420,968</u>	<u>\$ 144,247</u>	<u>\$2,565,215</u>

III. DETAILED NOTES (CONTINUED)

E. Changes in Long-Term Obligations (Continued)

Capital Leases

At June 30, 2007, the District is committed under lease agreements for the acquisition of office equipment, business equipment and school buses. These lease agreements qualify as capital leases for accounting purposes (titles transfer at the end of the lease term) and, therefore, have been recorded at the lower of the present value of the future minimum lease payments or the fair value of the leased assets at the date of their inception. The amount of capital assets recorded under capital leases totals \$1,858,242 at June 30, 2007.

The annual requirements to amortize capital leases as of June 30, 2007, are as follows:

MATURITIES JUNE 30,	PRINCIPAL	INTEREST	TOTAL
2008	\$ 424,581	\$ 26,378	\$ 450,959
2009	415,583	19,353	434,936
2010	126,446	5,337	131,783
2011	11,088	105	11,193
	<u>\$ 977,701</u>	<u>\$ 51,173</u>	<u>\$ 1,028,874</u>

Authorized/Unissued Bonds

The amount of authorized, unissued bonds for school facilities improvements is \$-0-.

Statutory Debt Limitations

The District's indebtedness does not exceed the legal debt limitations as required by Connecticut General Statutes. The statutes allow for debt up to 2.25 times the annual receipts of taxation of the member towns. The District's debt limitation is as follows:

CATEGORY	DEBT LIMIT	NET INDEBTEDNESS	BALANCE
Schools.....	\$ 63,275,580	\$ 16,249,033	\$ 47,026,547

Advance Refundings

On March 15, 2004, the Town issued \$6,885,000 of general obligation refunding bonds with interest rates of 2.00-3.50%. These refunding bonds were issued to advance refund and defease bonds issued in May 1990 and December 1995. The outstanding balance of the defeased debt was \$4,130,000 at June 30, 2007.

REGIONAL SCHOOL DISTRICT NO. 13
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

IV. OTHER INFORMATION

A. Risk Management

The District is exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets; errors or omissions; or acts of God.

The District currently is a member in Connecticut Interlocal Risk Management Agency (CIRMA), a public entity risk pool established for the purpose of administering an interlocal risk management program pursuant to the provisions of Section 7-479a et. Seq. of Connecticut General Statutes, for workers' compensation and employer liability coverage. CIRMA currently has 223 members in the workers' compensation pool. The District pays an annual premium for its coverage. CIRMA is to be self-sustaining through members' premiums but reinsures in excess of \$1,000,000 for each insured occurrence. Members may be subject to supplemental assessment in the event of deficiencies; however, potential assessments are limited pursuant to the by-laws.

The District purchases commercial insurance for all other risks of loss, including blanket and umbrella policies.

During the year deductibles paid by the District were insignificant. Settled claims, for all types of commercial coverage, have not exceeded coverage in any of the past three years. There were no significant reductions in insurance coverage from amounts held the prior year.

B. Commitments and Litigation

The District has been named as defendant in several claims and legal actions. The District's attorney estimates that the potential claims against the District not covered by insurance resulting from such claims and legal actions would not materially affect the financial condition of the District.

The District has received Federal and State grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursement to the grantor agency for any expenditures disallowed under terms of the grant. Based upon prior experience, District management believes such disallowances, if any, will not be material.

IV. OTHER INFORMATION (CONTINUED)

C. Pension Plans

Regional School District No. 13 and the Town of Durham Employee Retirement Plan

1. Plan Description

Summary

Regional School District No. 13 is the administrator of a single-employer pension employee retirement system (PERS) established and administered by the District to provide pension benefits for its employees. The Pension Committee, consisting of employees from the District, makes recommendations for plan provisions. The recommendations are then approved by the Board of Education. The PERS is considered to be part of the District's financial reporting entity and is included in the District's financial report as a pension trust fund. Included within the fund is \$366,816 of assets belonging to the Town of Durham' employees. This amount is shown as a separate reservation of net assets.

2. Summary of Significant Accounting Policies and Plan Asset Matters

a. Basis of Accounting

The fund's financial statements are prepared on the accrual basis of accounting. Contributions are recognized when due, pursuant to formal commitments and contractual requirements and investment income is recognized when earned and expenses (benefits and administration) are recognized when they are due and payable in accordance with the terms of the plan.

b. Valuation of Investments

Investments are valued at fair value. Securities traded on a national exchange are valued at June 30, 2007 reported sales price. There are no individual securities that represent more than 5% of net assets at June 30, 2007.

3. Classes of Employees Covered

At July 1, 2007, membership of the plan consisted of:

Active plan members	78
Terminated vested participants	22
Participants in payment status	<u>8</u>
Total	<u>108</u>

REGIONAL SCHOOL DISTRICT NO. 13
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

IV. OTHER INFORMATION (CONTINUED)

C. Pension Plans (Continued)

Regional School District No. 13 and the Town of Durham Employee Retirement Plan (Continued)

4. Benefit Provisions

a. Benefit Provisions

The plan covers substantially all regularly employed, permanent non-certified employees of the District. In order to be eligible for the plan, the employee must complete twelve months of service, attain a minimum age of twenty and participate in the money accumulation pension plan.

Normal retirement date is at age sixty-five on completion of five years of service. The annual benefit is based upon 70% of average compensation less 100% of the social security reduced proportionately for each year of service less than 25, less the projected benefit provided by the money accumulation pension plan. The plan does not contain a provision for early retirement. The death benefit for the plan is the present value of accrued benefits.

Participants are vested after ten years of service.

b. Contributions

Contribution requirements of the plan members and the District are established and may be amended by the Board of Education. Plan members are required to contribute 1% of their earnings to the plan. The District is required to contribute at an actuarially determined rate. The District's contribution for the year ended June 30, 2007, represented 3.39% of covered payroll. Administrative costs of the plan are financed through investment earnings of the plan's assets.

5. Three Year Trend Information

<u>FISCAL YEAR</u> <u>ENDING</u>	<u>ANNUAL</u> <u>PENSION</u> <u>COST (APC)</u>	<u>ACTUAL</u> <u>CONTRIBUTION</u>	<u>PERCENTAGE</u> <u>OF APC</u> <u>CONTRIBUTED</u>	<u>NET</u> <u>PENSION</u> <u>ASSET</u>
2005	\$ 91,021	\$ 109,396	120%	\$ 188,214
2006	87,830	98,183	112%	198,567
2007	84,309	87,129	104%	201,387

IV. OTHER INFORMATION (CONTINUED)

C. Pension Plans (Continued)

Regional School District No. 13 and the Town of Durham Employee Retirement Plan (Continued)

6. Actuarial Assumptions

The annual required contribution for the current year was determined as part of the July 1, 2006, actuarial valuation using the entry age normal cost method. The actuarial assumptions included:

a. Investment rate of return	8.25%
b. Projected salary increases (per year)	5.00%
c. Inflation rate	2.50%
d. Cost of living adjustment	None
e. The assumptions did not include post-retirement benefit increases	
f. Remaining amortization period (closed)	14 years

7. Annual Pension Cost and Net Pension Asset (NPA)

The annual pension cost and net pension asset to Regional School District No. 13 and the Town of Durham Employee Retirement Plan for the current year were:

	<u>2006 - 2007</u>
Annual required contribution.....	\$ 76,255
Interest in net pension obligation.....	(16,382)
Adjustment to annual required contribution.....	<u>24,436</u>
Annual pension cost.....	84,309
Contributions made.....	<u>87,129</u>
Net pension asset, July 1, 2006.....	<u>198,567</u>
Net pension asset, June 30, 2007.....	<u>\$ 201,387</u>

REGIONAL SCHOOL DISTRICT NO. 13
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

IV. OTHER INFORMATION (CONTINUED)

C. Pension Plans (Continued)

Money Accumulation Pension Plan

1. Plan Description

The District provides pension plan benefits for all noncertified employees working 20 hours per week or more through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate upon attaining age 21 and after completing one year of service. A Board consisting of employees of the District and the Town of Durham administers the plan. The District's contributions for each employee (and related earnings allocated to the employer contributions account) become fully vested at the earlier of the following dates: (a) the date of the participant's death; (b) the date the participant incurs total disability; (c) the date the participant attains normal retirement age; (d) the date of termination of this plan or the date of the complete cessation of employer contributions hereunder; or (e) the date the participant becomes 100% vested. Prior to becoming fully vested, the participant shall earn a vested interest in his employer contributions account in accordance with the following schedule:

<u>VESTING SERVICING</u>	<u>VESTED INTEREST</u>
Less than 3 years	0%
At least 3 years	20%
At least 4 years	40%
At least 5 years	60%
At least 6 years	80%
7 years or more	100%

2. Plan Provisions

Participants are always fully vested in their own contributions (and related earnings allocated to the participant contribution account).

The plan is accounted for using the accrual basis of accounting. Employer contributions are recognized when due. Investment income is recognized when earned. Securities traded on national exchanges are valued at the last reported sales price. Investments that do not have an established market value are reported at estimated fair value. No investments represent 5% or more of plan assets. Benefit and administrative expenses are recognized when incurred. Administrative expenses are financed from investment income.

3. Funding Policy

The District is required to contribute an amount equal to 5% of the payroll of the eligible employees. The District's total payroll for the year ended June 30, 2007, was \$17,378,679. The District's contribution amounted to \$122,884, which is equivalent to 5% of the annual active participants' payroll of \$2,457,680. Active enrollment in the plan is as follows:

Actively employed	83
Terminated participants	<u>14</u>
Total number of participants	<u>97</u>

IV. OTHER INFORMATION (CONTINUED)

C. Pension Plans (Continued)

Money Accumulation Pension Plan (Continued)

3. Funding Policy (Continued)

COMBINING STATEMENT OF FIDUCIARY FUND NET ASSETS
 FIDUCIARY FUNDS
 JUNE 30, 2007

	<u>PENSION TRUST FUNDS</u>		
	<u>MONEY ACCUMULATION PLAN</u>	<u>DEFINED BENEFIT PLAN</u>	<u>TOTAL PENSION TRUST FUNDS</u>
<u>ASSETS</u>			
Cash.....	\$ 11,361	\$ 2,051	\$ 13,412
Investments:			
Money market funds.....	140,628	71,156	211,784
Proprietary mutual funds.....		1,229,953	1,229,953
Corporate bonds.....	58,100		58,100
U.S. government obligations.....	724,020		724,020
Common stock.....	1,783,933		1,783,933
TOTAL ASSETS.....	2,718,042	1,303,160	4,021,202
<u>NET ASSETS</u>			
Net assets held in trust for the Town of Durham employees.....	\$	\$ 366,816	\$ 366,816
Net assets held in trust for District pension benefits	2,178,042	936,344	3,654,386
TOTAL NET ASSETS.....	\$ 2,718,042	\$ 1,303,160	\$ 4,021,202

REGIONAL SCHOOL DISTRICT NO. 13
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

IV. OTHER INFORMATION (CONTINUED)

C. Pension Plans (Continued)

Money Accumulation Pension Plan (Continued)

3. Funding Policy (Continued)

COMBINING STATEMENT OF CHANGES IN FIDUCIARY FUND NET ASSETS
 FIDUCIARY FUNDS
 JUNE 30, 2007

ADDITIONS:

Contributions:

Employer	\$ 122,884	\$ 191,117	\$ 314,001
Employee	55,045	33,574	88,619
Total contributions	177,929	224,691	402,620
Investment income:			
Increase in fair value of investments	319,294	173,020	492,314
Interest and dividends		1,775	1,775
Total investment income	319,294	174,795	494,089
Less: investment expenses		7,996	7,996
Net investment income	319,294	166,799	486,093
TOTAL ADDITIONS	497,223	391,490	888,713
DEDUCTIONS:			
Benefits	190,953	114,433	305,386
CHANGES IN NET ASSETS	306,270	277,057	583,327
NET ASSETS – JULY 1, 2006	2,411,772	1,026,103	3,437,875
NET ASSETS – JUNE 30, 2007	\$ 2,718,042	\$ 1,303,160	\$ 4,021,202

D. On-Behalf Payments

The amount recognized for revenue and expenditures for on-behalf payments relating to fringe benefits and salaries for the year ended June 30, 2007 was \$1,011,270. This includes \$1,011,270 recognized for revenues and expenditures related to pension contributions for its employees that the State of Connecticut paid directly to the State Teachers' Retirement Board for the year ended June 30, 2007.

**Required
Supplementary
Information**

REGIONAL SCHOOL DISTRICT NO. 13

REQUIRED SUPPLEMENTARY INFORMATION

REGIONAL SCHOOL DISTRICT NO. 13 RETIREMENT SYSTEM - DEFINED BENEFIT PLAN

SCHEDULE OF FUNDING PROGRESS

ACTUARIAL VALUATION DATE	A		B		(A-B)		(A/B)		C		{(B-A)/C}
	ACTUARIAL VALUE OF ASSETS	ACTUARIAL LIABILITY (AAL) PROJECTED UNIT CREDIT	OVER (UNDER) FUNDED AAL	FUNDED AAL RATIO	COVERED PAYROLL	OVER/UNDER FUNDED AAL AS A PERCENTAGE OF COVERED PAYROLL					
JULY 1, 2001	\$ 361,632	\$ 626,000	\$ (264,368)	57.8%	\$ 1,782,478	14.8%					
2002	339,243	748,995	(409,752)	45.3%	1,855,255	22.1%					
2003	470,032	1,055,807	(585,775)	44.5%	1,860,777	31.5%					
2004	562,061	1,073,543	(511,482)	52.4%	1,981,612	25.8%					
2005	661,119	1,142,449	(481,330)	57.9%	2,134,717	22.5%					
2006	772,220	1,165,512	(393,292)	66.3%	2,253,463	17.5%					

**Supplemental
Schedules**

General Fund

The general fund is the principal fund of the District and is used to account for all activities of the District, except those required to be accounted for in another fund. The general fund accounts for the normal recurring activities of the District (i.e., salaries, employee benefits, purchased services, property services, operational services, supplies, etc.). These activities are funded principally by member town assessments and grants from other governmental units.

REGIONAL SCHOOL DISTRICT NO. 13

**GENERAL FUND
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2007**

	ORIGINAL AND FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
MEMBER TOWN ASSESSMENT.....	\$ 28,122,480	\$ 28,122,480	\$ -
LOCAL SOURCES:			
Interest income.....	50,000	106,554	56,554
INTERGOVERNMENTAL:			
State receipts-building grants.....	592,807	476,987	(115,820)
Transportation.....	300,000	259,143	(40,857)
Special education.....	500,000	509,368	9,368
Adult education.....		9,779	9,779
Medicaid.....		4,625	4,625
Blind.....		5,957	5,957
TOTAL INTERGOVERNMENTAL.....	1,392,807	1,265,859	(126,948)
CHARGES FOR SERVICES:			
Buildings/grounds rentals.....	64,000	48,743	(15,257)
Tuition.....	15,000	163,290	148,290
TOTAL CHARGES FOR SERVICES.....	79,000	212,033	133,033
OTHER REVENUE:			
Miscellaneous.....	15,000	57,458	42,458
TOTAL REVENUES.....	29,659,287	29,764,384	105,097
OTHER FINANCING SOURCES:			
Transfer in.....		9,597	9,597
Appropriation of fund balance.....	600,000		(600,000)
TOTAL OTHER FINANCING SOURCES.....	600,000	9,597	(590,403)
TOTAL REVENUES AND OTHER FINANCING SOURCES.....	\$ 30,259,287	\$ 29,773,981	\$ (485,306)

SCHEDULE 2

REGIONAL SCHOOL DISTRICT NO. 13

**GENERAL FUND
SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2007**

	ORIGINAL AND FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
SALARIES:			
Certified personnel.....	\$ 14,591,606	\$ 13,531,658	\$ 1,059,948
Support personnel.....	3,002,854	3,113,387	(110,533)
TOTAL SALARIES.....	17,594,460	16,645,045	949,415
EMPLOYEE BENEFITS:			
Employee benefits.....	4,142,000	3,621,276	520,724
PURCHASED SERVICES:			
Education.....	333,941	309,400	24,541
Conferences.....	17,855	12,164	5,691
Professional.....	123,189	127,631	(4,442)
Technical.....	177,000	249,347	(72,347)
TOTAL PURCHASED SERVICES.....	651,985	698,542	(46,557)
PROPERTY SERVICES:			
Disposal services.....	23,000	25,515	(2,515)
Snow removal.....	45,000	25,505	19,495
Lawn service.....	70,000	61,961	8,039
Repairs and maintenance.....	291,788	336,827	(45,039)
Rentals and leases.....	767,204	331,041	436,163
TOTAL PROPERTY SERVICES.....	1,196,992	780,849	416,143
OPERATIONAL SERVICES:			
Pupil transportation.....	1,058,625	1,858,172	(799,547)
Field trips/athletics.....	37,970	49,465	(11,495)
Liability insurance.....	111,000	93,610	17,390
Dues and fees.....	39,579	37,230	2,349
Communication.....	115,943	97,649	18,294
Advertising.....	17,000	23,888	(6,888)
Printing.....	35,889	25,558	10,331
Tuition.....	997,932	881,846	116,086
Travel.....	18,063	20,200	(2,137)
TOTAL OPERATIONAL SERVICES.....	2,432,001	3,087,618	(655,617)
SUPPLIES:			
Supplies.....	485,314	460,375	24,939
Books/resource materials.....	212,048	188,550	23,498
Electricity.....	530,000	633,382	(103,382)
Bottled gas.....	8,500	7,967	533
Heating oil.....	270,000	293,551	(23,551)
Gasoline and oil vehicles.....	137,100	3,367	133,733
TOTAL SUPPLIES.....	1,642,962	1,587,192	55,770
CAPITAL IMPROVEMENTS/EQUIPMENT:			
Buildings.....	7,500	23,170	(15,670)
Equipment.....	3,647	24,036	(20,389)
TOTAL CAPITAL IMPROVEMENTS/EQUIPMENT.....	11,147	47,206	(36,059)
DEBT SERVICE:			
Interest.....	757,740	757,739	1
Principal.....	1,830,000	1,830,000	-
TOTAL DEBT SERVICE.....	2,587,740	2,587,739	1
TOTAL EXPENDITURES.....	\$ 30,259,287	\$ 29,055,467	\$ 1,203,820

Nonmajor Governmental Funds

Special Revenue Funds

Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

Permanent Funds

Permanent funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting government's programs.

REGIONAL SCHOOL DISTRICT NO. 11
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2007

SCHEDULE 3

	SPECIAL REVENUE FUNDS							PERMANENT FUNDS		TOTAL NONMAJOR GOVERNMENTAL FUNDS
	SCHOOL CAFETERIA FUND	RESERVE FUND	SUMMER SCHOOL	ARTS COUNCIL	ADULT EDUCATION	TOTAL	A. SMITH	HAAKE SCIENCE & HISTORY	TOTAL	
ASSETS										
Cash.....	\$ 2,931	\$ 54,558	\$ 6,825	\$ 2,908	\$ 7,850	\$ 75,072	\$ 5,148	\$ 29,375	\$ 34,523	\$ 75,072
Investments.....	74,837	75,553				150,390				184,913
Intergovernmental receivable.....	9,515					9,515				184,913
Other assets.....	9,765					9,765				9,765
TOTAL ASSETS.....	\$ 97,048	\$ 130,111	\$ 6,825	\$ 2,908	\$ 7,850	\$ 244,742	\$ 5,148	\$ 29,375	\$ 34,523	\$ 279,265
LIABILITY AND FUND BALANCES										
LIABILITY:										
Accounts payable.....	\$ 8,394					\$ 8,394				\$ 8,394
FUND BALANCES:										
Reserved for endowments.....	88,654	130,111	6,825	2,908	7,850	236,348	2,533	10,000	12,533	12,533
Unreserved and undesignated.....	88,654	130,111	6,825	2,908	7,850	236,348	2,615	19,375	21,990	258,338
Total Fund Balances.....	\$ 97,048	\$ 130,111	\$ 6,825	\$ 2,908	\$ 7,850	\$ 244,742	\$ 5,148	\$ 29,375	\$ 34,523	\$ 270,871
TOTAL LIABILITY AND FUND BALANCES.....										\$ 279,265

REGIONAL SCHOOL DISTRICT NO. 13

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

	SPECIAL REVENUE FUNDS							PERMANENT FUNDS		TOTAL NONMAJOR GOVERNMENTAL FUNDS
	SCHOOL CAFETERIA FUND	RESERVE FUND	SUMMER SCHOOL	ARTS COUNCIL	ADULT EDUCATION	TOTAL	A. SMITH	HAAKE SCIENCE & HISTORY	TOTAL	
REVENUES:										
Local sources:	\$ 537	\$ 2,969	\$	\$	\$	\$ 3,506	\$ 149	\$ 11,310	\$ 11,459	\$ 14,965
Intergovernmental:	85,169					85,169				85,169
Contributions:		39,888		1,000		40,888				40,888
Charges for services:	423,369		17,498		15,291	456,158				456,158
TOTAL REVENUES:	509,075	42,857	17,498	1,000	15,291	585,721	149	11,310	11,459	597,180
EXPENSES:										
Current:										
Salaries:	259,643		15,629		13,812	289,084				289,084
Supplies:	259,862				4,745	264,607				264,607
TOTAL EXPENSES:	519,505		15,629		18,557	553,691				553,691
NET CHANGE IN FUND BALANCES:	(10,430)	42,857	1,869	1,000	(3,266)	32,030	149	11,310	11,459	43,489
FUND BALANCES, JULY 1, 2006:	99,084	87,254	4,956	1,908	11,116	204,318	4,999	18,065	23,064	227,382
FUND BALANCES, JUNE 30, 2007:	\$ 88,654	\$ 130,111	\$ 6,825	\$ 2,908	\$ 7,850	\$ 236,348	\$ 5,148	\$ 29,375	\$ 34,523	\$ 270,871

Fiduciary Funds

Fiduciary funds are used to account for assets held by the Town in a trustee capacity for individuals, private organizations or other governments.

Pension Trust Funds

A fiduciary fund type used to report resources that are required to be held in trust for the members and beneficiaries of defined benefit pension plans.

Private-Purpose Trust Funds

A fiduciary trust fund type is used to report all trust arrangements, other than those properly reported in pension trust funds or investment trust funds, under which principal and income benefit individuals, private organizations, or other governments.

Agency Funds

Agency funds are used to report resources held by the reporting government in a purely custodial capacity (assets equal liabilities).

REGIONAL SCHOOL DISTRICT NO. 13

COMBINING STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2007

	PENSION TRUST FUNDS			PRIVATE-PURPOSE TRUST FUNDS				TOTAL PRIVATE-PURPOSE TRUST FUNDS
	MONEY ACCUMULATION PLAN	DEFINED BENEFIT PLAN	TOTAL PENSION TRUST FUNDS	R. MASON	MOELLER	P. LYMAN		
ASSETS								
Cash.....	\$ 11,361	\$ 2,051	\$ 13,412	\$	\$ 502	\$ 2,239	\$	2,741
Investments:								
Money market funds.....	140,628	71,156	211,784	4,999				4,999
Proprietary mutual funds.....		1,229,953	1,229,953					
Corporate bonds.....	58,100		58,100					
U.S. government obligations.....	724,020		724,020					
Common stock.....	1,783,933		1,783,933					
TOTAL ASSETS	2,718,042	1,303,160	4,021,202	4,999	502	2,239		7,740
NET ASSETS								
Held in Trust for:								
Town of Durham employees pension benefits.....		366,816	366,816					
Regional School District No. 13 employees pension benefits.....	2,718,042	936,344	3,654,386	4,999	502	2,239		7,740
Individuals.....								
TOTAL NET ASSETS HELD IN TRUST FOR PENSION BENEFITS AND OTHER PURPOSES	\$ 2,718,042	\$ 1,303,160	\$ 4,021,202	\$ 4,999	\$ 502	\$ 2,239		\$ 7,740

SCHEDULE 6

REGIONAL SCHOOL DISTRICT NO. 13

**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2007**

	PENSION TRUST FUNDS			PRIVATE-PURPOSE TRUST FUNDS				TOTAL PRIVATE-PURPOSE TRUST FUNDS
	MONEY ACCUMULATION PLAN	DEFINED BENEFIT PLAN	TOTAL PENSION TRUST FUNDS	R. MASON	MOELLER	P. LYMAN		
ADDITIONS:								
Contributions:								
Employer.....	\$ 122,884	\$ 191,117	\$ 314,001	\$	\$	\$	\$	\$
Employee.....	55,045	33,574	88,619					
Total contributions.....	177,929	224,691	402,620	-	-	-	-	-
Investment income:								
Increase in fair value of investments.....	319,294	173,020	492,314					
Interest and dividends.....		1,775	1,775	30		6		36
Total investment income.....	319,294	174,795	494,089	30	-	6	-	36
Less: investment expenses.....		7,996	7,996					
Net investment income.....	319,294	166,799	486,093	30	-	6	-	36
TOTAL ADDITIONS.....	497,223	391,490	888,713	30	-	6	-	36
DEDUCTIONS:								
Benefits.....	190,953	114,433	305,386					
CHANGES IN NET ASSETS.....	306,270	277,057	583,327	30	-	6	-	36
NET ASSETS - JULY 1, 2006.....	2,411,772	1,026,103	3,437,875	4,969	502	2,233	7,704	7,704
NET ASSETS - JUNE 30, 2007.....	\$ 2,718,042	\$ 1,303,160	\$ 4,021,202	\$ 4,999	\$ 502	\$ 2,239	\$ 7,740	\$ 7,740

REGIONAL SCHOOL DISTRICT NO. 13
AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITY
FOR THE YEAR ENDED JUNE 30, 2007

	BALANCE JULY 1, 2006	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30, 2007
ASSETS				
CASH:				
Student activities.....	\$ 188,497	\$ 666,121	\$ 717,921	\$ 136,697
Middlesex consortium.....	75,959	92,764	155,193	13,530
Total Cash.....	264,456	758,885	873,114	150,227
INVESTMENTS:				
Student activities-certificates of deposit.....	88,255	2,415		90,670
TOTAL ASSETS.....	\$ 352,711	\$ 761,300	\$ 873,114	\$ 240,897
LIABILITY				
Due to student groups and others.....	\$ 352,711	\$ 761,300	\$ 873,114	\$ 240,897

REGIONAL SCHOOL DISTRICT NO. 13

COMPUTATION OF DEBT LIMIT AND DEBT MARGIN - THE DISTRICT
June 30, 2007

	<u>TOWN OF</u>		
	<u>MIDDLEFIELD</u>	<u>DURHAM</u>	<u>TOTAL</u>
Total Fiscal Year 2006-07			
Member Town Assessments.....	\$ 9,544,770	\$ 18,577,710	\$28,122,480
Base for Establishing Debt Limit.....	<u>\$ 9,544,770</u>	<u>\$ 18,577,710</u>	<u>\$28,122,480</u>
Debt Limit:			
Limit for School Building Purposes (2.25 times base).....			<u>\$63,275,580</u>
Indebtedness:			
Bonds outstanding.....			18,670,000
Less: State Grants Receivable:			
Region 13.....			<u>2,420,968</u>
Net Indebtedness.....			<u>16,249,032</u>
Debt Limitation in Excess of			
Net Indebtedness.....			<u>\$47,026,548</u>

**Federal
Single
Audit**

REGIONAL SCHOOL DISTRICT NO. 13

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007**

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	FEDERAL CFDA NUMBER	STATE PROJECT NUMBER	EXPENDITURES
U.S. DEPARTMENT OF AGRICULTURE			
Passed through State Department of Education:			
National School Lunch Program.....	10.553		\$ 50,395
Department of Administrative Services:			
Food Distribution.....	10.550		<u>29,584</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE.....			<u>79,979</u>
U.S. DEPARTMENT OF EDUCATION			
Passed through State Department of Education:			
Title I Grants to Local Educational Agencies.....		861-500030100	16,965
Title I Grants to Local Educational Agencies.....		861-600030101	<u>147,212</u>
TOTAL TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES.....	84.010		<u>164,177</u>
State Program Improvement Grant.....	84.323		<u>15,306</u>
Vocational Education - Basic Grants to States.....	84.048	901-600130101	<u>23,635</u>
Safe and Drug-Free Schools and Communities - State Grants.....		929-500031100	2,683
Safe and Drug-Free Schools and Communities - State Grants.....		929-600031101	<u>769</u>
TOTAL SAFE AND DRUG-FREE SCHOOLS AND COMMUNITIES - STATE GRANTS.....	84.186		<u>3,452</u>
Innovative Education Program Strategies.....		942-500030100	2,105
Innovative Education Program Strategies.....		942-600030101	<u>1,436</u>
TOTAL INNOVATIVE EDUCATION PROGRAM STRATEGIES.....	84.298		<u>3,541</u>
Special Education - Preschool Grants (IDEA, Preschool).....		963-500031100	3,722
Special Education - Preschool Grants (IDEA, Preschool).....		963-600031101	<u>12,078</u>
TOTAL SPECIAL EDUCATION - PRESCHOOL GRANTS (IDEA, PRESCHOOL)....	84.173		<u>15,800</u>
Special Education - State Grants (IDEA).....		962-500031100	53,967
Special Education - State Grants (IDEA).....		962-600031101	<u>326,283</u>
TOTAL SPECIAL EDUCATION - STATE GRANTS (IDEA).....	84.027		<u>380,250</u>
Technology Literacy Challenge Fund.....		918-500030100	394
Technology Literacy Challenge Fund.....		918-600030101	<u>55</u>
TOTAL TECHNOLOGY LITERACY CHALLENGE FUND.....	84.318		<u>449</u>
Improving Teacher Quality State Grants.....		924-500030100	4,893
Improving Teacher Quality State Grants.....		924-600030101	<u>33,453</u>
TOTAL IMPROVING TEACHER QUALITY STATE GRANTS.....	84.367		<u>38,346</u>
Emergency Impact Aid- Displaced Students.....	84.938		<u>3,000</u>
TOTAL U.S. DEPARTMENT OF EDUCATION.....			<u>647,956</u>
TOTAL FEDERAL AWARDS.....			<u>\$ 727,935</u>

REGIONAL SCHOOL DISTRICT NO. 13

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Regional School District No. 13 conform to accounting principles generally accepted in the United States of America promulgated by the Governmental Accounting Standards Board. The following is a summary of the more significant policy relating to Federal awards:

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards is presented on the modified accrual basis of accounting and a current financial resources measurement focus. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

2. NONCASH FEDERAL AWARDS

The District received and expended \$29,584 of USDA donated Commodities under the Federal Food Distribution Program.

REGIONAL SCHOOL DISTRICT NO. 13

**SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2007**

- There were no findings or questioned costs reported in the prior year.

REGIONAL SCHOOL DISTRICT NO. 13

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2007**

I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? yes no

Significant deficiency(ies) identified that are
not considered to be material weaknesses? x yes none reported

Noncompliance material to financial statements noted? yes x no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? yes x no

Significant deficiency(ies) identified that are
not considered to be material weakness(es)? yes x none reported

Type of auditors' report issued on compliance
for major programs: Unqualified

Any audit findings disclosed that are required
to be reported in accordance with
Circular A-133, Section .510(a)? yes x no

Identification of major programs:

<u>CFDA NUMBER</u>	<u>NAME OF FEDERAL PROGRAM</u>
84.027/84.173	Special Education – Cluster

Dollar threshold used to distinguish
between Type A and Type B programs: \$ 300,000

Auditee qualified as low-risk auditee? x yes no

II - FINANCIAL STATEMENT FINDINGS

- We issued our report dated November 27, 2007, on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with Government Auditing Standards.
- Our report on compliance indicated no reportable instances of noncompliance.
- Our report on internal control over financial reporting indicated a significant deficiency.

REGIONAL SCHOOL DISTRICT NO. 13

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2007**

II - FINANCIAL STATEMENT FINDINGS (Continued)

FINDING # 2007-01

Criteria:

The District does not prepare complete financial statements and notes to the financial statements in preparation of the audit in accordance with accounting principles generally accepted in the United States of America.

Condition

The District has insufficient expertise in selecting and applying accounting policies that are in conformity with accounting principles generally accepted in the United States of America. Due to the continuing issuance of new accounting principles and auditing standards, this deficiency is not uncommon in small organizations.

Questioned Cost

None

Context

The District has insufficient expertise in selecting and applying accounting policies that are in conformity with accounting principles generally accepted in the United States of America. Due to the continuing issuance of new accounting principles and auditing standards, this deficiency is not uncommon in small organizations.

Effect

There is no effect.

Cause

This is a control deficiency that is a significant deficiency as defined by the current auditing literature regarding the preparation of financial statements.

Recommendation

None

III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No findings or questioned costs related to Federal Award programs.



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

Board of Education
Regional School District No. 13
Durham, Connecticut

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Regional School District No. 13, as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 27, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiency described in the accompanying schedule of findings and responses to be a significant deficiency in internal control over financial reporting.

Regional School District No. 13

Page Two

Internal Control Over Financial Reporting (Continued)

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described above is not a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under Government Auditing Standards and which is described in the accompanying schedule of findings and responses as item 2007-01.

We noted certain matters that we reported to management of the District in a separate letter dated November 27, 2007.

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

Kostin, Ruffkess & Company, LLC

New London, Connecticut

November 27, 2007



**KOSTIN,
RUFFKESS
& COMPANY, LLC**

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

Board of Education
Regional School District No. 13
Durham, Connecticut

Compliance

We have audited the compliance of Regional School District No. 13, with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal programs for the year ended June 30, 2007. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly we do not express an opinion on the effectiveness of the District's internal control over compliance.



Regional School District No. 13
Page Two

Internal Control Over Compliance (Continued)

A *control deficiency* in a District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the District's internal control.

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

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the District, as of and for the year ended June 30, 2007, and have issued our report thereon dated November 27, 2007. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of management, the Board of Education, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

Kostin, Ruffkess & Company, LLC

New London, Connecticut
November 27, 2007

**State
Single
Audit**

REGIONAL SCHOOL DISTRICT NO. 13

**SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2007**

STATE GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	STATE GRANT PROGRAM IDENTIFICATION NUMBER	EXPENDITURES
<u>COMMISSION ON CULTURE AND TOURISM:</u>		
Local Arts Agency Program.....	11000-CAT45200-10009	\$ 3,500
<u>DEPARTMENT OF EDUCATION:</u>		
Child Nutrition Program - School Lunch State Match.....	11000-SDE64000-16072	4,770
Adult Education.....	11000-SDE64000-17030	35,000
State Funds for Technology Infrastructure.....	12052-SDE64000-40312	127,268
Magnet School Transportation.....	11000-SDE64000-17057	<u>28,600</u>
TOTAL STATE FINANCIAL ASSISTANCE BEFORE EXEMPT PROGRAMS.....		199,138
EXEMPT PROGRAMS:		
<u>DEPARTMENT OF EDUCATION:</u>		
School Construction Projects - Interest.....	11000-SDE64000-17014	36,478
School Construction Progress Payments.....	11000-SDE64000-17014	219,435
Transportation of School Children - Public.....	11000-SDE64000-17027	230,543
School Construction Projects - Principal.....	11000-SDE64000-17014	252,499
Special Education - Excess Cost.....	11000-SDE64000-17047	373,229
Special Education - API Regular Education 1.....	11000-SDE64000-17047	<u>136,139</u>
TOTAL STATE FINANCIAL ASSISTANCE.....		<u>\$ 1,447,461</u>

REGIONAL SCHOOL DISTRICT NO. 13

**NOTE TO SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2007**

Various departments and agencies of the State of Connecticut have provided financial assistance to Regional School District No. 13 through grants and other authorization in accordance with the General Statutes of the State of Connecticut. These financial assistance programs fund several programs relating to education.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Regional School District No. 13 conform to accounting principles generally accepted in the United States of America promulgated by the Governmental Accounting Standards Board. The following is the significant policy relating to state financial assistance:

Basis of Presentation

The accompanying Schedule of Expenditures of State Financial Assistance is presented on the modified accrual basis of accounting and a current financial resources measurement focus.

The Schedule of Expenditures of State Financial Assistance, contained in this report, is prepared based on regulations established by the State of Connecticut Office of Policy and Management. In accordance with these regulations (Section 4-236-22), certain grants are not dependent on expenditure activity and, accordingly, are considered to be expended in the fiscal year of receipt. These grant program receipts are reflected in the expenditures column of the Schedule of Expenditures of State Financial Assistance.

REGIONAL SCHOOL DISTRICT NO. 13

**SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2007**

- There were no findings or questioned costs reported in the prior year.

REGIONAL SCHOOL DISTRICT NO. 13

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2007**

I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? yes x no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? x yes none reported

Noncompliance material to financial statements noted? yes x no

State Financial Assistance

Internal control over major programs:

- Material weakness(es) identified? yes x no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? yes x none reported

Type of auditors' report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 4-236-24 of the Regulations to the State Single Audit Act? yes x no

Identification of major programs:

<u>State Grantor and Program</u>	<u>State Grant Program Identification Number</u>	<u>Expenditures</u>
State Funds for Technology Infrastructure	12052-SDE64000-40312	\$ 127,268

II. FINANCIAL STATEMENT FINDINGS

- We issued our report dated November 27, 2007, on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with Government Auditing Standards.
- Our report on compliance indicated no reportable instances of noncompliance.
- Our report on internal control over financial reporting indicated a significant deficiency.

REGIONAL SCHOOL DISTRICT NO. 13

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2007**

II. FINANCIAL STATEMENT FINDINGS (Continued)

FINDING # 2007-01

Criteria:

The District does not prepare complete financial statements and notes to the financial statements in preparation of the audit in accordance with accounting principles generally accepted in the United States of America.

Condition

The District has insufficient expertise in selecting and applying accounting policies that are in conformity with accounting principles generally accepted in the United States of America. Due to the continuing issuance of new accounting principles and auditing standards, this deficiency is not uncommon in small organizations.

Questioned Cost

None

Context

The District has insufficient expertise in selecting and applying accounting policies that are in conformity with accounting principles generally accepted in the United States of America. Due to the continuing issuance of new accounting principles and auditing standards, this deficiency is not uncommon in small organizations.

Effect

There is no effect.

Cause

This is a control deficiency that is a significant deficiency as defined by the current auditing literature regarding the preparation of financial statements.

Recommendation

None

III. STATE FINANCIAL ASSISTANCE FINDINGS AND QUESTIONED COSTS

No findings or questioned costs related to State Financial Assistance programs.



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

Board of Education
Regional School District No. 13
Durham, Connecticut

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Regional School District No. 13, as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 27, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiency described in the accompanying schedule of findings and responses to be a significant deficiency in internal control over financial reporting.

Regional School District No. 13

Page Two

Internal Control Over Financial Reporting (Continued)

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described above is not a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under Government Auditing Standards and which is described in the accompanying schedule of findings and responses as item 2007-1.

We noted certain matters that we reported to management of the District in a separate letter dated November 27, 2007.

This report is intended solely for the information and use of management, the Board of Education, state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Kostin, Ruffkess & Company, LLC

New London, Connecticut
November 27, 2007



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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH THE STATE SINGLE AUDIT ACT**

Board of Education
Regional School District No. 13
Durham, Connecticut

Compliance

We have audited the compliance of Regional School District No. 13, with the types of compliance requirements described in the Office of Policy and Management Compliance Supplement that are applicable to each of its major state programs for the year ended June 30, 2007. The major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major state programs is the responsibility of the District's management. Our responsibility is to express an opinion on compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the State Single Audit Act (C.G.S. Sections 4-230 to 4-236). Those standards and the State Single Audit Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major state programs for the year ended June 30, 2007.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to state programs. In planning and performing our audit, we considered the internal control over compliance with requirements that could have a direct and material effect on a major state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.



Regional School District No. 13
Page Two

Internal Control Over Compliance (Continued)

A *control deficiency* in a District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a state program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a state program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a state program that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a state program will not be prevented or detected by the District's internal control.

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

Schedule of Expenditures of State Financial Assistance

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the District, as of and for the year ended June 30, 2007, and have issued our report thereon dated November 27, 2007. Our audit was performed for the purpose of forming opinions on the financial statements taken as a whole. The accompanying schedule of expenditures of state financial assistance is presented for purposes of additional analysis as required by the State Single Audit Act and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of management, the Board of Education, the Office of Policy and Management, and state awarding agencies and is not intended to be and should not be used by anyone other than those specified parties.

Kostin, Ruffkess & Company, LLC

New London, Connecticut
November 27, 2007