

***WACHUSETT REGIONAL SCHOOL DISTRICT***

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

***FISCAL YEAR ENDED JUNE 30, 2012***

WACHUSETT REGIONAL SCHOOL DISTRICT

REPORT ON EXAMINATION OF BASIC FINANCIAL STATEMENTS

JUNE 30, 2012

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## Independent Auditors' Report

To the Honorable School Committee  
Wachusett Regional School District  
Jefferson, Massachusetts 01522

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Wachusett Regional School District (District), as of and for the fiscal year ended June 30, 2012, which collectively comprise the District'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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and 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 District, as of June 30, 2012, and the respective changes in financial position, where applicable, thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2012, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Powers & Sullivan, LLC*

November 5, 2012

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# ***Management's Discussion and Analysis***

## ***Management's Discussion and Analysis***

As management of the Wachusett Regional School District, we offer readers of these financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2012. The District complies with financial reporting requirements issued by the Governmental Accounting Standards Board (GASB). Management's discussion and analysis are part of these requirements. All amounts, unless otherwise indicated, are expressed in whole dollars.

### ***Overview of the Financial Statements***

This discussion and analysis are intended to serve as an introduction to the Wachusett Regional School District's basic financial statements. These basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

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

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

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected revenues and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions that are principally supported by member town assessments and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities include administration, operations and maintenance, other school services, instruction, fixed charges, other costs and interest. The district had no business-type activities.

**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. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. All of the funds 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 statements focus on *near-term inflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term 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 activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District has several governmental funds. Excluding the general fund and a major capital projects fund, the remaining governmental funds are aggregated and shown as nonmajor governmental funds.

The Wachusett Regional School District adopts an annual budget for its general fund. A budgetary comparison schedule has been provided for the general fund as required supplementary information after the notes to the financial statements to demonstrate compliance with this budget.

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

**Notes to the basic financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the District’s budgetary basis of accounting, its schedule of funding progress, and schedule of employer contributions related to its participation in the Worcester Regional Retirement System, its OPEB schedule of funding progress and employer contributions, and the OPEB actuarial methods and assumptions.

**Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government’s financial position. Assets exceed liabilities by \$17.9 million at the close of FY2012. Key components of the District’s governmental financial position are listed below.

	<u>2012</u>	<u>2011</u>
<b>Assets:</b>		
Current assets.....	\$ 6,157,478	\$ 8,141,938
Capital assets.....	<u>82,274,638</u>	<u>84,561,802</u>
<b>Total assets.....</b>	<b><u>88,432,116</u></b>	<b><u>92,703,740</u></b>
<b>Liabilities:</b>		
Current liabilities (excluding debt).....	5,840,034	5,135,160
Noncurrent liabilities (excluding debt).....	38,046,493	27,547,262
Current debt.....	1,685,000	1,644,000
Noncurrent debt.....	<u>24,945,000</u>	<u>26,630,000</u>
<b>Total liabilities.....</b>	<b><u>70,516,527</u></b>	<b><u>60,956,422</u></b>
<b>Net Assets:</b>		
Capital assets net of related debt.....	55,803,649	56,508,988
Restricted.....	244,196	418,316
Unrestricted.....	<u>(38,132,256)</u>	<u>(25,179,986)</u>
<b>Total net assets.....</b>	<b><u>\$ 17,915,589</u></b>	<b><u>\$ 31,747,318</u></b>



Net assets of \$55.8 million reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that are still outstanding. The District uses these capital assets to provide services to pupils; consequently, these assets are not available for future spending.

Although the investment in capital assets is reported net of its related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the net assets, \$244 thousand represents resources that are subject to external restrictions on how they may be used. The remaining balance (deficit) of *unrestricted net assets* \$38.1 million reflects the impact of the other postemployment benefit liability.

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

### **Governmental Activities**

The governmental activities decreased \$13.8 million in Fiscal 2012. This was primarily due to the District recording the net increase in the *GASB Statement #45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* liability. In fiscal 2012, the District, based on its actuarial valuation, recognized an increase of \$10.5 million for its OPEB liability. Other contributing factors were the planned use of reserves (E&D) to balance the budget and depreciation expense exceeded principal payments of long-term debt.

	<u>2012</u>	<u>2011</u>
<b>Program revenues:</b>		
Charges for services.....	\$ 2,941,611	\$ 2,877,000
Operating grants and contributions.....	21,889,852	21,239,790
<b>General revenues:</b>		
Member town assessments.....	48,229,704	46,645,325
Grants and contributions not restricted to specific programs.....	22,593,986	21,587,104
Unrestricted investment income.....	18,971	35,966
Miscellaneous.....	180,336	73,077
<b>Total revenues.....</b>	<b><u>95,854,460</u></b>	<b><u>92,458,262</u></b>
<b>Expenses:</b>		
Salaries.....	49,085,676	47,536,337
Employee benefits and insurance.....	21,128,000	18,747,516
Pupil services.....	2,017,925	2,059,663
Instructional support.....	10,558,668	8,633,727
Operations and maintenance.....	5,206,196	5,618,076
Special education tuitions.....	2,037,892	2,342,770
Other operations costs.....	13,401,520	12,777,422
Transportation.....	5,107,172	4,366,424
Interest.....	1,143,140	1,184,287
<b>Total expenses.....</b>	<b><u>109,686,189</u></b>	<b><u>103,266,222</u></b>
<b>Change in net assets.....</b>	<b><u>\$ (13,831,729)</u></b>	<b><u>\$ (10,807,960)</u></b>

Total revenues increased \$3.4 million from the prior year. This was primarily due to an increase in member town assessments and state aid, an increase in federal and state grants, and an increase in fees and charges, such as school lunch fees. For the most part, the increase in revenues closely paralleled the costs associated with the demand for student services and the increases in appropriations.

### ***Financial Analysis of the Governmental Funds***

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

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

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$886 thousand, a decrease of \$2.7 million in comparison with the prior year. The primary reasons for the decrease relates to the District's anticipated use of reserves to balance general fund appropriations, and the timing of grant expenditures versus the receipt of revenues.

The general fund is the chief operating fund. At the end of the current fiscal year unassigned fund balance of the general fund was \$159 thousand. There were no reservations of fund balance for encumbrances and continuing appropriations due to the District over-expending their budget. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents .18% of current year general fund expenditures.

At the end of the current fiscal year, the Federal Grant Fund has an ending fund balance of \$198 thousand. This represents a decrease of \$244 thousand from the prior year. The primary reason for the decrease is the timing of grant expenditures versus the receipt of revenues.

### ***General Fund Budgetary Highlights***

There was no change between the original and final budget.

During fiscal year 2012, the District overspent their budget by \$199 thousand. This amount will need to be funded as part of the fiscal year 2013 budget.

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

**Capital Assets.** The District's investment in capital assets as of June 30, 2012, amounts to \$82.3 million (net of accumulated depreciation). This investment in capital assets includes land, buildings and machinery and equipment. The total decrease in the District's investment in capital assets for the current year was \$2.3 million which equaled the current year depreciation. There were no capital additions or disposals during fiscal year 2012.

**Debt Administration.** Outstanding long-term debt of the District, as of June 30, 2012, totaled \$26.6 million, of which \$25.8 million is attributable to the high school addition and renovation project and \$856 thousand is related to the oil remediation project.

During the current fiscal year, the District made debt payments totaling \$1.6 million. The District did not issue any long-term debt during fiscal year 2012.

The District did not have any short-term debt outstanding at fiscal year end. Please refer to the notes 4, 6, and 7 of the financial statements for further discussion of the major capital and debt activity.

## ***Requests for Information***

This financial report is designed to provide a general overview of the Wachusett Regional School District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Comptroller, Wachusett Regional School District 1745 Main Street, Jefferson, MA 01522.

# ***Basic Financial Statements***

**STATEMENT OF NET ASSETS**

JUNE 30, 2012

		<u><b>Primary Government</b></u>
		<u>Governmental Activities</u>
<b>ASSETS</b>		
CURRENT:		
Cash and cash equivalents.....	\$	5,024,119
Receivables, net of allowance for uncollectibles:		
Intergovernmental.....		1,133,359
NONCURRENT:		
Capital assets, net of accumulated depreciation:		
Nondepreciable.....		695,000
Depreciable.....		81,579,638
		<u>81,579,638</u>
TOTAL ASSETS.....		<u>88,432,116</u>
<b>LIABILITIES</b>		
CURRENT:		
Warrants payable.....		375,889
Payroll liabilities.....		41,681
Accrued payroll.....		4,853,751
Accrued interest.....		479,847
Compensated absences.....		88,866
Bonds.....		1,685,000
NONCURRENT:		
Compensated absences.....		355,463
Other postemployment benefits.....		37,691,030
Bonds.....		24,945,000
		<u>24,945,000</u>
TOTAL LIABILITIES.....		<u>70,516,527</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt.....		55,803,649
Restricted for:		
Other purposes.....		244,196
Unrestricted.....		(38,132,256)
		<u>(38,132,256)</u>
TOTAL NET ASSETS.....	\$	<u><u>17,915,589</u></u>

See notes to basic financial statements.

**STATEMENT OF ACTIVITIES**

FISCAL YEAR ENDED JUNE 30, 2012

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
<b>Primary Government:</b>				
<i>Governmental Activities:</i>				
Salaries.....	\$ 49,085,676	\$ -	\$ -	\$ (49,085,676)
Employee benefits and insurance.....	21,128,000	-	-	(21,128,000)
Pupil services.....	2,017,925	1,769,544	428,380	179,999
Instructional support.....	10,558,668	1,120,554	7,621,060	(1,817,054)
Operations and maintenance.....	5,206,196	51,513	-	(5,154,683)
Special education tuitions.....	2,037,892	-	-	(2,037,892)
Other operations costs.....	13,401,520	-	11,612,154	(1,789,366)
Transportation.....	5,107,172	-	2,228,258	(2,878,914)
Interest.....	1,143,140	-	-	(1,143,140)
Total Governmental Activities.....	\$ <u>109,686,189</u>	\$ <u>2,941,611</u>	\$ <u>21,889,852</u>	\$ <u>(84,854,726)</u>

See notes to basic financial statements.

(Continued)

**STATEMENT OF ACTIVITIES (Continued)**

FISCAL YEAR ENDED JUNE 30, 2012

	Primary Government
	Governmental Activities
<b>Changes in net assets:</b>	
Net (expense) revenue from previous page.....	\$ <b>(84,854,726)</b>
<i>General revenues:</i>	
Member town assessments.....	48,229,704
Grants and contributions not restricted to specific programs.....	22,593,986
Unrestricted investment income.....	18,971
Miscellaneous.....	180,336
Total general revenues and transfers.....	<u>71,022,997</u>
Change in net assets.....	(13,831,729)
<i>Net Assets:</i>	
Beginning of year.....	<u>31,747,318</u>
End of year.....	\$ <u><u>17,915,589</u></u>

(Concluded)

**GOVERNMENTAL FUNDS  
BALANCE SHEET**

JUNE 30, 2012

<b>ASSETS</b>	<u>General</u>	<u>Federal Grant Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash and cash equivalents.....	\$ 4,562,903	\$ -	\$ 461,216	\$ 5,024,119
Receivables, net of uncollectibles:				
Intergovernmental.....	-	1,029,446	103,913	1,133,359
Due from other funds.....	<u>832,865</u>	<u>-</u>	<u>-</u>	<u>832,865</u>
<b>TOTAL ASSETS.....</b>	<b><u>\$ 5,395,768</u></b>	<b><u>\$ 1,029,446</u></b>	<b><u>\$ 565,129</u></b>	<b><u>\$ 6,990,343</u></b>
 <b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES:</b>				
Warrants payable.....	\$ 341,777	\$ 21,858	\$ 12,254	\$ 375,889
Payroll liabilities.....	41,681	-	-	41,681
Accrued payroll.....	4,853,751	-	-	4,853,751
Due to other funds.....	<u>-</u>	<u>832,865</u>	<u>-</u>	<u>832,865</u>
<b>TOTAL LIABILITIES.....</b>	<b><u>5,237,209</u></b>	<b><u>854,723</u></b>	<b><u>12,254</u></b>	<b><u>6,104,186</u></b>
 <b>FUND BALANCES:</b>				
Restricted.....	-	174,723	891,070	1,065,793
Unassigned.....	<u>158,559</u>	<u>-</u>	<u>(338,195)</u>	<u>(179,636)</u>
<b>TOTAL FUND BALANCES.....</b>	<b><u>158,559</u></b>	<b><u>174,723</u></b>	<b><u>552,875</u></b>	<b><u>886,157</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES.....</b>	<b><u>\$ 5,395,768</u></b>	<b><u>\$ 1,029,446</u></b>	<b><u>\$ 565,129</u></b>	<b><u>\$ 6,990,343</u></b>

See notes to basic financial statements.



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

FISCAL YEAR ENDED JUNE 30, 2012

Total governmental fund balances.....	\$	886,157
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....		82,274,638
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.....		(479,847)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds		
Bonds and notes payable.....	(26,630,000)	
Other postemployment benefits.....	(37,691,030)	
Compensated absences.....	<u>(444,329)</u>	
Net effect of reporting long-term liabilities.....		<u>(64,765,359)</u>
Net assets of governmental activities.....	\$	<u><u>17,915,589</u></u>

See notes to basic financial statements.

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

FISCAL YEAR ENDED JUNE 30, 2012

	General	Federal Grant Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>				
Member town assessments.....	\$ 48,229,704	\$ -	\$ -	\$ 48,229,704
Intergovernmental.....	36,509,839	4,105,692	3,834,348	44,449,879
Departmental and other.....	-	-	2,975,570	2,975,570
Investment income.....	18,971	-	-	18,971
Miscellaneous.....	180,336	-	-	180,336
<b>TOTAL REVENUES.....</b>	<b>84,938,850</b>	<b>4,105,692</b>	<b>6,809,918</b>	<b>95,854,460</b>
<b>EXPENDITURES:</b>				
Current:				
Salaries.....	47,566,313	757,398	779,225	49,102,936
Employee benefits and insurance.....	10,620,034	-	-	10,620,034
Pupil services.....	68,637	-	1,949,288	2,017,925
Instructional support.....	2,618,263	3,591,887	4,342,177	10,552,327
Operations and maintenance.....	2,861,519	-	57,513	2,919,032
Special education tuitions.....	2,037,892	-	-	2,037,892
Other operations costs.....	12,987,990	-	413,530	13,401,520
Transportation.....	5,107,172	-	-	5,107,172
Debt service:				
Maturing debt.....	1,644,000	-	-	1,644,000
Interest.....	1,160,848	-	-	1,160,848
<b>TOTAL EXPENDITURES.....</b>	<b>86,672,668</b>	<b>4,349,285</b>	<b>7,541,733</b>	<b>98,563,686</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....</b>	<b>(1,733,818)</b>	<b>(243,593)</b>	<b>(731,815)</b>	<b>(2,709,226)</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in.....	-	-	7,945	7,945
Transfers out.....	(7,945)	-	-	(7,945)
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>(7,945)</b>	<b>-</b>	<b>7,945</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>(1,741,763)</b>	<b>(243,593)</b>	<b>(723,870)</b>	<b>(2,709,226)</b>
<b>FUND BALANCES AT BEGINNING OF YEAR.....</b>	<b>1,900,322</b>	<b>418,316</b>	<b>1,276,745</b>	<b>3,595,383</b>
<b>FUND BALANCES AT END OF YEAR.....</b>	<b>\$ 158,559</b>	<b>\$ 174,723</b>	<b>\$ 552,875</b>	<b>\$ 886,157</b>

See notes to basic financial statements.

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

FISCAL YEAR ENDED JUNE 30, 2012

Net change in fund balances - total governmental funds.....		\$ (2,709,226)
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>		
Depreciation expense.....		<u>(2,287,164)</u>
<p>The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.</p>		
Debt service principal payments.....		<u>1,644,000</u>
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.</p>		
Net change in compensated absences accrual.....	10,919	
Net change in accrued interest on long-term debt.....	17,708	
Other postemployment benefits.....	<u>(10,507,966)</u>	
Net effect of recording long-term liabilities and amortizing deferred losses.....		<u>(10,479,339)</u>
Change in net assets of governmental activities.....		<u>\$ (13,831,729)</u>

See notes to basic financial statements.

**FIDUCIARY FUNDS**  
STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2012

	Private Purpose Trust Funds	Agency Funds
<b>ASSETS</b>		
CURRENT:		
Cash and short-term investments.....	\$ 207,016	\$ 332,710
<b>LIABILITIES</b>		
Warrants payable.....	-	1,065
Other liabilities.....	-	331,645
TOTAL LIABILITIES.....	-	332,710
<b>NET ASSETS</b>		
Held in trust for education scholarships.....	\$ 207,016	\$ -

See notes to basic financial statements.

**FIDUCIARY FUNDS**  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**

FISCAL YEAR ENDED JUNE 30, 2012

	<u>Private Purpose Trust Funds</u>
<u>ADDITIONS:</u>	
Contributions:	
Private donations.....	\$ <u>15,455</u>
Net investment income (loss):	
Interest.....	<u>1,924</u>
TOTAL ADDITIONS.....	<u>17,379</u>
<u>DEDUCTIONS:</u>	
Scholarships.....	<u>2,679</u>
CHANGE IN NET ASSETS.....	14,700
NET ASSETS AT BEGINNING OF YEAR.....	<u>192,316</u>
NET ASSETS AT END OF YEAR.....	<u>\$ <u>207,016</u></u>

See notes to basic financial statements.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

The District was formed under Chapter 71 of the Massachusetts General Laws that, by agreement, serves the Towns of Holden, Sterling, Rutland, Paxton and Princeton (Member Towns) and provides public education for pupils from member Towns in grades kindergarten through twelve. A twenty-member School Committee governs the District, which consists of elected members from the member towns.

For financial reporting purposes, the District has included all funds, organizations, agencies, boards, commissions and institutions. The District has also considered all potential component units for which it is financially accountable as well as other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the basic financial statements to be misleading or incomplete. As required by GAAP, these basic financial statements present the District (the primary government) and its component units. The District has no component units that require inclusion in these basic financial statements.

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

The government-wide financial statements (i.e., statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government and its component units. *Governmental activities* are primarily supported by taxes and intergovernmental revenues.

*Fund Financial Statements*

Separate financial statements are provided for governmental funds and fiduciary funds even though fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and displayed in a single column.

*Major Fund Criteria*

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

- If the total assets, liabilities, revenues, or expenditures/expenses of an individual governmental fund are at least 10 percent of the corresponding element (assets, liabilities, etc.) for all funds of that category or type (total governmental funds), *and*
- If the total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund are at least 5 percent of the corresponding element for all governmental funds combined.

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

Fiduciary funds are reported by fund type.

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

#### *Government-Wide Financial Statements*

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when the liabilities are incurred. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of activities demonstrates the degree to which the direct expenses of a particular function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include the following:

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

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

For the most part, the effect of interfund activity has been removed from the government-wide financial statements. However, the effect of interfund services provided and used between functions is not eliminated as the elimination of these charges would distort the direct costs and program revenues reported for the functions affected.

#### *Fund Financial Statements*

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

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

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

The following major governmental funds are reported:

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

The *federal grant fund* is used to account for all activity related to the District's federal grant receipts and disbursements.

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

The *special revenue fund* is used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than permanent funds or capital projects.

The *capital projects fund* is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets of the governmental funds.

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

The following fiduciary fund types are reported:

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

The *agency fund* is used to account for assets held in a purely custodial capacity.

#### *Government-Wide and Fund Financial Statements*

For the government-wide financial statements and fiduciary fund accounting, all applicable Financial Accounting Standards Board (FASB) pronouncements issued on or prior to November 30, 1989, are applied, unless those pronouncements conflict with or contradict GASB pronouncements.

#### D. Cash and Investments

##### *Government-Wide and Fund Financial Statements*

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

#### E. Accounts Receivable

##### *Government-Wide and Fund Financial Statements*

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



***Intergovernmental***

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

These receivables are considered 100% collectible and therefore do not report an allowance for uncollectibles.

**F. Inventories**

*Government-Wide and Fund Financial Statements*

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

**G. Capital Assets**

*Government-Wide Financial Statements*

Capital assets, which include land, land improvements, buildings, machinery and equipment, are reported in the government-wide financial statements. Capital assets are recorded at historical cost, or at estimated historical cost, if actual historical cost is not available. Donated capital assets are recorded at the estimated fair market value at the date of donation. Except for the capital assets of the governmental activities column in the government-wide financial statements, construction period interest is capitalized on constructed capital assets.

All purchases and construction costs greater than \$25,000 with expected useful lives of greater than one year are capitalized at the date of acquisition or construction.

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

<u>Capital Asset Type</u>	<u>Useful Life</u>
Land improvements.....	5-50
Buildings.....	40
Machinery and equipment.....	5-10
Vehicles.....	5

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

*Governmental Fund Financial Statements*

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

**H. Interfund Receivables and Payables**

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

*Government-Wide Financial Statements*

Transactions of a buyer/seller nature between and within governmental funds are eliminated from the governmental activities in the statement of net assets. Any residual balances outstanding between the governmental activities are reported in the statement of net assets as "internal balances".

*Fund Financial Statements*

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

I. Interfund Transfers

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

*Government-Wide Financial Statements*

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

*Fund Financial Statements*

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

J. Net Assets and Fund Equity*Government-Wide Financial Statements (Net Assets)*

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

Net assets have been "restricted for" the following:

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

*Fund Financial Statements (Fund Balances)*

Governmental fund balances are classified as nonspendable, restricted, committed, assigned, or unassigned based on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

The governmental fund balance classifications are as follows:

"Restricted" fund balance includes amounts subject to constraints placed on the use of resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or that are imposed by law through constitutional provisions or enabling legislation.

“Committed” fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision-making authority.

“Assigned” fund balance includes amounts that are constrained by the District’s intent to be used for specific purposes, but are neither restricted nor committed.

“Unassigned” fund balance includes the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

Sometimes the District will fund outlays for a particular purpose from different components of fund balance. In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balances in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. When different components of fund balance can be used for the same purpose, it is the District’s policy to consider restricted fund balance to have been depleted first, followed by committed fund balance, and assigned fund balance. Unassigned fund balance is applied last.

#### K. Long-Term Debt

##### *Government-Wide Financial Statements*

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

##### *Governmental Fund Financial Statements*

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

#### L. Investment Income

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

#### M. Compensated Absences

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

##### *Government-Wide Financial Statements*

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

##### *Governmental Fund Financial Statements*

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

#### N. Fund Deficits

Individual fund deficits exist at June 30, 2012, within the nonmajor governmental funds. These deficits will be funded through grants, and other available funds in fiscal year 2013.

#### O. Use of Estimates

##### *Government-Wide and Fund Financial Statements*

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

#### P. Total Column

##### *Government-Wide Financial Statements*

The total column presented on the government-wide financial statements represents consolidated financial information.

##### *Fund Financial Statements*

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

### **NOTE 2 – CASH AND INVESTMENTS**

A cash and investment pool is maintained that is available for use by all funds. Each fund type's portion of this pool is displayed on the balance sheet as "Cash and Short-term Investments". The deposits and investments of the trust funds are held separately from those of other funds.

Statutes authorize the investment in obligations of the U.S. Treasury, agencies, and instrumentalities, certificates of deposit, repurchase agreements, money market accounts, bank deposits and the State Treasurer's Investment Pool (the Pool). The Treasurer may also invest trust funds in securities, other than mortgages or collateral loans, which are legal for the investment of funds of savings banks under the laws of the Commonwealth.

The Pool meets the criteria of an external investment pool. The Pool is administered by the Massachusetts Municipal Depository Trust (MMDT), which was established by the Treasurer of the Commonwealth who serves as Trustee. The fair value of the position in the Pool is the same as the value of the Pool shares.

#### Custodial Credit Risk – Deposits

In the case of deposits, this is the risk that in the event of a bank failure, Wachusett Regional School District's deposits may not be returned to it. The District's investment policy states that the District should only do business with financial institutions that have a rating in the top three categories by at least one of the nationally recognized rating organizations. Also, the Treasurer shall look to maintain, to the extent allowed, deposits with financial institutions that offer FDIC and/or DIF insurance. At fiscal year-end, the carrying amount of deposits totaled \$5,557,999 and the bank balance totaled \$7,124,748. Of the bank balance, \$859,958 was covered by Federal Depository Insurance, \$863,204 was covered by Depositors Insurance Fund, \$250,000 was covered by the

National Credit Union Administration, \$2,303,184 was covered by the Massachusetts Share Insurance Corporation (MSIC), and \$2,848,402 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Investments

As of June 30, 2012, Wachusett Regional School Districts investments consisted of \$5,846 invested in MMDT.

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of a failure by the counterparty, the District will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. The District’s investment policy is to adhere to Massachusetts General Law, Chapter 44, Section 55 which sets the legal investments for the District. As of June 30, 2012, the District does not have any investments subject to custodial credit risk.

Interest Rate Risk

The District’s investment policy is to structure its investments in a manner that will meet all the cash requirements of the District.

The School participates in MMDT, which maintains a cash portfolio and a short-term bond fund with combined average maturities of approximately 3 months.

Credit Risk

The District purchases investments that assures the principal amount invested is safe from credit and market risk. All of the District’s investments at June 30, 2012 are unrated.

Concentration of Credit Risk

The District places no limit on the amount that may be invested in any one issuer.

**NOTE 3 – INTERGOVERNMENTAL RECEIVABLES**

The District’s receivable balance represents expected future reimbursements from Federal and State agencies for grant expenditures incurred during fiscal year 2012.

**NOTE 4 – CAPITAL ASSETS**

Capital asset activity of the District for the fiscal year ended June 30, 2012, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 695,000	\$ -	\$ -	\$ 695,000
<u>Capital assets being depreciated:</u>				
Buildings.....	90,755,709	-	-	90,755,709
Machinery and equipment.....	<u>38,142</u>	<u>-</u>	<u>-</u>	<u>38,142</u>
Total capital assets being depreciated.....	<u>90,793,851</u>	<u>-</u>	<u>-</u>	<u>90,793,851</u>
<u>Less accumulated depreciation for:</u>				
Buildings.....	(6,888,907)	(2,287,164)	-	(9,176,071)
Machinery and equipment.....	<u>(38,142)</u>	<u>-</u>	<u>-</u>	<u>(38,142)</u>
Total accumulated depreciation.....	<u>(6,927,049)</u>	<u>(2,287,164)</u>	<u>-</u>	<u>(9,214,213)</u>
Total capital assets being depreciated, net.....	<u>83,866,802</u>	<u>(2,287,164)</u>	<u>-</u>	<u>81,579,638</u>
Total governmental activities capital assets, net.....	<u>\$ 84,561,802</u>	<u>\$ (2,287,164)</u>	<u>\$ -</u>	<u>\$ 82,274,638</u>

Depreciation expense was charged as follows:

Total depreciation expense - operations and maintenance..... \$ 2,287,164

**NOTE 5 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

Interfund receivables and payables at June 30, 2012 are summarized as follows:

<u>Due From:</u>	<u>Due To</u>
	Federal Grant Fund
General Fund.....	\$ <u>832,865</u>

Represents funding due to short-term cash flow requirements.

Interfund transfers for the fiscal year ended June 30, 2012, are summarized as follows:

	<u>Operating Transfers In</u>
	Non-Major Governmental Fund
<u>Operating Transfers Out:</u>	
General Fund.....	<u>\$ 7,945</u>

Represents funding of Medicaid administration costs by the general fund.

**NOTE 6 – SHORT-TERM FINANCING**

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

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

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

The District had the following short-term debt activity during fiscal year 2012:

Type	Purpose	Rate (%)	Due Date	Balance at June 30, 2011	Renewed/ Issued	Retired/ Redeemed	Balance at June 30, 2012
RAN	Revenue anticipation note.....	2.00	6/29/12	\$ -	\$ 11,400,000	\$ 11,400,000	\$ -
RAN	Revenue anticipation note.....	0.70	5/4/12	-	<u>2,600,000</u>	<u>2,600,000</u>	-
	Total.....			<u>\$ -</u>	<u>\$ 14,000,000</u>	<u>\$ 14,000,000</u>	<u>\$ -</u>

**NOTE 7 - LONG-TERM DEBT**

*General Long-Term Debt:*

State law permits the District, under the provisions of Chapter 71, Section 16, to authorize indebtedness not to exceed an amount approved by the Finance Advisory Board. Furthermore, written notice of the amount of debt authorized and general purpose of the debt must be given to the Board of Selectmen in each of the member Town’s comprising the District.

Details related to the outstanding indebtedness at June 30, 2012, and the debt service requirements are as follows:

Issue	Maturity Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2011	Issued	Redeemed	Outstanding at June 30, 2012
Municipal Purpose Bonds 2003.....	2024	\$ 20,000,000	2.40 - 5.00%	\$ 14,795,000	\$ -	\$ 875,000	\$ 13,920,000
Municipal Purpose Bonds 2004.....	2025	3,758,000	3.00 - 5.00%	2,900,000	-	160,000	2,740,000
Municipal Purpose Bonds 2009.....	2029	6,100,000	3.12 - 4.50%	5,490,000	-	305,000	5,185,000
Municipal Purpose Bonds 2010.....	2027	2,134,000	2.50 - 4.25%	1,995,000	-	135,000	1,860,000
Municipal Purpose Bonds 2011.....	2030	3,094,000	3.00 - 5.25%	3,094,000	-	169,000	2,925,000
Total governmental bonds payable.....				\$ 28,274,000	\$ -	\$ 1,644,000	\$ 26,630,000

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

Fiscal Year	Principal	Interest	Total
2013.....	\$ 1,685,000	\$ 1,113,867	\$ 2,798,867
2014.....	1,725,000	1,058,723	2,783,723
2015.....	1,765,000	999,249	2,764,249
2016.....	1,820,000	932,483	2,752,483
2017.....	1,870,000	858,708	2,728,708
2018.....	1,925,000	769,046	2,694,046
2019.....	1,975,000	676,433	2,651,433
2020.....	2,035,000	582,233	2,617,233
2021.....	2,100,000	498,433	2,598,433
2022.....	2,160,000	410,159	2,570,159
2023.....	2,220,000	319,229	2,539,229
2024.....	2,295,000	224,545	2,519,545
2025.....	835,000	125,950	960,950
2026.....	565,000	95,431	660,431
2027.....	565,000	69,638	634,638
2028.....	465,000	45,588	510,588
2029.....	465,000	23,663	488,663
2030.....	160,000	8,400	168,400
Total.....	\$ 26,630,000	\$ 8,811,778	\$ 35,441,778

The District is subject to various debt limits by statute and may issue additional general obligation under the normal debt limit. At June 30, 2012, the District had the following authorized and unissued debt:

Purpose	Amount
Technology Acquisition.....	\$ 1,000,000



Changes in Long-term Liabilities

During the fiscal year ended June 30, 2012, the following changes occurred in long-term liabilities:

	Balance June 30, 2011	Bonds and Notes Issued	Bonds and Notes Redeemed	Other Net Increase (Decrease)	Balance June 30, 2012	Current Portion
Long-term bonds and notes.....	\$ 28,274,000	\$ -	\$ (1,644,000)	\$ -	\$ 26,630,000	\$ 1,685,000
Compensated absences.....	455,248	-	-	(10,919)	444,329	88,866
Other postemployment benefits.....	27,183,064	-	-	10,507,966	37,691,030	-
Total.....	<u>\$ 55,912,312</u>	<u>\$ -</u>	<u>\$ (1,644,000)</u>	<u>\$ 10,497,047</u>	<u>\$ 64,765,359</u>	<u>\$ 1,773,866</u>

**NOTE 8 – GOVERNMENTAL FUND BALANCE CLASSIFICATIONS**

The District adopted GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, as part of its fiscal year 2011 reporting. The intention of the GASB is to provide a more structured classification of fund balance and to improve the usefulness of fund balance reporting to the users of the District’s financial statements. The reporting standard establishes a hierarchy for fund balance classifications and the constraints imposed on the uses of those resources.

GASB 54 provides for two major types of fund balances, which are nonspendable and spendable. Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. Examples of this classification are prepaid items, inventories, and principal (corpus) of an endowment fund.

In addition to the nonspendable fund balances, GASB 54 has provided a hierarchy of spendable fund balances, based on a hierarchy of spending constraints. The District may have one or more of these categories.

- Restricted: fund balances that are constrained by external parties, constitutional provisions, or enabling legislation.
- Committed: fund balances that contain self-imposed constraints of the government from its highest level of decision making authority.
- Assigned: fund balances that contain self-imposed constraints of the government to be used for a particular purpose
- Unassigned: fund balance of the general fund that is not constrained for any particular purpose.

As of June 30, 2012, the governmental fund balances consisted of the following:

	GOVERNMENTAL FUNDS			
	General	Federal Grant Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>FUND BALANCES</b>				
Restricted for:				
School revolving.....\$	-	-	604,611	604,611
Program initiatives.....	-	-	93	93
Federal grants.....	-	174,723	-	174,723
State grants.....	-	-	69,474	69,474
Athletic revolving.....	-	-	57,881	57,881
Oil remediation.....	-	-	56,307	56,307
District capital projects.....	-	-	102,704	102,704
Unassigned.....	158,559	-	(338,195)	(179,636)
<b>TOTAL FUND BALANCES (DEFICIT).....\$</b>	<b>158,559</b>	<b>174,723</b>	<b>552,875</b>	<b>886,157</b>

**NOTE 9 – RISK FINANCING**

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

The District participates in premium-based health care plans for its employees.

**NOTE 10 - PENSION PLAN**

*Plan Description* - The District contributes to the Worcester Regional Retirement System (System), a cost sharing multiple-employer defined benefit pension plan administered by the Worcester Regional Retirement Board. School teachers and certain administrators are members of the Commonwealth of Massachusetts’ Teachers Retirement System, to which the District does not contribute. All pension benefits and expenses paid by the Teachers Retirement System are funded by the Commonwealth of Massachusetts (Commonwealth). The amount of these on-behalf payments totaled \$11,612,000 for the fiscal year ended June 30, 2012 and, accordingly, are reported in the General Fund as Intergovernmental Revenues and Fixed Charge Expenditures.

The System provides retirement, disability and death benefits to plan members and beneficiaries. Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan. Cost-of-living adjustments granted between 1981 and 1997 and any increase in other benefits imposed by the Commonwealth’s state law during those years are borne by the Commonwealth. Cost-of-living adjustments granted after 1997 must be approved by the System and are borne by the System. The System issues a publicly available financial report in accordance with guidelines established by the Commonwealth’s Public Employee Retirement Administration Commission. That report may be obtained by contacting the System located at 455 Main Street, Worcester, Massachusetts 01608.

*Funding Policy* - Plan members are required to contribute to the System at rates ranging from 5% to 11% of annual covered compensation. The District is required to pay into the System its share of the system wide

actuarial determined contribution that is apportioned among the employers based on active current payroll. The contributions of plan members and the District are governed by Chapter 32 of the MGL. The District's contributions to the System for the fiscal years ended June 30, 2012, 2011, and 2010 were \$1,254,316, \$1,125,928, and \$1,062,969, respectively, which equaled its required contribution for each fiscal year.

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

**NOTE 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS**

*Plan Description* – The Wachusett Regional School District administers a single-employer defined benefit healthcare plan (the “Plan”). The Plan provides lifetime health and life insurance for eligible retirees and their spouses through the District’s group health and life insurance plans, which cover both active and retired members. Chapter 32B of the MGL assigns authority to establish and amend benefit provisions of the Plan. Benefit provisions are negotiated between the District and the unions representing District employees and are renegotiated each bargaining period. The Plan does not issue a publicly available financial report.

*Funding Policy* – Contribution requirements are also negotiated between the District and union representatives. The required contribution is based on a pay-as-you-go financing requirement. The District contributes 50 percent of the cost of current-year premiums for eligible retired plan members and their spouses. Plan members receiving benefits contribute the remaining 50 percent of their premium costs. For fiscal year 2012, the District’s actual contributions to the plan were \$2,966,793.

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

Annual required contribution.....	\$	13,959,620
Interest on net OPEB obligation.....		1,087,323
Adjustment to required annual contribution.....		(1,572,184)
Annual OPEB cost (expense).....		<u>13,474,759</u>
Contributions made.....		<u>(2,966,793)</u>
Increase in net OPEB obligation.....		10,507,966
Net OPEB obligation--beginning of year.....		<u>27,183,064</u>
Net OPEB obligation--end of year.....	\$	<u><u>37,691,030</u></u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation since implementation was as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2012	\$ 13,474,759	22%	\$ 37,691,030
6/30/2011	12,866,460	21%	27,183,064
6/30/2010	11,674,269	27%	17,016,192

*Funded Status and Funding Progress* – As of July 1, 2010, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$101,521,284, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$46,154,418 and the ratio of the UAAL to the covered payroll was 220.0 percent.

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

*Actuarial Methods and Assumptions* – Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce 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, 2010, actuarial valuation, actuarial liabilities were determined using the projected unit credit cost method. The actuarial assumptions included a 4.00% investment return assumption, which is based on the expected yield on the assets of the District, calculated based on the funded level of the plan at the valuation date, and an annual medical/drug cost trend rate of 10.00% decreasing by 1% for 5 years to an ultimate level of 5.00% per year. The UAAL is being amortized over a 30 year period. The remaining amortization period at June 30, 2012 is 26 years.

## NOTE 12 - CONTINGENCIES

The District participates in a number of federal award programs. Although the grant programs have been audited in accordance with the provisions of the Single Audit Act Amendments of 1996 through June 30, 2012, these programs are still subject to financial and compliance audits. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although it is expected such amounts, if any, to be immaterial.

The District is subject to legal actions and claims that are subject to many uncertainties. Although the amount of liability, if any, at June 30, 2012, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2012.

**NOTE 13 – COMMITMENTS**

During fiscal year 2007, the District entered into a contract with Environmental Compliance Services, Inc. to provide remediation services associated with an oil tank leak that occurred within an underground storage tank. Remediation and monitoring is expected to last for approximately a ten year period and have costs in excess of \$1 million dollars. The District has obtained special legislation from the Department of Revenue to allow for bonding of these expenditures in the amount of \$1 million and was approved for a grant from the Department of Revenue of approximately \$150,000. As of June 30, 2012, approximately \$1,108,000 in costs has been incurred.

**NOTE 14 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS**

During fiscal year 2012, the following GASB pronouncements were implemented:

- GASB Statement #64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions, an amendment of GASB Statement No. 53*. The implementation of this pronouncement did not impact the basic financial statements.
- The GASB issued Statement #62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The implementation of this pronouncement did not impact the basic financial statements.

The following GASB pronouncements will be implemented in future fiscal years. Management is currently assessing the impact the implementation of these pronouncements will have on the basic financial statements.

- The GASB issued Statement #60, *Accounting and Financial Reporting for Service Concession Arrangements*, which is required to be implemented in fiscal year 2013.
- The GASB issued Statement #61, *The Financial Reporting Entity: Omnibus*, which is required to be implemented in fiscal year 2013.
- The GASB issued Statement #63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which is required to be implemented in fiscal year 2013.
- The GASB issued Statement #65, *Items Previously Reported as Assets and Liabilities*, which is required to be implemented in fiscal year 2013.
- The GASB issued Statement #66, *Technical Corrections – 2012, an amendment of GASB Statements No. 10 and No. 62*, which is required to be implemented in fiscal year 2013.
- The GASB issued Statement #67, *Financial Reporting for Pension Plans, an amendment of GASB Statement No. 25*, which is required to be implemented in fiscal year 2014.
- The GASB issued Statement #68, *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27*, which is required to be implemented in fiscal year 2015.

# ***Required Supplementary Information***

**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**

FISCAL YEAR ENDED JUNE 30, 2012

	Budgeted Amounts			Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance to Final Budget
	Amounts Carried forward From Prior Year	Original Budget	Final Budget			
<b>REVENUES:</b>						
Member town assessments.....	\$ -	\$ 48,229,704	\$ 48,229,704	\$ 48,229,704	\$ -	\$ -
Intergovernmental.....	-	24,498,489	24,498,489	24,897,685	-	399,196
Investment income.....	-	-	-	18,971	-	18,971
Miscellaneous.....	-	-	-	180,336	-	180,336
<b>TOTAL REVENUES.....</b>	<b>-</b>	<b>72,728,193</b>	<b>72,728,193</b>	<b>73,326,696</b>	<b>-</b>	<b>598,503</b>
<b>EXPENDITURES:</b>						
Current:						
Salary.....	-	48,790,808	48,790,808	47,492,240	-	1,298,568
Employee benefits and insurance.....	-	9,403,293	9,403,293	10,620,034	-	(1,216,741)
Pupil services.....	4,485	211,130	215,615	68,637	-	146,978
Instructional support.....	54,275	2,434,075	2,488,350	2,618,263	-	(129,913)
Operations and maintenance.....	9,900	2,779,219	2,789,119	2,861,519	-	(72,400)
Special education tuitions.....	-	1,827,894	1,827,894	2,037,892	-	(209,998)
Other operations costs.....	-	1,499,396	1,499,396	1,375,836	-	123,560
Transportation.....	-	4,968,265	4,968,265	5,107,172	-	(138,907)
Debt service:						
Maturing debt.....	-	1,644,000	1,644,000	1,644,000	-	-
Interest.....	-	1,160,848	1,160,848	1,160,848	-	-
<b>TOTAL EXPENDITURES.....</b>	<b>68,660</b>	<b>74,718,928</b>	<b>74,787,588</b>	<b>74,986,441</b>	<b>-</b>	<b>(198,853)</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....</b>	<b>(68,660)</b>	<b>(1,990,735)</b>	<b>(2,059,395)</b>	<b>(1,659,745)</b>	<b>-</b>	<b>399,650</b>
<b>OTHER FINANCING SOURCES (USES):</b>						
Transfers out.....	-	-	-	(7,945)	-	(7,945)
<b>NET CHANGE IN FUND BALANCE.....</b>	<b>(68,660)</b>	<b>(1,990,735)</b>	<b>(2,059,395)</b>	<b>(1,667,690)</b>	<b>\$ -</b>	<b>\$ 391,705</b>
<b>BUDGETARY FUND BALANCE,</b>						
Beginning of year.....	1,900,322	1,900,322	1,900,322	1,900,322		
<b>BUDGETARY FUND BALANCE, End of year....</b>	<b>\$ 1,831,662</b>	<b>\$ (90,413)</b>	<b>\$ (159,073)</b>	<b>\$ 232,632</b>		

See notes to required supplementary information.

# Other Postemployment Benefits Plan Schedules

The Schedule of Funding progress compares, over time, the actuarial accrued liability for benefits with the actuarial value of accumulated plan assets.

The Schedule of Employer Contributions presents, over time, the ratio of the actual annual employer contributions to the annual required contribution.

The Schedule of Actuarial Methods and Assumptions presents factors that significantly affect the identification of trends in the amounts reported.



**OTHER POSTEMPLOYMENT BENEFIT PLAN**  
**SCHEDULE OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS**

JUNE 30, 2012

**Schedule of Funding Progress**

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Projected Unit Credit (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
7/1/2010	\$ -	\$ 101,521,284	\$ 101,521,284	0%	\$ 46,154,418	220.0%
7/1/2009	-	105,063,662	105,063,662	0%	46,698,556	225.0%
7/1/2008	-	98,399,778	98,399,778	0%	43,911,705	224.1%

**Schedule of Employer Contributions**

Fiscal Year Ended	Annual Required Contribution	Actual Contributions Made	Percentage Contributed
2012	\$ 13,959,620	\$ 2,966,793	21%
2011	13,169,976	2,699,588	20%
2010	11,825,427	3,132,504	26%
2009	11,218,885	2,744,458	24%

See notes to required supplementary information.

**OTHER POSTEMPLOYMENT BENEFIT PLAN**  
**ACTUARIAL METHODS AND ASSUMPTIONS**

FISCAL YEAR ENDED JUNE 30, 2012

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Actuarial Methods:

Valuation date.....	July 1, 2010
Actuarial cost method.....	Projected Unit Credit
Amortization method.....	30 year amortization payments
Remaining amortization period.....	30 years, open

Actuarial Assumptions:

Investment rate of return.....	4.00%, pay-as-you-go scenario
Medical/drug cost trend rate.....	10.00% decreasing by 1% to the ultimate level of 5.00% per year

Plan Membership:

Current retirees, beneficiaries, and dependents...	265
Current active members.....	<u>972</u>
Total.....	<u><u>1,237</u></u>

See notes to required supplementary information.

# **Retirement System Schedules of Funding Progress and Employer Contributions**

The Retirement System Schedule of Funding Progress presents multiyear trend information about whether the actuarial value of planned assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

The Retirement System Schedule of Employer Contributions presents multiyear trend information for required and actual contributions relating to the cost-sharing plan as a whole, of which the District is one participating employer, as well as the District's proportionate share of the plan's annual contributions.

**Worcester Regional Retirement System  
Schedule of Funding Progress**

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Entry Age (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
01/01/10	\$ 413,976,785	\$ 863,002,067	\$ 449,025,282	48.0%	\$ 241,992,607	185.6%
01/01/07	389,758,785	692,768,325	303,009,540	56.3%	211,518,755	143.3%
01/01/04	350,879,900	552,773,549	201,893,649	63.5%	170,669,442	118.3%
01/01/01	316,389,108	426,280,953	109,891,845	74.2%	145,000,347	75.8%
01/01/99	248,967,040	374,455,997	125,488,957	66.5%	119,857,640	104.7%
01/01/98	240,982,371	394,330,873	153,348,502	61.1%	134,803,954	113.8%
01/01/97	174,065,213	291,956,757	117,891,544	59.6%	111,270,545	106.0%

The District's share of the UAAL, as of June 30, 2012, is approximately 3.8%.

See notes to required supplementary information.

**Worcester Regional Retirement System  
Schedule of Employer Contributions**

Fiscal Year Ended June 30	System Wide			Wachusett Regional School District	
	Annual Required Contributions	(A) Actual Contributions	Percentage Contributed	(B) Actual Contributions	(B/A) District's Percentage of System Wide Actual Contributions
2012	\$ 33,100,000	\$ 33,100,000	100%	\$ 1,254,316	3.79%
2011	31,200,000	31,200,000	100%	1,125,928	3.61%
2010	28,800,000	28,800,000	100%	1,062,969	3.69%
2009	26,400,000	26,400,000	100%	974,352	3.69%
2008	22,998,000	22,998,000	100%	808,508	3.52%
2007	21,983,000	21,983,000	100%	807,059	3.67%
2006	21,013,000	21,013,000	100%	690,001	3.28%

The District's Actual Contributions equaled 100% of its Required Contributions for each year presented.

See notes to required supplementary information.

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

The District adopts a balanced budget that is approved by the Committee. The School District first determines the amounts required to be raised, after deducting for known revenue sources, to operate the School District. The anticipated assessment to each member community is then determined and the District seeks to obtain an appropriation from each member Community. Once all assessments are approved by the member communities the District's Treasurer certifies the assessment due to the Treasurers of all member communities.

The District's budget is approved in total by all member communities. The School Committee is limited to the total budget and has the authority to exceed individual budget line items during a given fiscal year.

The majority of the District's appropriations are non-continuing, which lapse at the end of the fiscal year.

The District adopts an annual budget for the General Fund in conformity with the guidelines described above. The original fiscal year 2012 approved budget for the General Fund authorized approximately \$74,719,000 in appropriations. There were no changes to the original budget during fiscal year 2012.

The District's accounting office has the responsibility to ensure that budgetary control is maintained on a bottom line, total budget basis. Budgetary control is exercised through the District's accounting system.

B. Budgetary - GAAP Reconciliation

For budgetary financial reporting purposes, the Uniform Municipal Accounting System basis of accounting (established by the Commonwealth) is followed, which differs from the GAAP basis of accounting. A reconciliation of budgetary-basis to GAAP-basis results for the general fund for the fiscal year ended June 30, 2012, is presented below:

Net change in fund balance, budgetary basis.....	\$ (1,667,690)
<u>Basis of accounting differences:</u>	
Recognition of revenue for on-behalf payments.....	11,612,000
Recognition of expenditures for on-behalf payments.....	(11,612,000)
Net difference in recording expenditures.....	<u>(74,073)</u>
Net change in fund balance, GAAP basis.....	\$ <u><u>(1,741,763)</u></u>

**NOTE B – OTHER POSTRETIREMENT BENEFITS**

The District administers a single-employer defined benefit healthcare plan (“the Retiree Health Plan”). The plan provides lifetime health and life insurance for eligible retirees and their spouses through the District’s health insurance plan, which covers both active and retired members.

The District currently finances its other postemployment benefits (OPEB) on a pay-as-you-go basis. As a result, the funded ratio (actual value of assets expressed as a percentage of the actuarial accrued liability) is 0%. In accordance with Governmental Accounting Standards, the District has recorded its OPEB cost equal to the actuarial determined annual required contribution (ARC) which includes normal cost of providing benefits for the year and a component for the amortization of the total unfunded actuarial accrued liability of the plan.

The Schedule of Funding Progress presents multi-year trend information which compares, over time, to the actuarial accrued liability for benefits with the actuarial value of accumulated plan assets.

The Schedule of Employer Contributions presents, over time, the ratio of the actual annual employer contributions to the annual required contribution.

Projections of benefits for financial reporting purposes are based on the substantive plan and included the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit cost 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.

The Schedule of Actuarial Methods and Assumptions presents factors that significantly affect the identification of trends in the amounts reported.

**NOTE C – PENSION PLAN**

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

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

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

Actuarial Methods and Assumptions:

Valuation Date.....	January 1, 2010
Actuarial Cost Method.....	Entry Age Normal Cost Method
Amortization Method.....	Increasing at 4.0% per year, level dollar for ERI liability for certain units
Remaining Amortization Period.....	29 years remaining as of July 1, 2011
Asset Valuation Method.....	The actuarial value of assets is determined by projecting the market value of assets as of the beginning of the prior plan year with the assumed rate of return during that year (8.0%) and accounting for deposits and disbursements with interest at the assumed rate of return. An adjustment is then applied to recognize the difference between the actual investment return and expected return over a five year period. This preliminary actuarial value is not allowed to differ from the market value of assets by more than 10%.

Actuarial Assumptions:

Investment rate of return.....	8.00%
Projected salary increases.....	3.00%
Cost of living adjustments.....	3.00% of the lesser of the pension amount and \$14,000 per year.

Plan Membership:

Retired participants and beneficiaries receiving benefits.....	2,686
Inactive participants .....	2,324
Disabled.....	215
Active participants.....	<u>6,236</u>
Total.....	<u><u>11,461</u></u>