

**DENNIS-YARMOUTH REGIONAL SCHOOL DISTRICT**  
BASIC FINANCIAL STATEMENTS AND  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
WITH INDEPENDENT AUDITOR'S REPORT  
FOR THE YEAR ENDED JUNE 30, 2012

**DENNIS-YARMOUTH REGIONAL SCHOOL DISTRICT**  
**BASIC FINANCIAL STATEMENTS AND**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

**TABLE OF CONTENTS**

|  | <b><u>PAGE</u></b> |
|--|--------------------|
| Independent Auditor's Report   | i                  |
| Management's Discussion and Analysis   | ii                 |
| Basic Financial Statements   |                    |
| <u>Government-wide Financial Statements</u>  |                    |
| Statement of Net Assets  | 1                  |
| Statement of Activities  | 2                  |
| <u>Fund Financial Statements</u>   |                    |
| Balance Sheet – Governmental Funds   | 3                  |
| Statement of Revenues, Expenditures, and Changes in Fund Balance –<br>Governmental Funds   | 4                  |
| Reconciliation of Statement of Revenues, Expenditures, and Changes in<br>Fund Balances – Governmental Funds to Statement of Activities | 5                  |
| Statement of Net Assets – Proprietary Funds  | 6                  |
| Statement of Changes in Net Assets – Proprietary Funds   | 7                  |
| Statement of Cash Flows – Proprietary Funds  | 8                  |
| Statement of Net Assets – Fiduciary Funds  | 9                  |
| Statement of Changes in Net Assets – Fiduciary Funds   | 10                 |
| Notes to Financial Statements  | 11                 |
| Supplementary Information  |                    |
| Schedule of Funding Progress – District's Other Post-Employment<br>Benefit Plan (OPEB) and Notes                                       | 31                 |
| Budgetary Comparison Schedule – General Fund   | 32                 |
| Budgetary Basis of Accounting Notes  | 33                 |



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### **INDEPENDENT AUDITOR'S REPORT**

To the School Committee  
Dennis-Yarmouth Regional School District  
South Yarmouth, Massachusetts

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Dennis-Yarmouth Regional School District, (the District) as of and for the 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 Dennis-Yarmouth Regional School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and 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 Dennis-Yarmouth Regional School District as of June 30, 2012, and the respective changes in financial position and where applicable, cash flows thereof 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 10, 2012, on our consideration of the Dennis-Yarmouth Regional School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages ii through vii, the schedule of funding progress – District's Other Post-Employment Benefit Plan (OPEB), and budgetary comparison information on pages 30 through 32 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 an assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*MLBCPA, LLP*  
March 4, 2013

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

# DENNIS-YARMOUTH REGIONAL SCHOOL DISTRICT

## Management's Discussion and Analysis

June 30, 2012

As management of the Dennis-Yarmouth Regional School District (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the year ended June 30, 2012.

### Financial Highlights:

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$24.1 million (net assets). Net assets invested in capital assets, net of related debt and restricted net assets consisted of approximately \$31.5 million and \$1.3 million respectively. The District reported a deficit of approximately \$8.7 million in unrestricted net assets, due in large part to the reporting of approximately \$9.7 million of net "Other Post-Employment Benefits (OPEB) obligations as of June 30, 2012.
- The total cost of all District services for fiscal year 2012 was \$66.4 million.
- As of the end of the current fiscal year, unassigned fund balance for the general fund was \$1.8 million, or approximately 3.2% of general fund expenditures.

### Overview of the Financial Statements:

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's financial statements are comprised of four components: 1) government-wide financial statements, 2) fund financial statements, 3) notes to financial statements and 4) supplementary information.

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

The *statement of activities* presents information showing how the 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 of the District that are principally supported by member community assessments, fees 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 of the District include general District administrative services, education services for grades K-12 and maintenance and operation of school facilities. The District does not maintain any 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. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

## DENNIS-YARMOUTH REGIONAL SCHOOL DISTRICT

### Management's Discussion and Analysis

June 30, 2012

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

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

The District maintains many individual governmental funds. The General Fund is considered a major fund for presentation purposes. Each major fund is presented in a separate column in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances. The remaining funds are aggregated and shown as non-major governmental funds.

The basic governmental fund financial statements can be found in the accompanying pages of this report.

**Proprietary funds:** Proprietary funds focus on the determination of operating income, changes in net assets, financial position, and cash flows. These funds measure economic resources using the full accrual basis of accounting.

Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The District currently does not maintain any enterprise funds.

The District's self-insured worker's compensation fund has been accounted for as an internal service fund. The Internal Service Fund is used to account for worker's compensation claims and expenses for the District's employees. Due to the fact the Internal Service Fund accounts only for District employees, the internal service fund is considered a governmental activity fund of the District.

The basic proprietary fund financial statements can be found in the accompanying pages of this report.

**Fiduciary funds:** *Fiduciary funds* are used to report assets held in a trustee or agency capacity for others and therefore not available to support District programs. The reporting focus is on net assets and change in net assets.

The District's fiduciary funds are private purpose trust funds, other post-employment benefits trust fund (OPEB) and an agency fund. The private purpose trust funds account for resources legally held in trust for the benefit of persons and organizations other than the District. The other post-employment benefits trust fund accounts for resources legally held in trust for the purpose of funding health insurance benefits for retired employees and beneficiaries of the District. Since these funds cannot be used for providing District services, they are excluded from the District's government-wide financial statements.

# DENNIS-YARMOUTH REGIONAL SCHOOL DISTRICT

## Management's Discussion and Analysis

June 30, 2012

The Agency fund is used to hold funds on the behalf of parties other than the District. This consists primarily of funds related to student activities. Agency funds are custodial in nature and do not involve measurement of results of operations.

The basic fiduciary fund financial statements can be found in the accompanying pages of this report.

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

**Supplementary information:** The supplementary information presented as required provides budgetary comparison information as well as information related to the District's retiree benefits plan.

### 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 Dennis-Yarmouth Regional School District, assets exceeded liabilities by \$26.1 million for the governmental activities at the close of the most recent fiscal year. The following tables demonstrate the net assets of the District

|  | <b>FY2012</b>            | <b>FY2011</b>            | <b>Percent</b> |
|--|--------------------------|--------------------------|----------------|
|  | <b>Governmental</b>      | <b>Governmental</b>      | <b>Change</b>  |
|  | <b><u>Activities</u></b> | <b><u>Activities</u></b> |                |
| Current assets                                     | \$ 10,143,538            | \$ 8,771,035             | 15.65%         |
| Capital assets                                     | <u>41,633,635</u>        | <u>39,674,020</u>        | 4.94%          |
| Total assets                                       | 51,777,173               | 48,445,055               | 6.88%          |
| Current liabilities                                | 9,208,984                | 5,601,834                | 64.39%         |
| Long-term liabilities                              | <u>18,434,755</u>        | <u>16,785,113</u>        | 9.83%          |
| Total liabilities                                  | 27,643,739               | 22,386,947               | 23.48%         |
| Net assets:  |                          |                          |                |
| Invested in capital assets,<br>net of related debt | 31,516,001               | 30,869,522               | 2.09%          |
| Restricted   | 1,302,495                | 1,208,625                | 7.77%          |
| Unrestricted                                       | <u>(8,685,062)</u>       | <u>(6,020,039)</u>       | 44.27%         |
| Total net assets                                   | <u>\$ 24,133,434</u>     | <u>\$ 26,058,108</u>     | -7.39%         |

Governmental activity long term liabilities consist primarily of \$7.0 million in general obligation bonds, \$1.5 million in compensated absences and \$9.7 million in net other post-employment (OPEB) obligations. The balance of bonds, leases, and worker's compensation payable are classified as current because they are due within fiscal year 2013.

## DENNIS-YARMOUTH REGIONAL SCHOOL DISTRICT

### Management's Discussion and Analysis

June 30, 2012

The largest portion of the District's total net assets, \$31.5 million, reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the District 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.

An additional portion of the District's total net assets, \$1.3 million, represents resources that are subject to restrictions placed on how they may be used. The remaining balance of unrestricted net assets which may be used to meet the District's ongoing obligations to citizens and creditors was in a deficit of approximately \$8.7 million. Again, the primary reason for the increase in the deficit related to unrestricted net assets is attributed to an increase in the OPEB liability of approximately \$2.1 million during the current year.

Governmental activities decreased the District's net assets by approximately \$1.9 million during fiscal year 2012. Capital grants and contributions increased significantly over the previous year primarily due to reimbursements received from the Massachusetts School Building Authority for eligible construction and repair costs for the E.H. Baker School and certain other contributions from the member towns for other projects. A summary of revenues and major functional expenditures is presented below. Certain amounts have been restated to correspond to current year presentation.

|                                    | <b>FY2012</b>            | <b>FY2011</b>            | <b>Percent</b>       |
|------------------------------------|--------------------------|--------------------------|----------------------|
|                                    | <b>Governmental</b>      | <b>Governmental</b>      | <b>Change</b>        |
|                                    | <b><u>Activities</u></b> | <b><u>Activities</u></b> | <b><u>Change</u></b> |
| Revenues:                          |                          |                          |                      |
| Charges for services               | \$ 1,650,900             | \$ 1,536,643             | 7.44%                |
| Operating grants and contributions | 14,524,091               | 14,385,146               | 0.97%                |
| Capital grants and contributions   | 1,068,168                | 113,106                  | 844.40%              |
| General revenues:                  |                          |                          |                      |
| Assessments to member towns        | 40,154,117               | 38,930,676               | 3.14%                |
| Intergovernmental                  | 6,762,383                | 6,674,122                | 1.32%                |
| Investment income and other        | <u>335,296</u>           | <u>262,537</u>           | 27.71%               |
| Total revenues                     | 64,494,955               | 61,902,230               | 4.19%                |
| Expenses:                          |                          |                          |                      |
| Administration                     | 1,145,292                | 1,125,685                | 1.74%                |
| Instruction                        | 29,135,541               | 29,327,135               | -0.65%               |
| School services                    | 5,529,873                | 5,066,232                | 9.15%                |
| Operations and maintenance         | 5,210,666                | 4,973,874                | 4.76%                |
| Employee benefits and other costs  | 18,673,265               | 17,880,409               | 4.43%                |
| Community services                 | 544,984                  | 515,084                  | 5.80%                |
| Interest on debt                   | 327,875                  | 352,672                  | -7.03%               |
| Other programs                     | <u>5,819,762</u>         | <u>5,366,183</u>         | 8.45%                |
| Total expenditures                 | 66,387,258               | 64,607,274               | 2.76%                |
| Transfers                          | <u>(32,371)</u>          | <u>-</u>                 | 100.00%              |
| Change in net assets               | <u>\$ (1,924,674)</u>    | <u>\$ (2,705,044)</u>    | -28.85%              |

# DENNIS-YARMOUTH REGIONAL SCHOOL DISTRICT

## Management's Discussion and Analysis

June 30, 2012

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

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

**Governmental funds** - The focus of *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing financing requirements. Fund balance for governmental funds is reported in a classification hierarchy which is based upon the extent to which the District is bound to honor constraints on the specific purposes for which the amounts in those funds can be spent. These classifications are non-spendable, restricted, committed, assigned and unassigned fund balance.

In particular, *unassigned fund balance* represents the residual fund balance which has not been restricted, committed, or assigned to a purpose within the fund. The general fund is the only fund which should report a positive unassigned fund balance amount. Any negative unassigned fund balance amount represents expenditures incurred for specific purposes which exceeded the amounts restricted, committed, or assigned for that purpose.

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of approximately \$1.5 million. Of this combined amount \$2.3 million has been assigned for specific purposes, and unassigned fund balance is reported in a deficit of approximately \$878,000, primarily due to the \$2.6 million deficit reported in the E.H. Baker School project, since final reimbursement and permanent financing has not been incurred for the project.

The general fund is the chief operating fund of the District. At the end of the current fiscal year, the District reported total fund balance of \$2.8 million. Of this amount \$1.0 million, or 35.8%, has been assigned by the District to fund the fiscal year 2013 budget. The remaining \$1.8 million, or 64.2%, is unassigned at year end. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance and total fund balance to total fund revenues and expenditures. General fund unassigned fund balance represents 3.2% of both total general fund revenues and expenditures. Total fund balance represents 4.9% and 5.0% of total general fund revenues and expenditures, respectively.

The total general fund balance increased by approximately \$466,000 during the current fiscal year, primarily due to cost savings in insurance plans and administration of the District's expenditures during the year.

### **General Fund Budgetary Highlights**

The District adopts an annual expenditure budget for its General Fund. A budgetary comparison schedule has been provided for the General Fund to demonstrate compliance with the budget. The difference between the original budget the amended final budget is primarily due to voted transfers to cover any operating deficits within functional categories.

**DENNIS-YARMOUTH REGIONAL SCHOOL DISTRICT**

Management's Discussion and Analysis

June 30, 2012

**Capital Asset and Debt Administration**

**Capital assets:**

In conjunction with the operating budget, the District annually prepares a capital budget for the upcoming fiscal year and a Capital Improvement Plan that is used as a guide for future capital expenditures.

The District's investment in capital assets for governmental activities as of June 30, 2012 amounts to \$41.6 million which is net of accumulated depreciation of \$15.9 million. Capital assets, net of accumulated depreciation as of June 30, 2011 amounted to approximately \$39.7 million.

The table below represents a summary of the District's capital assets, net of accumulated depreciation by category (in millions):

| <b><u>Capital assets</u></b>                     | <b><u>2012</u></b> | <b><u>2011</u></b> |
|--|--------------------|--------------------|
| Buildings, improvements and<br>land improvements | \$ 37.4            | \$ 38.4            |
| Machinery and various equipment                  | 0.9                | 1.1                |
| Construction in progress                         | <u>3.3</u>         | <u>0.2</u>         |
|  | <u>\$ 41.6</u>     | <u>\$ 39.7</u>     |

The District's primary capital asset additions consisted of approximately \$3.1 million in construction in progress related to the E.H. Baker Elementary School project, \$314,000 of building and other improvements, and \$147,000 of various equipment acquisitions.

**Debt administration:**

At the end of the current fiscal year, the District had total bonded debt outstanding of \$7.8 million. This is compared to \$8.6 million last year. This debt is a general obligation of the District.

The District maintains an AA- bond rating with Moody's Investor Service.

**Economic Factors and Next Year's Budgets and Rates**

The District's fiscal year 2013 budget is \$50.7 million, an increase of approximately \$1.5 million, or 3.0% from fiscal year 2012.

**Requests for Information**

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Dennis-Yarmouth Regional School District, Attn: Larry Azer, Director of Finance & Operations, 296 Station Avenue, South Yarmouth MA 02664.

**BASIC FINANCIAL STATEMENTS**

**DENNIS-YARMOUTH REGIONAL SCHOOL DISTRICT**

Statement of Net Assets

June 30, 2012

|  | <b>Primary<br/>Government<br/>Governmental<br/>Activities/Totals</b> |
|--|--|
| <b>ASSETS</b>  |  |
| Cash   | \$ 9,072,949   |
| Receivables  | 1,034,266  |
| Inventories  | 36,323   |
| Capital assets, net of accumulated depreciation          | 41,633,635   |
| Total Assets   | <u>\$ 51,777,173</u>   |
| <b>LIABILITIES</b>                                       |  |
| Accounts payable, accrued expenses and other liabilities | \$ 5,915,887   |
| Deferred revenues  | 213,792  |
| Notes payable  | 2,100,000  |
| Accrued interest   | 113,091  |
| Long-term liabilities:                                   |  |
| Due within one year                                      | 866,214  |
| Due in more than one year                                | 18,434,755   |
| Total liabilities  | <u>27,643,739</u>  |
| <b>NET ASSETS</b>  |  |
| Invested in capital assets, net of related debt          | 31,516,001   |
| Restricted   | 1,302,495  |
| Unrestricted   | (8,685,062)  |
| Total net assets   | <u>24,133,434</u>  |
| Total liabilities and net assets                         | <u>\$ 51,777,173</u>   |

The accompanying notes are an integral part of these financial statements.

**DENNIS-YARMOUTH REGIONAL SCHOOL DISTRICT**

Statement of Activities

For the Year Ended June 30, 2012

| <u>Functions/Programs</u>                                    | <u>Expenses</u>      | <u>Program Revenues</u>     |   | <u>Net (Expense)</u>                    |   |
|--|----------------------|-----------------------------|---|---|---|
|  |                      | <u>Charges for Services</u> | <u>Operating Grants and Contributions</u> | <u>Capital Grants and Contributions</u> | <u>Revenue and Changes in Net Assets</u>    |
|  |                      |                             |   |   | <u>Total Governmental Activities/Totals</u> |
| <b>Primary government</b>                                    |                      |                             |   |   |   |
| Governmental activities                                      |                      |                             |   |   |   |
| Administration   | \$ 1,145,292         | \$                          | \$ 450                                    | \$                                      | \$ (1,144,842)                              |
| Instructional  | 29,135,541           | 327,187                     | 3,678,897                                 |   | (25,129,457)                                |
| School services  | 5,529,873            | 758,655                     | 1,689,764                                 |   | (3,081,454)                                 |
| Operations and maintenance of facilities                     | 5,210,666            | 51,280                      |   | 1,068,168                               | (4,091,218)                                 |
| Employee benefits and other fixed charges                    | 18,673,265           |                             | 9,154,480                                 |   | (9,518,785)                                 |
| Community services   | 544,984              | 513,778                     | 500                                       |   | (30,706)                                    |
| Interest and other charges                                   | 327,875              |                             |   |   | (327,875)                                   |
| Other programs   | 5,819,762            |                             |   |   | (5,819,762)                                 |
| Total governmental activities                                | <u>\$ 66,387,258</u> | <u>\$ 1,650,900</u>         | <u>\$ 14,524,091</u>                      | <u>\$ 1,068,168</u>                     | <u>(49,144,099)</u>                         |
| <b>General revenues:</b>                                     |                      |                             |   |   |   |
| Assessments to member towns                                  |                      |                             |   |   | 40,154,117                                  |
| Grants and contributions not restricted to specific programs |                      |                             |   |   | 6,762,383                                   |
| Interest income  |                      |                             |   |   | 38,878                                      |
| Departmental and miscellaneous                               |                      |                             |   |   | 296,418                                     |
| Total general revenues                                       |                      |                             |   |   | <u>47,251,796</u>                           |
| Transfers  |                      |                             |   |   | <u>(32,371)</u>                             |
| Change in net assets   |                      |                             |   |   | <u>(1,924,674)</u>                          |
| Net assets - beginning                                       |                      |                             |   |   | <u>26,058,108</u>                           |
| Net assets - ending  |                      |                             |   |   | <u>\$ 24,133,434</u>                        |

The accompanying notes are an integral part of these financial statements.

**DENNIS-YARMOUTH REGIONAL SCHOOL DISTRICT**

Balance Sheet  
Governmental Funds  
June 30, 2012

|  | <u>General Fund</u> | <u>E.H. Baker<br/>Elementary<br/>School Project</u> | <u>Non-Major<br/>Governmental<br/>Funds</u> | <u>Total Governmental<br/>Funds</u> |
|--|---------------------|---|---|-------------------------------------|
| <b>ASSETS</b>  |                     |   |   |                                     |
| Cash   | \$ 7,300,314        | \$ 130,096  | \$ 1,568,946                                | \$ 8,999,356                        |
| Receivables  | 510,752             |   | 523,514                                     | 1,034,266                           |
| Interfund receivables  | 308,996             |   |   | 308,996                             |
| Inventories  |                     |   | 36,323                                      | 36,323                              |
| Total assets   | <u>\$ 8,120,062</u> | <u>\$ 130,096</u>                                   | <u>\$ 2,128,783</u>                         | <u>\$ 10,378,941</u>                |
| <br><b>LIABILITIES AND FUND BALANCES</b>   |                     |   |   |                                     |
| Liabilities:   |                     |   |   |                                     |
| Accounts payable   | \$ 774,665          | \$ 616,459  | \$ 139,127                                  | \$ 1,530,251                        |
| Salaries payable, withholdings and other accrued benefits  | 4,053,432           |   | 204,716                                     | 4,258,148                           |
| Interfund payables   |                     |   | 308,996                                     | 308,996                             |
| Notes payable  |                     | 2,100,000   |   | 2,100,000                           |
| Deferred revenue   | 458,838             |   | 213,792                                     | 672,630                             |
| Other liabilities  | 5,130               |   |   | 5,130                               |
| Total liabilities  | <u>5,292,065</u>    | <u>2,716,459</u>                                    | <u>866,631</u>                              | <u>8,875,155</u>                    |
| <br>Fund balances:   |                     |   |   |                                     |
| Nonspendable   |                     |   | 36,323                                      | 36,323                              |
| Assigned   | 1,013,000           |   | 1,333,100                                   | 2,346,100                           |
| Unassigned   | 1,814,997           | (2,586,363)   | (107,271)                                   | (878,637)                           |
| Total fund balances  | <u>2,827,997</u>    | <u>(2,586,363)</u>                                  | <u>1,262,152</u>                            | <u>1,503,786</u>                    |
| Total liabilities and fund balances  | <u>\$ 8,120,062</u> | <u>\$ 130,096</u>                                   | <u>\$ 2,128,783</u>                         | <u>\$ 10,378,941</u>                |
| <br>Amounts reported for governmental activities in the statement of net assets are different because:   |                     |   |   |                                     |
| Total fund balances of governmental funds  |                     |   |   | \$ 1,503,786                        |
| Capital assets used in governmental activities of \$57,523,840 net of accumulated depreciation of \$15,890,205, are not financial resources and not reported in funds.   |                     |   |   | 41,633,635                          |
| Long-term liabilities, including debt, compensated absences, capital lease obligations, and net OPEB obligation are not due and payable in the current period and full accrual of interest is not included in funds. |                     |   |   | (19,414,061)                        |
| Accounts receivable are not available to pay for current-period expenditures and are deferred in funds, net of uncollectibles  |                     |   |   | 458,839                             |
| Internal service fund treated as governmental fund entity-wide basis   |                     |   |   | <u>(48,765)</u>                     |
| Net assets of governmental activities  |                     |   |   | <u>\$ 24,133,434</u>                |

The accompanying notes are an integral part of these financial statements.

**DENNIS-YARMOUTH REGIONAL SCHOOL DISTRICT**  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2012

|   | <b>General Fund</b> | <b>E.H. Baker<br/>Elementary<br/>School Project</b> | <b>Non-Major<br/>Governmental Funds</b> | <b>Total Governmental<br/>Funds</b> |
|---|---------------------|---|---|-------------------------------------|
| <b>REVENUES</b>                                   |                     |   |   |                                     |
| Town assessments                                  | \$ 40,154,117       | \$  | \$                                      | \$ 40,154,117                       |
| Intergovernmental                                 | 16,816,419          | 732,093   | 5,005,539                               | 22,554,051                          |
| Charges for services                              | 263,984             |   | 1,333,444                               | 1,597,428                           |
| Investment income                                 | 38,878              |   |   | 38,878                              |
| Departmental and miscellaneous                    | 296,967             |   | 265,298                                 | 562,265                             |
| Total revenues                                    | <u>57,570,365</u>   | <u>732,093</u>                                      | <u>6,604,281</u>                        | <u>64,906,739</u>                   |
| <b>EXPENDITURES</b>                               |                     |   |   |                                     |
| Current:  |                     |   |   |                                     |
| Administration                                    | 1,112,532           |   |   | 1,112,532                           |
| Instructional                                     | 25,145,432          |   | 3,898,815                               | 29,044,247                          |
| School services                                   | 3,724,046           |   | 1,815,337                               | 5,539,383                           |
| Operations and maintenance of facilities          | 3,510,188           |   |   | 3,510,188                           |
| Employee benefits and other fixed charges         | 16,113,140          |   | 221,586                                 | 16,334,726                          |
| Community services                                | 75,000              |   | 469,984                                 | 544,984                             |
| Capital outlay                                    | 83,134              | 3,089,373   | 242,995                                 | 3,415,502                           |
| Other programs                                    | 5,819,762           |   |   | 5,819,762                           |
| Debt service:                                     |                     |   |   |                                     |
| Principal   | 815,000             |   |   | 815,000                             |
| Interest and other charges                        | 339,590             |   |   | 339,590                             |
| Total expenditures                                | <u>56,737,824</u>   | <u>3,089,373</u>                                    | <u>6,648,717</u>                        | <u>66,475,914</u>                   |
| Excess (deficiency) of revenues over expenditures | 832,541             | (2,357,280)   | (44,436)                                | (1,569,175)                         |
| <b>OTHER FINANCING SOURCES (USES)</b>             |                     |   |   |                                     |
| Transfers in                                      | 211,174             |   | 395,464                                 | 606,638                             |
| Transfers out                                     | (577,835)           |   | (211,174)                               | (789,009)                           |
| Total other financing sources and uses            | <u>(366,661)</u>    |   | <u>184,290</u>                          | <u>(182,371)</u>                    |
| Net change in fund balances                       | 465,880             | (2,357,280)   | 139,854                                 | (1,751,546)                         |
| Fund balances - beginning, restated, (Note 15)    | 2,362,117           | (229,083)   | 1,122,298                               | 3,255,332                           |
| Fund balances - ending                            | <u>\$ 2,827,997</u> | <u>\$ (2,586,363)</u>                               | <u>\$ 1,262,152</u>                     | <u>\$ 1,503,786</u>                 |

The accompanying notes are an integral part of these financial statements.

**DENNIS-YARMOUTH REGIONAL SCHOOL DISTRICT**

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances  
of Governmental Funds to the Statement of Activities  
For the Year Ended June 30, 2012

|  |                       |
|--|-----------------------|
| Revenues and other financing sources over (under) expenditures and other financing uses - governmental funds   | \$ (1,751,546)        |
| Governmental funds report capital outlays as expenditures, however, the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense in the Statement of Activities.  |                       |
| Capital asset additions during the fiscal year   | 3,551,032             |
| Depreciation expense recorded for the fiscal year  | (1,591,417)           |
| Revenues are recognized on the modified accrual basis of accounting in the fund financial statements, but are recognized on the accrual basis of accounting in the government-wide financial statements.   |                       |
| Net change in deferred revenue   | (411,784)             |
| The issuance and repayment of long-term debt are recorded as other financing sources or uses in the fund financial statements, but have no effect on net assets in the government-wide financial statements. Also, governmental funds report issuance costs, premiums, discounts and similar items as expenditures when paid, whereas these amounts are deferred and amortized on a government-wide basis. |                       |
| Principal payments on long term debt   | 815,000               |
| The fund financial statements record interest on long-term debt when due. The government-wide financial statements report interest on long-term debt when incurred.  |                       |
| Accrued interest   | 11,715                |
| Certain liabilities are not funded through the use of current financial resources and, therefore, are not reported in the fund financial statements; however, these liabilities are reported in the government-wide financial statements. The change in these liabilities is reflected as an expense in the statement of Activities. Changes in liabilities are as follows:                                |                       |
| Annual OPEB cost   | (4,930,405)           |
| OPEB contributions made  | 2,819,952             |
| Compensated absences, net  | (131,000)             |
| Capital lease additions  | (295,174)             |
| Capital lease payments   | 67,039                |
| The fund financial statements report the internal service fund, which accounts for the District's worker's compensation activity, as a proprietary fund type, which is reported separately. The government-wide financial statements report this fund as a governmental fund, netting the activity against the fund to which services are provided.  |                       |
|  | <u>(78,086)</u>       |
| Change in net assets of governmental activities  | <u>\$ (1,924,674)</u> |

The accompanying notes are an integral part of these financial statements.

**DENNIS-YARMOUTH REGIONAL SCHOOL DISTRICT**

Statement of Net Assets

Proprietary Funds

June 30, 2012

|                           | <b>Governmental<br/>Activities<br/>Internal Service<br/>Fund</b> | <b>Worker's<br/>Compensation</b> |
|---------------------------|--|----------------------------------|
| <b>ASSETS</b>             |  |                                  |
| Current assets:           |  |                                  |
| Cash and cash equivalents | \$   | 73,593                           |
| Total current assets      |  | <u>73,593</u>                    |
| <b>LIABILITIES</b>        |  |                                  |
| Current liabilities:      |  |                                  |
| Accounts payable          |  | 33,358                           |
| Estimated claims payable  |  | 89,000                           |
| Total current liabilities |  | <u>122,358</u>                   |
| <b>NET ASSETS</b>         |  |                                  |
| Unrestricted              |  | (48,765)                         |
| Total net assets          | \$   | <u><u>(48,765)</u></u>           |

The accompanying notes are an integral part of these financial statements.

**DENNIS-YARMOUTH REGIONAL SCHOOL DISTRICT**  
Statement of Revenues, Expenses and Changes in Fund Net Assets  
Proprietary Funds  
For the Year Ended June 30, 2012

|                               | <u>Governmental<br/>Activities<br/>Internal Service<br/>Fund<br/>Worker's<br/>Compensation</u> |
|-------------------------------|--|
| <b>OPERATING EXPENSES</b>     |  |
| Insurance claims and expenses | \$ 228,086   |
| Total operating expenses      | <u>228,086</u>   |
| Operating income (loss)       | <u>(228,086)</u>   |
| <br><b>TRANSFERS</b>          |  |
| Transfers in                  | <u>150,000</u>   |
| Change in net assets          | (78,086)   |
| Total net assets - beginning  | 29,321   |
| Total net assets - ending     | <u><u>\$ (48,765)</u></u>  |

The accompanying notes are an integral part of these financial statements.

**DENNIS-YARMOUTH REGIONAL SCHOOL DISTRICT**

Statement of Cash Flows - Proprietary Funds

For the Year Ended June 30, 2011

|  | <b>Governmental<br/>Activities<br/>Internal Service<br/>Fund<br/>Worker's<br/><u>Compensation</u></b> |
|--|---|
| <b>Cash flows from operating activities</b>  |   |
| Worker's compensation claims expense   | \$ (108,084)  |
| Administration costs, net  | <u>(35,292)</u>   |
| Net cash (used) by operating activities  | (143,376)   |
| <b>Cash flows from non-capital financing activities</b>                                    |   |
| Transfer In  | <u>150,000</u>  |
| Net cash provided by investing activities  | <u>150,000</u>  |
| Net change in cash and cash equivalents  | 6,624   |
| Balances at beginning of year  | <u>66,969</u>   |
| Balances at end of year  | <u><u>\$ 73,593</u></u>   |
| <b>Reconciliation of operating income to net cash provided by<br/>operating activities</b> |   |
| Operating (loss)   | \$ (228,086)  |
| Adjustments to reconcile operating (loss) to net cash<br>provided by operating activities: |   |
| Changes in liabilities:  |   |
| Accounts payable   | 32,710  |
| Estimated worker's compensation claims payable   | <u>52,000</u>   |
| Total adjustments  | <u>84,710</u>   |
| Net cash (used) by operating activities  | <u><u>\$ (143,376)</u></u>  |

The accompanying notes are an integral part of these financial statements.

**DENNIS-YARMOUTH REGIONAL SCHOOL DISTRICT**

Statement of Fiduciary Net Assets

Fiduciary Funds

June 30, 2012

|                           | <b>Private<br/>Purpose<br/>Trust Funds -<br/>Scholarships</b> | <b>Other<br/>Post-Employment<br/>Benefits<br/>Trust</b> | <b>Agency<br/>Funds</b> |
|---------------------------|---|---|-------------------------|
| <b>ASSETS</b>             |   |   |                         |
| Cash                      | \$ 667,008  | \$ 32,371   | \$ 194,649              |
| Total assets              | <u>\$ 667,008</u>   | <u>\$ 32,371</u>  | <u>\$ 194,649</u>       |
| <b>LIABILITIES</b>        |   |   |                         |
| Amounts held for students | \$  | \$  | \$ 194,649              |
| Total liabilities         |   |   | <u>\$ 194,649</u>       |
| <b>NET ASSETS</b>         |   |   |                         |
| Total held in trust       | <u>\$ 667,008</u>   | <u>\$ 32,371</u>  |                         |

The accompanying notes are an integral part of these financial statements.

**DENNIS-YARMOUTH REGIONAL SCHOOL DISTRICT**  
Statement of Changes in Fiduciary Net Assets  
Fiduciary Funds  
For the Year Ended June 30, 2012

|                         | <b>Private<br/>Purpose<br/>Trust Funds -<br/>Scholarships</b> | <b>Other<br/>Post-Employment<br/>Benefits<br/>Trust</b> |
|-------------------------|---|---|
| <b>ADDITIONS</b>        |   |   |
| Interest                | \$ 8,506  | \$  |
| Contributions           | 23,740  |   |
| Total additions         | 32,246  |   |
| <b>DEDUCTIONS</b>       |   |   |
| Scholarships and awards | 28,180  |   |
| Total deductions        | 28,180  |   |
| <b>TRANFERS</b>         |   |   |
| Transfers in            |   | 32,371  |
| Change in net assets    | 4,066   | 32,371  |
| Net assets - beginning  | 662,942   |   |
| Net assets - ending     | \$ 667,008  | \$ 32,371   |

The accompanying notes are an integral part of these financial statements.

**NOTES TO FINANCIAL STATEMENTS**

# DENNIS-YARMOUTH REGIONAL SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2012

## Note 1. Organization and Reporting Entity

### A. Organization

The Dennis-Yarmouth Regional School District (the District), South Yarmouth, Massachusetts, was formed by the towns of Dennis and Yarmouth through an agreement dated June 15, 1954, to build and operate a high school facility to serve the member towns. At special town meetings held in Dennis and Yarmouth on February 27, 1975, the voters amended this agreement whereby, beginning July 1, 1975, the District assumed responsibility for operating elementary and middle schools within the towns in addition to the high school.

### B. Reporting Entity

As required by accounting principles generally accepted in the United States of America (GAAP) and in accordance with the *Governmental Accounting Standards Board*, the accompanying financial statements present the Dennis-Yarmouth Regional School District (the primary government) and its component units.

Primary Government - The District is governed by a seven-member, representative School Committee from its member towns of Dennis and Yarmouth. School committee members are elected by the public to oversee and control activities to public school education in those towns.

Component Units - Component units are included in the District's reporting entity if their operational and financial relationships with the school district are significant. No component units are identified for the year ended June 30, 2012, which meet the criteria for inclusion in the accompanying basic financial statements.

Joint Ventures - Municipal joint ventures pool resources to share the costs, risks, and rewards of providing services to its participants, the public, or others. The District is a participant in the following joint ventures:

| <u>Name</u>                     | <u>Purpose</u>                                     | <u>Address</u>   | <u>2012<br/>District payments</u> |
|---------------------------------|--|--|-----------------------------------|
| Cape Cod Municipal Health Group | To provide employee and retiree insurance benefits | c/o Group Benefits Strategies<br>27 Midstate Office Park – Suite 204<br>Auburn, MA 01501 | \$ 5,525,321                      |
| Cape Cod Collaborative          | Special Education Services                         | 5700 LeMay Avenue<br>Otis ANGB, MA 02542   | \$ 1,633,336                      |
| N.E.E.D Collaborative           | Environmental Education                            | c/o Falmouth Public Schools<br>340 Teaticket Highway<br>East Falmouth, MA 02536          | \$ 150,786                        |
| READS Collaborative             | Special Education Services                         | 105 East Grove Street<br>Middleborough, MA 02346   | \$ 83,437                         |
| Pilgrim Area Collaborative      | Special Education Services                         | 120 Center Street<br>Pembroke, MA 02359  | \$ 76,926                         |
| Charms Collaborative            | Special Education Services                         | 137 Walnut Street<br>Stoughton, MA 02072   | \$ 70,537                         |

Financial information may be obtained from each joint venture by contacting them at the above addresses. The District has no equity in the joint ventures.

# DENNIS-YARMOUTH REGIONAL SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2012

## **Note 2. Summary of Significant Accounting Policies**

### **A. Basis of Presentation**

The District's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). *The Governmental Accounting Standards Board* (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the *Financial Accounting Standards Board* (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the District has the option to apply FASB pronouncements issued after that date to any business-type activities and enterprise funds, the District has chosen not to do so. The more significant accounting policies established in GAAP and used by the District is discussed below.

The District's basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. Governmental activities are generally financed through intergovernmental assessments or other non-exchange transactions. The District's proprietary fund is accounted for as a governmental activity. The District has no activities classified as business-type activities.

#### **Government-wide Statements**

In the government-wide Statement of Net Assets, governmental columns are presented on a consolidated basis and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net assets are reported in three parts - invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The District first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the District's functions. Gross expenses (including depreciation) are reduced on the Statement of Activities by related program revenues, which consist of charges for services, operating grants and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. Assessments to the member towns include amounts for respective share of debt service. The total amount of the assessments have been reported as general revenues.

The net costs by function are normally covered by general revenue.

Certain costs, such as employee benefits, property and liability insurance, among other fixed costs are not allocated among the District's functions and are included in fixed charges expense in the Statement of Activities. Interest on general long-term liabilities is considered an indirect expense and is reported in the Statement of Activities as a separate line. Depreciation expense has been allocated to the appropriate functions in direct expenses.

The government-wide focus is more on the sustainability of the District as an entity and the change in the District's net assets resulting from the current year's activities.

#### **Fund Financial Statements**

The financial transactions of the District are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

## DENNIS-YARMOUTH REGIONAL SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2012

The following fund types are used by the District:

### Governmental Funds:

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds available to the District:

### Major Funds

- General fund is the primary operating fund of the District. It is used to account for and report all financial resources not accounted for and reported in another fund.
- E.H. Baker Elementary School Project is a capital project fund used to account for and report financial resources that are restricted for the capital outlay related to the repair and construction related to the elementary school. Financial resources consist of reimbursement from the Massachusetts School Building Authority, as well as debt obligations incurred by the District. See also Note 6.

Non-major governmental funds consist of other special revenue, capital project and other funds that are aggregated and presented in the non-major governmental funds column on the governmental funds financial statements. The following describes the general use of these funds:

- Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.
- Debt service funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. Debt service funds should be used if legally mandated. Currently, the District does not utilize a debt service fund.
- Capital projects funds are 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. The District also accounts for certain capital asset acquisitions (capital outlay) through the general fund's budgetary process. Currently, the District has determined that capital project funds are to account for and report capital assets to be financed through the issuance of long term debt and to be financed directly by each member town.
- Permanent funds are used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the District's programs. Currently, the District does not utilize any permanent funds.

### Proprietary Funds:

The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the proprietary funds of the District:

- Internal service funds are used to account for the financing of goods or services provided by an activity to other departments, funds or component units of the District on a cost-reimbursement basis. The District accounts for its worker's compensation activity in an internal service fund.

## DENNIS-YARMOUTH REGIONAL SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2012

### Fiduciary Funds:

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support District programs. The reporting focus is on net assets and changes in net assets and is reported using accounting principles similar to proprietary funds. The following is a description of the fiduciary funds of the District:

- Private purpose trust funds account for resources legally held in trust for the benefit of persons and organizations other than the District. Since these funds cannot be used for providing District services, they are excluded from the District's government-wide financial statements.
- Other Post-Employment Benefits Trust Fund accounts for resources legally held in trust for the purpose of accumulating resources to fund future health insurance benefits for retired employees of the District. Since these funds cannot be used for providing District services, they are excluded from the District's government-wide financial statements.
- Agency funds are used to hold funds on behalf of parties other than the District. The District maintains funds for school student activities. Agency funds are custodial in nature and do not involve measurement of results of operations.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Non-major funds by category are summarized into a single column. GASBS No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The District may electively add funds, as major funds, which have specific community focus. The non-major funds are combined in a column in the fund financial statements.

The District's fiduciary funds are presented in the fiduciary fund financial statements by type (private purpose and agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

### **B. Measurement Focus and Basis of Accounting**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are proprietary and fiduciary fund financial statements. 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 revenue 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. 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 (60 days) to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt which is recognized when due, certain compensated absences, claims and judgments, and post-employment health care benefits, which are recognized when the obligations are expected to be liquidated with current expendable available resources.

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. Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

## DENNIS-YARMOUTH REGIONAL SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2012

### **C. Cash, Cash Equivalents and Investments**

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

The cash balances of substantially all funds are pooled and invested by the District for the purpose of increasing earnings through investment activities and providing efficient management of temporary investments. The District's investments are reported at fair value at year-end. Fair value is determined based upon quoted market prices. Changes in the fair value of investments are recorded as investment earnings. Earnings on pooled funds are apportioned and paid or credited to the funds based on the average balance of each participating fund. Additional cash and investment disclosures are presented in these Notes.

### **D. Inventories**

Inventories are valued at cost or, if donated, at fair value when received. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Inventory in the special revenue funds consist of expendable supplies of the food service program.

### **E. Interfund Receivables and Payables**

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "due to and from other funds." Short-term inter-fund loans are reported as "inter-fund receivables and payables." Long-term inter-fund loans (non-current portion) are reported as "advances from and to other funds." Inter-fund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets.

### **F. Receivables**

Receivables consist of all revenues earned at year-end and not yet received, net of an allowance for uncollectible amounts. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. The District considers all of its receivables collectible and does not report an allowance for uncollectible accounts.

### **G. Capital Assets**

The accounting treatment over property, plant, and equipment (capital assets) depends on whether they are reported in the government-wide or fund financial statements.

#### *Government-wide Statements*

All capital assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated capital assets, which are recorded at their estimated fair value at the date of donation. The District defines capital assets, which includes land, building and improvements, and furniture and equipment, as assets with an initial, individual cost of more the \$5,000 and an estimated useful life in excess of two years. The cost 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. Interest incurred during construction is capitalized.

**DENNIS-YARMOUTH REGIONAL SCHOOL DISTRICT**

Notes to Financial Statements

June 30, 2012

Depreciation of all exhaustible capital assets is recorded as an expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

|                               |             |
|-------------------------------|-------------|
| ➤ Buildings and improvements  | 20-40 years |
| ➤ Library books and textbooks | 3- 5 years  |
| ➤ Vehicles                    | 5-10 years  |
| ➤ Machinery and equipment     | 5-10 years  |

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

**H. Long-term Obligations**

The accounting treatment of long-term obligations depends on whether they are reported in the government-wide or fund financial statements.

All long-term obligations to be repaid from governmental resources are reported as liabilities in the government-wide statements. Long-term obligations consist primarily of notes and bonds payable and accrued compensated absences.

Long-term obligations for governmental funds are not reported as liabilities in the fund financial statements. Debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures.

**I. Compensated Absences**

The District's policies and provisions of bargaining unit contracts regarding vacation and sick time permit employees to accumulate earned but unused vacation and sick leave. The liability for these compensated absences is recorded as long-term obligations in the government-wide statements when incurred. The current portion of this debt is estimated based on historical trends. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources.

**J. Equity Classifications**

Government-wide Statements

Equity is classified as net assets and displayed in three components:

- Invested in capital assets, net of related debt—Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted net assets—Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- Unrestricted net assets—All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

## DENNIS-YARMOUTH REGIONAL SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2012

### Fund Financial Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified based on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. Fund balance can be classified in the following components:

- Nonspendable fund balance – consists of amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
- Restricted fund balance – consists of amounts upon which constraints have been placed on their use either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; (b) imposed by law through constitutional provisions or enabling legislation.
- Committed fund balance – consist of amounts which can only be used for specific purposes pursuant to constraints imposed by the District's highest level of decision making, the District School Committee. Any modification or rescission must also be made by School Committee vote.
- Assigned fund balance – consist of amounts that are constrained by the District's intent to be used for a specific purpose. Intent is expressed by (a) the governing body itself, or (b) a body, or official to which the governing body has delegated the authority to assign amounts to be used for specific purposes. Amounts are assigned based upon vote of the School Committee, or approval by the Director of Finance and Operations and the Superintendent through the District's procurement and budgeting processes.
- Unassigned fund balance – represents the residual classification for the remaining fund balance. It represents amounts that have not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes.

The District's spending policy is to spend restricted fund balance first, followed by committed, assigned and unassigned fund balance. Most governmental funds were designated for one purpose at the time of their creation. Therefore any expenditure made from the fund will be allocated to the applicable fund balance classifications in accordance with the aforementioned spending policy. The general fund and certain other funds may have more than one purpose.

### **K. Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results will differ from those estimates.

### **L. Total Columns**

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

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

**DENNIS-YARMOUTH REGIONAL SCHOOL DISTRICT**

Notes to Financial Statements

June 30, 2012

**Note 3. Stewardship, Compliance and Accountability**

**A. Budget Process**

The School Committee annually determines the amount to be raised to maintain and operate the District during the next fiscal year and apportions the amount among the member towns in accordance with the terms of the district agreement and provisions of MGL. The amounts apportioned to each town are certified by the District Treasurer to the Treasurers of each member town. Each town takes action on the amounts so certified at the town's next Annual Town Meeting. Changes in the originally adopted appropriations are voted by the School Committee. Supplemental appropriations are acted upon through Special Town Meetings of the member towns. Enacted appropriations cannot legally be exceeded; any savings from annual general fund appropriations lapse at fiscal year-end with the exception of those indicated as a fund balance reserve.

Budgets for grants and certain revenues from revolving funds accounted for in special revenue funds and are not required to be prepared under the General Laws of Massachusetts. Budgets for various special revenue funds utilized to account for specific grant programs are established in accordance with the requirements of the Commonwealth of Massachusetts or other grantor agencies.

Massachusetts General Law, Chapter 70, as amended by the Education Reform Act of 1993, provides for a minimum amount of spending for local and regional school districts. This net school-spending requirement is made up of the minimum local contribution and Chapter 70 state aid. The District appropriated sufficient funds in fiscal year 2012 and met the net school spending requirements.

The minimum, local contribution is computed by the Commonwealth of Massachusetts. The following are the fiscal year 2012 minimum local contributions and net school spending requirements for the District:

|                                       |                      |
|---------------------------------------|----------------------|
| Dennis                                | \$ 11,272,179        |
| Yarmouth                              | <u>18,557,293</u>    |
| Total minimum local contribution      | 29,829,472           |
| Regional Chapter 70 Aid               | <u>6,403,644</u>     |
| Total net school spending requirement | <u>\$ 36,233,116</u> |

These amounts represent the minimum each community must contribute to support the net school spending of the District. Eligible net school spending costs include all spending of the District except transportation, debt service, and capital costs.

**B. Budgetary basis of accounting**

Budgets are prepared on a basis other than accounting principles generally accepted in the United States of America (GAAP). A comparison of the budget to actual amounts on a "budgetary basis" is provided as required supplementary information to provide a meaningful comparison with the budget.

**DENNIS-YARMOUTH REGIONAL SCHOOL DISTRICT**

Notes to Financial Statements

June 30, 2012

**C. Fund equities**

Operations of the various District funds for fiscal 2012 were funded in accordance with the General Laws of Massachusetts. The District classifies fund equity in the fund financial statements as either nonspendable, restricted, committed, or assigned for specific purposes. As of June 30, 2012, the classification of the District's fund balances can be detailed as follows:

|                            | <b>General</b>      | <b>EH Baker</b>       | <b>Non-Major</b>    |                     |
|----------------------------|---------------------|-----------------------|---------------------|---------------------|
|                            | <b>Fund</b>         | <b>School Green</b>   | <b>Governmental</b> |                     |
|                            |                     | <b>Repair Project</b> | <b>Funds</b>        | <b>Total</b>        |
| <b>Nonspendable:</b>       |                     |                       |                     |                     |
| Food service inventory     | \$ -                | \$ -                  | \$ 36,323           | \$ 36,323           |
| subtotal                   |                     |                       | 36,323              | 36,323              |
| <b>Assigned:</b>           |                     |                       |                     |                     |
| Instructional services     |                     |                       | 817,532             | 817,532             |
| School services            |                     |                       | 40,873              | 40,873              |
| Community services         |                     |                       | 375,444             | 375,444             |
| Operations and maintenance |                     |                       | 43,999              | 43,999              |
| Capital outlay             |                     |                       | 55,252              | 55,252              |
| To fund next year's budget | <u>1,013,000</u>    | <u>-</u>              | <u>-</u>            | <u>1,013,000</u>    |
| subtotal                   | 1,013,000           |                       | 1,333,100           | 2,346,100           |
| <b>Unassigned:</b>         | <u>1,814,997</u>    | <u>(2,586,363)</u>    | <u>(107,271)</u>    | <u>(878,637)</u>    |
| Total fund balance         | <u>\$ 2,827,997</u> | <u>\$ (2,586,363)</u> | <u>\$ 1,262,152</u> | <u>\$ 1,503,786</u> |

Deficit fund balance of approximately \$2.6 million reported in the E.H. Baker School Green Repair Project represents balances for which the District has not performed permanent financing. Non-major governmental funds' deficit unassigned fund balances of approximately \$107,000 consisted primarily of deficit associated with school lunch of approximately \$26,000 and the remaining \$81,000 associated with other grants and special revenue funds.

**D. Restricted Net Assets**

The following table illustrates the District's restricted net assets as reported on the government-wide financial statements as of June 30, 2012:

|  |                     |
|--|---------------------|
| Special Revenue Fund Balances:         |                     |
| Community Schools                      | \$ 375,444          |
| Circuit breaker fund                   | 500,631             |
| Other special revenue funds and grants | 400,344             |
| Capital Project funds:                 |                     |
| MMS/JSE improvements project           | 15,300              |
| Yarmouth capital projects              | 5,400               |
| ME Small roof project                  | <u>5,376</u>        |
| Total restricted net assets            | <u>\$ 1,302,495</u> |

**DENNIS-YARMOUTH REGIONAL SCHOOL DISTRICT**

Notes to Financial Statements

June 30, 2012

**Note 4. Cash, Cash Equivalents and Investments**

Massachusetts General Laws (MGL), Chapter 44, Section 54 and 55, place certain limitations on cash deposits and investments available to the District. Generally, the District is authorized to invest in the following investments: term deposits or certificates of deposit of trust companies, national banks, savings banks or banking companies, or obligations issued or unconditionally guaranteed by the United States Government or an agency thereof, and having a maturity from date of purchase of one year or less with certain other limitations; or invest the same in such securities as are legal for the investment of funds of a bank under the laws of the Commonwealth of Massachusetts. Cash deposits are reported at carrying amount, which reasonably approximates fair value. Amounts maintained in Other Post-Employment Benefits Trust (OPEB) are subject to MGL Chapter 203C. Currently, the District does not have any investments and has not adopted a formal depository and investment policy.

The District maintains deposits in authorized financial institutions. In the case of deposits, 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 formal deposit policy for custodial credit risk. At June 30, 2012 deposits totaled \$9,216,322 and had a carrying amount of \$9,966,977. Of the deposit amounts, \$7,892,390 was exposed to custodial credit risk because it was uninsured and uncollateralized in the name of the District at June 30, 2012. This amount represents amounts maintained at TD Bank in excess of FDIC insurance limits, a portion of which is considered secured by the bank with a letter of credit with the FHLB. The difference between deposit amounts and carrying amounts represents outstanding checks and deposits in transit.

**Note 5. Receivables**

The District reports the aggregate amount of receivables in the accompanying Statement of Net Assets and Balance Sheet. In addition, governmental funds report, on the Balance Sheet, 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. Unearned revenues, if any, are also reported on the Statement of Net Assets.

The District includes the following amounts due from others for the governmental activities of the District, including applicable allowances for uncollectible amounts and amounts deferred and unearned:

| <u>Receivable type</u>  | <u>Gross Amount</u> | <u>Allowance for Uncollectible</u> | <u>Net Amount</u>   | <u>Deferred Revenue</u> |
|---|---------------------|------------------------------------|---------------------|-------------------------|
| Governmental activities:  |                     |                                    |                     |                         |
| Due from state and federal government                           | \$ 419,832          | \$ -                               | \$ 419,832          | \$ 205,013              |
| Due from others   | 155,596             | -                                  | 155,596             | 8,779                   |
| School Building Assistance<br>(to be collected in future years) | <u>458,838</u>      | <u>-</u>                           | <u>458,838</u>      | <u>458,838</u>          |
| Totals  | <u>\$ 1,034,266</u> | <u>\$ -</u>                        | <u>\$ 1,034,266</u> | <u>\$ 672,630</u>       |

**Note 6. E. H. Baker Elementary School Project**

Effective June 28, 2011, the Dennis-Yarmouth Regional School District entered into an agreement with the Massachusetts School Building Authority (MSBA) to participate in the Authority's Green Repair Program, to provide funding associated with roof and exterior window repairs at the Ezra Baker Elementary School. The District is to be reimbursed the lesser of \$1,233,755 or 37.95% of final approved eligible project costs. Reimbursement for the project is on an ongoing basis, as paid project costs are required to be submitted on a monthly basis, to be audited by the MSBA for eligibility in accordance with approved project, the agreement and MSBA provisions. As of June 30, 2012, the District has been reimbursed \$732,093 for eligible project costs. As of June 30, 2012, the District's contract with the general contractor on the project, MCMUSA, LLC was approximately \$2.7 million. Of this amount, approximately \$2.6 million has been completed.

**DENNIS-YARMOUTH REGIONAL SCHOOL DISTRICT**

Notes to Financial Statements

June 30, 2012

**Note 7. Capital Assets**

Capital asset activity for the year ended June 30, 2012 is as follows:

|  | <b><u>Beginning<br/>Balances</u></b> | <b><u>Increases</u></b> | <b><u>Decreases</u></b> | <b><u>Ending<br/>Balances</u></b> |
|--|--------------------------------------|-------------------------|-------------------------|-----------------------------------|
| <b><u>Governmental activities:</u></b> |                                      |                         |                         |                                   |
| Capital assets not being depreciated:  |                                      |                         |                         |                                   |
| Construction in progress               | \$ 229,083                           | \$ 3,089,373            | \$ -                    | \$ 3,318,456                      |
| Capital assets being depreciated:      |                                      |                         |                         |                                   |
| Buildings and related improvements     | 48,408,924                           | 166,485                 |                         | 48,575,409                        |
| Land improvements                      | 37,620                               | 148,000                 |                         | 185,620                           |
| Library books and textbooks            | 1,534,625                            |                         |                         | 1,534,625                         |
| Computer equipment                     | 165,850                              | 98,689                  |                         | 264,539                           |
| Vehicles                               | 560,362                              |                         |                         | 560,362                           |
| Machinery and equipment                | <u>3,036,344</u>                     | <u>48,485</u>           | <u>-</u>                | <u>3,084,829</u>                  |
| Total capital assets                   | 53,972,808                           | 3,551,032               |                         | 57,523,840                        |
| Less Accumulated Depreciation          |                                      |                         |                         |                                   |
| Buildings and related improvements     | 10,027,595                           | 1,235,206               |                         | 11,262,801                        |
| Library books and textbooks            | 1,534,625                            |                         |                         | 1,534,625                         |
| Land improvements                      | 9,405                                | 11,162                  |                         | 20,567                            |
| Computer equipment                     | 165,850                              | 9,869                   |                         | 175,719                           |
| Vehicles                               | 483,007                              | 16,829                  |                         | 499,836                           |
| Machinery & equipment                  | <u>2,078,306</u>                     | <u>318,351</u>          | <u>-</u>                | <u>2,396,657</u>                  |
| Sub-total                              | <u>14,298,788</u>                    | <u>1,591,417</u>        | <u>-</u>                | <u>15,890,205</u>                 |
| Governmental capital assets, net       | <u>\$ 39,674,020</u>                 | <u>\$ 1,959,615</u>     | <u>\$ -</u>             | <u>\$ 41,633,635</u>              |

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

|                            |                     |
|----------------------------|---------------------|
| Operations and maintenance | \$ 1,557,319        |
| School services            | 24,229              |
| Instructional              | <u>9,869</u>        |
| Total                      | <u>\$ 1,591,417</u> |

**Note 8. Leased Facilities**

The School District leases four elementary and two middle schools within the towns of Dennis and Yarmouth rent free. Under the terms of the agreement the School District is responsible for the cost of operations including utilities, insurance, and maintenance of these facilities. Capital costs associated with these facilities are apportioned to the appropriate town, pursuant to the agreement.

**Note 9. Interfund Balances and Activity**

The General fund is owed \$308,996 from various governmental funds as of June 30, 2012 for deficit spending.

**DENNIS-YARMOUTH REGIONAL SCHOOL DISTRICT**

Notes to Financial Statements

June 30, 2012

Interfund transfers, for the fiscal year ended June 30, 2012 consisted of the following:

| <u>Purpose</u>   | <u>General Fund</u> | <u>Non-Major Funds</u> | <u>Internal Service Worker's Compensation</u> | <u>Other-Post Employment Trust Fund</u> |
|--|---------------------|------------------------|---|---|
| Transfer of benefits from the food service and daycare program | \$ 211,174          | \$ (211,174)           | \$ -  | \$ -                                    |
| Establishment of OPEB Trust fund                               | (32,371)            |                        |   | 32,371                                  |
| Appropriation of transfers between the following funds:        |                     |                        |   |   |
| Athletic fund  | (380,464)           | 380,464                |   |   |
| Summer school  | (15,000)            | 15,000                 |   |   |
| Appropriated transfer to the Worker's Compensation Fund        | <u>(150,000)</u>    | <u>-</u>               | <u>150,000</u>                                | <u>-</u>                                |
| Net Transfers  | <u>\$ (366,661)</u> | <u>\$ 184,290</u>      | <u>\$ 150,000</u>                             | <u>\$ 32,371</u>                        |

**Note 10. Temporary borrowings**

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

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

Temporary loans are general obligations of the District and carry maturity dates that are limited by statute. Interest expenditures for temporary borrowings are accounted for in the General Fund. Temporary borrowings are recorded as liabilities in the appropriate funds.

The following is a summary of changes in the District's temporary debt obligations for the year ended June 30, 2012:

| <u>Type/Date/Purpose</u>   | <u>Balance 07/01/2011</u> | <u>Additions</u>    | <u>(Reductions)</u>   | <u>Balance 06/30/2012</u> |
|--|---------------------------|---------------------|-----------------------|---------------------------|
| <b>Governmental activities:</b>                                      |                           |                     |                       |                           |
| BAN 5/11/2011, Baker Elementary School repairs, 1.00%, due 5/11/2012 | \$ 200,000                | \$ -                | \$ (200,000)          | \$ -                      |
| BAN 5/11/2012, Baker Elementary School repairs, .55%, due 8/3/2012   |                           | 200,000             |                       | 200,000                   |
| BAN 9/20/2011, Baker Elementary School repairs, .80%, due 2/23/2012  |                           | 1,900,000           | (1,900,000)           |                           |
| BAN 2/23/2012, Baker Elementary School repairs, .70%, due 8/3/2012   |                           | <u>1,900,000</u>    | <u>-</u>              | <u>1,900,000</u>          |
| Total  | <u>\$ 200,000</u>         | <u>\$ 4,000,000</u> | <u>\$ (2,100,000)</u> | <u>\$ 2,100,000</u>       |

As of June 30, 2012, the District had temporary debt outstanding of \$2,100,000 for the project. This note was rolled on August 3, 2012 at an interest rate of .50% and again on October 26, 2012 at an interest rate of .45% with a maturity date of March 1, 2013.

**DENNIS-YARMOUTH REGIONAL SCHOOL DISTRICT**

Notes to Financial Statements

June 30, 2012

**Note 11. Long Term Obligations**

The following is a summary of changes in long-term obligations of the District for the year ending June 30, 2012:

| <u>Purpose</u>                                     | <u>Balance<br/>07/01/2011</u> | <u>Additions</u>    | <u>(Reductions)</u>   | <u>Balance<br/>06/30/2012</u> | <u>Current<br/>Portion</u> |
|--|-------------------------------|---------------------|-----------------------|-------------------------------|----------------------------|
| <b>Governmental activities:</b>                    |                               |                     |                       |                               |                            |
| High School Renovations,<br>4.00%-5.00%, due 2026  | \$ 6,750,000                  | \$ -                | \$ (450,000)          | \$ 6,300,000                  | \$ 450,000                 |
| ME Small School & MMS roofs,<br>4.7%, due 2012     | 280,000                       |                     | ( 140,000)            | 140,000                       | 140,000                    |
| School repairs and renovations,<br>4.65%, due 2014 | 260,000                       |                     | ( 65,000)             | 195,000                       | 65,000                     |
| High School Renovations,<br>2.25%-3.50%, due 2026  | <u>1,280,000</u>              | <u>-</u>            | <u>(160,000)</u>      | <u>1,120,000</u>              | <u>160,000</u>             |
| Total long-term bonds                              | 8,570,000                     |                     | ( 815,000)            | 7,755,000                     | 815,000                    |
| Capital lease obligations                          | 60,576                        | 295,174             | (67,039)              | 288,711                       | 51,214                     |
| Compensated absences                               | 1,406,000                     | 131,000             |                       | 1,537,000                     | -                          |
| Net OPEB obligation                                | <u>7,609,805</u>              | <u>4,930,405</u>    | <u>(2,819,952)</u>    | <u>9,720,258</u>              | <u>-</u>                   |
| Total governmental activities                      | <u>\$17,646,381</u>           | <u>\$ 5,356,579</u> | <u>\$ (3,701,991)</u> | <u>\$19,300,969</u>           | <u>\$ 866,214</u>          |

**Long-term Debt**

The annual requirements to amortize all general obligation bonds and loans outstanding as of June 30, 2012, including interest, are as follows:

| <u>Year ending June 30,</u> | <u>Principal</u>    | <u>Interest</u>     | <u>Total</u>        |
|-----------------------------|---------------------|---------------------|---------------------|
| 2013                        | \$ 815,000          | \$ 299,365          | \$ 1,114,365        |
| 2014                        | 675,000             | 270,490             | 945,490             |
| 2015                        | 675,000             | 245,186             | 920,186             |
| 2016                        | 610,000             | 221,275             | 831,275             |
| 2017                        | 610,000             | 198,475             | 808,475             |
| 2018-2022                   | 2,570,000           | 652,194             | 3,222,194           |
| 2023-2026                   | <u>1,800,000</u>    | <u>159,919</u>      | <u>1,959,919</u>    |
| Total                       | <u>\$ 7,755,000</u> | <u>\$ 2,046,904</u> | <u>\$ 9,801,904</u> |

The following schedule summarizes the District's unissued debt authorizations. Debt authorizations are considered issued upon issuance of long term financing. The District's outstanding authorizations as of June 30, 2012 are:

| <u>Purpose</u>                    | <u>Year (s)<br/>Authorized</u> | <u>Authorized<br/>&amp; Unissued<br/>Balance</u> |
|-----------------------------------|--------------------------------|--|
| High School renovation            | 2003                           | \$ 860,000                                       |
| Mattachese alarm                  | 2004                           | 51,000   |
| School repairs                    | 2005                           | 302,533  |
| E.H. Baker School, school repairs | 2010                           | <u>3,400,000</u>                                 |
| Total                             |                                | <u>\$4,613,533</u>                               |

**DENNIS-YARMOUTH REGIONAL SCHOOL DISTRICT**

Notes to Financial Statements

June 30, 2012

Lease obligations

*A. Operating leases*

The District has entered into a number of operating leases for copier equipment to support governmental activities, subject to annual appropriation. The annual minimum required lease payments for these operating leases as of June 30, 2012:

| <u>Fiscal Year</u> | <u>Total</u>      |
|--------------------|-------------------|
| 2013               | \$ 109,522        |
| 2014               | 109,522           |
| 2015               | 68,788            |
| 2016               | <u>40,522</u>     |
| Total              | <u>\$ 328,354</u> |

*B. Capital leases*

In accordance with Massachusetts General Laws, the District may enter into lease agreements for a period not exceed five years and subject to annual appropriation. The District has entered into several capital lease agreements for various equipment, and football field lights. The following schedule indicates the future lease payments, as of June 30, 2012:

| <u>Fiscal Year</u> | <u>Total</u>      |
|--------------------|-------------------|
| 2013               | \$ 51,214         |
| 2014               | 42,558            |
| 2015               | 41,993            |
| 2016               | 43,601            |
| 2017               | 25,348            |
| 2018-2022          | <u>83,997</u>     |
| Total              | <u>\$ 288,711</u> |

**Note 12. Employee Benefits**

**A. Retirement Benefits**

Plan Description

The District contributes for eligible employees, other than teachers, to the Barnstable County Retirement Association (Association), a cost-sharing multiple-employer defined benefit pension plan administered by the Barnstable County Retirement Association. The Association provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The Association is governed by the applicable provisions of Chapter 32 of the Massachusetts General Law (M.G.L.) and other applicable statutes. Oversight is provided by a five member board. The Association issues a publicly available financial report that includes financial statements and required supplementary information, which may be obtained by writing to Public Employee Retirement Administration Commission (PERAC), One Ashburton Place, Boston, Massachusetts 02108. Teachers are covered by the Commonwealth of Massachusetts, Teachers Retirement System (TRS), to which the District does not contribute.

**DENNIS-YARMOUTH REGIONAL SCHOOL DISTRICT**

Notes to Financial Statements

June 30, 2012

Funding Policy

Plan members are required to contribute 5-11% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The District's current year contribution (gross) is \$965,204 representing 2.28% of the System wide employer assessments. The Association offers a discount if the entire assessment is paid on July 1. The District's net payment was \$945,011, for a savings of approximately \$20,000. The contribution requirements of plan members and the District are established and may be amended by M.G.L. The District's contributions to the Association for the years ending June 30, 2011 and 2010 were \$871,264 and \$972,063 respectively, which were equal to the required contributions, net of any discounts for each year.

As noted above, the District does not contribute to TRS. Contributions to the TRS are made by the Commonwealth of Massachusetts on behalf of the District. Accounting principles generally accepted in the United States require the District to record such "on behalf payments" as revenue and expenditures in the financial statements. Accordingly, \$8,932,894 of pension benefits paid by the Commonwealth of Massachusetts on behalf of the District is included in the accompanying Statement of Activities as fixed charges operating contributions and expense and in the accompanying Statement of Revenues, Expenditures and Changes in Fund Balance as general fund intergovernmental revenue and fixed charges expenditures. These on-behalf payments are not part of the local budget and therefore, are not included in the accompanying budgetary basis schedule.

**B. Compensated Absences**

As of June 30, 2012, the School District estimated the potential, maximum liability for sick and vacation pay to be \$1.5 million which could become payable over future years by the School District.

Compensated sick leave is earned under terms of employment contracts covering employees of the School District, covered employees are entitled to between 12.5 and 17 days of paid sick leave annually. Unused sick leave may be accumulated indefinitely up to a maximum amount specified in the employee's applicable employment contract. In the event of death, separation, or retirement of an employee having completed ten years of service, such employee or the employee's estate shall be compensated at one of the following rates:

**Bargaining Unit**

**Sick Leave Buy-Back Rate**

Dennis-Yarmouth Secretaries and Assistants

Hourly rate of pay at time of death, Association retirement, or separation times 25% of unused sick leave day times hours worked in a day of up to a maximum accumulation of one hundred and eighty days for school year employees or two hundred days for year-round employees.

Dennis-Yarmouth Educators' Association

The rate is \$35 per day of unused sick leave of up to a maximum accumulation of two hundred days.

Dennis-Yarmouth School Administrators' Association

13% of the administrator's daily rate at time of death, retirement, or separation, per day of unused sick leave of up to a maximum accumulation of between two hundred and four hundred days.

Service Employees International Union

\$3.81 per hour of unused sick leave of up to a maximum accumulation of two hundred days.

**DENNIS-YARMOUTH REGIONAL SCHOOL DISTRICT**

Notes to Financial Statements

June 30, 2012

**C. Other Post-Employment Benefits**

Plan Description

The District administers a single employer defined benefit plan which provides health and dental insurance to substantially all retired employees and their spouses (plan members). Health and dental benefits were paid to approximately 447 retired participants and spouses during the fiscal year ended June 30, 2012 and are paid substantially on a pay as you go basis. These benefits are provided for and amended under various provisions of Massachusetts General Law (MGL), District Ordinances and the terms of collective bargaining agreements.

Funding Policy

The contribution rates of retirees are established by collective-bargaining agreements, Massachusetts General Law, and District ordinances. The required contribution is based on pay as you go financing requirements. All benefits are provided through a third-party joint purchasing group that administers, assumes, and pays all claims. The District contributes up to 60% of the insurance premiums with the remainder funded through pension benefit deductions. The District has established an OPEB Trust fund in accordance with the provisions of MGL Chapter 32B, Section 20 to begin accumulating funds for these obligations.

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 provisions 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 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:

|  |                          |
|--|--------------------------|
|  | <b>Governmental</b>      |
|  | <b><u>Activities</u></b> |
| Annual required contribution               | \$ 4,828,229             |
| Interest on net OPEB obligation            | 380,490                  |
| Adjustment to annual required contribution | <u>(278,314)</u>         |
| Annual OPEB cost (expense)                 | 4,930,405                |
| Contributions made                         | <u>(2,819,952)</u>       |
| Increase in net OPEB obligation            | 2,110,453                |
| Net OPEB obligation – beginning of year    | <u>7,609,805</u>         |
| Net OPEB obligation – end of year          | <u>\$ 9,720,258</u>      |

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2012 and the two preceding years were as follows:

| <b><u>Year</u></b>              | <b><u>Annual</u></b>    | <b><u>Annual OPEB</u></b>      | <b><u>OPEB</u></b>       |
|---------------------------------|-------------------------|--------------------------------|--------------------------|
| <b><u>Ended</u></b>             | <b><u>OPEB Cost</u></b> | <b><u>Cost Contributed</u></b> | <b><u>Obligation</u></b> |
| <b>Governmental activities:</b> |                         |                                |                          |
| 6/30/2012                       | \$ 4,930,405            | 58.41%                         | \$ 9,720,258             |
| 6/30/2011                       | 4,689,281               | 55.49%                         | 7,609,805                |
| 6/30/2010                       | 4,552,647               | 37.96%                         | 5,481,826                |

**DENNIS-YARMOUTH REGIONAL SCHOOL DISTRICT**

Notes to Financial Statements

June 30, 2012

Funding Status and Schedule of Funding Progress

The unfunded actuarial accrued liability was determined using the level dollar thirty year open amortization basis.

| <u>Actuarial Valuation Date</u> | <u>Actuarial Value of Assets (a)</u> | <u>Actuarial Accrued Liability (AAL) (b)</u> | <u>Unfunded AAL (UAAL) (b)-(a)</u> | <u>Funded Ratio (a)/(b)</u> | <u>Covered Payroll (c)</u> | <u>UAAL as a Percentage of Covered Payroll [(b)-(a)]/(c)</u> |
|---------------------------------|--------------------------------------|--|------------------------------------|-----------------------------|----------------------------|--|
| <b>Governmental Activities:</b> |                                      |  |                                    |                             |                            |  |
| 6/30/2008                       | \$ -                                 | \$ 69,088,801                                | \$ 69,088,801                      | 0%                          | N/A                        | N/A  |
| 6/30/2010                       | \$ -                                 | \$ 69,472,323                                | \$ 69,472,323                      | 0%                          | N/A                        | N/A  |

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. 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 the 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 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 June 30, 2010, actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 5.0% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer’s own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 10.0% initially, reduced by decrements to an ultimate rate of 5% after seven years. Both rates included a 4.5% inflation assumption. The actuarial value of the assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized over a 30 year period on an open basis.

**Note 13. Risk Management**

The District is exposed to various risks of loss related to general liability, property and casualty, workers’ compensation, unemployment, and employee health claims.

The District carries commercial insurance for general liabilities and property, plant and equipment. Losses are insured to the extent the losses exceed the deductibles.

**DENNIS-YARMOUTH REGIONAL SCHOOL DISTRICT**

Notes to Financial Statements

June 30, 2012

As discussed in Note 1, the District participates in the Cape Cod Municipal Health Group, a municipal joint-purchase group consisting of 51 governmental units, formed pursuant to Massachusetts General Law Chapter 32B to provide employee and retiree insurance benefits. Employees and the District both pay contribute toward the annual premiums paid to the Group. The District budgets, annually, in the general fund for its estimated share of contributions. During the year, total premiums paid to the Group were approximately \$9 million. As of June 30, 2012, the Group had net assets of \$20,941,595 (unaudited). Additional information related to the Group may be obtained by contacting the Group directly.

The District is self-insured for workers' compensation claims. Aggregate stop-loss insurance is carried to cover annual claims in excess of \$300,000.

Government Accounting Standards Board requires that liabilities for self-insured claims be reported if it is probable that a loss has been incurred and the amount can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. The School District records it liabilities for claims in a proprietary fund. The School District established a liability for workers' compensation claims based on estimates of future costs for open claims. Changes in the self-insurance expendable liability account for the last two fiscal years are as follows:

|   | <u>FY 2012</u>   | <u>FY 2011</u>   |
|---|------------------|------------------|
| Claims liability at beginning of year   | \$ 37,000        | \$ 47,000        |
| Claims and administrative costs incurred for current year<br>and change in estimate | 195,376          | 73,679           |
| Payment of costs for current year   | <u>(143,376)</u> | <u>(83,679)</u>  |
| Claims liability at end of year   | <u>\$ 89,000</u> | <u>\$ 37,000</u> |

**Note 14. Commitments and Contingencies**

There are several claims against the District for providing certain special education services. In the opinion of the District the ultimate resolution of these actions will not result in a material loss to the District. As of the date of these financial statements, the District is in the process of finalizing the building project, for which several direct claims for payments from subcontractors have been made. The District is in the process of evaluating these claims and further actions that may be required related to the project. The ultimate resolution of these issues have not yet been determined.

The District receives significant financial assistance from Federal and State governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by grantor agencies, principally the federal and state government. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable fund. The amount, if any, of expenditures which may be disallowed by the grantor agencies cannot be determined at this time, although the District believes such disallowance, if any, would be immaterial.

**DENNIS-YARMOUTH REGIONAL SCHOOL DISTRICT**

Notes to Financial Statements

June 30, 2012

**Note 15. Restatement of beginning balances**

The District has reported the E.H. Baker School Green Repair Project as a major fund for the year ended June 30, 2012. Accordingly, opening fund balance for certain governmental funds was restated. The restatement is as follows:

|                                      | E.H. Baker School<br>Green Repair<br><u>Project</u> | Non-Major<br>Governmental<br><u>Funds</u> |
|--------------------------------------|---|---|
| Fund balance, June 30, 2011          | \$ -  | \$ 893,215                                |
| Reclassify fund as major fund        | <u>(229,083)</u>                                    | <u>229,083</u>                            |
| Fund balance, restated, July 1, 2011 | <u>\$ (229,083)</u>                                 | <u>\$ 1,122,298</u>                       |

**Note 16. Implementation of GASB pronouncements**

The following are pronouncements issued by the Governmental Accounting Standards Board (GASB), which are applicable to the District's financial statements.

Current pronouncements

The GASB issued Statement #64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions – an Amendment of GASB Statement No.53.*, which was required to be implemented in fiscal year 2012. This pronouncement addresses financial reporting issues involving hedge accounting surrounding derivative instruments. This pronouncement had no impact the District's financial statements.

Future pronouncements

The GASB issued Statement #60, *Accounting and Financial Reporting for Service Concession Arrangements*, which is required to be implemented in fiscal year 2013. This pronouncement's objective is to improve financial reporting by addressing issues related to service concession arrangements (SCA), which are types of public-private or public-public partnerships through the use of infrastructure or another public asset in exchange for significant consideration. The District doesn't believe this pronouncement will impact the District's financial statements.

The GASB issued Statement #61, *The Financial Reporting Entity: Omnibus-an amendment of GASB Statements No. 14 and No. 34*, which is required to be implemented in fiscal year 2013. This pronouncement modifies requirements for the inclusion of component units in the financial reporting entity. The District doesn't believe this pronouncement will impact the District's financial statements.

The GASB issued Statement #62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which is required to be implemented in fiscal year 2013. This pronouncement will continue the codification of all generally accepted accounting principles for state and local governments into a single source.

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. This pronouncement will standardize the financial reporting relating to the elements of a government's consumption of net assets, and an acquisition of net assets that is applicable to a future reporting period. The District believes this pronouncement will have minimal impact on the District's financial statements.

**DENNIS-YARMOUTH REGIONAL SCHOOL DISTRICT**

Notes to Financial Statements

June 30, 2012

The GASB issued Statement #65, *Items Previously Reported as Assets and Liabilities*, which is required to be implemented in fiscal year 2014. The pronouncement will reclassify certain assets and liabilities as deferred outflows and deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The District doesn't believe this pronouncement will significantly impact the District's financial statements.

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 2014. The pronouncement resolves conflicting guidance from issued pronouncement No. 54, regarding fund based reporting of risk financing activities. Also it amends No. 62 by modifying the specific guidance on accounting for (1) operating lease payments, (2) purchase of a loan or a group of loans, and (3) service fees. The District doesn't believe this pronouncement will have a material effect upon the District's financial statements.

The GASB issued Statement #68, *Accounting and Financial Reporting for Pension*, which is required to be implemented in fiscal year 2015. The pronouncement requires governments providing defined benefit pensions to recognize their long term obligation for pension benefits as a liability and to more comprehensively and comparably measure the annual cost of pension benefits. It also enhances accountability and transparency through revised and additional note disclosures and required supplementary information. The pronouncement will have a material effect upon the District's financial statements.

**SUPPLEMENTARY INFORMATION**

**DENNIS-YARMOUTH REGIONAL SCHOOL DISTRICT**  
 Required Supplementary Information - Schedule of Funding Progress –  
 District’s Other Post-employment Benefit Plan (OPEB)  
 June 30, 2012

**Schedule of Funding Progress – District’s Other Post Employment Benefits Plan (OPEB)**

The schedule of funding progress 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.

The unfunded actuarial accrued liability was determined using the level dollar thirty year open amortization basis.

| <b>Actuarial Valuation Date</b> | <b>Actuarial Value of Assets (a)</b> | <b>Actuarial Accrued Liability (AAL) (b)</b> | <b>Unfunded AAL (UAAL) (b)-(a)</b> | <b>Funded Ratio (a)/(b)</b> | <b>Covered Payroll (c)</b> | <b>UAAL as a Percentage of Covered Payroll [(b)-(a)]/(c)</b> |
|---------------------------------|--------------------------------------|--|------------------------------------|-----------------------------|----------------------------|--|
| <b>Governmental Activities:</b> |                                      |  |                                    |                             |                            |  |
| 6/30/2010                       | \$ -                                 | \$ 69,472,323                                | \$ 69,472,323                      | 0%                          | N/A                        | N/A  |
| 6/30/2008                       | \$ -                                 | \$ 69,088,801                                | \$ 69,088,801                      | 0%                          | N/A                        | N/A  |
| 6/30/2006                       | N/A                                  | N/A  | N/A                                | N/A                         | N/A                        | N/A  |

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. 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 the 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 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 June 30, 2010, actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 5.0% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer’s own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 10.0% initially, reduced by decrements to an ultimate rate of 5% after seven years. Both rates included a 4.5% inflation assumption. The actuarial value of the assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized over a 30 year period on an open basis.

**DENNIS-YARMOUTH REGIONAL SCHOOL DISTRICT**  
 Budgetary Comparison Schedule - General Fund  
 For the year ended June 30, 2012

|  | <u>Budgeted Amounts</u> |                   | <u>Actual<br/>Amounts,<br/>Budgetary<br/>Basis</u> | <u>Variance with<br/>Final Budget -<br/>Positive<br/>(Negative)</u> |
|--|-------------------------|-------------------|--|---|
|  | <u>Original</u>         | <u>Final</u>      |  |   |
| <b>REVENUES</b>  |                         |                   |  |   |
| Town assessments   | \$ 40,155,117           | \$ 40,155,117     | \$ 40,154,117                                      | \$ (1,000)  |
| Intergovernmental  | 7,629,116               | 7,629,116         | 7,883,525  | 254,409   |
| Charges for services   | 400,000                 | 400,000           | 263,984  | (136,016)   |
| Investment earnings  | 65,000                  | 65,000            | 38,878   | (26,122)  |
| Departmental and miscellaneous   | 79,504                  | 79,504            | 245,053  | 165,549   |
| Total revenues   | <u>48,328,737</u>       | <u>48,328,737</u> | <u>48,585,557</u>                                  | <u>256,820</u>  |
| <b>EXPENDITURES</b>  |                         |                   |  |   |
| Current:   |                         |                   |  |   |
| Administration   | 1,114,815               | 1,114,815         | 1,110,532  | 4,283   |
| Instructional  | 25,651,219              | 25,227,454        | 25,106,170   | 121,284   |
| School services  | 4,006,331               | 4,099,510         | 4,099,510  |   |
| Operations and maintenance of facilities   | 3,808,116               | 3,808,116         | 3,503,188  | 304,928   |
| Employee benefits and other fixed charges  | 7,701,466               | 7,669,095         | 7,097,648  | 571,447   |
| Community services   | 75,418                  | 75,418            | 75,000   | 418   |
| Capital outlay   | 38,882                  | 83,135            | 83,134   | 1   |
| Other programs   | 5,683,360               | 5,969,693         | 5,819,762  | 149,931   |
| Debt service   | 1,149,130               | 1,149,130         | 1,154,590  | (5,460)   |
| Total expenditures   | <u>49,228,737</u>       | <u>49,196,366</u> | <u>48,049,534</u>                                  | <u>1,146,832</u>  |
| Excess (deficiency) of revenues over expenditures  | (900,000)               | (867,629)         | 536,023  | 1,403,652   |
| <b>OTHER FINANCING SOURCES (USES)</b>  |                         |                   |  |   |
| Transfers (out)  |                         | (32,371)          | (32,371)   |   |
| Total other financing sources and uses   |                         | (32,371)          | (32,371)   |   |
| Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses | (900,000)               | (900,000)         | 503,652  | <u>\$ 1,403,652</u>   |
| Fund balances - beginning, restated  |                         |                   | <u>2,607,944</u>                                   |   |
| Fund balances - ending   |                         |                   | <u>\$ 3,111,596</u>                                |   |
| <b>OTHER BUDGETARY ITEMS</b>   |                         |                   |  |   |
| Use of available fund balance  | <u>900,000</u>          | <u>900,000</u>    |  |   |
| Total other budgetary items  | <u>900,000</u>          | <u>900,000</u>    |  |   |
| Net Budget   | <u>\$</u>               | <u>\$</u>         |  |   |

**DENNIS-YARMOUTH REGIONAL SCHOOL DISTRICT**

Notes to Supplementary Information

June 30, 2012

**Note 1. Budgetary Basis of Accounting**

Budgets are prepared on a basis other than accounting principles generally accepted in the United States of America (GAAP). The “actual” results column of the Statements of Revenues, Expenditures and Changes in Fund Balance – Budgetary Basis, are presented on a “budget basis” to provide a meaningful comparison with the budget. The major differences between the budget and GAAP basis is all budgeted revenues are recorded when cash is received, as opposed to when susceptible to accrual (GAAP). A reconciliation of the budgetary-basis to GAAP-basis results for the General Fund for the year ended June 30, 2012, is presented in the following schedule.

|   | <b><u>Revenues</u></b> | <b><u>Expenditures</u></b> | <b><u>Other<br/>financing<br/>sources,<br/>(Uses), Net</u></b> |
|---|------------------------|----------------------------|--|
| As reported on budgetary basis  | \$ 48,585,557          | \$ 48,049,534              | \$ (32,371)  |
| State funded teacher’s pension  | 8,932,894              | 8,932,894                  |  |
| Timing of reporting accrued revenues  | 51,914                 |                            |  |
| Allocation of benefits to daycare and food service  |                        | 211,174                    | 211,174  |
| Appropriations treated as transfers GAAP basis  |                        | (545,464)                  | (545,464)  |
| Difference in accrued wages from prior year and<br>timing of reporting accrued expenditures | -                      | 89,686                     | -  |
| As reported on GAAP basis   | <u>\$ 57,570,365</u>   | <u>\$ 56,737,824</u>       | <u>\$ (366,661)</u>  |

Interest on bond anticipation notes was greater than amounts originally budgeted, resulting in the deficiency in the associated appropriation.

**DENNIS-YARMOUTH REGIONAL SCHOOL DISTRICT**  
**FINANCIAL REPORT PURSUANT TO OMB CIRCULAR A-133**  
**FOR THE YEAR ENDED JUNE 30, 2012**

**DENNIS-YARMOUTH REGIONAL SCHOOL DISTRICT, MASSACHUSETTS**  
**FINANCIAL REPORT PURSUANT TO OMB CIRCULAR A-133**  
**FOR THE YEAR ENDED JUNE 30, 2012**

**INDEX**

|   | <u>Page</u> |
|---|-------------|
| Report on Internal Control over Financial Reporting and on Compliance and Other Matters<br>Based on an Audit of Financial Statements Performed in Accordance with<br><i>Government Auditing Standards</i>           | 1           |
| Independent Auditor's Report on Compliance with Requirements That Could Have a Direct<br>and Material Effect on Each Major Program and on Internal Control over Compliance in<br>accordance with OMB Circular A-133 | 3           |
| Schedule of Expenditures of Federal Awards  | 5           |
| Notes to Schedule of Expenditures of Federal Awards   | 6           |
| Schedule of Findings and Questioned Costs   | 7           |



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

To the Honorable School Committee  
Dennis-Yarmouth Regional School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Dennis-Yarmouth Regional School District as of and for the year ended June 30, 2012, which collectively comprise Dennis-Yarmouth Regional School District's basic financial statements and have issued our report thereon dated March 4, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

Management of Dennis-Yarmouth Regional School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Dennis-Yarmouth Regional School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Dennis-Yarmouth Regional School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Dennis-Yarmouth Regional School District's internal control over financial reporting.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Dennis-Yarmouth Regional School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Dennis-Yarmouth Regional School District, in a separate letter dated March 4, 2013.

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

*MLBCPA, LLP*

March 4, 2013



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**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD  
HAVE A DIRECT AND MATERIAL EFFECT ON EACH  
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Honorable School Committee  
Dennis-Yarmouth Regional School District

**Compliance**

We have audited Dennis-Yarmouth Regional School District’s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Dennis-Yarmouth Regional School District’s major federal programs for the year ended June 30, 2012. Dennis-Yarmouth Regional School District’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Dennis-Yarmouth Regional School District’s management. Our responsibility is to express an opinion on Dennis-Yarmouth Regional School District’s compliance based on our audit.

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

As described in Item 2012-1 in the accompanying schedule of findings and questioned costs, the Dennis-Yarmouth Regional School District did not comply with requirements regarding special tests and provisions, and eligibility requirements that are applicable to its Child Nutrition Cluster programs. As described in Item 2012-2 the Dennis-Yarmouth Regional School District did not comply with activities allowed requirements that are applicable to its Special Education Cluster programs. Compliance with such requirements is necessary, in our opinion, for the Dennis-Yarmouth Regional School District to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, Dennis-Yarmouth Regional School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

**Internal Control Over Compliance**

Management of Dennis-Yarmouth Regional School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Dennis-Yarmouth Regional School District’s internal control over compliance with requirements that could have a direct and material effect on a

major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Dennis-Yarmouth Regional School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2012-1 and 2012-3 to be material weaknesses.

#### **Schedule of Expenditures of Federal Awards**

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Dennis-Yarmouth Regional School District as of and for the year ended June 30, 2012, and have issued our report thereon dated March 4, 2013, which contained unqualified opinions on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements as a whole. The schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Dennis-Yarmouth Regional School District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Dennis-Yarmouth Regional School District's responses and, accordingly, we express no opinion on the responses.

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

*MLBCPA, LLP*

March 4, 2013

**DENNIS-YARMOUTH REGIONAL SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2012**

| <u>FEDERAL GRANTOR/PASS THROUGH<br/>GRANTOR/PROGRAM TITLE</u>     | <u>FEDERAL<br/>CFDA<br/>NUMBER</u> | <u>AGENCY OR<br/>PASS THROUGH<br/>NUMBER</u> | <u>FEDERAL<br/>EXPENDITURES</u> |
|---|------------------------------------|--|---------------------------------|
| <u>U.S. Department of Agriculture</u>                             |                                    |  |                                 |
| Passed through Massachusetts Department of Education              |                                    |  |                                 |
| Child Nutrition cluster:  |                                    |  |                                 |
| Non-cash assistance - food commodities                            | 10.555                             | N/A  | \$ 50,184                       |
| Child Nutrition Cluster   | 10.553 & 10.555                    | N/A  | <u>707,337</u>                  |
| Total U.S. Department of Agriculture                              |                                    |  | 757,521                         |
| <u>U.S. Department of Education</u>                               |                                    |  |                                 |
| Passed through MA Department of Education:                        |                                    |  |                                 |
| Title I, Part A Grants to Local Educational Agencies cluster:     |                                    |  |                                 |
| Title I Grants to Local Educational Agencies -2012                | 84.010                             | 305-085-2-0645-M                             | 562,929                         |
| Title I Grants to Local Educational Agencies -2011                | 84.010                             | 305-235-1-0645-L                             | 47,691                          |
| Title I - 2012 School Improvement                                 | 84.010                             | 323-005-2-0645-M                             | 270                             |
| Title I - 2011 School Achievement                                 | 84.010                             | 316-015-1-0645-L                             | 1,133                           |
| Title I - 2011 School Improvement                                 | 84.010                             | 323-030-1-0645-L                             | 7,101                           |
| Title I School Support  | 84.010                             | 323-042-2-0645-M                             | <u>23,917</u>                   |
| Total Title I, Part A Grants to Local Education Agencies cluster: |                                    |  | 643,041                         |
| Twenty-first Century Community Learning Centers -2012             | 84.287                             | 647-021-2-0645-M                             | 66,241                          |
| Twenty-first Century Community Learning Centers -2011             | 84.287                             | 647-062-1-0645-L                             | <u>60,785</u>                   |
|   |                                    | subtotal                                     | 127,026                         |
| Innovation School Planning Race to the Top                        | 84.395                             | 203-006-2-0645-M                             | 33,500                          |
| Innovation School Planning Race to the Top                        | 84.395                             | 202-010-1-0645-L                             | 15,198                          |
| Innovation School Planning Race to the Top                        | 84.395                             | 202-003-2-0645-M                             | 1,869                           |
| Race to the Top - 2012  | 84.395                             | 201-041-2-0645-M                             | 122,044                         |
| Race to the Top - 2011  | 84.395                             | 201-294-1-0645-L                             | <u>38,290</u>                   |
|   |                                    | subtotal                                     | 210,901                         |
| English Language Acquisition Grants (Title III) -2012             | 84.365                             | 180-016-2-0645-M                             | 24,323                          |
| English Language Acquisition Grants (Title III) -2012             | 84.365                             | 180-069-2-0645-M                             | 8,528                           |
| English Language Acquisition Grants (Title III) -2011             | 84.365                             | 180-024-1-0645-L                             | <u>24,269</u>                   |
|   |                                    | subtotal                                     | 57,120                          |
| Improving Teacher Quality State Grants - 2012                     | 84.367                             | 140-084-2-0645-L                             | 138,264                         |
| Improving Teacher Quality State Grants - 2011                     | 84.367                             | 143-007-1-0645-L                             | 9,300                           |
| Improving Teacher Quality State Grants - 2011                     | 84.367                             | 140-116-1-0645-L                             | 7,447                           |
| Improving Teacher Quality State Grants - 2012                     | 84.367                             | 143-018-2-0645-M                             | <u>15,602</u>                   |
|   |                                    | subtotal                                     | 170,613                         |
| ARRA- McKinney-Vento - 2011                                       | 84.387                             | 755-001-1-0645-L                             | 1,446                           |
| ARRA- Title IID   | 84.386                             | 776-001-2-0645-M                             | 86,581                          |
| Circuit breaker supplemental                                      | 84.XX                              | not available                                | 16,583                          |
| Education Jobs  | 84.410                             | 206-141-2-0645-M                             | 221,586                         |
| Education Jobs  | 84.410                             | 206-218-1-0645-L                             | <u>3,652</u>                    |
|   |                                    | subtotal                                     | 225,238                         |
| Special Education Cluster (IDEA):                                 |                                    |  |                                 |
| Special Education Grants to States, IDEA Part B -2012             | 84.027                             | 240-177-2-0645-M                             | 738,812                         |
| Special Education Grants to States, IDEA Part B -2011             | 84.027                             | 240-280-1-0645-L                             | 57,104                          |
| Special Education Grants to States, IDEA Part B -2012             | 84.027                             | 274-215-2-0645-M                             | <u>34,330</u>                   |
|   |                                    | subtotal                                     | 830,246                         |
| ARRA-Special Education Grants to States, IDEA Part B -2011        | 84.391                             | 760-320-1-0645-L                             | <u>10,935</u>                   |
|   |                                    | subtotal                                     | 10,935                          |
| Passed through MA Department of Early Education and Care:         |                                    |  |                                 |
| Special Education- Pressschool Grants - 2012                      | 84.173                             | EEC26210DennisYarmouth                       | 20,532                          |
| Special Education- Pressschool Grants - 2011                      | 84.173                             | EEC26211DennisYarmouth                       | 2,427                           |
| Curr. Instr & Assess Alig Prog. -2011                             | 84.173                             | 264-025-1-0645-L                             | <u>12,033</u>                   |
|   |                                    | subtotal                                     | 34,992                          |
| ARRA-Special Education- Pressschool Grants - 2011                 | 84.392                             | 76211DennisYarmouth                          | <u>9,866</u>                    |
|   |                                    | subtotal                                     | 9,866                           |
| Total Special Education cluster (IDEA):                           |                                    |  | <u>886,039</u>                  |
| Total U.S. Department of Education                                |                                    |  | <u>2,424,588</u>                |
| Total   |                                    |  | <u>\$ 3,182,109</u>             |

See accompanying notes to Schedule of Expenditures of Federal Awards

**DENNIS-YARMOUTH REGIONAL SCHOOL DISTRICT**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

**1. Scope of Audit**

The Dennis-Yarmouth Regional School District (the District) is a governmental agency established by the laws of the Commonwealth of Massachusetts.

All operations related to the District's Federal Grant Programs are included in the scope of the OMB Circular A-133 Audit Requirements for audits of state, local governments, and non-profit organizations (the single audit). The U.S. Department of Education has been designated as the District's oversight agency for the single audit.

**2. Period Audited**

Single audit testing procedures were performed for the District's federal grant transactions during the year ended June 30, 2012.

**3. Summary of Significant Accounting Policies**

Accounting policies and financial reporting practices permitted for municipalities in Massachusetts are prescribed by the Uniform Municipal Accounting System (UMAS) promulgated by the Commonwealth of Massachusetts Department of Revenue. The significant accounting policies followed by the District are as follows:

**(a) Basis of Presentation**

The accompanying schedule of expenditures of federal awards includes the federal grant transactions of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**(b) Non-cash assistance – food commodities**

Non-monetary assistance of commodities under the Child Nutrition cluster are received under a state distribution formula and are valued at federally published wholesale prices for purposes of this schedule. Such commodities are not recorded in the financial records, although decentralized documentation is maintained. The amount received has been reported in the schedule of expenditures of federal awards within the child nutrition cluster from the U.S. Department of Agriculture accordingly.

**4. American Recovery and Reinvestment Act of 2009 (ARRA) Expenditures**

Expenditures of federal awards from American Recovery and Reinvestment Act funds have been identified with the prefix ARRA in the schedule of expenditures of federal awards.

**DENNIS-YARMOUTH REGIONAL SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
JUNE 30, 2012

**A. SUMMARY OF AUDIT RESULTS**

1. The auditor's report expresses an unqualified opinion on the financial statements of the Dennis-Yarmouth Regional School District.
2. No significant deficiencies or material weaknesses relating to the audit of the financial statements are reported in the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of the Dennis-Yarmouth Regional School District, which would be required to be reported in accordance with *Governmental Auditing Standards*, were disclosed during the audit.
4. Deficiencies in internal control over major federal award programs were disclosed during the audit and are reported in the *Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133*. These deficiencies are reported as material weaknesses.
5. The auditor's report on compliance for the Child Nutrition Cluster, (CFDA#10.553 and CFDA#10.555), and the Special Education Cluster (CFDA#84.027, CFDA#84.391, CFDA#84.173 and CFDA#84.392) expresses qualified opinions. The report on the remaining programs is unqualified.
6. Audit findings that are required to be reported in accordance with Section 510 (a) of OMB Circular A-133 are reported in this Schedule.
7. The programs tested as major programs included the following:
  - U.S. Department of Agriculture
    - Child Nutrition Cluster (CFDA#10.553 and CFDA#10.555)
  - U.S. Department of Education
    - Special Education Cluster (CFDA#84.027, CFDA#84.391, CFDA#84.173, CFDA#84.392)
    - Education Jobs (CFDA#84.410)
8. The threshold for distinguishing Types A and B programs was \$300,000. Type A programs are those that exceed \$300,000.
9. The Dennis-Yarmouth Regional School District was determined not to be a low-risk auditee.

**B. FINDINGS - FINANCIAL STATEMENTS AUDIT**

There were no findings related to the financial statement audit.

**DENNIS-YARMOUTH REGIONAL SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
JUNE 30, 2012

**C. FINDINGS - MAJOR FEDERAL AWARD PROGRAMS**

**U.S. DEPARTMENT OF AGRICULTURE**

**Passed through the Commonwealth of Massachusetts – Department of Early and Secondary Education**

**Material Weakness**

**2012 – 1 Child Nutrition Cluster, School Breakfast Program CFDA#10.553 & National School Lunch Program, CFDA#10.555; Year ended June 30, 2012**

*Criteria:* The U.S. Department of Agriculture has established formalized policies and procedures which are required to be followed in the determination of eligibility of children receiving benefits, as well as the verification process of certain applications prior to November 15 of each year. These criteria include review of a “confirming official” regarding eligibility determinations, as well as maintaining applications and documentation associated with the verification process on file.

*Condition and context:* While we noted the District has implemented certain procedures to verify and confirm determining officials’ calculations, the District has not fully implemented formalized policies and procedures which ensure all applications, as well as documentation associated with the verification processes to be maintained on file in accordance with guidelines.

*Population and sample tested:* The District indicated (15) applications were selected for verification. Of this population, we selected (5) applications for testing. Of these applications tested, documentation as to the results of the verification process as being communicated to the individuals could not be provided. Additionally, (4) of these applicants selected the original letters sent to request verification information was not on file to document timing of verification procedures. Of our sample of (60) selected for testing related to eligibility, we noted (5) applications were unavailable for our review. Moreover, (1) application was determined to be “free” status by a school principal, yet, reported income exceeded the allowable threshold.

*Questioned cost:* Amounts for reimbursement associated with the aforementioned applications was not calculated.

*Effect:* The lack of effective monitoring of internal control policies and procedures surrounding compliance with grant provisions may cause ineligible children to receive benefits under the program.

*Cause:* The District has yet to fully implement corrective actions to established internal control policies and procedures which address the verification process and related requirements as outlined by the U.S. Department of Agriculture.

*Auditor’s Recommendations:* We recommend the District review procedures surrounding the application processes in accordance with U.S. Department of Agriculture guidance. All policies and procedures should be formally documented. Personnel should be reminded of the importance of the maintenance of all documentation in an order manner to allow for an “audit trail. We recommend the District consider centralizing all communication and documentation with the business office and/or food service.

*View of Responsible Official and Planned Corrective Actions:* The District is in the process of implementing corrective action in the current year to address.

**DENNIS-YARMOUTH REGIONAL SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
JUNE 30, 2012

**Material Weakness**

**U.S. DEPARTMENT OF EDUCATION**

**Passed through the Commonwealth of Massachusetts – Department of Early and Secondary Education 2012 – 2 Special Education Cluster, Special Education Grants to States, IDEA Part B, CFDA#84.027; Grant Year End August 31, 2012.**

*Criteria:* Activities allowed compliance requirements require formal documentation of calculations of “excess costs” and “maintenance of effort” associated with educating students with disabilities.

*Condition:* The formal calculations associated with these were requirements were not provided for our review.

*Questioned cost:* Not applicable.

*Effect:* The District’s costs associated with students with disabilities may not meet the appropriate thresholds as defined by federal regulations.

*Cause:* The District did not formally perform these calculations for the year.

*Auditor’s Recommendations:* We recommend the District formally document the required calculations on an annual basis to insure compliance with these criteria.

*View of Responsible Official and Planned Corrective Actions:* The District is in the process of implementing corrective action in the current year.

**D. SUMMARY OF PRIOR AUDIT FINDINGS**

**U.S. DEPARTMENT OF AGRICULTURE**

**Passed through the Commonwealth of Massachusetts – Department of Early and Secondary Education**

**Material Weakness**

**2011 – 1 Child Nutrition Cluster, School Breakfast Program CFDA#10.553 & National School Lunch Program, CFDA#10.555; Year ended June 30, 2011**

*Auditor’s Recommendations:* We recommend the District review procedures surrounding the application processes in accordance with U.S. Department of Agriculture guidance. All policies and procedures should be formally documented. Personnel should be reminded of the importance of the maintenance of all documentation in an order manner to allow for an “audit trail”. The District should evaluate the possibility of obtaining an electronic “point of sale system” which may be beneficial in the initial determination of eligible applications.

*Current status:* There is a similar finding in the current year. See the District’s corrective action plan.

**DENNIS-YARMOUTH REGIONAL SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**JUNE 30, 2012**

**U.S. DEPARTMENT OF EDUCATION**

**Passed through the Commonwealth of Massachusetts – Department of Early and Secondary Education**

**Material Weakness**

**2011 – 2 Special Education Cluster, Special Education Grants to States, IDEA Part B, CFDA#84.027; Grant Year End August 31, 2011.**

*Auditor's Recommendations:* We recommend the District formally document the required calculations of “excess costs” and maintenance of effort” on an annual basis to insure compliance with these criteria.

*Current status:* There is a similar finding in the current year. See the District’s corrective action plan.

**DENNIS-YARMOUTH REGIONAL SCHOOL DISTRICT**  
**MANAGEMENT LETTER**  
**JUNE 30, 2012**



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To the School Committee  
Dennis-Yarmouth Regional School District

In planning and performing our audit of the financial statements of the Dennis-Yarmouth Regional School District (the District) as of and for the year ended June 30, 2012, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal accounting control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency or combination of deficiencies, in internal control such there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

We are also submitting for your consideration comments and recommendations which are not considered to be significant deficiencies but are intended to improve operations and internal accounting control.

The comments and recommendations presented herein are intended to improve the system of internal accounting control or result in other operating efficiencies. The factual accuracy of our comments has been discussed with management to obtain their concurrence before the development of our recommendations for improvement. Matters commented on represent findings during the audit and have not been reviewed subsequent to March 4, 2013.

A management letter is critical by nature because its purpose is to identify areas where improvements can be made. Accordingly, we have not commented on positive attributes of the District's financial management systems. It is also important to understand that is generally not practical to achieve ideal internal control in the complex governmental accounting environment and we recognize that practical considerations are an important factor in changing administrative practices and internal control. The District should weigh the advantages and disadvantages of the suggested changes over the present practices and procedures.

We would like to acknowledge the courtesy and assistance extended to us by District management and personnel during our audit, especially during a significant transition period at year end.

This communication is intended solely for the information and use of management, the School Committee, others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

*MLBCPA, LLP*

March 4, 2013

## **STATUS OF PRIOR YEAR COMMENTS**

In conjunction with last year's audit of the District for the year ended June 30, 2011, we had several comments and suggestions in a letter to the District dated January 17, 2012. We followed up as to the status of these comments and recommendations. The results are as follows.

### **1. Control Environment vs. Written Policies**

In the previous year, we recommended the District continue its efforts to document financial practices and procedures and begin to provide for a formal documented risk assessment process. We noted during the year the District implemented a formalized process documenting procedures surrounding the sales of athletic events. Per our discussions with management efforts to update and formalize more of the District's practices and procedures is ongoing. We recommend this effort be incorporated as part of a formalized "risk assessment" program.

### **2. Monitoring of General Ledger**

In the prior year, we recommended the District implement additional procedures to monitor general ledger activity. While we noted the school committee has established a finance committee within the school committee and certain improvements have been made, we continue to recommend additional procedures be implemented to improve efforts to monitor the entire general ledger of accounts on an ongoing basis throughout the year. This recommendation is still applicable in our current year audit.

### **3. Grant administration and Major Federal Programs**

Last year, we reported findings over specific grant requirements in our report in accordance with OMB Circular A-133. These findings have been addressed by the District through a corrective action plan and we have followed up on the status of these comments. See our separate report in accordance with OMB Circular A-133 for our additional comments over district federal awards for fiscal year 2012.

### **4. Development of formalized depository and investment policy**

Last year, we recommended the District develop formalized depository and investment policies and procedures. Based upon our discussions with management, these policies and procedures are currently being drafted. The implementation of such policies and procedures should be tailored in conjunction with statute, the District's operations and the input from the School Committee (those charged with governance). We have been informed by District management policies are currently being drafted.

## **CURRENT YEAR COMMENTS**

### **5. Segregate funds dedicated to Other Post Employment Benefits**

We noted the District School Committee adopted the provisions of MGL Chapter 32B, allowing for the establishment of a trust fund to maintain funds for retiree health benefits. The School Committee transferred approximately \$32,000 into this fund for fiscal year 2012. We recommend the District segregate these funds into a separate account, rather than keeping them pooled with other cash. Additionally, the District should ensure formalized investment policies and procedures specifically address the investment of these funds in accordance with MGL203C.

## **6. Enhance review and reconciliation processes of student activity accounts**

As part of our audit we reviewed student activity funds documentation and noted that while information was being reported it was sometimes incomplete and not in a standard form between the schools.

We recommend the District review reconciliation and reporting procedures with regard to the student activity accounts maintained at the schools. We recommend a standardized monthly reporting package be submitted to the District Treasurer, inclusive of the checking account bank statement, check register, balance sheet and other reports deemed appropriate to further review and reconcile these balances to the District's accounting system. This allows for a reconciliation of each student activity (account) to be reconciled to the cash balances in custody of both the school and the District office.

## **7. Clarify votes and processes for charging costs to other funds**

During our review of subsequent events, we noted the School Committee's vote to fund HVAC improvements in the administration building from available funds. Per follow up with District management, it was explained that these costs were approved to be paid from Community School fund since the District has historically not been charging the fund for repair and maintenance costs. Generally, allocations of such costs should be performed consistently across all such funds (i.e. not allocate costs to one fund and not another), be reasonable, adequately documented and calculated on a fair and consistent manner. Such calculations should be formalized and reviewed on an annual basis. Generally such cost allocations are not permitted for more than an annual basis. We recommend the District ensure all votes clearly document the intent of the School Committee.

## **8. Consider effect of shortfall in temporary debt assessed to the Town of Dennis**

During our audit, we noted temporary interest originally budgeted for the EH Baker bond anticipation note was \$2,000. However, the actual interest paid relating to this note was approximately \$8,000. While the budget was based upon an estimate at the time, the actual amount should be the cost attributable to the member Town. We understand the District will be reconciling project costs upon completion and settling up any differences at that time.

## **9. Implement formalized agreement for providing food service operations**

Historically the District has provided food service to private school operations. We understand this arrangement has not been finalized and reduced to writing.

We recommend the District finalize this agreement.

## **10. Accept amended MGL Chapter 200A "Abandoned Property"**

We recommend the District School Committee formally adopt the amended revisions to MGL Chapter 200A "Abandoned Property" Section 9A, which allows for alternative procedures to be adopted for municipalities in the handling of outstanding checks. In the event the section is not adopted, and the provisions followed, procedures must be implemented to turn funds over to the State Treasurer in accordance with other sections of the statute.

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