

REGIONAL SCHOOL DISTRICT NO. 13
Durham and Middlefield, Connecticut

FINANCIAL STATEMENTS

JUNE 30, 2010

REGIONAL SCHOOL DISTRICT NO. 13

TABLE OF CONTENTS

JUNE 30, 2010

	<u>Page</u>
Independent Auditors' Report	1-2
Management's Discussion and Analysis	3-9
<u>Basic Financial Statements</u>	
<u>Exhibits</u>	
<u>Government-Wide Financial Statements</u>	
I Statement of Net Assets	10
II Statement of Activities	11
<u>Fund Financial Statements</u>	
III Balance Sheet - Governmental Funds	12-13
IV Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	14-15
V Statement of Fiduciary Net Assets	16
VI Statement of Changes in Fiduciary Net Assets	17
Notes to the Financial Statements	18-40
<u>Required Supplementary Information</u>	
<u>General Fund</u>	
RSI-1 Schedule of Revenues and Other Financing Sources - Budget and Actual	41
RSI-2 Schedule of Expenditures and Other Financing Uses - Budget and Actual	42-43

REGIONAL SCHOOL DISTRICT NO. 13

TABLE OF CONTENTS (CONTINUED)

JUNE 30, 2010

	<u>Page</u>
<u>Supplemental Schedules</u>	
<u>Exhibits</u>	
<u>Nonmajor Governmental Funds</u>	
A-1 Combining Balance Sheet - Nonmajor Governmental Funds	44
A-2 Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	45
<u>Fiduciary Funds</u>	
B-1 Combining Statement of Fiduciary Net Assets - Private-Purpose Trust Funds	46
B-2 Combining Statement of Changes in Fiduciary Net Assets - Private-Purpose Trust Funds	47
B-3 Combining Statement of Changes in Assets and Liabilities - Agency Funds	48
<u>Supplemental Schedule</u>	
C Schedule of Debt Limitation	49



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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, 2010, which collectively comprise Regional School District No. 13's basic financial statements as listed in the table of contents. These 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Regional School District No. 13 as of June 30, 2010 and the respective changes in financial position 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 December 4, 2010 on our consideration of the Regional School District No. 13's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's discussion and analysis on pages 3 through 9 and the budgetary comparison information on pages 41 through 43 are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Regional School District No. 13's basic financial statements. The combining and individual nonmajor fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and schedules 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.

Blum, Shapiro & Company, P.C.

December 4, 2010

REGIONAL SCHOOL DISTRICT NO. 13

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2010

Management of Regional School District No. 13 (the Region) offers readers of these financial statements this narrative overview and analysis of the financial activities of the Region for the fiscal year ended June 30, 2010.

Financial Highlights

- The assets of the Region exceeded its liabilities at the close of the most recent fiscal year by \$28,681,783 (net assets).
- The Region's total net assets increased by \$645,248. The increase resulted from charges for services, operating grants and other revenues exceeding expenses.
- As of the close of the current fiscal year, the Region's governmental funds reported a combined ending fund balance of \$6,794,453, an increase of \$2,838,724 in comparison with the prior year.
- At the end of the current fiscal year, the fund balance for the general fund was \$2,278,563, which is designated for subsequent year's budget.
- Long-term bonds increased by \$3,265,000 due to a new issuance of \$4,995,000 less scheduled principal payments of \$1,730,000.

Overview of the Basic Financial Statements

This discussion and analysis are intended to serve as an introduction to the Region's basic financial statements. The Region's basic financial statements comprise 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 Region's finances in a manner similar to a private-sector business.

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

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

The government-wide financial statements present the functions of the Region, which are principally supported by assessments to member towns and intergovernmental revenues. The governmental activities of the Region include general instruction, special education, student services, administration, buildings 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 Region uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Region 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 evaluating the Region'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 Region'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 Region maintains five 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, the Special School Grants and Programs Fund and the Capital Projects Fund, all of which are considered to be major funds. Data from the other two 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 Region 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 Funds. The Region maintains one proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the Region's various functions. The Region uses an internal service fund to account for its self-insured medical benefits.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Region'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. The combining statements referred to earlier in connection with nonmajor governmental funds are presented following the notes to the basic financial statements. Combining and individual fund statements and schedules can be found in Exhibits B-1 and B-2.

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 Region, assets exceeded liabilities by \$28,681,783 at the close of the most recent fiscal year.

By far, the largest portion of the Region's net assets reflects its investment in capital assets (e.g., land, buildings and machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The Region uses these capital assets to provide public education to eligible citizens living within the district; consequently, these assets are not available for future spending. Although the Region'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. The remaining balance of unrestricted net assets is \$7,227,908.

REGIONAL SCHOOL DISTRICT NO. 13 NET ASSETS

	Governmental Activities	
	2010	2009
Current and other assets	\$ 8,624,287	\$ 6,356,558
Capital assets, net of accumulated depreciation	41,542,855	37,757,374
Total Assets	<u>50,167,142</u>	<u>44,113,932</u>
Long-term liabilities outstanding	20,952,159	15,365,723
Other liabilities	533,200	711,674
Total liabilities	<u>21,485,359</u>	<u>16,077,397</u>
Net Assets:		
Invested in capital assets, net of related debt	25,190,843	22,870,062
Restricted	32,647	26,292
Unrestricted	<u>3,458,293</u>	<u>5,140,181</u>
Total Net Assets	<u>\$ 28,681,783</u>	<u>\$ 28,036,535</u>

Governmental Activities. The Region's net assets increased by \$645,248 during the current fiscal year. The increase is due to the use of accrual accounting at the government-wide financial statement level where capital expenditures are capitalized and debt service principal payments are not expensed.

**REGIONAL SCHOOL DISTRICT NO. 13
CHANGES IN NET ASSETS**

	Governmental Activities	
	2010	2009
Revenues:		
Program revenues:		
Charges for services:		
General instruction	\$ 24,005	\$ 29,122
Special education	352,666	322,192
Student services	492,399	485,715
Buildings	44,775	35,987
Operating grants and contributions	4,793,427	3,629,243
Capital grants and contributions	786,000	675,551
General revenues:		
Assessments from member towns	30,390,422	31,044,283
Investment income	63,618	64,015
Miscellaneous	47,598	35,656
Total revenues	36,994,910	36,321,764
Expenses:		
General instruction	16,170,412	15,824,066
Special education	7,105,622	6,895,551
Student services	2,212,296	2,147,204
Administration	5,304,932	5,221,417
Buildings	3,503,261	3,723,901
Transportation	1,348,054	1,734,848
Interest expense	705,085	662,409
Total expenses	36,349,662	36,209,396
Change in net assets	645,248	112,368
Net Assets at Beginning of Year	28,036,535	27,924,167
Net Assets at End of Year	\$ 28,681,783	\$ 28,036,535

- Assessments from member towns were offset by \$863,844 in the state fiscal stabilization fund that is reported on the operating grants line. These funds are part of the ARRA federal program.
- For the most part, increases in expenses closely paralleled inflation and growth.

Financial Analysis of the Region's Funds

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

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

As of the end of the current fiscal year, the Region's governmental funds reported a combined ending fund balance of \$6,794,453, an increase of \$2,838,724 in comparison with the prior year. Of that balance, \$2,278,563 constitutes funds designated for subsequent year's budgets. The remaining \$4,515,890 of fund balance is reserved to indicate that it is not available for new spending because it has already been committed as capital reserves and other governmental projects or funds.

The Region's General Fund's fund balance increased by \$74,195 during the current fiscal year. Key factors in the General Fund are as follows:

General Fund Budgetary Highlights

There were several differences between the original budget and the final amended budget of revenues and expenditures. Significant budgetary variances can be briefly summarized as follows:

Final Budget to Actual

- Salary expense was under budget by \$282,091 or 1.47%.
- The positive variance (under budget) of \$331,928 in tuition expenditures, \$261,981 in transportation, and \$65,500 in electricity.
- We experienced higher revenue from tuition services of \$58,666 and miscellaneous grant reimbursement in the amount of \$38,516.

Capital Assets and Debt Administration

Capital Assets. The Region's investment in capital assets for its governmental activities as of June 30, 2010 amounts to \$41,542,855 (net of accumulated depreciation). This investment in capital assets includes land, buildings and machinery and equipment. The net increase in the Region's capital assets for the current fiscal year was \$3,785,481 as a result of two new metal school roofs and other projects.

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

**REGIONAL SCHOOL DISTRICT NO. 13
CAPITAL ASSETS
(NET OF DEPRECIATION)**

	Governmental Activities	
	2010	2009
Land	\$ 200,000	\$ 200,000
Construction in progress	593,138	41,911
Buildings and improvements	37,371,510	36,270,301
Land improvements	420,100	446,272
Equipment	1,067,994	661,997
Vehicles	1,890,113	136,893
 Total	 <u>\$ 41,542,855</u>	 <u>\$ 37,757,374</u>

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

Long-Term Debt. At the end of the current fiscal year, the Region had total bonded debt outstanding of \$16,845,000. All of this debt comprises debt backed by the full faith and credit of the Region.

**REGIONAL SCHOOL DISTRICT NO. 13
OUTSTANDING DEBT
GENERAL OBLIGATION BONDS**

	Governmental Activities	
	2010	2009
General obligation bonds	\$ <u>18,305,000</u>	\$ <u>15,040,000</u>

The Region’s total debt increased by \$3,265,000 during the current fiscal year. The Region maintains an “A2” rating from Moody’s for general obligation debt.

State Statutes limit the amount of general obligation debt a regional school district may issue to 4.5 times total tax collections including interest and lien fees and the tax relief for elderly freeze grant of the member towns. The current debt limitation for the Region is \$143,955,572, which is significantly in excess of the Region’s outstanding general obligation debt.

A portion of the Region’s debt is allocated to each member town and is included in the town’s debt limitation. Additional information on the Region’s long-term debt can be found in Note 3E of this report.

Requests for Information

This financial report is designed to provide a general overview of the Region'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 Ronald Melnik, Business Manager, Regional School District No. 13, 135A Pickett Lane, Durham, Connecticut 06422.

REGIONAL SCHOOL DISTRICT NO. 13

STATEMENT OF NET ASSETS

JUNE 30, 2010

	<u>Governmental Activities</u>
Assets:	
Cash	\$ 6,541,203
Investments	606,697
Accounts receivable	1,421
Intergovernmental receivable	1,198,088
Bond issue costs	32,866
Other assets	15,978
Net pension asset	195,387
Restricted assets:	
Temporarily restricted:	
Investments	20,114
Permanently restricted:	
Investments	12,533
Capital assets not being depreciated	793,138
Capital assets net of accumulated depreciation	40,749,717
Total assets	<u>50,167,142</u>
Liabilities:	
Accounts and other payables	337,392
Accrued interest payable	116,904
Unearned revenue	78,904
Noncurrent liabilities:	
Due within one year	2,032,133
Due in more than one year	18,920,026
Total liabilities	<u>21,485,359</u>
Net Assets:	
Invested in capital assets, net of related debt	25,190,843
Restricted for:	
Textbooks:	
Expendable	3,118
Nonexpendable	2,533
Library materials:	
Expendable	16,996
Nonexpendable	10,000
Unrestricted	<u>3,458,293</u>
Total Net Assets	<u>\$ 28,681,783</u>

The accompanying notes are an integral part of the financial statements

REGIONAL SCHOOL DISTRICT NO. 13

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2010

Functions/Programs	Expenses	Program Revenues		Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions		
Governmental activities:					
General instruction	\$ 16,170,412	\$ 24,005	\$ 3,674,331	\$	\$ (12,472,076)
Special education	7,105,622	352,666	845,103		(5,907,853)
Student services	2,212,296	492,399	99,422		(1,620,475)
Administration	5,304,932				(5,304,932)
Buildings	3,503,261	44,775		764,438	(2,694,048)
Transportation	1,348,054		174,571		(1,173,483)
Interest	705,085			21,562	(683,523)
Total	<u>\$ 36,349,662</u>	<u>\$ 913,845</u>	<u>\$ 4,793,427</u>	<u>\$ 786,000</u>	<u>(29,856,390)</u>
General revenues:					
Assessments from district member towns					30,390,422
Investment income					63,618
Miscellaneous					47,598
Total general revenues					<u>30,501,638</u>
Change in Net Assets					645,248
Net Assets at Beginning of Year, as restated					<u>28,036,535</u>
Net Assets at End of Year					<u>\$ 28,681,783</u>

The accompanying notes are an integral part of the financial statements

REGIONAL SCHOOL DISTRICT NO. 13

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2010

	<u>General</u>	<u>Bonded Capital Projects Fund</u>	<u>Special School Grants and Programs</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash	\$ 1,980,008	\$ 4,106,714	\$ 90,030	\$ 364,451	\$ 6,541,203
Investments	577,204			62,140	639,344
Accounts receivable	1,421				1,421
Intergovernmental receivable			599	12,204	12,803
Other assets				15,978	15,978
Total Assets	<u>\$ 2,558,633</u>	<u>\$ 4,106,714</u>	<u>\$ 90,629</u>	<u>\$ 454,773</u>	<u>\$ 7,210,749</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts and other payables	\$ 280,070	\$ 22,438	\$ 11,725	\$ 23,159	\$ 337,392
Deferred revenue			78,904		78,904
Total liabilities	<u>280,070</u>	<u>22,438</u>	<u>90,629</u>	<u>23,159</u>	<u>416,296</u>
Fund balances:					
Reserved for endowments				12,533	12,533
Unreserved, designated for subsequent years' budget	2,278,563				2,278,563
Unreserved, undesignated, reported in:					
Special Revenue Funds				398,967	398,967
Permanent Funds				20,114	20,114
Capital Project Funds		4,084,276			4,084,276
Total fund balances	<u>2,278,563</u>	<u>4,084,276</u>	<u>-</u>	<u>431,614</u>	<u>6,794,453</u>
Total Liabilities and Fund Balances	<u>\$ 2,558,633</u>	<u>\$ 4,106,714</u>	<u>\$ 90,629</u>	<u>\$ 454,773</u>	<u>\$ 7,210,749</u>

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REGIONAL SCHOOL DISTRICT NO. 13

BALANCE SHEET - GOVERNMENTAL FUNDS (CONTINUED)

JUNE 30, 2010

Reconciliation of the Balance Sheet - Governmental Funds to Statement of Net Assets:

Amounts reported for governmental activities in the statement of net assets (Exhibit I) are different from the governmental fund balance sheet. The details of this difference are as follows:

Total fund balances (Exhibit III)	\$ 6,794,453
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:

Governmental capital assets	56,878,093
Less accumulated depreciation	(15,335,238)

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds:

School building receivable	1,185,285
Bond issue costs	32,866
Net pension asset	195,387

Some liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds:

Bonds payable	(18,305,000)
Bond premium	(30,977)
Deferred charge on refunding	213,142
Compensated absences	(99,551)
Net OPEB obligation	(730,981)
Capital leases	(1,998,792)
Accrued interest payable	<u>(116,904)</u>

Net Assets of Governmental Activities (Exhibit I)	<u>\$ 28,681,783</u>
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The accompanying notes are an integral part of the financial statements

REGIONAL SCHOOL DISTRICT NO. 13

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

FOR THE YEAR ENDED JUNE 30, 2010

	<u>General</u>	<u>Bonded Capital Projects Fund</u>	<u>Special School Grants and Programs</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
Assessments from district member towns	\$ 30,390,422	\$	\$	\$	\$ 30,390,422
Intergovernmental	4,280,050	735,816	874,668	86,389	5,976,923
Charges for services	103,441			810,404	913,845
Local sources	36,040	17,095		10,483	63,618
Contributions				675	675
Miscellaneous	47,425	173			47,598
Total revenues	<u>34,857,378</u>	<u>753,084</u>	<u>874,668</u>	<u>907,951</u>	<u>37,393,081</u>
Expenditures:					
Current:					
Salaries	18,957,889			474,852	19,432,741
Employee benefits	7,094,693			52,046	7,146,739
Purchased services	973,870		874,668	77,609	1,926,147
Property services	700,356				700,356
Operational services	3,010,215			1,270	3,011,485
Supplies	1,636,347			287,859	1,924,206
Capital outlay	2,440,832	2,599,483		203,383	5,243,698
Debt service	2,405,850				2,405,850
Total expenditures	<u>37,220,052</u>	<u>2,599,483</u>	<u>874,668</u>	<u>1,097,019</u>	<u>41,791,222</u>
Deficiency of Revenues over Expenditures	<u>(2,362,674)</u>	<u>(1,846,399)</u>	<u>-</u>	<u>(189,068)</u>	<u>(4,398,141)</u>
Other Financing Sources (Uses):					
Transfers in	195,004			464,733	659,737
Transfers out		(644,733)		(15,004)	(659,737)
Bond issue		4,995,000			4,995,000
Capital lease issue	2,241,865				2,241,865
Total other financing sources	<u>2,436,869</u>	<u>4,350,267</u>	<u>-</u>	<u>449,729</u>	<u>7,236,865</u>
Net Change in Fund Balances	74,195	2,503,868	-	260,661	2,838,724
Fund Balances at Beginning of Year	<u>2,204,368</u>	<u>1,580,408</u>	<u>-</u>	<u>170,953</u>	<u>3,955,729</u>
Fund Balances at End of Year	<u>\$ 2,278,563</u>	<u>\$ 4,084,276</u>	<u>\$ -</u>	<u>\$ 431,614</u>	<u>\$ 6,794,453</u>

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REGIONAL SCHOOL DISTRICT NO. 13
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2010

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities:

Amounts reported for governmental activities in the statement of activities (Exhibit II) are different because of the following:

Net change in fund balances - total governmental funds (Exhibit IV)	\$ 2,838,724
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. The capital outlay and depreciation expense are as follows for the current period:	
Capital outlay	5,243,709
Depreciation expense	(1,311,204)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins and donations) is to increase net assets. In the statement of activities, only the loss on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the capital assets sold.	
	(147,024)
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	(398,171)
Proceeds on capital lease	(2,241,865)
The issuance of long-term debt (e.g., bonds, capital 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:	
Issuance of general obligation bonds	(4,995,000)
Payments on general obligation bonds	1,730,000
Payments on capital leases	308,984
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:	
Net pension asset	(1,550)
Net OPEB obligation	(354,174)
Bond issuance costs	(4,695)
Accrued interest payable	11,895
Compensated absences	2,053
Bond premium	6,195
Deferred charges on refunding of bonds	(42,629)
Change in Net Assets of Governmental Activities (Exhibit II)	\$ 645,248

The accompanying notes are an integral part of the financial statements

REGIONAL SCHOOL DISTRICT NO. 13

STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2010

	<u>Pension Trust Funds</u>	<u>Private- Purpose Trust Funds</u>	<u>Agency Funds</u>
Assets:			
Cash and cash equivalents	\$ <u>234,809</u>	\$ <u>2,751</u>	\$ <u>179,161</u>
Investments, at fair value:			
Certificates of deposit			97,312
Proprietary mutual funds	314,169		
Corporate bonds	336,414		
U.S. Government obligations	671,202		
Common stocks	2,154,147		
Accrued interest	<u>8,278</u>		
Total investments, at fair value	<u>3,484,210</u>	<u>-</u>	<u>97,312</u>
Accounts receivable	<u>76,699</u>		
Total assets	<u>3,795,718</u>	<u>2,751</u>	<u>\$ 276,473</u>
Liabilities:			
Accounts payable			<u>\$ 276,473</u>
Net Assets:			
Held in trust for:			
Town of Durham employees pension benefits	321,696		
Regional School District No. 13 employees pension benefits	<u>3,474,022</u>		
Held in trust for pension benefits and individuals	<u>\$ 3,795,718</u>	<u>\$ 2,751</u>	

The accompanying notes are an integral part of the financial statements

REGIONAL SCHOOL DISTRICT NO. 13

STATEMENT OF CHANGES IN PLAN NET ASSETS - FIDUCIARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2010

	Pension Trust Funds	Private- Purpose Trust Funds
	<u> </u>	<u> </u>
Additions:		
Contributions:		
Employer	\$ 285,825	\$
Employee	100,651	
Total contributions	<u>386,476</u>	<u>-</u>
Investment income:		
Net appreciation in fair value of investments	239,750	
Interest and dividends	81,233	2
Net investment income	<u>320,983</u>	<u>2</u>
Total additions	<u>707,459</u>	<u>2</u>
Deductions:		
Benefits	178,954	
Other disbursements	32,276	
Supplies		6
Total deductions	<u>211,230</u>	<u>6</u>
Change in net assets	496,229	(4)
Net Assets Beginning of Year	<u>3,299,489</u>	<u>2,755</u>
Net Assets End of Year	<u>\$ 3,795,718</u>	<u>\$ 2,751</u>

The accompanying notes are an integral part of the financial statements

REGIONAL SCHOOL DISTRICT NO. 13

NOTES TO BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Regional School District No. 13 (the District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant policies of the District are described below.

A. Reporting Entity

The District was organized under provisions of the Connecticut General Statutes in 1970 for the purpose of providing education for grades 1 through 12 to the residents of the towns of Durham and Middlefield, Connecticut. The district consists of three elementary schools, two middle schools and one high school.

The District is governed by a Regional Board of Education consisting of six members from Durham and four members from Middlefield. The members of the Board serve three-year terms. The Superintendent of Schools, selected by the Board of Education, manages the day-to-day affairs of the District and the schools of Durham and Middlefield.

The District's operating and debt service expenses are paid by the member towns in proportion to the number of attending pupils. The current year assessment percentages are 65.92% for Durham and 34.08% for Middlefield.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) 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 revenues and revenues from local sources.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is 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 and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Agency funds do not have a measurement focus but are reported using the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as 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, are recorded only when payment is due.

Member town assessments, expenditure reimbursement type grants, and 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* is used to account for resources used for capital expenditures relating to new school building construction.

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

Additionally, the District reports the following fund types:

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

The *Pension Trust Funds* account for the activities of the Regional School District No. 13 Employees' Retirement System and the Town of Durham's Employees' Retirement System, which both accumulate resources for pension benefit payments to qualified employees.

The *Agency Funds* account for monies held on behalf of students on a custodial capacity.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in the government-wide and the internal service fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The District has elected not to follow subsequent private-sector guidance.

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 or applicants for goods, services or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues.

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.

D. Assets, Liabilities and Net Assets or Equity

Deposits and Investments

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

The deposit of public funds is controlled by the Connecticut General Statutes (Section 7-402). Deposits may be made in a "qualified public depository" as defined by Statute, or in amounts not exceeding the Federal Deposit Insurance Corporation insurance limit in an "out of state bank," as defined by the Statutes, which is not a "qualified public depository."

Investments - Investments are reported at fair value.

The Connecticut General Statutes (Section 7-400) permit municipalities to invest in: 1) obligations of the United States and its agencies; 2) highly rated obligations of any state of the United States or of any political subdivision, authority or agency thereof; and 3) shares or other interests in custodial arrangements or pools maintaining constant net asset values and in highly rated no-load open end money market and mutual funds (with constant or fluctuating net asset values) whose portfolios are limited to obligations of the United States and its agencies, and repurchase agreements fully collateralized by such obligations. Other provisions of the Statutes cover specific municipal funds with particular investment authority. The provisions of the Statutes regarding the investment of municipal pension funds do not specify permitted investments. Therefore, investment of such funds is generally controlled by the laws applicable to fiduciaries and the provisions of the applicable plan.

The Statutes (Sections 3-24f and 3-27f) also provide for investment in shares of the State Short-Term Investment Fund (STIF) and the State Tax Exempt Proceeds Fund (TEPF). These investment pools are under the control of the State Treasurer, with oversight provided by the Treasurer's Cash Management Advisory Board, and are regulated under the State Statutes and subject to annual audit by the Auditors of Public Accounts. Investment yields are accounted for on an amortized-cost basis with an investment portfolio that is designed to attain a market-average rate of return throughout budgetary and economic cycles. Investors accrue interest daily based on actual earnings, less expenses and transfers to the designated surplus reserve, and the fair value of the position in the pool is the same as the value of the pool shares.

Receivables

Intergovernmental and assessments from member town receivables are considered to be fully collectible, and no allowance has been recorded.

Interfund Activity

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the noncurrent portion of interfund loans).

Inventories

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed, rather than when purchased.

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 and \$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

Restricted Assets

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

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.

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.

All vacation and sick pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

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.

Fund Equity and Net Assets

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.

In the government-wide financial statements, net assets are classified into the following categories:

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 noncapital 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.

Estimates

The preparation of the financial statements in conformity with GAAP 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.

2. 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.
- 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.
- The legal level of budgetary 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 made during the year ended June 30, 2010.
- 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 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 to GAAP Reconciliation

A reconciliation of revenues and expenditures, between the accounting treatment required by GAAP (Exhibit IV), and budgetary requirements (RSI-1 and RSI-2), at June 30, 2010 is as follows:

	<u>Revenues</u>	<u>Expenditures</u>
Balance, budgetary basis, RSI-1 and RSI-2	\$ 32,868,552	\$ 32,777,290
Unbudgeted medical and dental claims		17,067
State contributions to Teachers' Retirement System	2,183,830	2,183,830
Capital lease	<u>2,241,865</u>	<u>2,241,865</u>
Balance, GAAP Basis, Exhibit IV	<u>\$ 37,294,247</u>	<u>\$ 37,220,052</u>

C. Capital Projects Authorizations

The following is a summary of capital projects at June 30, 2010:

<u>Capital Project</u>	<u>Authorization</u>	<u>Current Year Expenditures</u>	<u>Cumulative Expenditures</u>	<u>Balance June 30, 2010</u>
School Building Projects	\$ <u>6,369,098</u>	\$ <u>2,599,483</u>	\$ <u>2,599,483</u>	\$ <u>3,769,615</u>

D. Donor-Restricted Endowments

The District has received certain endowments for textbooks and library materials. The amounts are reflected in net assets as restricted for expendable purposes. Net cumulative interest earnings on endowments have amounted to \$20,114 and make up the unreserved fund balance.

3. DETAILED NOTES

A. Cash and Investments

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. The District does not have a deposit policy for custodial credit risk. The deposit of public funds is controlled by the Connecticut General Statutes. Deposits may be placed with any qualified public depository that has its main place of business in the State of Connecticut. Connecticut General Statutes require that each depository maintain segregated collateral (not required to be based on a security agreement between the depository and the district and, therefore, not perfected in accordance with federal law) in an amount equal to a defined percentage of its public deposits based upon the depository's risk based capital ratio.

Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, \$3,791,259 of the District's bank balance of \$5,397,252 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 3,337,133
Uninsured and collateral held by the pledging bank's trust department, not in the District's name	<u>454,126</u>
Total Amount Subject to Custodial Credit Risk	<u><u>\$ 3,791,259</u></u>

Cash Equivalents

At June 30, 2010, the District's cash equivalents amounted to \$6,476,346. The following table provides a summary of the District's cash equivalents (excluding U.S. government guaranteed obligations) as rated by nationally recognized statistical rating organizations. The pools all have maturities of less than one year.

State Tax Exempt Proceeds Fund*
 Money Market Accounts**

*Not rated

**Not rated, some money markets also subject to custodial risk above

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 money market funds.

As of June 30, 2010, the District had the following investments:

Investment Type	Credit Rating	Fair Value	Investment Maturities (Years)			
			N/A	Less Than 1	1-10	More Than 10
U.S. Treasury obligations	n/a	\$ 355,396	\$	\$ 34,614	\$ 320,782	\$
U.S. Asset and mortgage-backed	AAA/AAA	315,803			315,803	
Global corporate bonds - Cellco Part/Verizon Wireless	n/r	12,332			12,332	
Global corporate bonds - Goldman Sachs	A1/A	18,773			18,773	
Global corporate bonds - Deutsche Bank AG London	n/r	18,096			18,096	
Global corporate bonds - HSBC Finance Corp.	n/r	11,880			11,880	
Global corporate bonds - JP Morgan Chase & Co.	AA3/A+	18,141			18,141	
Global corporate bonds - AT&T Inc.	A2/A	11,939			11,939	
Global corporate bonds - Kraft Foods, Inc.	n/r	12,860			12,860	
Global corporate bonds - GE Cap. Corp.	AA2/AA+	18,067			18,067	
Global corporate bonds - Novartis Capital Corp.	AA21	18,517			18,517	
Global corporate bonds - Cisco Systems Inc.	A1/A+	13,189			13,189	
Global other bonds - Vodafone	n/r	12,591			12,591	
FDIC guaranteed corporate bonds - GMAC LLC	n/r	17,470			17,470	
Bank guaranteed corporate bonds - PNC Funding Corp.	n/r	12,547			12,547	
Company guaranteed corporate bonds-Time Warner	n/r	12,272			12,272	
Domestic corporate bonds - Bank of New York Mellon	AA2/AA	18,500			18,500	
Domestic corporate bonds - Burlington North Santa Fe	BBB+	12,709			12,709	
Domestic corporate bonds - Wachovia Corp.	A1/AA	11,939			11,939	
Domestic corporate bonds - Wal-Mart Stores Inc.	AA2/AA	11,470			11,470	
Domestic corporate bonds - American Express Co.	BBB+	11,366			11,366	
Domestic corporate bonds - Valero Energy Corp.	BAA2/BBB	12,331			12,331	
Domestic corporate bonds - Xerox Corporation	BAA2/BBB	12,423			12,423	
Senior notes - Pepsico Inc.	AA2/A+	18,833			18,833	
Senior notes - US BanCorp.	n/r	18,172			18,172	
Certificates of deposit	n/a	709,661		5,651	704,010	
Mutual funds	n/a	349,442	349,442			
Common stock	n/a*	<u>2,154,147</u>	<u>2,154,147</u>			
Total		<u>\$ 4,220,866</u>	<u>\$ 2,503,589</u>	<u>\$ 40,265</u>	<u>\$ 1,677,012</u>	<u>\$ -</u>

* Also subject to custodial risk in deposit footnote above.

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

Concentration of Credit Risk - The District does not have a formalized investment policy that restricts investments in any one issuer that is in excess of 5% of the District's total investments.

Custodial Credit Risk - Custodial credit risk for an investment is the risk that, in the event of the failure of the counterparty (the institution that pledges collateral or repurchase agreement securities to the District or that sells investments to or buys them for the District), the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District does not have a policy for custodial credit risk.

B. Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. 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 deferred revenue and unearned revenue reported in the governmental funds were as follows:

	<u>Unearned</u>
Education grants	\$ 78,904

C. Capital Assets

Capital asset activity for the year ended June 30, 2010 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 200,000	\$	\$	\$ 200,000
Construction in progress	41,911	2,653,294	2,102,067	593,138
Total capital assets not being depreciated	<u>241,911</u>	<u>2,653,294</u>	<u>2,102,067</u>	<u>793,138</u>
Capital assets being depreciated:				
Buildings and improvements	47,941,375	2,102,078		50,043,453
Land improvements	969,840		262,500	707,340
Equipment	3,359,981	621,811	891,118	3,090,674
Vehicles	274,895	1,968,593		2,243,488
Total capital assets being depreciated	<u>52,546,091</u>	<u>4,692,482</u>	<u>1,153,618</u>	<u>56,084,955</u>
Less accumulated depreciation for:				
Buildings	11,671,074	1,000,869		12,671,943
Land improvements	523,568	26,172	262,500	287,240
Equipment	2,697,984	68,790	744,094	2,022,680
Vehicles	138,002	215,373		353,375
Total accumulated depreciation	<u>15,030,628</u>	<u>1,311,204</u>	<u>1,006,594</u>	<u>15,335,238</u>
Total capital assets being depreciated, net	<u>37,515,463</u>	<u>3,381,278</u>	<u>147,024</u>	<u>40,749,717</u>
Governmental Activities Capital Assets, Net	<u>\$ 37,757,374</u>	<u>\$ 6,034,572</u>	<u>\$ 2,249,091</u>	<u>\$ 41,542,855</u>

Depreciation expense was charged as follows:

Administration	\$ 68,790
Buildings	1,027,041
Transportation	<u>215,373</u>
Total	<u>\$ 1,311,204</u>

D. Interfund Transfers

A summary of interfund transfers as of June 30, 2010 is as follows:

	Transfers In		Total Transfers Out
	General Fund	Nonmajor Government Funds	
Transfers out:			
Bonded Capital Projects Fund	\$ 180,000	\$ 464,733	\$ 644,733
Nonmajor Governmental Funds	<u>15,004</u>		<u>15,004</u>
Total Transfers In	<u><u>\$ 195,004</u></u>	<u><u>\$ 464,733</u></u>	<u><u>\$ 659,737</u></u>

Transfers are used to account for the financing by the General Fund of various programs and activities in other funds.

E. Changes in Long-Term Obligations

Summary of Changes

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

	<u>Original Amount</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Interest Rate</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:									
Bonds payable:									
Improvement bond	\$ 2,720,000	01/01/98	09/15/09	4.00-4.70	\$ 250,000		\$ 250,000	\$ -	
Improvement bond	9,000,000	04/15/01	04/15/21	4.25-5.00	5,675,000		475,000	5,200,000	475,000
Improvement bond	7,300,000	03/01/03	03/01/23	2.50-4.30	5,225,000		375,000	4,850,000	375,000
Improvement bond	6,885,000	03/15/04	12/15/15	2.00-3.50	3,890,000		630,000	3,260,000	580,000
Improvement bond	4,995,000	07/15/09	07/15/24	2.50-4.50	-	4,995,000		4,995,000	335,000
					<u>15,040,000</u>	<u>4,995,000</u>	<u>1,730,000</u>	<u>18,305,000</u>	<u>1,765,000</u>
Plus deferred amounts:									
Bond premium					37,172		6,195	30,977	
Deferred charges in refunding					(255,771)		(42,629)	(213,142)	
Total bonds payable					<u>14,821,401</u>	<u>4,995,000</u>	<u>1,693,566</u>	<u>18,122,835</u>	<u>1,765,000</u>
Obligations under capital leases					65,911	2,241,865	308,984	1,998,792	267,133
Compensated absences					101,604	156,975	159,028	99,551	
Net OPEB Obligation					<u>376,807</u>	<u>479,459</u>	<u>125,285</u>	<u>730,981</u>	
Total Governmental Activities									
Long-Term Liabilities					<u><u>\$ 15,365,723</u></u>	<u><u>\$ 7,873,299</u></u>	<u><u>\$ 2,286,863</u></u>	<u><u>\$ 20,952,159</u></u>	<u><u>\$ 2,032,133</u></u>

All long-term liabilities are generally liquidated by the General Fund.

The annual requirements to amortize all bonds payable as of June 30, 2010 and the amounts to be provided by the State of Connecticut for the retirement of school bonds and of debt principal and interest maturities are as follows:

<u>Year Ending June 30,</u>	<u>To Be Provided by State</u>		<u>Bond Principal</u>	<u>Bond Interest</u>
	<u>For Principal</u>	<u>For Interest</u>		
2011	\$ 212,851	\$ 15,289	\$ 1,765,000	\$ 709,314
2012	208,677	12,478	1,755,000	643,231
2013	196,157	9,778	1,725,000	579,869
2014	191,983	7,105	1,715,000	518,495
2015	189,896	4,315	1,710,000	456,649
2016-2020	185,721	1,444	6,405,000	1,431,096
2021-2024			3,230,000	285,076
Total	\$ <u>1,185,285</u>	\$ <u>50,409</u>	\$ <u>18,305,000</u>	\$ <u>4,623,730</u>

Capital Leases

At June 30, 2010, the District is committed under lease agreements for the acquisition of office equipment, business equipment, and school buses and other vehicles. The 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 annual requirements to amortize the capital leases as of June 30, 2010 are as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>
2011	\$ 361,560
2012	347,613
2013	344,908
2014	343,902
2015	283,597
Thereafter	677,315
Total minimum lease payments	2,358,895
Less amount representing interest	360,103
Total	\$ <u>1,998,792</u>

The assets acquired through the capital lease are as follows:

	<u>Governmental Activities</u>
Assets:	
Equipment	\$ 298,772
Vehicles	2,133,281
	<u>2,432,053</u>
Less accumulated depreciation	<u>257,973</u>
Total	\$ <u>2,174,080</u>

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 4.5 times the annual receipts of taxation of the member towns. The District's debt limitation is as follows:

<u>Category</u>	<u>Debt Limit</u>	<u>Net Indebtedness</u>	<u>Balance</u>
Schools	\$ 143,995,572	\$ 17,119,715	\$ 126,875,857

4. 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; injuries to employees or natural disasters.

The District is currently a member in the 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.

Settled claims have not exceeded commercial coverage in any of the past three fiscal years. There have been no significant reductions in insurance coverage from coverage in the prior year.

5. PENSION PLANS

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

Plan Description

The District 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 statements as a pension trust fund. Included within the fund is \$321,696 of assets that belong to the Town of Durham employees. This amount is shown as a separate reservation of net assets.

Summary of Significant Accounting Policies and Plan Asset Matters

Basis of Accounting

The pension trust fund's financial statements are prepared using the accrual basis of accounting. Revenues (contributions and investment income) are recognized when they are earned, and expenses (benefits) are recognized when they are due and payable in accordance with the terms of the plan.

Valuation of Investments

Investments are valued at fair value based upon quoted market prices.

Classes of Employees Covered

As of July 1, 2008, the date of the last actuarial valuation, the plan's membership consisted of the following:

Retirees, disabled and beneficiaries currently receiving benefits	10
Terminated employees entitled to benefits but not yet receiving them	16
Current plan members	<u>76</u>
Total	<u><u>102</u></u>

Benefit Provisions

The plan covers substantially all regularly employed, permanent noncertified employees of the District. In order to be eligible for the plan, the employee must complete 12 months of service, attain a minimum age of 20 and participate in the money accumulation pension plan.

Normal retirement date is at age 65 on completion of 5 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.

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, 2010 represented 4.15% of covered payroll. Administrative costs of the plan are financed through investment earnings of the plan's assets.

Schedule of Employer Contributions and Net Pension Asset

<u>Year Ended</u>	<u>Actual Contribution</u>	<u>Annual Required Contribution (ARC)</u>	<u>Percentage of ARC Contributed</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Asset</u>
2005	\$ 109,936	\$ 91,021	121 %	\$ 91,021	121 %	\$ 188,214
2006	98,183	82,734	119	87,830	112	198,567
2007	87,129	76,255	114	84,309	103	201,387
2008	69,692	63,307	110	72,525	96	198,554
2009	103,674	97,007	107	105,291	98	196,937
2010	105,615	98,948	107	107,165	99	195,387

Actuarial Assumptions

The annual required contribution for the current year was determined as part of the July 1, 2008 actuarial valuation using the entry age normal cost method. The actuarial assumptions included:

Remaining Amortization Period 12 years closed

Actuarial Assumptions:

Investment Rate of Return	8.25%
Projected Salary Increases	5.00%
Cost of Living Adjustment	none

Annual Pension Cost and Net Pension Asset (NPA)

The District's annual pension cost and net pension asset for the current year were as follows:

Annual required contribution	\$ 98,948
Interest on net pension obligation	(16,247)
Adjustment to annual required contribution	<u>24,464</u>
Annual pension cost	107,165
Contribution made	<u>105,615</u>
Decrease in net pension asset	1,550
Net pension asset - beginning of year	<u>196,937</u>
Net Pension Asset - End of Year	<u><u>\$ 195,387</u></u>

Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>(Overfunded) Actuarial Accrued Liability</u>	<u>Funded Ratio</u>	<u>Estimated Covered Payroll</u>	<u>(Overfunded) Actuarial Accrued Liability as a Percentage of Covered Payroll</u>
July 1, 2003	\$ 470,032	\$ 1,055,807	\$ (585,775)	44.5 %	\$ 1,860,777	\$ (31.5) %
July 1, 2004	562,061	1,073,543	(511,482)	52.4	1,981,612	(25.8)
July 1, 2005	661,119	1,142,449	(481,330)	57.9	2,134,717	(22.5)
July 1, 2006	772,220	1,165,512	(393,292)	66.3	2,253,463	(17.5)
July 1, 2007	895,706	1,180,150	(284,444)	75.9	2,412,654	(11.8)
July 1, 2008	977,639	1,386,735	(409,096)	70.5	2,542,758	(16.1)

Money Accumulation Pension Plan

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%

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. Benefit and administrative expenses are recognized when incurred. Administrative expenses are financed from investment income.

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, 2010 was \$19,432,745. The District's contribution to the plan was \$137,388 which is equivalent to 5% of the annual active participants' payroll of \$2,747,760. Active enrollment in the plan is as follows:

Actively employed	81
Terminated participants	<u>3</u>
Total	<u><u>84</u></u>

Financial Information

The statement of fiduciary fund net assets and the statement of changes in fiduciary fund net assets for the Regional School District No. 13 and the Town of Durham Employee Retirement Plan (Defined Benefit Plan) and the Money Accumulation Plan are as follows:

SCHEDULE OF PLAN NET ASSETS JUNE 30, 2010

	<u>Pension Trust Funds</u>		
	<u>Money Accumulation Plan</u>	<u>Defined Benefit Plan</u>	<u>Totals</u>
Assets:			
Cash and cash equivalents	\$ 128,506	\$ 106,303	\$ 234,809
Investments:			
Proprietary mutual funds	211,112	103,057	314,169
Corporate bonds	254,380	82,034	336,414
U.S. Government obligations	475,325	195,877	671,202
Common stock	1,535,635	618,512	2,154,147
Accrued interest	6,045	2,233	8,278
Total investments, at fair value	<u>2,482,497</u>	<u>1,001,713</u>	<u>3,484,210</u>
Accounts receivable		76,699	76,699
Due between plans:			
Due from MAP		105,615	105,615
Due to DB	(105,615)		(105,615)
Net due between plans	<u>(105,615)</u>	<u>105,615</u>	<u>-</u>
Total assets	<u>2,505,388</u>	<u>1,290,330</u>	<u>3,795,718</u>
Net assets held in trust for the Town of Durham employees pension benefits		321,696	321,696
Net assets held in trust for the District's employees pension benefits	<u>2,505,388</u>	<u>968,634</u>	<u>3,474,022</u>
Total net assets	<u>\$ 2,505,388</u>	<u>\$ 1,290,330</u>	<u>\$ 3,795,718</u>

**SCHEDULE OF CHANGES IN PLAN NET ASSETS
YEAR ENDED JUNE 30, 2010**

	Pension Trust Funds		
	Money Accumulation Plan	Defined Benefit Plan	Totals
Additions:			
Contributions:			
Employer	\$ 137,388	\$ 148,437	\$ 285,825
Employee	61,669	38,982	100,651
Total contributions	199,057	187,419	386,476
Investment income:			
Net increase in fair value of investments	168,990	70,760	239,750
Interest and dividends	55,784	25,449	81,233
Net investment gain	224,774	96,209	320,983
Total additions	423,831	283,628	707,459
Deductions:			
Benefits	58,461	120,493	178,954
Other disbursements	23,946	8,330	32,276
	82,407	128,823	211,230
Change in net assets	341,424	154,805	496,229
Net Assets at Beginning of Year	2,163,964	1,135,525	3,299,489
Net Assets at End of Year	\$ 2,505,388	\$ 1,290,330	\$ 3,795,718

Teacher Retirement

All Regional School District 13 teachers participate in the State of Connecticut Teacher's Retirement System, a cost sharing plan with a special funding situation, under Section 10.183 of the General Statutes of the State of Connecticut. This is a multiple employer PERS. A teacher is eligible to receive a normal retirement benefit if he or she has:

- Attained age 60 and has accumulated 20 years of credited service in the public schools of Connecticut, or;
- Attained any age and has accumulated 35 years of credited service, at least 25 of which are service in the public schools of Connecticut.

The Board of Education withholds 7.25% of all teachers' annual salaries and transmits the funds to the State Teacher's Retirement Board. Teacher payroll subject to retirement amounted to \$14,117,048 or 73% of the total Board of Education payroll of \$19,432,745.

The retirement system for teachers is funded by the State based upon the recommendation of the Teacher's Retirement Board. Such contribution includes amortization of the actuarially computed unfunded liability. For the year ended June 30, 2010, the District has recorded in the General Fund (Exhibit IV) intergovernmental school revenue and school expenditures in the amount of

\$2,183,830 as payments made by the State of Connecticut on behalf of the District. The district does not have any liability for teacher pensions.

The State of Connecticut Teacher Retirement System is considered to be a part of the State of Connecticut financial reporting entity and is included in the State's financial reports as a pension trust fund. Those reports may be obtained by writing to the State of Connecticut, Office of the State Comptroller, 55 Elm Street, Hartford, Connecticut 06106.

6. RETIREE HEALTH PLAN (RHP)

Plan Description

The Region 13 Retiree Health Plan RHP is a single-employer defined benefit healthcare plan administered by the Region. The RHP provides medical and life insurance benefits to eligible retirees and their spouses. All employees of the Region are eligible to participate in the plan. Benefit provisions are established through negotiations between the Region and the various unions representing the employees.

There is no trust created for this plan. The benefits are paid directly out of the general fund on a pay-as-you-go basis.

At July 1, 2008, plan membership consisted of the following:

	<u>Retiree Health Plan</u>
Retired members	39 *
Active plan members	<u>331</u>
Total Participants	<u><u>370</u></u>

*Includes spouses of retirees

Funding Policy

The contribution requirements of plan members and the Region are also negotiated with the various unions representing the employees. Retired plan members and beneficiaries currently receiving benefits are required to contribute specified amounts monthly towards the cost of health insurance premiums as follows:

Retirees Pre 65

Teachers/Administrators pay 100% of active premium. Superintendent pays 5% of active premium. Business assistant to superintendent pays 20% of active premium. Board of Education employees pay 100% of active premium. The active premium for the year ended June 30, 2010 was \$6,570 per member and \$6,570 per spouse.

Retirees Post 65

Teachers and administrators may continue their coverage post 65 if they are eligible for Medicare. The superintendent receives TRB Medicare supplemental coverage between the ages of 65 and 75. All others are not covered post 65.

Contributions

Employer contributions to the plan of \$125,285 were made in accordance with actuarially determined requirements. Of this amount \$125,285 represents premium payments. There was no amount contributed to prefund benefits.

Regional School District 13’s annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District’s annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District’s net OPEB obligation:

Annual required contribution (ARC)	\$	483,965
Interest on net OPEB obligation		18,840
Adjustment to annual required contribution		<u>(23,346)</u>
Annual OPEB cost (AOC)		479,459
Contribution made		<u>125,285</u>
Increase in net OPEB obligation		354,174
Net OPEB obligation - beginning of year		<u>376,807</u>
Net OPEB Obligation - End of Year	\$	<u><u>730,981</u></u>

The District’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal year ended June 30, 2010 are presented below. Data is only presented for the fiscal years ended June 30, 2010 and 2009, due to the fact that 2009 was the year of transition.

<u>Year Ended</u>	<u>Actual Contribution</u>	<u>Annual Required Contribution (ARC)</u>	<u>Percentage of ARC Contributed</u>	<u>Annual OPEB Cost (AOC)</u>	<u>Percentage of AOC Contributed</u>	<u>Net OPEB Obligation</u>
2009	\$ 100,093	\$ 476,900	21 %	\$ 476,900	21 %	\$ 376,807
2010	125,285	483,965	26	479,459	26	730,981

As of July 1, 2008, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$5,286,539, and the actuarial value of assets was \$-0-, resulting in an unfunded actuarial accrued liability (UAAL) of \$5,286,539. The covered payroll (annual payroll of active employees covered by the plan) was \$1,866,731.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funding status of the plan and the annual required contributions of the employer are subject to continual revision as accrual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>(Overfunded) Actuarial Accrued Liability</u>	<u>Funded Ratio</u>	<u>Estimated Covered Payroll</u>	<u>(Overfunded) Actuarial Accrued Liability as a Percentage of Covered Payroll</u>
July 1, 2008	\$ -	\$ 5,286,539	\$ 5,286,539	- %	\$ 1,866,731	283 %

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

In the July 1, 2008 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions include 5.0% investment rate of return, which is the rate of the expected long-term investment returns of plan assets calculated based on the funding policy of the plan at the valuation date. The annual medical cost trend rate is 10% initially, graded to 5% over 5 years. Projected salary increases and general inflation were not factors in the calculation. The determination of the actuarial value of assets was not applicable. The UAAL is being amortized at a level payments method. The remaining amortization period at July 1, 2008 was 30 years.

7. CONTINGENT LIABILITIES

There are various lawsuits and claims pending against the District, the ultimate effect of which, if any, cannot presently be determined; however, the ultimate resolution of these matters is not expected to have a material adverse effect on the financial condition of the District.

State and Federal grants received by the District 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. The amount, if any, of expenditures, which may be disallowed, cannot be determined at this time, although the District's management believes such disallowance, if any, will be immaterial.

The District may owe rebate payments to the Federal Government of arbitrage earnings (if there were any) on investment of the proceeds of certain borrowings, or a penalty in lieu of rebate, unless an exemption applies. The District would have to provide the factual information to determine whether there were any arbitrage earnings and whether it qualified for an exemption from rebate (or from a penalty in lieu of rebate).

8. SUBSEQUENT EVENT

On September 30, 2010, the District issued \$9,185,000 of General Obligation Bonds to refund the issuances of 2001 and 2003, with outstanding balances of 5,200,000 and 4,850,000, respectively. The bond interest rates range from 2.0% to 4.0% and mature on March 1, 2023. There was no premium or discount associated with the bonds.

9. PRIOR PERIOD ADJUSTMENTS AND RESTATEMENTS

Construction in progress was incorrectly stated at June 30, 2009. The effect of the restatement was a decrease in net assets and nondepreciable assets in the amount of \$1,086,089.

Agency funds representing amounts contributed by retirees to cover retiree health and dental costs and paid by the District with its own portion of the cost were incorrectly included in general fund activity, rather than separated as an agency fund asset and liability. The effect of the adjustment was a decrease to the general fund cash and liabilities in the amount of \$167,036 and a corresponding increase to agency assets and liabilities.

REGIONAL SCHOOL DISTRICT NO. 13

GENERAL FUND

**SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**

FOR THE YEAR ENDED JUNE 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Assessments from District Member Towns:	\$ 31,254,266	\$ 31,254,266	\$ 30,390,422	\$ (863,844)
Local Sources:				
Interest income	75,000	75,000	36,040	(38,960)
Intergovernmental:				
State receipts building grants	419,732	419,732	419,733	1
Transportation	255,409	255,409	174,571	(80,838)
Special education	484,174	484,174	599,556	115,382
Adult education			12,610	12,610
Medicaid			10,575	10,575
Magnet			11,700	11,700
Health services			3,631	3,631
Stabilization funds			863,844	863,844
Total intergovernmental	1,159,315	1,159,315	2,096,220	936,905
Charges for Services:				
Buildings/grounds rentals	45,000	45,000	44,775	(225)
Tuition			58,666	58,666
Total charges for services	45,000	45,000	103,441	58,441
Other Revenue:				
Miscellaneous	15,000	15,000	47,425	32,425
Total revenues	32,548,581	32,548,581	32,673,548	124,967
Other Financing Sources:				
Transfer in	195,000	195,000	195,004	4
Appropriation of fund balance	1,015,020	1,015,020	1,015,020	-
Total other financing sources	1,210,020	1,210,020	1,210,024	4
Total Revenues and Other Financing Sources	\$ 33,758,601	\$ 33,758,601	\$ 33,883,572	\$ 124,971

REGIONAL SCHOOL DISTRICT NO. 13

GENERAL FUND

SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)

FOR THE YEAR ENDED JUNE 30, 2010

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
Salaries:				
Certified personnel	\$ 15,073,776	\$ 15,073,776	\$ 14,571,904	\$ 501,872
Support personnel	4,166,203	4,166,203	4,385,985	(219,782)
Total salaries	<u>19,239,979</u>	<u>19,239,979</u>	<u>18,957,889</u>	<u>282,090</u>
Employee Benefits:				
Employee benefits	<u>4,907,028</u>	<u>4,907,028</u>	<u>4,893,796</u>	<u>13,232</u>
Purchased Services:				
Education	500,826	500,826	440,556	60,270
Conferences	31,385	31,385	15,782	15,603
Professional	263,261	263,261	333,502	(70,241)
Technical	189,385	189,385	184,030	5,355
Total purchased services	<u>984,857</u>	<u>984,857</u>	<u>973,870</u>	<u>10,987</u>
Property Services:				
Disposal services	27,000	27,000	29,111	(2,111)
Snow removal	50,000	50,000	43,048	6,952
Lawn service	112,000	112,000	105,885	6,115
Repairs and maintenance	214,512	214,512	208,553	5,959
Rentals and leases	323,817	323,817	313,759	10,058
Total property services	<u>727,329</u>	<u>727,329</u>	<u>700,356</u>	<u>26,973</u>
Operational Services:				
Pupil transportation	1,736,248	1,736,248	1,474,267	261,981
Field trips/athletics	256,041	256,041	236,620	19,421
Liability insurance	116,000	116,000	100,042	15,958
Dues and fees	39,052	39,052	33,845	5,207
Communication	101,045	101,045	81,213	19,832
Advertising	12,300	12,300	18,269	(5,969)
Tuition	1,368,413	1,368,413	1,036,485	331,928
Travel	26,966	26,966	29,474	(2,508)
Total operational services	<u>3,656,065</u>	<u>3,656,065</u>	<u>3,010,215</u>	<u>645,850</u>
Supplies:				
Supplies	574,027	574,027	514,943	59,084
Books/resource materials	203,665	203,665	216,495	(12,830)
Electricity	665,000	665,000	599,500	65,500
Bottled gas	8,000	8,000	9,110	(1,110)
Heating oil	306,000	306,000	290,823	15,177
Gasoline and oil vehicles	7,000	7,000	5,476	1,524
Total supplies	<u>1,763,692</u>	<u>1,763,692</u>	<u>1,636,347</u>	<u>127,345</u>
Capital Improvements/Equipment:				
Buildings			84,053	(84,053)
Equipment	81,382	81,382	114,914	(33,532)
Total capital improvements/equipment	<u>81,382</u>	<u>81,382</u>	<u>198,967</u>	<u>(117,585)</u>

(Continued on next page)

REGIONAL SCHOOL DISTRICT NO. 13

GENERAL FUND

**SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) (CONTINUED)**

FOR THE YEAR ENDED JUNE 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Debt Service:				
Principal	\$ 1,730,000	\$ 1,730,000	\$ 1,730,000	\$ -
Interest	668,269	668,269	675,850	(7,581)
Total debt service	<u>2,398,269</u>	<u>2,398,269</u>	<u>2,405,850</u>	<u>(7,581)</u>
 Total Expenditures	 <u>\$ 33,758,601</u>	 <u>\$ 33,758,601</u>	 <u>\$ 32,777,290</u>	 <u>\$ 981,311</u>

REGIONAL SCHOOL DISTRICT NO. 13

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS**

JUNE 30, 2010

	Special Revenue Funds						Permanent Funds			Total Nonmajor Governmental Funds	
	School Cafeteria Fund	Reserve Fund	Summer School	Arts Council	Adult Education	Middlesex Transition Academy	Total	A. Smith	Haake Science and History		Total
ASSETS											
Cash and cash equivalents	\$ 6,123	\$ 329,937	\$ 2,373	\$ 4,908	\$ 2,442	\$ 18,668	\$ 364,451	\$ -	\$ -	\$ -	\$ 364,451
Investments		29,493					29,493	5,651	26,996	32,647	62,140
Intergovernmental receivable	12,204						12,204			-	12,204
Other assets	9,054					6,924	15,978			-	15,978
Total Assets	\$ 27,381	\$ 359,430	\$ 2,373	\$ 4,908	\$ 2,442	\$ 25,592	\$ 422,126	\$ 5,651	\$ 26,996	\$ 32,647	\$ 454,773
LIABILITIES AND FUND BALANCES											
Liabilities:											
Accounts payable and accrued items	\$ 11,979	\$ 11,180	\$ -	\$ -	\$ -	\$ -	\$ 23,159	\$ -	\$ -	\$ -	\$ 23,159
Fund Balances:											
Reserved for endowments								2,533	10,000	12,533	12,533
Unreserved and undesignated	15,402	348,250	2,373	4,908	2,442	25,592	398,967	3,118	16,996	20,114	419,081
Total fund balances	15,402	348,250	2,373	4,908	2,442	25,592	398,967	5,651	26,996	32,647	431,614
Total Liabilities and Fund Balances	\$ 27,381	\$ 359,430	\$ 2,373	\$ 4,908	\$ 2,442	\$ 25,592	\$ 422,126	\$ 5,651	\$ 26,996	\$ 32,647	\$ 454,773

REGIONAL SCHOOL DISTRICT NO. 13

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2010

	Special Revenue Funds						Permanent Funds			Total Nonmajor Governmental Funds	
	School Cafeteria Fund	Reserve Fund	Summer School	Arts Council	Adult Education	Middlesex Transition Academy	Total	A. Smith	Haake Science and History		Total
Revenues:											
Local sources	\$ 78	\$ 4,035	\$	\$	\$	\$	\$ 4,113	\$ 171	\$ 6,199	\$ 6,370	\$ 10,483
Intergovernmental	86,389						86,389			-	86,389
Charges for services	492,399		7,511		16,494	294,000	810,404			-	810,404
Contributions		675					675			-	675
Total revenues	<u>578,866</u>	<u>4,710</u>	<u>7,511</u>	<u>-</u>	<u>16,494</u>	<u>294,000</u>	<u>901,581</u>	<u>171</u>	<u>6,199</u>	<u>6,370</u>	<u>907,951</u>
Expenditures:											
Salaries	326,083		8,163		7,949	132,657	474,852			-	474,852
Employee benefits						52,046	52,046			-	52,046
Purchased services					72	77,537	77,609			-	77,609
Operational services					577	693	1,270			-	1,270
Supplies	275,245				5,551	7,048	287,844	15		15	287,859
Capital outlay		203,383					203,383			-	203,383
Total expenditures	<u>601,328</u>	<u>203,383</u>	<u>8,163</u>	<u>-</u>	<u>14,149</u>	<u>269,981</u>	<u>1,097,004</u>	<u>15</u>	<u>-</u>	<u>15</u>	<u>1,097,019</u>
Excess (Deficiency) of Revenues over Expenditures	(22,462)	(198,673)	(652)	-	2,345	24,019	(195,423)	156	6,199	6,355	(189,068)
Other Financing Sources (Uses):											
Transfers in		464,733					464,733			-	464,733
Transfers out		(4)				(15,000)	(15,004)			-	(15,004)
Net Change in Fund Balances	(22,462)	266,056	(652)	-	2,345	9,019	254,306	156	6,199	6,355	260,661
Fund Balances at Beginning of Year	<u>37,864</u>	<u>82,194</u>	<u>3,025</u>	<u>4,908</u>	<u>97</u>	<u>16,573</u>	<u>144,661</u>	<u>5,495</u>	<u>20,797</u>	<u>26,292</u>	<u>170,953</u>
Fund Balances at End of Year	<u>\$ 15,402</u>	<u>\$ 348,250</u>	<u>\$ 2,373</u>	<u>\$ 4,908</u>	<u>\$ 2,442</u>	<u>\$ 25,592</u>	<u>\$ 398,967</u>	<u>\$ 5,651</u>	<u>\$ 26,996</u>	<u>\$ 32,647</u>	<u>\$ 431,614</u>

45

REGIONAL SCHOOL DISTRICT NO. 13

COMBINING STATEMENT OF FIDUCIARY NET ASSETS -
PRIVATE-PURPOSE TRUST FUNDS

JUNE 30, 2010

	<u>R. Mason</u>	<u>Moeller</u>	<u>P. Lyman</u>	<u>Total Private- Purpose Trust Funds</u>
ASSETS				
Cash and cash equivalents	\$ <u> -</u>	\$ <u> 502</u>	\$ <u> 2,249</u>	\$ <u> 2,751</u>
NET ASSETS				
Net Assets Held in Trust for Individuals	\$ <u> -</u>	\$ <u> 502</u>	\$ <u> 2,249</u>	\$ <u> 2,751</u>

REGIONAL SCHOOL DISTRICT NO. 13

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS -
PRIVATE-PURPOSE TRUST FUNDS

FOR THE YEAR ENDED JUNE 30, 2010

	<u>R. Mason</u>	<u>Moeller</u>	<u>P. Lyman</u>	<u>Total Private- Purpose Trust Funds</u>
Additions:				
Investment income:				
Interest and dividends	\$ _____	\$ _____	\$ _____ 2	\$ _____ 2
Deductions:				
Supplies	_____ 6	_____	_____	_____ 6
Change in net assets	(6)	-	2	(4)
Net Assets Beginning of Year	_____ 6	_____ 502	_____ 2,247	_____ 2,755
Net Assets End of Year	\$ _____ -	\$ _____ 502	\$ _____ 2,249	\$ _____ 2,751

REGIONAL SCHOOL DISTRICT NO. 13

AGENCY FUNDS

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

FOR THE YEAR ENDED JUNE 30, 2010

	<u>Balance</u> <u>July 1, 2009</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2010</u>
Student Activity Fund				
Assets:				
Cash	\$ 155,488	\$ 673,295	\$ 665,856	\$ 162,927
Investments	96,063	1,249		97,312
	<u>\$ 251,551</u>	<u>\$ 674,544</u>	<u>\$ 665,856</u>	<u>\$ 260,239</u>
Liabilities:				
Due to student groups	<u>\$ 251,551</u>	<u>\$ 674,544</u>	<u>\$ 665,856</u>	<u>\$ 260,239</u>
Middlesex Consortium				
Assets:				
Cash	<u>\$ 25,826</u>	<u>\$ 117,599</u>	<u>\$ 127,191</u>	<u>\$ 16,234</u>
Liabilities:				
Due to others	<u>\$ 25,826</u>	<u>\$ 117,599</u>	<u>\$ 127,191</u>	<u>\$ 16,234</u>
Retiree Medical and Dental				
Assets:				
Cash	<u>\$ 167,036</u>	<u>\$ 410,292</u>	<u>\$ 577,328</u>	<u>\$ -</u>
Liabilities:				
Due to others	<u>\$ 167,036</u>	<u>\$ 410,292</u>	<u>\$ 577,328</u>	<u>\$ -</u>
Total All Funds				
Assets:				
Cash	\$ 348,350	\$ 1,201,186	\$ 1,370,375	\$ 179,161
Investments	96,063	1,249		97,312
	<u>\$ 444,413</u>	<u>\$ 1,202,435</u>	<u>\$ 1,370,375</u>	<u>\$ 276,473</u>
Liabilities:				
Due to student groups and others	<u>\$ 444,413</u>	<u>\$ 1,202,435</u>	<u>\$ 1,370,375</u>	<u>\$ 276,473</u>

REGIONAL SCHOOL DISTRICT NO. 13

SCHEDULE OF DEBT LIMITATION - THE DISTRICT

JUNE 30, 2010

	<u>Town of</u>		<u>Total</u>
	<u>Durham</u>	<u>Middlefield</u>	
Total tax collections (including interest and lien fees)	\$ 20,524,811	\$ 11,368,679	\$ 31,893,490
Property tax relief elderly	<u>51,844</u>	<u>53,682</u>	<u>105,526</u>
Base	<u>\$ 20,576,655</u>	<u>\$ 11,422,361</u>	<u>\$ 31,999,016</u>
Debt Limitation:			
Limit for School Building Purposes (4.5 times base)			\$ <u>143,995,572</u>
Indebtedness:			
Bonds outstanding			18,305,000
Less: State Grants Receivable			
Region 13			<u>(1,185,285)</u>
Net Indebtedness			<u>17,119,715</u>
Debt Limitation in Excess of Net Indebtedness			<u>\$ 126,875,857</u>