

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, 2014

DENNIS-YARMOUTH REGIONAL SCHOOL DISTRICT
BASIC FINANCIAL STATEMENTS AND
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014

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Lynch, Malloy, Marini, LLP

Certified Public Accountants & Advisors

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INDEPENDENT AUDITOR'S REPORT

To the Honorable School Committee
Dennis-Yarmouth Regional School District

Report on the Financial Statements

We have audited the accompanying 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, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 Dennis-Yarmouth Regional School District, as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages iii - viii, and the budgetary comparison information, schedule of funding progress for the District's retiree benefit plan - other post employment benefits, on pages 30 through 34 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 18, 2015 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Dennis-Yarmouth Regional School District's internal control over financial reporting and compliance.

Lynch, Malloy, Marini, LLP

Norwell, Massachusetts

May 18, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

DENNIS-YARMOUTH REGIONAL SCHOOL DISTRICT

Management's Discussion and Analysis

June 30, 2014

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, 2014.

Financial Highlights:

- The assets of the District exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$16.5 million (net position). The District's net investment in capital assets and restricted net position consisted of approximately \$30.8 million and \$219,000 respectively. The \$14.5 million deficit balance reported in unrestricted net position classification is due in large part to the reporting of approximately \$13.2 million of net "Other Post-Employment Benefits (OPEB) obligations as of June 30, 2014.
- The total cost of all District services for fiscal year 2014 was \$72.9 million.
- As of the end of the current fiscal year, unassigned fund balance for the general fund was \$213,000, or approximately .3% 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 three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to financial statements. The notes to the financial statements provide information related to these changes which are essential in understanding the current financial statements and comparisons with previous years. Required supplementary information as required by the Government Accounting Standards Board (GASB), are presented following the financial statements and related notes to provide additional analysis.

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 position* presents information on all of the District's assets plus deferred outflows of resources, less liabilities, less deferred inflows of resources resulting in the aggregate net position of the District. 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 position changed during the most recent fiscal year. All changes in net position 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).

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.

See Independent Auditor's Report.

DENNIS-YARMOUTH REGIONAL SCHOOL DISTRICT

Management's Discussion and Analysis

June 30, 2014

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 position and changes in net position.

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.

See Independent Auditor's Report.

DENNIS-YARMOUTH REGIONAL SCHOOL DISTRICT

Management's Discussion and Analysis

June 30, 2014

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.

Required supplementary information: Budgetary comparison information, schedule of funding progress for the District's pension benefit plan and the schedule of funding progress for the District's Other Post-Employment Benefit Plan (OPEB) and related notes are presented following the basic financial statements and notes as required by *Governmental Accounting Standards*.

Government-Wide Financial Analysis

As noted earlier, net position 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 and deferred inflows of resources by \$16.5 million for the governmental activities at the close of the most recent fiscal year. The following tables demonstrate the net position of the District:

	FY2014 Governmental Activities	FY2013 Governmental Activities
Current assets	\$ 5,726,866	\$ 7,568,824
Capital assets	<u>40,037,887</u>	<u>41,338,094</u>
Total assets	45,764,753	48,906,918
Current liabilities	6,479,183	8,006,251
Long-term liabilities	<u>22,475,805</u>	<u>19,279,694</u>
Total liabilities	28,945,988	27,285,945
Deferred inflows of resources:		
Deferred revenue	<u>265,981</u>	<u>230,117</u>
Total deferred inflows of resources	265,981	230,117
Net position:		
Net investment in capital assets	30,778,181	31,738,183
Restricted	219,143	709,873
Unrestricted	<u>(14,453,541)</u>	<u>(11,057,200)</u>
Total net position	<u>\$ 16,543,783</u>	<u>\$ 21,390,856</u>

Governmental activity long term liabilities consist primarily of \$7.7 million in general obligation bonds (net of \$913,000 payable in fiscal year 2015), \$1.2 million in compensated absences, \$314,000 of capital lease obligations and \$13.2 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 2015.

See Independent Auditor's Report.

DENNIS-YARMOUTH REGIONAL SCHOOL DISTRICT

Management's Discussion and Analysis

June 30, 2014

The District's net investment in capital assets (e.g. land, building, machinery and equipment, etc) was \$30.8 million. 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 any related debt, deferred outflows or inflows of resources associated with the acquisition of those assets, 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 position, \$219,000 million, represents resources that are subject to restrictions placed on how they may be used. The remaining portion of the District's net position, which may be used to meet the District's ongoing obligations to citizens and creditors, was in a deficit of approximately \$14.5 million. A significant reason for the deficit is due to the significant net OPEB obligation reported at year-end of \$13.2 million, as well as the increase in special education tuitions and transportation costs during the year.

Governmental activities decreased the District's total net position by approximately \$4.9 million during fiscal year 2014. A summary of revenues and major functional expenditures is presented below.

	FY2014	FY2013
	Governmental	Governmental
	<u>Activities</u>	<u>Activities</u>
Revenues:		
Charges for services	\$ 2,164,667	\$ 1,604,177
Operating grants and contributions	15,800,455	15,158,921
Capital grants and contributions	711,858	198,976
General revenues:		
Assessments to member towns	42,230,332	41,454,651
Intergovernmental	6,925,333	7,100,358
Investment income and other	<u>170,872</u>	<u>42,347</u>
Total revenues	68,003,517	65,559,430
Expenses:		
Administration	1,348,923	1,436,364
Instruction	32,003,291	31,455,234
School services	7,287,202	5,790,265
Operations and maintenance	5,547,297	4,627,620
Employee benefits and other costs	19,141,591	17,985,258
Community services	938,989	762,436
Interest on debt	354,406	299,415
Other programs	<u>6,228,891</u>	<u>5,897,367</u>
Total expenditures	72,850,590	68,253,959
Transfers	<u>-</u>	<u>(48,049)</u>
Change in net position	<u>\$ (4,847,073)</u>	<u>\$ (2,742,578)</u>

Increases in charges for services related to the community school and food service programs, inclusive of reimbursements from the state and federal government. Capital grants and contributions related to amounts received for various capital projects including building improvements and tennis courts.

See Independent Auditor's Report.

DENNIS-YARMOUTH REGIONAL SCHOOL DISTRICT

Management's Discussion and Analysis

June 30, 2014

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 \$163,000. Of this combined amount \$219,000 has been assigned for specific purposes, and unassigned fund balance of non-major governmental funds reported a deficit balance of approximately \$270,000, primarily due to deficits reported in the school lunch program and capital projects for which funding has not been completed in the amounts of \$83,000 and \$187,000, respectively.

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 \$213,000, which represents unassigned fund balance at June 30, 2014. General fund unassigned fund balance represents .3% of both total general fund revenues and expenditures.

The total general fund balance decreased by approximately \$2.0 million during the current fiscal year, primarily due to unanticipated transportation and special education costs

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.

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.

See Independent Auditor's Report.

DENNIS-YARMOUTH REGIONAL SCHOOL DISTRICT

Management's Discussion and Analysis

June 30, 2014

The District's investment in capital assets for governmental activities as of June 30, 2014 amounts to \$40.0 million which is net of accumulated depreciation of \$19.5 million. Capital assets, net of accumulated depreciation as of June 30, 2013 amounted to approximately \$41.3 million.

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

<u>Capital assets</u>	<u>2014</u>	<u>2013</u>
Buildings, improvements and land improvements	\$ 39.2	\$ 40.3
Machinery and various equipment	0.5	0.9
Construction in progress	<u>0.3</u>	<u>0.1</u>
	<u>\$ 40.0</u>	<u>\$ 41.3</u>

The District's capital asset additions consisted of approximately \$700,000 of various building improvements, various machinery, equipment and tennis court improvements..

Debt administration:

At the end of the current fiscal year, the District had total bonded debt outstanding of \$8.6 million. This is compared to \$6.9 million last year. This debt is a general obligation of the District.

The District maintains an AA+ bond rating with Standard & Poor's as of April 17, 2014.

Economic Factors and Next Year's Budgets and Rates

The District's fiscal year 2015 budget is \$54.3 million, an increase of approximately \$1.9 million, or 4.0% from fiscal year 2014.

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.

See Independent Auditor's Report.

BASIC FINANCIAL STATEMENTS

DENNIS-YARMOUTH REGIONAL SCHOOL DISTRICT

Statement of Net Position

June 30, 2014

	Primary Government Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 4,973,426
Receivables	752,304
Capital assets, net of accumulated depreciation	40,037,887
Total assets	<u>\$ 45,763,617</u>
LIABILITIES	
Accounts payable	\$ 1,042,595
Salaries, withholdings and benefits payable	4,081,666
Notes payable	167,467
Accrued interest	109,207
Estimated claims payable (Note 13)	18,600
Other liabilities	5,180
Long-term liabilities:	
Due within one year	1,053,333
Due in more than one year	22,475,805
Total liabilities	<u>28,953,853</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred revenue	265,981
Total deferred inflows of resources	<u>265,981</u>
NET POSITION	
Net investment in capital assets	30,778,181
Restricted	219,143
Unrestricted	(14,453,541)
Total net position	<u>16,543,783</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 45,763,617</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, 2014

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense)</u> <u>Revenue and Changes</u> <u>in Net Position</u>
		<u>Charges for</u> <u>Services</u>	<u>Operating Grants and</u> <u>Contributions</u>	<u>Capital Grants and</u> <u>Contributions</u>	<u>Total Governmental</u> <u>Activities</u>
Primary government					
Governmental activities					
Administration	\$ 1,348,923	\$	\$	\$	\$ (1,348,923)
Instructional	32,003,291	444,261	3,711,634		(27,847,396)
School services	7,287,202	1,051,503	1,925,861		(4,309,838)
Operations and maintenance of facilities	5,547,297		20,186	711,858	(4,815,253)
Employee benefits and other insurances	19,141,591		10,142,774		(8,998,817)
Community services	938,989	668,903			(270,086)
Interest and other charges	354,406				(354,406)
Other programs	6,228,891				(6,228,891)
Total governmental activities	<u>\$ 72,850,590</u>	<u>\$ 2,164,667</u>	<u>\$ 15,800,455</u>	<u>\$ 711,858</u>	<u>(54,173,610)</u>
General revenues:					
Assessments to member towns					42,230,332
Grants and contributions not restricted to specific programs					6,925,333
Interest income and premiums					102,942
Departmental and miscellaneous					67,930
Total general revenues					<u>49,326,537</u>
Change in net position					(4,847,073)
Net position - beginning					<u>21,390,856</u>
Net position - ending					<u>\$ 16,543,783</u>

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

DENNIS-YARMOUTH REGIONAL SCHOOL DISTRICT

Balance Sheet
Governmental Funds
June 30, 2014

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 4,669,588	\$ 302,527	\$ 4,972,115
Receivables		752,304	752,304
Interfund receivables	224,610		224,610
Total assets	<u>\$ 4,894,198</u>	<u>\$ 1,054,831</u>	<u>\$ 5,949,029</u>
LIABILITIES			
Accounts payable	\$ 782,599	\$ 258,685	\$ 1,041,284
Salaries payable, withholdings and other accrued benefits	3,893,118	188,548	4,081,666
Interfund payables		224,610	224,610
Notes payable		167,467	167,467
Other liabilities	5,180		5,180
Total liabilities	<u>4,680,897</u>	<u>839,310</u>	<u>5,520,207</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred revenue		265,981	265,981
Total deferred inflows of resources		<u>265,981</u>	<u>265,981</u>
FUND BALANCE			
Assigned		219,143	219,143
Unassigned	213,301	(269,603)	(56,302)
Total fund balances	<u>213,301</u>	<u>(50,460)</u>	<u>162,841</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 4,894,198</u>	<u>\$ 1,054,831</u>	<u>\$ 5,949,029</u>

Amounts reported for net position of governmental activities in the statement of net position are different because:

Total fund balances of governmental funds	\$ 162,841
Capital assets used in governmental activities of \$59,549,773 net of accumulated depreciation of \$19,511,886, are not financial resources and not reported in funds.	40,037,887
Amounts accrued on the full accrual basis, not recognized on modified accrual basis.	
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.	(23,638,345)
Internal service fund treated as governmental fund entity-wide basis	(18,600)
Net position of governmental activities	<u>\$ 16,543,783</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, 2014

	<u>General Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES			
Town assessments	\$ 42,230,332	\$	\$ 42,230,332
Intergovernmental	18,167,843	4,670,686	22,838,529
Charges for services	308,752	986,386	1,295,138
Investment income	19,038		19,038
Departmental and miscellaneous	435,473	1,330,524	1,765,997
Total revenues	<u>61,161,438</u>	<u>6,987,596</u>	<u>68,149,034</u>
EXPENDITURES			
Current:			
Administration	1,317,196		1,317,196
Instructional	28,486,462	3,419,434	31,905,896
School services	4,248,639	2,945,654	7,194,293
Operations and maintenance of facilities	3,895,992	22,120	3,918,112
Employee benefits and other insurances	17,441,152		17,441,152
Community services	81,335	760,310	841,645
Capital outlay	24,234	427,806	452,040
Other programs	6,228,891		6,228,891
Debt service:			
Principal	675,000		675,000
Interest and other charges	311,677	34,800	346,477
Total expenditures	<u>62,710,578</u>	<u>7,610,124</u>	<u>70,320,702</u>
Excess (deficiency) of revenues over expenditures	(1,549,140)	(622,528)	(2,171,668)
OTHER FINANCING SOURCES (USES)			
Proceeds from issuance of long-term debt		2,378,280	2,378,280
Premiums received on issuance of long-term debt		83,904	83,904
Transfers in	217,344	489,897	707,241
Transfers out	(650,071)	(212,203)	(862,274)
Total other financing sources and uses	<u>(432,727)</u>	<u>2,739,878</u>	<u>2,307,151</u>
Net change in fund balances	(1,981,867)	2,117,350	135,483
Fund balances - beginning, restated	2,195,168	(2,167,810)	27,358
Fund balances - ending	<u>\$ 213,301</u>	<u>\$ (50,460)</u>	<u>\$ 162,841</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, 2014

Revenues and other financing sources over (under) expenditures and other financing uses - governmental funds	\$ 135,483
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	574,526
Depreciation expense recorded for the fiscal year	(1,874,733)
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	(229,421)
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 position 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	675,000
Proceeds from the issuance of long term debt	(2,378,280)
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	(7,929)
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	(3,946,455)
OPEB contributions made	2,185,888
Compensated absences, net	(110,597)
Capital lease payments	131,628
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.	
	(2,183)
Change in net position of governmental activities	<u>\$ (4,847,073)</u>

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

DENNIS-YARMOUTH REGIONAL SCHOOL DISTRICT

Statement of Net Position

Proprietary Funds

June 30, 2014

	Governmental Activities Internal Service Fund Worker's Compensation
ASSETS	
Cash and cash equivalents	\$ 1,311
Total assets	<u>1,311</u>
LIABILITIES	
Accounts payable	\$ 1,311
Estimated claims payable	<u>18,600</u>
Total liabilities	<u>19,911</u>
NET POSITION	
Unrestricted	<u>(18,600)</u>
Total net position	<u>(18,600)</u>
Total liabilities and net position	<u>\$ 1,311</u>

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

DENNIS-YARMOUTH REGIONAL SCHOOL DISTRICT
Statement of Revenues, Expenses and Changes in Proprietary Net Position -
Proprietary Funds
For the Year Ended June 30, 2014

	Governmental Activities Internal Service Fund Worker's Compensation
	<hr/>
OPERATING EXPENSES	
Insurance claims and expenses	\$ 157,216
Total operating expenses	<hr/> 157,216
Operating income (loss)	<hr/> (157,216)
 TRANSFERS	
Transfers in	<hr/> 155,033
Change in net position	(2,183)
Total net position - beginning	<hr/> (16,417)
Total net position - ending	<hr/> <hr/> \$ (18,600)

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, 2013

	Governmental Activities Internal Service Fund Worker's Compensation
Cash flows from operating activities	
Worker's compensation claims expense	\$ (109,936)
Administration costs, net	<u>(50,002)</u>
Net cash (used) by operating activities	(159,938)
Cash flows from non-capital financing activities	
Transfer In	<u>155,033</u>
Net cash provided by investing activities	<u>155,033</u>
Net change in cash and cash equivalents	(4,905)
Balances at beginning of year	<u>6,216</u>
Balances at end of year	<u>\$ 1,311</u>
Reconciliation of operating income to net cash provided by operating activities	
Operating (loss)	\$ (157,216)
Adjustments to reconcile operating (loss) to net cash provided by operating activities:	
Changes in liabilities:	
Accounts payable	(1,522)
Estimated worker's compensation claims payable	<u>(1,200)</u>
Total adjustments	<u>(2,722)</u>
Net cash (used) by operating activities	<u>\$ (159,938)</u>

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

DENNIS-YARMOUTH REGIONAL SCHOOL DISTRICT

Statement of Fiduciary Net Position

Fiduciary Funds

June 30, 2014

	Private Purpose Trust Funds - Scholarships	Other Post-Employment Benefits Trust	Agency Funds
ASSETS			
Cash and cash equivalents	\$ 689,450	\$ 80,420	\$ 267,256
Total assets	<u>\$ 689,450</u>	<u>\$ 80,420</u>	<u>\$ 267,256</u>
LIABILITIES			
Amounts held for students and others	\$	\$	\$ 267,256
Total liabilities			<u>\$ 267,256</u>
NET POSITION			
Held in trust	<u>\$ 689,450</u>	<u>\$ 80,420</u>	

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

DENNIS-YARMOUTH REGIONAL SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Position

Fiduciary Funds

For the Year Ended June 30, 2014

	Private Purpose Trust Funds - Scholarships	Other Post-Employment Benefits Trust
ADDITIONS		
Interest	\$ 5,484	\$
Contributions	26,410	
Total additions	31,894	
DEDUCTIONS		
Scholarships and awards	27,128	
Total deductions	27,128	
Change in net position	4,766	
Net position - beginning	684,684	80,420
Net position - ending	<u>\$ 689,450</u>	<u>\$ 80,420</u>

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, 2014

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 (GASB)*, 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, 2014, 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 following table identifies the most significant joint ventures of the District. 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. The District also participates in a cost-sharing, joint purchasing group for health and dental insurance and a cost sharing group for retirement benefits.

<u>Name</u>	<u>Purpose</u>	<u>Address</u>	<u>2014 District's payments</u>
Cape Cod Collaborative	Special Education Services	5700 LeMay Avenue Otis ANGB, MA 02542	\$ 1,714,670
National Environmental Education Development Academy	Environmental education	c/o Dennis-Yarmouth Regional School District 296 Station Avenue South Yarmouth, MA 02664	\$ 91,767
Pilgrim Area Collaborative	Special Education Services	120 Center Street Pembroke, MA 02359	\$ 50,222
Charms Collaborative	Special Education Services	137 Walnut Street Stoughton, MA 02072	\$ 32,524

The National Environmental Education Development Academy was established pursuant to an inter-municipal agreement between the Dennis-Yarmouth Regional School District and the Towns of Falmouth and Harwich, to be governed by a Memorandum of Understanding, pursuant to the provisions of Massachusetts General Laws to provide environmental education programs. Each member is assessed on an annual basis the costs associated with operating these programs.

DENNIS-YARMOUTH REGIONAL SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2014

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). 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 Position, governmental columns are presented on a consolidated basis and are reported on a full accrual, economic resource basis, which recognizes all long-term assets, receivables and deferred outflows of resources, as well as long-term liabilities, deferred inflows of resources and other liabilities reported on a full accrual basis. The District's net position is reported in three parts - net investment in capital assets, restricted, and unrestricted. 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 operating costs and 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 position 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, 2014

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.

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 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.

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 position and changes in net position and is reported using accounting principles similar to proprietary funds. The following is a description of the fiduciary funds of the District:

DENNIS-YARMOUTH REGIONAL SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2014

- 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. GASB pronouncements set forth minimum criteria (percentage of the assets and deferred outflows of resources, liabilities and deferred inflows of resources, 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, other post-employment benefit trust funds and agency funds). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, retirees, 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.

C. Cash and Cash Equivalents

The District considers cash and cash equivalents to be cash on hand, demand deposits, and certificates of deposit.

DENNIS-YARMOUTH REGIONAL SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2014

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, as applicable, 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 cash equivalents disclosures are presented in these Notes.

D. Inventories

The District currently doesn't report any inventories for financial reporting purposes. The District reports food and supplies purchased in the food service program as expenditures when purchased, rather than when consumed. The District has determined any amounts not consumed at year end to be immaterial to the District's financial statements.

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 Position.

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.

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 Position. 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:

DENNIS-YARMOUTH REGIONAL SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2014

➤ 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. Deferred Outflows and Deferred Inflows

Deferred outflows of resources, as applicable, represent a consumption of assets by the government that is applicable to a future reporting period. These deferred outflows of resources have a positive effect on net position and are reported after assets when applicable. Deferred inflows of resources, as applicable, represent the acquisition of assets by the government that is applicable to a future reporting period. These deferred inflows of resources have a negative effect on net position and are reported after liabilities when applicable. These amounts are reported in government-wide and fund financial statements based upon the nature of the items.

I. Liabilities

Liabilities represent present obligations to sacrifice resources for which the government has little or no discretion to avoid. The primary focus is on the obligation for the government to perform. The accounting treatment for these obligations depends on whether they are reported in the government-wide or fund financial statements.

Current liabilities are reported in both the fund and government-wide financial statements. Current liabilities represent obligations incurred in the operating cycle for acquisition goods, services, accruals for salaries/wages, vacation accruals, and other obligations due or generally expected to be liquidated within one year from the balance sheet date. Government-wide financial statements also report other current liabilities such as accrued interest, which is reported on a full accrual basis.

Generally, all noncurrent (long term) liabilities are not reported as liabilities in the fund financial statements, but are reported in the government-wide statements. Such obligations consist primarily of such obligations as bonds payable, capital leases, compensated absences and other post-employment obligations.

J. 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.

DENNIS-YARMOUTH REGIONAL SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2014

K. Equity Classifications

Government-wide Statements

Equity is classified as net position in the government-wide financial statements. The District first utilizes restricted resources for appropriate activities prior to utilizing unrestricted resources. Net position is displayed in three components:

- Net investment in capital assets— This component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position.
- Restricted — This component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. These assets may be restricted by 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—This component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

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 District 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.

DENNIS-YARMOUTH REGIONAL SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2014

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.

L. 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.

M. 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.

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 2014 and met the net school spending requirements.

The minimum, local contribution is computed by the Commonwealth of Massachusetts. The following are the fiscal year 2014 minimum local contributions and net school spending requirements for the District:

Dennis	\$ 11,639,006
Yarmouth	<u>19,648,818</u>
Total minimum local contribution	31,287,824
Regional Chapter 70 Aid	<u>6,631,289</u>
Total net school spending requirement	<u>\$ 37,919,113</u>

DENNIS-YARMOUTH REGIONAL SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2014

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.

C. Fund equities

Operations of the various District funds for fiscal 2014 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, 2014, the classification of the District's fund balances can be detailed as follows:

	General	Non-Major	
	Fund	Governmental	Funds
			Total
Assigned:			
School services	\$	\$	141,303
Community services			73,495
Capital outlay	_____ -	_____ 4,345	_____ 4,345
subtotal		219,143	219,143
Unassigned:	213,301	(269,603)	(56,302)
Total fund balance	<u>\$ 213,301</u>	<u>\$ (50,460)</u>	<u>\$ 162,841</u>

Deficit fund balance aggregating approximately \$270,000 relate to the District's school lunch fund and school repair project fund in the amounts of \$83,000 and \$187,000 respectively.

D. Restricted Net Position

The following table illustrates the District's restricted net position as reported on the government-wide financial statements as of June 30, 2014:

Community Schools	\$ 73,495
Other special revenue funds and other	145,648
Total restricted net position	<u>\$ 219,143</u>

Note 4. Cash and Cash Equivalents

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.

DENNIS-YARMOUTH REGIONAL SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2014

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, 2014 deposits totaled \$6,147,355 (including \$80,000 certificates of deposit) and had a carrying amount of \$6,010,552. All of the District's deposits were covered by depository insurance at year end. The difference between deposit amounts and carrying amounts represents outstanding checks and deposits in transit.

Note 5. Receivables and Deferred Inflows of Resources

The District reports the aggregate amount of receivables in the accompanying Statement of Net Position 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 activities also defer revenue recognition in connection with resources that have been received, but not yet earned in the Statement of Net Position.

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:

<u>Receivable type</u>	<u>Gross Amount</u>	<u>Allowance for Uncollectible</u>	<u>Net Amount</u>	<u>Deferred Revenue</u>
Governmental activities:				
State grants and other programs	\$ 568,678	\$ -	\$ 568,678	\$ 262,344
School lunch reimbursement and other	125,577		125,577	
Reimbursement of capital outlay and projects	<u>58,049</u>	<u>-</u>	<u>58,049</u>	<u>3,637</u>
Totals	<u>\$ 752,304</u>	<u>\$ -</u>	<u>\$ 752,304</u>	<u>\$ 265,981</u>

Note 6. Capital Assets

Capital asset activity for the year ended June 30, 2014 is as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<u>Governmental activities:</u>				
Capital assets not being depreciated:				
Construction in progress	\$ 132,358	\$ 326,845	\$ (132,358)	\$ 326,845
Capital assets being depreciated:				
Buildings and related improvements	52,683,997	227,230		52,911,227
Land improvements	185,620	130,756		316,376
Library books and textbooks	1,534,625			1,534,625
Computer equipment	264,539			264,539
Vehicles	955,263			955,263
Machinery and equipment	<u>3,218,845</u>	<u>22,053</u>	<u>-</u>	<u>3,240,898</u>
Total capital assets	58,975,247	706,884	(132,358)	59,549,773
Less Accumulated Depreciation				
Buildings and related improvements	12,574,034	1,377,372		13,951,406
Library books and textbooks	1,534,625			1,534,625
Land improvements	39,129	21,831		60,960
Computer equipment	195,457	36,143		231,600
Vehicles	556,155	95,809		651,964
Machinery & equipment	<u>2,737,753</u>	<u>343,578</u>	<u>-</u>	<u>3,081,331</u>
Sub-total	<u>17,637,153</u>	<u>1,874,733</u>	<u>-</u>	<u>19,511,886</u>
Governmental capital assets, net	<u>\$ 41,338,094</u>	<u>\$ (1,167,849)</u>	<u>\$ (132,358)</u>	<u>\$ 40,037,887</u>

DENNIS-YARMOUTH REGIONAL SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2014

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

Operations and maintenance	\$ 1,739,512
School services	99,078
Instructional	<u>36,143</u>
Total	<u>\$ 1,874,733</u>

Note 7. 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 8. Interfund Balances and Activity

The General fund is owed \$224,610 from various governmental funds as of June 30, 2014 for deficit spending.

Interfund transfers, for the fiscal year ended June 30, 2014 consisted of the following:

<u>Purpose</u>	<u>General Fund</u>	<u>Non-Major Funds</u>	<u>Internal Service Worker's Compensation</u>
Transfer of benefits from the food service program and day care	\$ 217,344	\$ (217,344)	\$ -
Appropriation of transfers between the following funds:			
Athletic fund	(475,038)	475,038	
Summer school	(20,000)	20,000	
Appropriation and transfer to the Worker's Compensation Fund	<u>(155,033)</u>	<u>-</u>	<u>155,033</u>
Net Transfers	<u>\$ (432,727)</u>	<u>\$ 277,694</u>	<u>\$ 155,033</u>

Note 9. 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).

DENNIS-YARMOUTH REGIONAL SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2014

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, 2014:

<u>Type/Date/Purpose</u>	<u>Balance 07/1/2013</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>Balance 06/30/2014</u>
Governmental activities:				
BAN 3/1/2013, Baker Elementary School repairs, .45%, due 10/1/2013	\$ 2,100,000	\$ -	\$ (2,100,000)	\$ -
BAN 6/26/2014, Baker Elementary School repairs, .50%, due 6/26/2015	-	167,467	-	167,467
Total	<u>\$ 2,100,000</u>	<u>\$ 167,467</u>	<u>\$ (2,100,000)</u>	<u>\$ 167,467</u>

Note 10. Long Term Obligations

The following is a summary of changes in long-term obligations of the District for the year ending June 30, 2014:

<u>Purpose</u>	<u>Balance 07/01/2013</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>Balance 06/30/2014</u>	<u>Current Portion</u>
Governmental activities:					
High School Renovations, 4.00%-5.00%, due 2026	\$ 5,850,000	\$ -	\$ (450,000)	\$ 5,400,000	\$ 450,000
School repairs and renovations, 4.65%, due 2014	130,000		(65,000)	65,000	65,000
High School Renovations, 2.25%-3.50%, due 2026	960,000		(160,000)	800,000	160,000
School repairs and renovation, 3.00%, due 2024	-	2,378,280	-	2,378,280	243,280
Total long-term bonds	6,940,000	2,378,280	(675,000)	8,643,280	918,280
Capital lease obligations	580,587		(131,628)	448,959	135,053
Compensated absences	1,093,403	110,597		1,204,000	-
Net OPEB obligation	11,472,332	3,946,455	(2,185,888)	13,232,899	-
Total governmental activities	<u>\$ 20,086,322</u>	<u>\$ 6,435,332</u>	<u>\$ (2,992,516)</u>	<u>\$ 23,529,138</u>	<u>\$ 1,053,333</u>

Long-term Debt

The annual requirements to amortize all general obligation bonds and loans outstanding as of June 30, 2014, including interest, are as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 918,280	\$ 312,885	\$ 1,231,165
2016	850,000	281,725	1,131,725
2017	850,000	214,475	1,064,475
2018	850,000	221,325	1,071,325
2019	850,000	190,644	1,040,644
2020-2024	3,425,000	532,894	3,957,894
2025-2026	900,000	40,275	940,275
Total	<u>\$ 8,643,280</u>	<u>\$ 1,794,223</u>	<u>\$ 10,437,503</u>

DENNIS-YARMOUTH REGIONAL SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2014

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, 2014 are as follows.

<u>Purpose</u>	<u>Year (s)</u> <u>Authorized</u>	<u>Authorized & Unissued Balance</u>
High School renovation	2003	\$ 860,000
Mattachese alarm	2004	51,000
School repairs	2005	<u>302,533</u>
Total		<u>\$ 1,213,533</u>

Lease obligations*A. Operating leases*

The District has entered into a number of operating leases for copier equipment to support governmental activities, and iPads for instructional services, subject to annual appropriation. The annual minimum required lease payments for these operating leases as of June 30, 2014:

<u>Fiscal Year</u>	<u>Total</u>
2015	\$ 263,411
2016	235,145
2017	<u>194,623</u>
Total	<u>\$ 693,179</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 vehicles, equipment, and football field lights. At June 30, 2014, aggregate cost and accumulated depreciation associated with these leases are included in capital assets of the District in the amounts of \$739,000 and \$260,000 respectively. The following schedule indicates the future lease principal payments, as of June 30, 2014:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 135,053	\$ 20,703	\$ 155,756
2016	122,431	15,946	138,377
2017	107,477	9,116	116,593
2018	15,024	4,694	19,718
2019	15,864	3,854	19,718
2020-2022	<u>53,110</u>	<u>6,043</u>	<u>59,153</u>
Total	<u>\$ 448,959</u>	<u>\$ 60,356</u>	<u>\$ 509,315</u>

DENNIS-YARMOUTH REGIONAL SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2014

Note 11. 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 actuarial report, but does not issue separate financial statements. The actuarial report 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 (MTRS), to which the District does not contribute.

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 \$1,038,901 representing 2.18% 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 \$1,019,103, for a savings of approximately \$19,000. 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, 2013 and 2012 were \$933,124 and \$945,011 respectively, which were equal to the required contributions, net of any discounts for each year. The schedule of funding progress for the Association has been presented as supplementary information following these financial statements.

As noted above, the District does not contribute to MTRS. Contributions to the MTRS 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, \$9,775,246 of pension benefits paid by the Commonwealth of Massachusetts on behalf of the District is included in the accompanying Statement of Activities as employee benefits and other insurances contributions and expense and in the accompanying Statement of Revenues, Expenditures and Changes in Fund Balance as general fund intergovernmental revenue and employee benefits and other insurances 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, 2014, the School District estimated the potential, maximum liability for sick and vacation pay to be \$1.5 million, which is comprised of approximately \$257,000 related to vacation carryover and \$1.2 million of estimated liability for sick leave buyback, which could become payable over future years by the School District. The amount associated with sick leave buyback has been reported as a long-term liability in the Statement of Net Position. Amounts associated with vacation carryover are reported as a liability in the Balance Sheet.

DENNIS-YARMOUTH REGIONAL SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2014

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.

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). Total plan participants are 834, comprised of 377 active members and 457 retirees, beneficiaries and dependants. The District pays health and dental benefits for retirees, beneficiaries and dependents 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. The Plan does not issue separate financial statements.

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.

DENNIS-YARMOUTH REGIONAL SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2014

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:

	Governmental Activities
Annual required contribution	\$ 3,848,914
Interest on net OPEB obligation	516,255
Adjustment to annual required contribution	<u>(418,714)</u>
Annual OPEB cost (expense)	3,946,455
Contributions made	<u>(2,185,888)</u>
Increase in net OPEB obligation	1,760,567
Net OPEB obligation – beginning of year	<u>11,472,332</u>
Net OPEB obligation – end of year	<u>\$ 13,232,899</u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014 and the two preceding years were as follows:

Year Ended	Annual OPEB Cost	Annual OPEB Cost Contributed	OPEB Obligation
Governmental activities:			
6/30/2014	\$ 3,946,455	55.39%	\$ 13,232,899
6/30/2013	3,764,634	53.46%	11,472,332
6/30/2012	4,930,405	58.41%	9,720,258

Funding Status and Schedule of Funding Progress

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b)-(a)]/(c)
Governmental Activities:						
6/30/2012	\$ 32,371	\$ 50,665,378	\$ 50,633,007	0%	N/A	N/A
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

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.

DENNIS-YARMOUTH REGIONAL SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2014

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, 2012, actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 4.0% investment rate of return, 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 8.0% decreasing by .50% for 6 years to an ultimate level of 5.0% per year. Both rates included a 4.0% 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, amortization payments increasing at 4.0%.

Note 12. 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.

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. 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 \$400,000.

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 its 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 2014</u>	<u>FY 2013</u>
Claims liability at beginning of year	\$ 19,800	\$ 89,000
Claims and administrative costs incurred for current year and change in estimate	107,215	6,783
Payment of costs for current year	<u>(108,415)</u>	<u>(75,983)</u>
Claims liability at end of year	<u>\$ 18,600</u>	<u>\$ 19,800</u>

DENNIS-YARMOUTH REGIONAL SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2014

Note 13. 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.

Note 14. Restatement of beginning balances

The following table illustrates certain reclassifications of beginning fund balances:

	E.H. Baker Elementary <u>School Project</u>	Non-Major Governmental <u>Funds</u>
Fund balance June 30, 2013	\$ (2,625,633)	\$ 457,823
Reclassify building project - substantially completed in FY2013 and fully bonded in fiscal year 2014	<u>2,625,633</u>	<u>(2,625,633)</u>
Fund balance, restated July 1, 2013	<u>\$ -</u>	<u>\$ (2,167,810)</u>

Note 15. Implementation of GASB pronouncements

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

Current pronouncements

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 pronouncement had no effect upon the District's financial statements.

The GASB issued Statement #69, Government Combinations and Disposals of Government Operations, which is required to be implemented in fiscal year 2014. The pronouncement addresses accounting and financial reporting issues associated with a variety of transactions, such as mergers, acquisitions, disposals and transfer of governmental operations. The pronouncement had no effect upon the District's financial statements.

DENNIS-YARMOUTH REGIONAL SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2014

The GASB issued Statement #70, Accounting and Financial Reporting for Non-exchange Financial Guarantees, which is required to be implemented in fiscal year 2014. The pronouncement addresses accounting and financial reporting for financial guarantees extended by a government for the obligations of another government, not-for-profit, or private entity without directly receiving equal or approximately equal value in exchange for the guarantee. The pronouncement had no effect upon the District's financial statements.

Future pronouncements

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.

The GASB issued Statement #71, Pension Transition for Contributions Made Subsequent to the Measurement Date- An Amendment of GASB Statement No. 68, which is required to be implemented in fiscal year 2015. The pronouncement addresses application of the transition provisions of Statement No. 68, associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The District is will evaluate the effect of the pronouncement with the implementation of Statement No. 68.

REQUIRED SUPPLEMENTARY INFORMATION

DENNIS-YARMOUTH SCHOOL DISTRICT
Required Supplementary Information
Schedule of Funding Progress for the District's
Pension Benefit Plan and Notes
June 30, 2014

Pension plan

The District contributes to the Barnstable County Retirement System (the System), a cost-sharing, multiple-employer defined benefit pension plan (the Plan) administered by the Barnstable County Retirement Board. The System provides retirement, disability, and death benefits to members and beneficiaries. MGL Chapter 32 assigns authority to establish and amend benefit provisions of the Plan. The District is required to pay into the System its share of the system-wide actuarially determined contribution which is apportioned among Plan participants based on active covered payroll. The following information presented relates to the cost sharing plan as a whole, of which the District is one participating member.

The schedule of funding progress, presented below, presents multi-year trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to actuarial accrued liability for benefits. This information is designed to be helpful for understanding the scale of the information presented relative to the District. Projection of benefits for financial reporting purposes does not explicitly incorporate any potential effects of legal or contractual funding limitations that may be applicable.

Barnstable County Retirement System
Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value Of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a percent of Covered Payroll (b-a)/c
1/1/2014	\$ 776,973,700	\$ 1,353,810,101	\$ 576,836,401	57.4%	\$ 253,920,106	227.2%
1/1/2012	651,063,981	1,173,483,848	522,419,867	55.5%	239,437,303	218.2%
1/1/2010	554,876,554	1,030,210,321	475,333,767	53.9%	234,374,075	202.8%

The District's share of the unfunded actuarial accrued liability (UAAL) as of the January 1, 2014 valuation is approximately \$12.6 million, or 2.18% of the total.

The following actuarial methods and assumptions were used in the System's most recent actuarial valuation dated January 1, 2014.

- a. Actuarial cost method: Individual entry age normal actuarial cost method
- b. Plan asset valuation: Sum of actuarial value at the beginning of the year, contributions and investment earnings based on the actuarial interest assumption less benefit payments and operating expenses plus 20% of the market value at the end of the year in excess of that sum, plus additional adjustment toward market value as necessary so that final actuarial value is within 20% of market value.

See Independent Auditor's Report.

DENNIS-YARMOUTH SCHOOL DISTRICT
Required Supplementary Information
Schedule of Funding Progress for the District's
Pension Benefit Plan and Notes
June 30, 2014

- c. Cost of living increases: Cost of living increases have been assumed to be 3.0% of the first \$15,000 of retirement income.
- d. Investment rate of return: 7.75%.
- e. Projected salary increases: Varies by length of service with ultimate rates of 4.25% for Group 1, 4.50% for Group2, and 4.75% for Group 4.
- f. Retirement rates: These rates vary based upon age and group for general employees with 100% expected to be retired by age 70 for groups 1 and 2 and at age 65 for group 4.
- g. Mortality: It is assumed that both pre-retirement, healthy retirement, and disabled retirement mortality are represented by the RP-2000 Mortality Table for males and females, with projection Scale AA for 12 years.
- h. Family composition: It is assumed that 75% of all members will be survived by a spouse and that females (males) are three years younger (older) than spouse and no children of retired participants.

DENNIS-YARMOUTH REGIONAL SCHOOL DISTRICT
Required Supplementary Information - Schedule of Funding Progress –
District's Other Post-employment Benefit Plan (OPEB)
June 30, 2014

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.

Actuarial	Actuarial	Actuarial	Unfunded	Funded	Covered	UAAL as a
Valuation	Value of	Accrued	AAL	Ratio	Payroll	Percentage
Date	Assets	(AAL)	(UAAL)	(a)/(b)	(c)	of Covered
(a)	(b)	(b)-(a)	(a)/(b)	(c)	[(b)-(a)]/(c)	Payroll
Governmental Activities:						
6/30/2012	\$ 32,371	\$ 50,665,378	\$ 50,633,007	0%	N/A	N/A
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

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, 2012, actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 4.0% investment rate of return, 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 8.0% decreasing by .50% for 6 years to an ultimate level of 5.0% per year. Both rates included a 4.0% 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, amortization payments increasing at 4.0%.

See Independent Auditor's Report.

DENNIS-YARMOUTH REGIONAL SCHOOL DISTRICT
 Budgetary Comparison Schedule - General Fund
 For the year ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Town assessments	\$ 42,230,332	\$ 42,230,332	\$ 42,230,332	\$
Intergovernmental	8,217,578	8,217,578	8,392,599	175,021
Charges for services	350,000	350,000	308,752	(41,248)
Investment earnings	50,000	50,000	19,038	(30,962)
Departmental and miscellaneous	254,580	254,580	435,471	180,891
Total revenues	<u>51,102,490</u>	<u>51,102,490</u>	<u>51,386,192</u>	<u>283,702</u>
EXPENDITURES				
Current:				
Administration	1,656,621	1,413,166	1,312,445	100,721
Instructional	28,590,520	28,842,879	28,548,982	293,897
School services	4,314,309	4,305,109	4,718,879	(413,770)
Operations and maintenance of facilities	3,268,632	3,268,642	3,894,995	(626,353)
Employee benefits and other fixed charges	7,768,558	7,768,844	7,605,649	163,195
Community services	75,000	75,000	81,335	(6,335)
Capital outlay	108,000	108,000	24,234	83,766
Other programs	5,589,687	5,589,687	6,228,891	(639,204)
Debt service	981,163	981,163	986,677	(5,514)
Total expenditures	<u>52,352,490</u>	<u>52,352,490</u>	<u>53,402,087</u>	<u>(1,049,597)</u>
Excess (deficiency) of revenues over expenditures	<u>(1,250,000)</u>	<u>(1,250,000)</u>	<u>(2,015,895)</u>	<u><u>(765,895)</u></u>
 Fund balances - beginning, restated			<u>2,630,894</u>	
Fund balances - ending			<u><u>\$ 614,999</u></u>	
OTHER BUDGETARY ITEMS				
Use of available fund balance	<u>1,250,000</u>	<u>1,250,000</u>		
Total other budgetary items	<u>1,250,000</u>	<u>1,250,000</u>		
Net Budget	<u><u>\$</u></u>	<u><u>\$</u></u>		

See Independent Auditor's Report.

DENNIS-YARMOUTH REGIONAL SCHOOL DISTRICT

Notes to Required Supplementary Information

June 30, 2014

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). The District over-expended fiscal year 2014 appropriations by approximately \$1.0 million. A reconciliation of the budgetary-basis to GAAP-basis results for the General Fund for the year ended June 30, 2014, is presented in the following schedule.

	<u>Revenues</u>	<u>Expenditures</u>	<u>Other financing sources, (Uses), Net</u>
As reported on budgetary basis	\$ 51,386,192	\$ 53,402,087	\$ -
State funded teacher's pension	9,775,246	9,775,246	
Allocation of benefits to daycare and food service		217,344	217,344
Appropriations treated as transfers GAAP basis		(650,071)	(650,071)
Difference in accrued wages from prior year and timing of reporting accrued expenditures	-	(34,028)	-
As reported on GAAP basis	<u>\$ 61,161,438</u>	<u>\$ 62,710,578</u>	<u>\$ (432,727)</u>

See Independent Auditor's Report.

DENNIS-YARMOUTH REGIONAL SCHOOL DISTRICT
FINANCIAL REPORT PURSUANT TO OMB CIRCULAR A-133
FOR THE YEAR ENDED JUNE 30, 2014

DENNIS-YARMOUTH REGIONAL SCHOOL DISTRICT, MASSACHUSETTS
FINANCIAL REPORT PURSUANT TO OMB CIRCULAR A-133
FOR THE YEAR ENDED JUNE 30, 2014

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**INDEPENDENT AUDITOR'S 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, in accordance with the 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, 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, 2014, and the related notes to the financial statements, which collectively comprise Dennis-Yarmouth Regional School District's basic financial statements and have issued our report thereon dated May 18, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Dennis-Yarmouth Regional School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of Dennis-Yarmouth Regional School 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 a 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Dennis-Yarmouth Regional School District's financial statements are free from 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the following paragraph.

The Dennis-Yarmouth Regional School District over-expended the budgeted appropriation of approximately \$52 million for the year ended June 30, 2014 by approximately \$1.0 million. Massachusetts General Laws allow regional school districts to expend up to the total amount appropriated annually by the school committee and subsequently the approved by the electorate of the member towns. Any amounts to be spent from available fund balance is required to be approved by the electorate of the member towns.

Dennis-Yarmouth Regional School District's Response to Findings

Dennis-Yarmouth Regional School District's response to the findings identified in our audit is described in the following paragraph. Dennis-Yarmouth Regional School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Auditee response: Certain special education tuition costs are extremely unpredictable and fluctuate annually based upon the services required of the students. Additionally, in an effort to provide increased transportation services to the students transportation costs increased. With monitoring of the District's operations and the continued increase of these costs, the District reduced significantly other budgetary lines and utilized reserves to fund the over-expenditure. The District notified all member Towns of the issue during the year. The District continues to monitor expenditures and maintain a conservative approach, in conjunction with meeting expenditures which often are beyond budgetary controls.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Lynch, Malloy, Marini, LLP

Norwell, Massachusetts
May 18, 2015



Lynch, Malloy, Marini, LLP

Certified Public Accountants & Advisors

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

To the Honorable School Committee
Dennis-Yarmouth Regional School District

Report on Compliance for Each Major Federal Program

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 direct and material effect on each of Dennis-Yarmouth Regional School District's major federal programs for the year ended June 30, 2014. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Dennis-Yarmouth Regional School District's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of Dennis-Yarmouth Regional School District's compliance.

Basis for Qualified Opinion on Child Nutrition Cluster

As described in the accompanying schedule of findings and questioned costs, Dennis-Yarmouth Regional School District did not comply with requirements regarding CFDA#10.553, 10.555 Child Nutrition cluster as described in finding 2014-001 for Eligibility and Special Tests and Provisions. Compliance with such requirements is necessary, in our opinion, for Dennis-Yarmouth Regional School District to comply with the requirements applicable to that program.

Qualified Opinion on Child Nutrition Cluster

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Dennis-Yarmouth Regional School District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on CFDA#10.553, 10.555 Child Nutrition Cluster for the year ended June 30, 2014.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, Dennis-Yarmouth Regional School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of Dennis-Yarmouth Regional School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Dennis-Yarmouth Regional School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

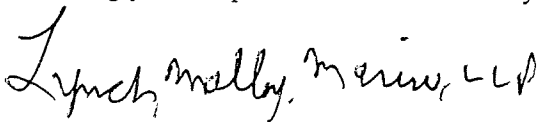
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement 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 items 2014-001 to be a material weakness.

Dennis-Yarmouth Regional School District's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Dennis-Yarmouth Regional School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Dennis-Yarmouth Regional School District as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We issued our report thereon dated May 18, 2015 which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Norwell, Massachusetts

May 18, 2015

Lynch, Malloy, Marini, LLP

LMM

Certified Public Accountants & Advisors

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DENNIS-YARMOUTH REGIONAL SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

FEDERAL GRANTOR/PASS THROUGH GRANTOR/PROGRAM TITLE	FEDERAL CFDA NUMBER	AGENCY OR PASS THROUGH NUMBER	FEDERAL EXPENDITURES
<u>U.S. Department of Agriculture</u>			
Passed through Massachusetts Department of Education			
Child Nutrition cluster:			
Non-cash assistance - food commodities -NSLP	10.555	01-351-1	\$ 60,000
Child Nutrition Cluster	10.553 & 10.555	01-351-1	628,057
Total U.S. Department of Agriculture			688,057
<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 -2014	84.010	305-018029-2014-0645	734,099
Title I Grants to Local Educational Agencies -2013	84.010	305-000250-2013-0645	307,631
Title I Grants to Local Educational Agencies -2014	84.010	323-026-4-0645-O	11,997
Title I Grants to Local Educational Agencies - prior	84.010		6,326
Total Title I, Part A Grants to Local Education Agencies cluster:			1,060,053
Twenty-first Century Community Learning Centers -2014	84.287	647-021-2-0645-O	73,001
Twenty-first Century Community Learning Centers -2013	84.287	647-072-3-0645-N	27,659
		subtotal	100,660
Innovation School Planning Race to the Top	84.395	158-009-4-0645-O	30,000
Innovation School Planning Race to the Top	84.395	203-003-3-0645-N	7,650
Race to the Top - 2014	84.395	201-015725-2014-0645	70,155
Race to the Top - 2013	84.395	201-000454-2013-0645	53,740
		subtotal	161,545
English Language Acquisition Grants (Title III) -2014	84.365	180-072-4-0645-O	27,420
English Language Acquisition Grants (Title III) -2013	84.365	180-047-3-0645-N	676
		subtotal	28,096
Improving Teacher Quality State Grants - 2014	84.367	140-034802-2014-0645	140,701
Improving Teacher Quality State Grants - 2013	84.367	140-002997-2013-0645	9,534
Improving Teacher Quality State Grants- prior	84.367		1,118
		subtotal	151,353
Special Education Cluster (IDEA):			
Special Education Grants to States, IDEA Part B -2014	84.027	240-290-4-0645-O	755,271
Special Education Grants to States, IDEA Part B -2013	84.027	240-233-3-0645-N	4,664
Special Education Grants to States, IDEA Part B -2014	84.027	274-323-4-0645-O	3,350
Special Education Grants to States, IDEA Part B -2013	84.027	274-141-3-0645-N	5,855
		subtotal	769,140
Passed through MA Department of Early Education and Care:			
Special Education- Preschool Grants - 2014	84.173	EEC26212DennisYarmouth	18,250
Special Education- Preschool Grants - 2013	84.173	EEC26213DennisYarmouth	2,999
		subtotal	21,249
Total Special Education cluster (IDEA):			790,389
Total U.S. Department of Education			2,292,096
Total			\$ 2,980,153

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, 2014

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, 2014.

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, National School Lunch Program (NSLP), from the U.S. Department of Agriculture accordingly.

DENNIS-YARMOUTH REGIONAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2014

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unmodified 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 Independent Auditor's 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. 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 Independent Auditor's Report on Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133. This deficiency is reported as a material weakness.
5. The auditor's report on compliance for the Child Nutrition Cluster, (CFDA#10.553 and CFDA#10.555), expresses a qualified opinion. The report on the remaining program is unmodified.
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
 - Title I Grants to Local Educational Agencies (CFDA#84.010)
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

Massachusetts General Laws allow regional school districts to expend up to the total amount appropriated annually by the school committee and subsequently the approved by the electorate of the member towns. Any amounts to be spent from available fund balance is required to be approved by the electorate of the member towns. The Dennis-Yarmouth Regional School District over-expended the budgeted appropriation of approximately \$52 million for the year ended June 30, 2014 by approximately \$1.0 million.

See finding disclosed in Independent Auditor's 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.

DENNIS-YARMOUTH REGIONAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2014

View of Responsible Official and corrective action: Certain special education tuition costs are extremely unpredictable and fluctuate annually based upon the services required of the students. Additionally, in an effort to provide increased transportation services to the students transportation costs increased. With monitoring of the District's operations and the continued increase of these costs, the District reduced significantly other budgetary lines and utilized reserves to fund the over-expenditure. The District notified all member Towns of the issue during the year. The District continues to monitor expenditures and maintain a conservative approach, in conjunction with meeting expenditures which often are beyond budgetary controls.

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

2014 – 001 Child Nutrition Cluster, School Breakfast Program CFDA#10.553 & National School Lunch Program, CFDA#10.555; Year ended June 30, 2014

Criteria: The U.S. Department of Agriculture has established policies and procedures surrounding determining eligibility requirements of children, which include establishing adequate internal controls for the maintenance of applications of those individuals applying for benefits. Additionally, these policies and procedures require a verification process to be conducted prior to November 1 of each year of certain applications filed as of October 1.

Condition and context: For fiscal year 2014, we noted the District indicated it utilized the standard verification sample size methodology which requires a sample of *"the lesser of 3% of 3,000 approved applications on file as of October 1, be selected from error prone applications"*. Error prone applications is defined as those showing household incomes within \$100 monthly or \$1,200 annually of the income eligibility guidelines. The District calculated the required verification sample based upon a random selection of 3% of the applicable population of indicated applications.

Questioned cost: None.

Cause: The District has implemented procedures to centralize recordkeeping surrounding the determination of eligibility of participants with determining and confirming officials. Additionally, these procedures enhance documentation and monitoring to ensure the verification processes encompass "error prone" applications per U.S. Department of Agriculture guidelines. Due to the timing of new personnel, and previous recommendations, these procedures were not implemented to address verification processes for fiscal year 2014 (November 2013).

Auditor's Recommendations: We noted the District has implemented procedures to correctly identify "error prone" applications for fiscal year 2015 (November 2014).

View of Responsible Official and Planned Corrective Actions: The District has implemented corrective action, and anticipates no future issues with this finding.

DENNIS-YARMOUTH REGIONAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2014

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

2013 – 1 and 2012-1: Child Nutrition Cluster, School Breakfast Program CFDA#10.553 &
National School Lunch Program, CFDA#10.555; Year ended June 30, 2013 and Year ended June 30, 2012

Auditor's Recommendations: We continue to 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. During fiscal year 2013, the District implemented a point-of-sale system for the food service program, which was complete for all schools by the end of the year. In order to ensure adequate internal control over the determination and record keeping of eligible participants, recommend the documentation process of eligible children within the system be centralized with the determining and confirming officials. Centralizing this function with the business office and food service assists in ensuring that appropriate participants and listings (including "error prone" applications) are maintained and all documentation is readily available

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.

Current status: The District implemented procedures to centralize the documentation of records associated with the determination of student eligibility within the business office, and the determining and confirming officials. We noted the District has implemented procedures to track and determine that sample selected for verification is within the required "error prone" threshold pursuant to guidance for fiscal year 2015 (November 2014)

DENNIS-YARMOUTH REGIONAL SCHOOL DISTRICT
RECOMMENDATIONS AND SUGGESTIONS FOR IMPROVEMENTS IN ACCOUNTING
PROCEDURES AND INTERNAL CONTROLS
JUNE 30, 2014



Lynch, Malloy, Marini, LLP
Certified Public Accountants & Advisors

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, 2014, 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 May 18, 2015.

This communication 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 it 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.

Lynch, Malloy, Marini, LLP

May 18, 2015

STATUS OF PRIOR YEAR COMMENTS

In conjunction with last year's audit of the District for the year ended June 30, 2013, we had several comments and suggestions in a letter to the District dated March 20, 2014. Due to the timing of the prior year audit, we have incorporated the status of these comments and recommendations into our current year comments. We have noted the District has implemented certain improvements based upon our prior year comments and recommendations, including centralizing the maintenance and documentation related to free and reduced applications and implementation of enhanced documentation of departmental/functional procedures within the business office.

CURRENT YEAR COMMENTS

Development of formalized depository and investment policy

In prior years, we recommended the District develop formalized depository and investment policies and procedures. While we have been informed draft policies are being evaluated, we continue to recommend these policies be formally adopted by the School Committee. It should be noted that the Assistant Treasurer monitors the financial institutions being utilized.

In conjunction with development of formalized depository and investment policies, as recommended previously, the District should consider formally adopting 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.

Student Activity funds

We continue to recommend the District be proactive in reviewing student activity funds. During fiscal year 2014, the Massachusetts Department of Elementary and Secondary Education (DESE) issued guidance as to municipal entities' recommended policies and procedures surrounding the maintenance of these accounts. Per our discussion with personnel, additional improvement has been made regarding each school's monthly reporting to the Assistant Treasurer. We also have been informed the DESE guidance is being reviewed, and additional enhancements to the District's established procedures are being implemented. The District anticipates these policies and procedures will become effective within the next fiscal year.

Continued enhancement of documented policies and procedures and formalized risk assessments

Increasingly, accounting and auditing standards continue to expand and require auditees to more formally document internal control policies and procedures and address risks associated with finances and operations. While the District has begun formally documenting procedures within the business office operations, it is equally important for the District to evaluate implementing a formalized "risk assessment" program. Such a program may take different approaches. Generally, such a program may be administered by a committee, or is incorporated into an existing committee's functions (i.e. finance), where evaluation of risks (including, but not limited to misappropriation of assets, reporting, fraud, etc.) are considered. Assessments may be conducted by questionnaires to personnel and officials, as well as "brainstorming sessions" to evaluate and document the review of established policies and procedures. Additionally, it is equally important to evaluate the potential for additional internal audit function to departmental detail and review with overall financial analysis. Ultimately, internal control policies and procedures and associated risk assessments, should be a continual process. Routine communication and documentation of established policies and procedures is also important in such a plan.

