AUBURN • CHARLTON • DUDLEY • NORTH BROOKFIELD • OXFORD • PAXTON
RUTLAND • SOUTHBRIDGE • SPENCER • WEBSTER
Southern Worcester County Regional Vocational School District
BAY PATH REGIONAL VOCATIONAL TECHNICAL HIGH SCHOOL
57 OLD MUGGETT HILL ROAD
CHARLTON, MASSACHUSETTS 01507-1331
(508) 248-5971 - (508) 987-0326
FAX (508) 248-1644

Dean J. Iacobucci
Business Manager

JAN - 9 2014

January 8, 2014

Ms. Robin Craver
Charlton Town Administrator
37 Main Street
Charlton, MA 01507

Dear Ms. Craver:

Enclosed is a copy of Bay Path's Fiscal Year 2013 Audit. The Audit was performed by Scanlon & Associates.

Should you have any questions please feel free to call me at 508 248-5971, Extension 1752.

Sincerely,

Dean J. Iacobucci
Business Manager

DJI/kms
Enclosures

SOUTHERN WORCESTER COUNTY REGIONAL VOCATIONAL SCHOOL DISTRICT

REPORT ON THE EXAMINATION OF BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2013

SOUTHERN WORCESTER COUNTY REGIONAL VOCATIONAL SCHOOL DISTRICT

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Scanlon & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

SCANLON & ASSOCIATES, LLC, 8 Tina Drive, S. Deerfield, MA 01373
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Independent Auditor's Report

To the School Committee
Southern Worcester County Regional
Vocational School District
Charlton, Massachusetts

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 the Southern Worcester County Regional Vocational School District, as of and for the year ended June 30, 2013, and 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 risk 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 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 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 the Southern Worcester County Regional Vocational School District as of June 30, 2013, and the respective changes in financial position, and the respective budgetary comparison for the General

Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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 3 through 7 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Southern Worcester County Regional Vocational School District's basic financial statements as a whole. The Supplementary Schedule, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements.

The Supplementary Schedule is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we also have issued our report dated November 15, 2013 on our consideration of the Southern Worcester County Regional Vocational School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Southern Worcester County Regional Vocational School District's internal control over financial reporting and compliance.

Scanlon & Associates, LLC

Scanlon & Associates, LLC
South Deerfield, Massachusetts

November 15, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

As management of the Southern Worcester County Regional Vocational School District, we offer readers of these financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2013. The intent of this discussion and analysis is to look at the District's financial performance as a whole. Readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

- The District's assets exceeded its liabilities by $2,333,519 (net position) for the fiscal year reported. This compares to the previous year when assets exceeded liabilities by $1,537,443 or an increase of $796,076 (52%).

- The District's governmental funds reported total ending fund balance of $12,197,490 this year showing an increase of $8,851,843 (265%) mainly as a result of the Bay Path Regional Technical High School renovation/addition project..

- The General Fund's total fund balance increased $110,715 (7%) to $1,713,589. The ending General fund balance is 9% of revenues and 9% of expenditures and transfers out.

- The District's long term liabilities increased by $10,705,558 (168%) to $17,060,415 during the fiscal year ending. This change was primarily due to an increase of $959,680 in the other post employment benefit (OPEB) liability and the new long-term bonding of $9,100,000 for the renovation/addition project.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Southern Worcester County Regional Vocational School District's basic financial statements. These basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

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

The *statement of activities* presents information showing how the government's net 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., earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions that are principally supported by member Town assessments and intergovernmental revenues *(governmental activities)*. The governmental activities include all of the District's basic services, such as instructional and support services.

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 school Districts, uses fund accounting that is used to ensure and demonstrate compliance with finance-related legal requirements. All of the funds are categorized as Governmental funds described below.

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decision. 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 numerous individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for the general fund which is considered to be a major fund. Data from the other individual governmental funds are combined into a single, aggregated presentation titled *nonmajor governmental funds.*

The District adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with the fiscal year 2013 budget at the functional level.

Fiduciary funds. *Fiduciary funds* are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs.

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

Financial Highlights

Statement of Net Position Highlights

	Govermental Activities		
	2013	**2012**	**Change**
Assets:			
Current assets	$ 14,058,693	$ 4,539,515	$ 9,519,178
Capital assets	5,335,241	3,352,785	1,982,456
Total assets	**19,393,934**	**7,892,300**	**11,501,634**
Liabilities:			
Current liabilities (excluding debt)	2,017,169	1,340,259	676,910
Current debt	135,000	-	135,000
Noncurrent liabilities (excluding debt)	5,943,246	5,014,598	928,648
Noncurrent debt	8,965,000	-	8,965,000
Total liabilities	**17,060,415**	**6,354,857**	**10,705,558**
Net Position:			
Net investment in capital assets	5,037,280	2,989,192	2,048,088
Restricted	710,442	1,742,773	(1,032,331)
Unrestricted	(3,414,203)	(3,194,522)	(219,681)
Total net position	**$ 2,333,519**	**$ 1,537,443**	**$ 796,076**

Government-Wide Financial Analysis – Change in Net Position.

Financial Highlights

Statement of Activities Highlights

	Governmental Activities		
	2013	**2012**	**Change**
Program Revenues:			
Charges for services	$ 1,135,964	$ 1,134,515	$ 1,449
Operating grants and contributions	4,735,951	4,195,984	539,967
Capital grants and contributions	1,888,444	313,311	1,575,133
General Revenues:			
Member town assessments	6,884,342	6,848,642	35,700
Nonrestricted grants	9,300,134	9,259,343	40,791
Unrestricted investment income	13,084	7,564	5,520
Miscellaneous	52,338	52,572	(234)
Total revenues	**24,010,257**	**21,811,931**	**2,198,326**
Expenses:			
Administration and benefits	872,141	736,269	(135,872)
Instruction	9,244,818	9,105,370	(139,448)
Other school services	3,715,097	3,632,517	(82,580)
Operation and maintenance	1,067,916	1,452,932	385,016
Fixed charges	6,404,446	6,230,321	(174,125)
Special education	1,308,128	1,275,855	(32,273)
Interest	34,988	-	(34,988)
Capital Acquisitions	53,878	38,504	(15,374)
Depreciation	512,769	534,877	22,108
Total expenses	**23,214,181**	**23,006,645**	**(207,536)**
Change in net position	**796,076**	**(1,194,714)**	**1,990,790**
Beginning net position	**1,537,443**	**2,732,157**	**(1,194,714)**
Ending net position	**$ 2,333,519**	**$ 1,537,443**	**$ 796,076**

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. Assets exceeded liabilities by $2,333,519 at the close of fiscal year 2013.

Net position of $5,037,280 reflects its investment in capital assets (e.g., land, buildings and renovations, and vehicles and equipment), less any related debt used to acquire those assets that are still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are *not* available for future spending. Although the investment in its capital assets is reported net of its related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the net position $710,442, represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* ($3,414,203) may be used to meet the government's ongoing obligations to citizens and creditors.

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

The unrestricted net position resulted in a negative balance mainly caused by the accrual of the OPEB liability obligation that is required to be recognized in the District's financial statements. The liability for OPEB as presented on the statement of net position is $5,305,585.

Change in Net position

During the current fiscal year, the District's net position increased by $796,076. Key elements of this change was the recognition of the current year's OPEB liability expense of $959,680 and the start of the Bay Path Regional Technical High School renovation/addition project.

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. In particular, the *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of $12,197,490, an increase of $8,851,843 (265%) in comparison with the prior year.

Breakdown of the governmental funds and the percentage of total governmental fund balances they represent are as follows:

- Restricted fund balance - $9,819,981 (81%).
- Committed fund balance - $663,920 (5%).
- Assigned fund balance - $258,214 (2%).
- Unassigned fund balance – $1,455,375 (12%).

At the end of the fiscal year, the General Fund reported a fund balance of $1,713,589 increasing $110,715 (7%) from the prior year. Of the $1,713,589, the unassigned amount is $1,455,375 (85%) and the assigned amount is $258,214 (15%). General fund revenues were $381,914 (2%) more than the prior fiscal year. The major increase was the MTRS on-behalf payments increasing by $272,155 (12%). Expenditures also increased by $392,108 (2%).

Renovation/Addition Project Fund; the District began the process of renovating the existing high school and adding to the facility. The cost of the project is estimated at $70,439,108 with an expected reimbursement of approximately $47,483,003 or 67.41% from the Massachusetts School Building Authority (MSBA). The member towns have voted to fund the balance of the project. In Fiscal Year 2013, the District received grant funds from the MSBA of $1,888,444, had expenditures of $2,270,311 and received $9,100,000 in proceeds from issuance of bonds on the project.

General Fund Budgetary Highlights

The final general fund budget for fiscal year 2013 was $17,357,590. This was an increase of $445,564 (3%) over the previous year's budget.

There was an increase of $118,000 between the total original budget and the total final amended budget. The change is attributed to votes at the District meeting in April 2013 adjusting various budget operating line items and to purchase equipment.

General fund expenditures were less than budgeted by $607,698. Of the $607,698 in under budget expenditures $258,214 has been carried over to fiscal year 2014.

The variance with the final budget was a positive $435,246 consisting of a revenue surplus of $85,762 and an appropriation surplus of $349,484.

Capital Asset and Debt Administration

Capital Assets: The District's investment in capital assets for its governmental activities at the end of the fiscal year totaled $5,335,241 (net of accumulated depreciation).

The investment in capital assets includes land, construction in progress, buildings and renovations, machinery, equipment and other and infrastructure. This amount represents a net increase of $1,982,456 from the prior year representing additions of $2,495,225 and depreciation of $512,769.

The capital events during the current fiscal year included the following:

- Welding booths for $118,350.
- A color copier for $45,565.
- Various machinery and equipment for $59,890.
- Completion of the energy house for $1,110.

Construction in progress projects remaining at the end of the year consist of:

- School renovation/addition project of $2,270,310.

Debt Administration: The District's outstanding governmental debt, as of June 30, 2013, totaled $9,100,000 for the Bay Path Regional Technical High School renovation/addition project.

The District owes the Town of Charlton a special assessment for Phase II sewer improvements. The outstanding amount at June 30, 2013 is $307,500.

Please refer to notes 3C and 3F for further discussion of the major capital and debt activity.

Fiscal Year 2014 School Budget

The fiscal year 2014 school district budget is $18,187,790, an increase of $982,317 (6%).

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 its finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Business Manager, 57 Old Muggett Hill Road, Charlton, Massachusetts.

BASIC FINANCIAL STATEMENTS

SOUTHERN WORCESTER COUNTY REGIONAL VOCATIONAL SCHOOL DISTRICT

STATEMENT OF NET POSITION

JUNE 30, 2013

	Primary Government	
	Governmental Activities	
ASSETS		
CURRENT:		
Cash and Cash Equivalents	$	12,610,144
Receivables, net of allowance for uncollectibles:		
Intergovernmental		1,446,670
Other		1,879
Total current assets		14,058,693
NONCURRENT:		
Capital Assets, net of accumulated Depreciation:		
Nondepreciable		2,291,310
Depreciable		3,043,931
Total noncurrent assets		5,335,241
Total Assets		19,393,934
LIABILITIES		
CURRENT:		
Warrants and Accounts Payable		972,918
Accrued Payroll		837,080
Payroll Withholdings		6,705
Other		44,500
Accrued Interest		34,988
Compensated Absences		90,228
Betterment Payable		30,750
Bonds Payable		135,000
Total current liabilities		2,152,169
NONCURRENT:		
Compensated Absences		360,911
Betterment Payable		276,750
OPEB Obligation Payable		5,305,585
Bonds Payable		8,965,000
Total noncurrent liabilities		14,908,246
Total Liabilities		17,060,415
NET POSITION:		
Net Investment in Capital Assets		5,037,280
Restricted for:		
Federal & State Grants		78,923
Other Purposes		631,519
Unrestricted		(3,414,203)
Total Net Position	$	2,333,519

The Notes to the Financial Statements are an integral part of this Statement.

SOUTHERN WORCESTER COUNTY REGIONAL VOCATIONAL SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2013

		Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expenses) Revenues and Changes in Net Position
Governmental Activities:					
Administration and Benefits	$ 872,141	$ -	$ 122,518	$ -	$ (749,623)
Instruction	9,244,818	-	338,682	-	(8,906,136)
Other School Services	3,715,097	1,128,650	1,144,174	-	(1,442,273)
Operation and Maintenance	1,067,916	7,314	-	-	(1,060,602)
Fixed Charges	6,404,446	-	2,638,653	-	(3,765,793)
Special Education	1,308,128	-	491,924	-	(816,204)
Interest	34,988	-	-	-	(34,988)
Capital Acquisitions	53,878	-	-	1,888,444	1,834,566
Depreciation	512,769	-	-	-	(512,769)
Total Governmental Activities	23,214,181	1,135,964	4,735,951	1,888,444	(15,453,822)

General Revenues:	
Assessments to member communities	6,884,342
Grants & Contributions not restricted to specific programs	9,300,134
Unrestricted Investment Income	13,084
Other	52,338
Total General Revenues and Special Item	16,249,898
Change in Net Position	796,076
Net Position:	
Beginning of year	1,537,443
End of year	$ 2,333,519

The Notes to the Financial Statements are an integral part of this Statement.

SOUTHERN WORCESTER COUNTY REGIONAL
VOCATIONAL SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2013

	General Fund	Renovation/ Addition Project Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and Cash Equivalents	$ 2,656,702	$ 8,557,412	$ 1,396,030	$ 12,610,144
Receivables, net of allowances for accounts:				
Intergovernmental	361,976	1,001,797	82,897	1,446,670
Other	1,879	-	-	1,879
Total Assets	$ 3,020,557	$ 9,559,209	$ 1,478,927	$ 14,058,693
LIABILITIES AND FUND BALANCES				
Liabilities:				
Warrants and Accounts Payable	$ 418,683	$ 449,670	$ 104,565	$ 972,918
Accrued Payroll	837,080	-	-	837,080
Payroll withholdings	6,705	-	-	6,705
Other	44,500	-	-	44,500
Total Liabilities	1,306,968	449,670	104,565	1,861,203
Fund Balances:				
Restricted	-	9,109,539	710,442	9,819,981
Committed	-	-	663,920	663,920
Assigned	258,214	-	-	258,214
Unassigned	1,455,375	-	-	1,455,375
Total Fund Balances	1,713,589	9,109,539	1,374,362	12,197,490
Total Liabilities and Fund Balance	$ 3,020,557	$ 9,559,209	$ 1,478,927	$ 14,058,693

The Notes to the Financial Statements are an integral part of this Statement.

SOUTHERN WORCESTER COUNTY REGIONAL VOCATIONAL SCHOOL DISTRICT

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

FOR THE YEAR ENDED JUNE 30, 2013

	General Fund	Renovation/ Addition Project Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
Assessments to Member Towns	$ 6,884,342	$ -	$ -	$ 6,884,342
Charges for Services	-	-	1,135,964	1,135,964
Intergovernmental	9,974,753	1,888,444	1,299,293	13,162,490
Investment Income	13,084	-	-	13,084
MTRS On-behalf Payments	2,618,132	-	-	2,618,132
Other	52,338	-	21,389	73,727
Total Revenues	19,542,649	1,888,444	2,456,646	23,887,739
Expenditures:				
Current:				
Administration and Benefits	732,176	-	122,518	854,694
Instruction	9,040,907	-	359,752	9,400,659
Other School Services	2,215,454	-	1,499,643	3,715,097
Operation and Maintenance	1,087,002	-	37,007	1,124,009
Fixed Charges	5,444,766	-	-	5,444,766
Acquisitions	34,284	-	106,466	140,750
Special Education	813,435	-	494,693	1,308,128
Capital Outlay	-	2,270,311	-	2,270,311
Total Expenditures	19,368,024	2,270,311	2,620,079	24,258,414
Excess of Revenues Over (Under) Expenditures	174,625	(381,867)	(163,433)	(370,675)
Other Financing Sources (Uses):				
Operating Transfers In	-	-	63,910	63,910
Operating Transfers Out	(63,910)	-	-	(63,910)
Bond Premium	-	-	122,518	122,518
Proceeds from Issuance of Debt	-	9,100,000	-	9,100,000
Total Other Financing Sources (Uses)	(63,910)	9,100,000	186,428	9,222,518
Net Change in Fund Balances	110,715	8,718,133	22,995	8,851,843
Fund Balances, Beginning of Year	1,602,874	391,406	1,351,367	3,345,647
Fund Balances, End of Year	$ 1,713,589	$ 9,109,539	$ 1,374,362	$ 12,197,490

The Notes to the Financial Statements are an integral part of this Statement.

SOUTHERN WORCESTER COUNTY REGIONAL VOCATIONAL SCHOOL DISTRICT

Reconciliation of the Governmental Funds Balance Sheet Total Fund Balances to the Statement of Net Position

For the Year Ended June 30, 2013

Total Governmental Fund Balances		$ 12,197,490
Capital Assets (net) used in governmental activities are not financial resources and therefore, are not reported in the funds.		5,335,241
Long Term liabilities are not due and payable in the current period and, therefore, are not reported in governmental funds:		
Bonds Payble	$ (9,100,000)	
Betterment Payable	(307,500)	
OPEB Obligation Payable	(5,305,585)	
Compensated Absences	(451,139)	(15,164,224)
In the statement of activities, interest is accrued on outstanding long term debt, whereas in the governmental funds interest is not reported until due.		(34,988)
Net Position of Governmental Activities		$ 2,333,519

The Notes to the Financial Statements are an integral part of this Statement.

SOUTHERN WORCESTER COUNTY REGIONAL VOCATIONAL 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, 2013

Net Change in Fund Balances - Total Governmental Funds		$ 8,851,843
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and are reported as depreciation expense:		
Capital Outlay Purchases	$ 2,495,225	
Depreciation	(512,769)	1,982,456
The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net Position:		
Repayment of Betterment Principal	30,750	
Repayment of Energy Management System Loan	25,343	
Proceeds from Issuance of Debt	(9,100,000)	(9,043,907)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:		
Net Change in Compensated Absences	352	
Net Change in OPEB Obligation Payable	(959,680)	
Net Change in Accrued Interest on Long-Term Debt	(34,988)	(994,316)
Change in Net Position of Governmental Activities		$ 796,076

The Notes to the Financial Statements are an integral part of this Statement.

SOUTHERN WORCESTER COUNTY REGIONAL VOCATIONAL SCHOOL DISTRICT

STATEMENT OF REVENUES AND EXPENDITURES - BUDGETARY BASIS - (NON-GAAP) - BUDGET AND ACTUAL - GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual	Amounts Carried Forward to Next Year	Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Budgetary Basis		
Revenues:					
Assessments to Member Towns	$ 6,884,341	$ 6,884,341	$ 6,884,342	$ -	$ 1
Intergovernmental	9,921,132	9,921,132	9,974,753	-	53,621
Investment Income	-	-	13,084	-	13,084
Miscellaneous	-	-	19,056	-	19,056
Total Revenues	16,805,473	16,805,473	16,891,235	-	85,762
Expenditures:					
Current:					
Administration and Benefits	702,074	770,999	732,176	1,106	37,717
Instruction	9,135,663	9,424,145	9,040,907	195,991	187,247
Other School Services	2,194,241	2,253,346	2,215,454	10,501	27,391
Operation and Maintenance	1,322,633	1,184,585	1,087,002	37,119	60,464
Fixed Charges	2,989,549	2,843,125	2,826,634	-	16,491
Acquisitions	32,000	47,781	34,284	13,497	-
Special Education	863,430	833,609	813,435	-	20,174
Total Expenditures	17,239,590	17,357,590	16,749,892	258,214	349,484
Excess of Revenues Over (Under) Expenditures	(434,117)	(552,117)	141,343	(258,214)	435,246
Other Financing Sources (Uses):					
Operating Transfers Out)	(63,910)	(63,910)	(63,910)	-	-
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(498,027)	(616,027)	77,433	(258,214)	435,246
Budgetary Fund Balance - Beginning of Year	1,304,954	1,304,954	1,304,954	-	-
Budgetary Fund Balance - End of Year	$ 806,927	$ 688,927	$ 1,382,387	$ (258,214)	$ 435,246

The Notes to the Financial Statements are an integral part of this Statement.

SOUTHERN WORCESTER COUNTY REGIONAL VOCATIONAL SCHOOL DISTRICT

Reconciliation of Revenues and Expenditures from Budgetary Basis to GAAP Basis

For the Year Ended June 30, 2013

	Revenues	Expenditures
Reported on a Budgetary Basis	$ 16,891,235	$ 16,749,892
Adjustments:		
Activity for Stabilization Fund Recorded in the General Fund for GAAP Purposes	33,282	-
Recognition of Intergovernmental Revenue - "on behalf payments"	2,618,132	-
Recognition of Expenditures - "on behalf payments"	-	2,618,132
Reported on a GAAP Basis	$ 19,542,649	$ 19,368,024

The Notes to the Financial Statements are an integral part of this Statement.

SOUTHERN WORCESTER COUNTY REGIONAL VOCATIONAL SCHOOL DISTRICT

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET POSITION

June 30, 2013

	Private Purpose Trust Funds	Agency Funds
ASSETS		
Cash and Cash Equivalents	$ 32,009	$ 162,079
Total Assets	32,009	162,079
LIABILITIES		
Warrants Payable	500	702
Due to Student Groups	-	161,377
Total Liabilities	500	162,079
NET POSITION:		
Held in Trust for Other Purposes	$ 31,509	$ -

The Notes to the Financial Statements are an integral part of this Statement.

SOUTHERN WORCESTER COUNTY REGIONAL VOCATIONAL SCHOOL DISTRICT

FIDUCIARY FUNDS

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FOR THE YEAR ENDED JUNE 30, 2013

	Private Purpose Trust Funds
Additions	
Contributions	$ 3,451
Investment Income	100
Total Additions	3,551
Deductions:	
Scholarships	6,659
Total Deductions	6,659
Change in Net Position	(3,108)
Net Position at Beginning of Year	34,617
Net Position at End of Year	$ 31,509

The Notes to the Financial Statements are an integral part of this Statement.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The District was formed under Chapter 71 of the Massachusetts General Laws. The District is comprised of the Towns of Auburn, Charlton, Dudley, North Brookfield, Oxford, Paxton, Rutland, Southbridge, Spencer and Webster. The District operates under a regional agreement made on January 18, 1967, and serves as a vocational high school consisting of grades nine through twelve. The form of government is an elected twenty member school committee, which is responsible for appointing a Superintendent who is the chief operating official for the District.

For financial reporting purposes, the basic financial statements include all funds, organizations, account groups, agencies, boards, commissions and institutions that are not legally separate from the District.

The District has also considered all potential component units for which it is financially accountable as well as other organizations for which the nature and/or significance of their relationship with the District are such that exclusion would cause the District's basic financial statements to be misleading or incomplete. There are no component units that meet the requirements of GASB-39 and GASB-61 for inclusion in the District's basic financial statements.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The government-wide financial statements (e.g., statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. The District reports *Governmental activities*, which are primarily supported by member town assessments and intergovernmental revenues.

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

Fund Financial Statements

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements. Non-major funds are aggregated and displayed in a single column.

Because governmental fund statements are presented using a measurement focus and basis of accounting different from that used in the government-wide statements' governmental column, a reconciliation is presented that briefly explains the adjustment necessary to reconcile ending net position and the change in net position.

Major Fund Criteria

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

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

  and

- If the total assets, liabilities, revenues or expenditures/expenses of the individual governmental funds are at least 5 percent of the corresponding element for all governmental funds combined.

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

Fiduciary funds are reported by fund type.

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

Government-Wide Financial Statements

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

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

- Charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment.

- Operating grants and contributions that are restricted to meeting the operational requirements of a specific function or segment.

- Capital grants and contributions that are restricted to meeting the capital requirements of a specific function or segment.

Assessments and other items not identifiable as program revenues are reported as general revenues. Interfund activity has been eliminated from the government-wide financial statements.

Interfund activity has been eliminated from the government-wide financial statements.

Fund Financial Statements

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

Membership assessments are apportioned amongst capital and operating costs, less intergovernmental and other revenues, and are based upon student enrollment.

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

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

The District reports the following major governmental fund:

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

The *renovation/addition project fund* is used to account for the Bay Path Vocational Technical High School renovation project.

The non-major governmental fund consists of other special revenue funds and capital projects 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 this fund type:

The *special revenue fund* is used to account for the proceeds of specific revenue sources (other than capital projects funds) that are restricted by law or administrative action to expenditures for specified purposes.

The *capital projects fund* is used to account for financial resources to be used for the acquisition or construction of major capital facilities.

Additionally, the District reports the following fund types:

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

The *private-purpose trust fund* is used to account for trust arrangements, other than those properly reported in the permanent fund, under which principal and investment income exclusively benefit individuals, private organizations, or other governments.

The *agency fund* is used to account for assets held in a purely custodial capacity and consists of student activity funds and payroll withholdings.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported.

D. Cash and Cash Equivalents

Cash balances from all funds, except those required to be segregated by law, are combined to form a consolidation of cash. Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with an original maturity of three months or less from the date of acquisition.

The District maintains a cash and investment pool that is available for use by all funds. Each fund's portion of this pool is reflected on the combined financial statements under the caption, "cash and cash equivalents".

E. Investments

State and local statutes place certain limitations on the nature of deposits and investments available to the District. Deposits in any financial institution may not exceed certain levels within the financial institution. Non-fiduciary fund investments can be made in securities issued by or unconditionally guaranteed by the U. S. Government or agencies that have a maturity of less than one year from the date of purchase and repurchase agreements guaranteed by such securities with maturity dates of no more than 90 days from the date of purchase.

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

All investments are carried at fair value.

F. Accounts Receivables

The recognition of revenues related to accounts receivable reported in the government-wide financial statements and fund financial statements are reported under the accrual basis of accounting and the modified accrual basis of accounting, respectively.

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

Intergovernmental

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

Intergovernmental receivables are considered 100% collectible and, therefore, do not report an allowance for uncollectable.

G. Capital Assets

Capital assets, which include land, construction in progress, buildings and renovations, machinery, equipment and other, and infrastructure assets, are reported in the applicable governmental activity column of the government wide financial statements. Capital assets are recorded at historical cost or at estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at the estimated fair market value.

All purchase and construction costs are capitalized based upon various dollar thresholds at the date of acquisition or construction with expected useful lives of greater than one year.

Capital Asset Type	Threshold
Land	25,000
Land Improvements	10,000
Buildings and Facilities	50,000
Building Improvements	25,000
Vehicles	10,000
Machinery and Equipment	7,500

Capital assets (excluding land and construction in progress) are depreciated on a straight-line basis. The estimated useful lives of fixed assets are as follows:

Capital Asset Type	Years
Buildings and renovations	7-40
Machinery, equipment and other	4-10
Infrastructure	20-40

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

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

H. Interfund Receivables and Payables

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

In the government-wide financial statements, transactions of a buyer/seller nature between and within governmental funds are eliminated from the governmental activities in the statement of net position.

In the fund financial statements, transactions of a buyer/seller nature between and within governmental funds are not eliminated from the individual fund statements.

I. Interfund Transfers

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

In the government-wide financial statements, operating transfers between and within governmental funds are eliminated from the governmental activities in the statement of activities. Any residual balances

outstanding between the governmental activities are reported in the statement of activities as "Transfers, net".

In the fund financial statements, operating transfers between and within funds are not eliminated from the individual fund statements and are reported as operating transfers in and operating transfers out.

J. Deferred Revenue

Deferred revenue at the fund financial statement level represents receivables that do not meet the available criterion in accordance with the current financial resources measurement focus and the modified accrual basis of accounting. Deferred revenue is recognized as revenue in the conversion to the government-wide (full accrual) financial statements.

K. Net Position and Fund Balances

Government-Wide Financial Statements (Net Position)

In the Governmental-Wide financial statements, the difference between the District's total assets and total liabilities represents net position. Net position displays three components – net investment in capital assets, restricted (distinguished between major categories of restrictions); and unrestricted. Unrestricted net position represents the net position available for future operations.

Net position has been "restricted for" the following:

- "Federal and state grants" represents amounts restricted by the federal and state government for various programs.
- "Other purposes" represents restrictions placed on assets from outside parties.

Fund Financial Statements (Fund Balances)

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of those resources.

The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form – prepaid items or inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned and unassigned.

Restricted fund balance. This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, - contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance. These amounts can only be used for specific purposes pursuant to constraints imposed by formal action of the District's highest level of decision making authority, which is the District's School committee can be modified through these actions. Committed amounts cannot be used for any other purpose unless the District removes or changes the specified use by taking the same type of action it employed to previously commit.

Assigned fund balance. This classification reflects the amounts constrained by the District's "intent" to be used for specific purposes, but are neither restricted nor committed. The business

manager and school committee have the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

Unassigned fund balance. This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When the restricted and other fund balance resources are available for use, it is the District's policy to use restricted resources first, followed by committed, assigned, and unassigned amounts respectively.

L. Long-term Debt

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

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

M. Investment Income

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

N. Compensated Absences

The District grants to employees sick and vacation leave in varying amounts based upon collective bargaining agreements, state laws and executive policies.

In the government-wide financial statements, vested or accumulated vacation and sick leave are reported as liabilities and are expensed as incurred.

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

O. Use of Estimates

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

P. Total Column

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

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

Municipal Law requires the adoption of a balanced budget that is approved by the District's members and school committee.

Annually, the School Committee prepares a tentative budget, including capital costs. In accordance with the District Agreement, the School Committee adopts the annual operating and maintenance budget not later than 75 days to the earliest date on which the first business session of the annual Town meeting of any member Town is held. The final budget, divided between operating costs and capital costs, is then apportioned among the member Towns. The apportioned amount for each member Town must be certified to the Treasurers of such Towns within 30 days from the date on which said annual budget is adopted by the committee.

B. Assessments

Assessments are levied annually against the member Towns of the District for the fiscal year beginning July 1, and are due and payable in quarterly installments.

Most capital and operating costs of the District in excess of each Town's net minimum contribution are apportioned to the member Towns on the basis of their respective pupil enrollments in the District on October 1st of the preceding year. Certain costs, such as transportation and debt service, are outside of the net school spending requirements established by the Commonwealth. These costs are apportioned to the member towns based on either the above percentage or on a member-specific basis. For the year ended June 30, 2013, the assessments were calculated as follows:

	Minimum Contribution	Transportation	Additional Contribution	Total Assessment
Auburn	$ 795,070	$ 16,716	$ -	$ 811,786
Charlton	1,011,825	32,412	-	1,044,237
Dudley	454,214	22,831	-	477,045
North Brookfield	353,630	11,212	15,057	379,899
Oxford	1,009,590	29,966	-	1,039,556
Paxton	201,529	4,077	14,723	220,329
Rutland	189,564	6,115	-	195,679
Southbridge	1,067,511	49,535	-	1,117,046
Spencer	559,473	22,831	34,130	616,434
Webster	955,831	26,500	-	982,331
Total	$ 6,598,237	$ 222,195	$ 63,910	$ 6,884,342

3. DETAILED NOTES

A. Cash and Investments

Custodial Credit Risks – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned. The government does not have a deposit policy for custodial credit risk. Deposits at June 30, 2013 were $13,693,527. Of these, none were exposed to custodial credit risk as uninsured and uncollateralized.

Investment Policies

Investments of funds, except for trust funds, are generally restricted by Massachusetts General Laws, Chapter 44, Section 55. That statute permits investments of available revenue funds and bond and note proceeds in term deposits and certificates of deposit of banks and trust companies, in obligations issued or unconditionally guaranteed by the federal government or an agency thereof with a maturity of not more than one year, in repurchase agreements with a maturity of not more than 90 days secured by federal or federal agency securities, in participation units in the Massachusetts Municipal Depository Trust ("MMDT"), or in shares in SEC-registered money market funds with the highest possible rating from at least one nationally recognized rating organization.

The MMDT is an investment pool created by the Commonwealth under the supervision of the State Treasurer's office. According to the State Treasurer, the Trust's investment policy is designed to maintain an average weighted maturity of 90 days or less and is limited to high-quality, readily marketable fixed income instruments, including U. S. Government obligations and highly-rated corporate securities with maturities of one year or less.

As of June 30, 2013, the District had no investments that met the above criteria.

B. Receivables

At June 30, 2013, receivables for the individual non-major governmental funds, including the applicable allowances for uncollectible accounts, are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
Major and Non-major governmental funds:			
Intergovernmental	$ 1,446,670	$ -	$ 1,446,670
Departmental and other	1,879	-	1,879
	$ 1,448,549	$ -	$ 1,448,549

The composition of other receivables as of June 30, 2013 for governmental funds is as follows:

Governmental Funds:	
General Fund:	
Federal Tax on interest withheld	$ 1,879

The composition of the intergovernmental receivables as of June 30, 2013 for government funds is as follows:

General Fund:		
Commonwealth of Massachusetts:		
Department of Elementary and Secondary Education:		
Transportation		$ 361,976
Renovation/Addition Project Fund:		
Massachusetts School Building Authority:		
School renovation/addition project		1,001,797
Nonmajor Governmental Funds:		
U. S. Department of Agriculture		
School lunch	$ 26,331	
U. S. Department of Education		
School title grants	25,341	
Commonwealth of Massachusetts:		
Department of Elementary and Secondary Education:		
School lunch	863	
Department of Youth Services:		
Pass Through The Commonwealth Corporation:		
Division of youth services bridging the opportunity grant	14,125	
Town of Leicester:		
Out of district tuition	16,237	82,897
		$ 1,446,670

C. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2013, are as follows:

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	$ 21,000	$ -	$ -	$ 21,000
Construction in progress	147,890	2,271,420	(149,000)	2,270,310
	168,890	2,271,420	(149,000)	2,291,310
Capital assets being depreciated:				
Buildings and renovations	6,019,123	149,000	-	6,168,123
Machinery, equipment and other	6,899,512	223,805	(35,216)	7,088,101
Infrastructure	1,195,006	-	-	1,195,006
Total capital assets being depreciated	14,113,641	372,805	(35,216)	14,451,230
Less accumulated depreciation for:				
Buildings and renovations	5,198,660	63,937	-	5,262,597
Machinery, equipment and other	5,320,835	398,802	(35,216)	5,684,421
Infrastructure	410,251	50,030	-	460,281
Total accumulated depreciation	10,929,746	512,769	(35,216)	11,407,299
Total capital assets being depreciated, net	3,183,895	(139,964)	-	3,043,931
Total governmental activities capital assets, net	$ 3,352,785	$ 2,131,456	$ (149,000)	$ 5,335,241

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

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

Governmental Activities:	
Administration and benefits	$ 54,783
Instruction	318,246
Other school services	6,393
Operation and maintenance	133,347
	$ 512,769

D. Interfund Receivables, Payables and Transfers

Interfund transfers for the fiscal year ended June 30, 2013, are summarized below:

Transfers Out:	Transfer In: Nonmajor governmental funds
General fund	$ 63,910

E. Other Liabilities

The composition of the other liabilities as of June 30, 2013 for governmental funds is as follows:

Governmental Funds:	
Tailings (Unclaimed funds)	$ 44,500

F. Long Term Debt

Betterment Assessment – Sewer Tie-In

In fiscal year 2003, the District tied into the municipal sewer lines and incurred a special assessment for Phase II Sewer Improvements from the Town of Charlton. The total cost of the assessment of $615,000 will be paid in 20 equal annual installments of $30,750, beginning in fiscal year 2004. No interest is accrued on the balance due. The outstanding amount at June 30, 2013 is $307,500.

General Obligation Bonds

The District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for the governmental activities.

General obligation bonds currently outstanding of the governmental type fund are as follows:

	Interest Rate	Date Issued	Final Maturity Date	Original Amount Issued	Outstanding June 30, 2013
Outside Debt:					
School renovation/addition project	2.10-3.00%	2/14/2013	6/1/2042	$ 9,100,000	$ 9,100,000

Future Debt Service

The annual principal and interest payments to retire all general obligation long-term debt outstanding as of June 30, 2013, are as follows:

Governmental Type Activities

Year	Principal	Interest	Total
2014	$ 135,000	$ 341,594	$ 476,594
2015	215,000	259,278	474,278
2016	220,000	252,828	472,828
2017	230,000	246,228	476,228
2018	235,000	239,327	474,327
2019-2023	1,285,000	1,086,838	2,371,838
2024-2028	1,465,000	905,982	2,370,982
2029-2033	1,660,000	717,620	2,377,620
2034-2038	1,905,000	471,932	2,376,932
2038-2042	1,750,000	148,452	1,898,452
	$ 9,100,000	$ 4,670,079	$ 13,770,079

Changes in General Long-Term Liabilities

A summary of the changes in governmental activities long term liabilities during the year is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due within One Year
Governmental activities:					
Bond Payable:					
General obligation bonds	$ -	$ 9,100,000	$ -	$ 9,100,000	$ 135,000
Betterment - sewer tie-in	338,250	-	30,750	307,500	30,750
National Grid - Energy system	25,343	-	25,343	-	-
OPEB Liability	4,345,905	959,680	-	5,305,585	-
Compensated absences	451,491	84,482	84,834	451,139	90,228
Governmental activity Long-term liabilities	$ 5,160,989	$ 10,144,162	$ 140,927	$ 15,164,224	$ 255,978

Loans Authorized and Unissued - Memorandum Only

Under the general laws of the Commonwealth of Massachusetts a District must authorize debt at a District meeting. This authorized debt does not have to be actually issued at that time and remains authorized until the debt is actually issued or District meeting votes to rescind the authorized debt.

Loan authorizations that have not been issued as of June 30, 2013 and are not reflected in the District's financial statements are as follows:

Date of Town Meeting Authorized	Purpose	Amount
8/6/2012	Baypath regional vocational high school renovation/addition project.	$ 63,364,613

Note: The District meeting authorizations are subject to approval of the District's member Towns. Approvals were completed through Towns' Annual and Special Town Meetings.

G. Fund Balances

The following is a summary of the Governmental Fund fund balances of the District at the year ended June 30, 2013:

	General Fund	Renovation/ Addition Project Fund	Nonmajor Governmental Funds	Total Governmental Funds
Restricted:				
Grants	$ -	$ -	$ 78,923	$ 78,923
Revolving funds	-	-	623,365	623,365
Gifts and donations	-	-	8,154	8,154
Capital improvement projects	-	9,109,539	-	9,109,539
	-	9,109,539	710,442	9,819,981
Committed:				
Capital improvement projects	-	-	663,920	663,920
Assigned:				
Encumbrances	258,214	-	-	258,214
Unassigned:	1,455,375	-	-	1,455,375
Total Governmental fund balances	$ 1,713,589	$ 9,109,539	$ 1,374,362	$ 12,197,490

H. Special Trust Funds

Stabilization Fund

Under Section 5B of Chapter 40 of the Massachusetts General Laws, the Town may for the purpose of creating a stabilization fund appropriate in any year an amount not exceeding ten percent of the amount raised in the preceding year by taxation of real estate and tangible personal property or such larger amount as may be approved by the Emergency Finance Board. The aggregate amount in the fund at any time shall not exceed ten percent of the equalized valuation of the Town and any interest shall be added to and become a part of the fund. The stabilization fund may be appropriated in a Town at a Town meeting for any lawful purpose.

At June 30, 2013, the balance in the stabilization fund is $331,202 and is reported in the General Fund as unassigned fund balance.

4. OTHER INFORMATION

A. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The District has obtained a variety of commercial liability insurance policies which passes the risk of loss listed above to independent third parties. Settlement claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

B. Contingent Liabilities

Litigation

Litigation is subject to many uncertainties, and the outcome of individual matters is not always predictable. Although the amount of the liability, if any, at June 30, 2013, cannot be ascertained, management believes any resulting liability should not materially affect the financial position of the District at June 30, 2013.

Federal Financial Assistance

The District receives significant financial assistance from numerous federal and state agencies in the form of grants and entitlements. Expenditures of funds under these programs require compliance with the grant agreements and are subject to audit procedures prescribed under the Single Audit Act Amendments of 1996. Any disallowed expenditures resulting from such audits become a liability of the District.

The outcome of lawsuits and any findings with respect to disallowed expenditures is not expected to materially affect the financial condition of the District.

C. Other Post Employment Benefits Payable

GASB Statement No. 45

The cost of post employment benefits generally should be associated with the periods in which costs occur rather than in the future year when it will be paid. The District adopted the requirements of GASB Statement No. 45 during the year ended June 30, 2008, and thus recognizes the cost of post employment benefits in the year when the employee services are received, reports the accumulated liability from prior years and provides information useful in assessing potential demands on the District's future cash flows.

Plan Description

The District presently provides health, dental & vision and life insurance benefits for active and retired employees and their covered dependents.

Health insurance benefits are fully insured. Active employees have four medical benefit options - HMO Blue New England, Blue Choice of MA, Fallon Direct and Fallon Select.

Retirees not on Medicare have a choice of two plans; HMO Blue New England and BC/BS PPO. For these retirees, the District pays 50% of the cost of the premiums and the retirees pay the other 50%.

Medicare Retirees have three medical benefit options - BCBS Medicare HMO Blue, BCBS Medex II, and Fallon Senior Plan.

The District offers a $1,000 life benefit to all retirees. The benefit is fully insured. The retiree rate per $1,000 of coverage is the same as for active employees.

The number of participants as of June 30, 2013 follows:

Active members	148
Retirees	64
Total	212

Funding Policy

The contribution requirements of plan members and the District are established pursuant to applicable collective bargaining and employment contracts. The required contribution is based on the projected pay-as-you-go financing requirements. For the 2013 fiscal year, total School District premiums plus implicit costs for the retiree medical program are $229,390.

Annual OPEB Cost and Net OPEB Obligation

The District's annual other post employment benefit ("OPEB") cost (expense) is calculated based on the annual required contribution of the employer ("ARC"), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty (30) years. The following table shows the components of the District's annual OPEB costs for the fiscal year, the amount actually contributed to the plan and changes in the District's net OPEB obligation to the plan:

Normal Cost	$ 721,540
Amortization of unfunded actuarial accrued liability	589,007
Annual required contribution	1,310,547
Interest on net OPEB obligation	108,648
Adjustment to annual required contribution	230,125
Annual OPEB cost (expense)	1,189,070
Contributions made during the fiscal year	229,390
Increase in net OPEB obligation	959,680
Net OPEB Obligation - beginning of year	4,345,905
Net OPEB Obligation - end of year	$ 5,305,585

The District's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for the 2013 fiscal year and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2011	$ 1,085,487	12.45%	$ 3,380,290
6/30/2012	$ 1,184,082	18.45%	$ 4,345,905
6/30/2013	$ 1,189,070	19.29%	$ 5,305,585

Funded Status and Funding Process

As of June 30, 2013, the most recent valuation date, the plan was 0.0% funded. The actuarial liability for benefits was $11,123,397, and the actuarial value of assets was 0.0 million, resulting in an unfunded actuarial accrued liability (UAAL) of $11,123,397.

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 contribution of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Entry Aid (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
6/30/2011	$ -	$ 10,472,655	$ 10,472,655	0%	N/A	N/A
6/30/2012	$ -	$ 11,065,233	$ 11,065,233	0%	N/A	N/A
6/30/2013	$ -	$ 11,123,397	$ 11,123,397	0%	N/A	N/A

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and 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.

The District OPEB actuarial valuation as of June 30, 2013, used the project unit credit method. The OPEB liability is currently unfunded and the actuarial assumptions include a 2.50% interest discount rate and trend rates as follows:

Year	Medical
FY 2012	2.45%
FY 2013	3.36%
FY 2014	4.27%
FY 2015	5.19%
FY 2016	6.10%
FY 2017	6.07%
FY 2018	6.03%
FY 2019	6.00%
FY 2020	5.97%
FY 2025	5.84%
FY 2030	5.97%
FY 2040	5.33%
FY 2050	5.03%
FY 2060	4.87%
FY 2070	4.76%
FY 2080	4.42%
FY 2085+	4.24%

The unfunded actuarial accrued liability is being amortized over 30 years on a level dollar amount open basis. The remaining amortization period at June 30, 2013 is 24 years.

D. Employee Retirement Systems and Plans

Plan Description

The District, as a member of the Town of Southbridge Retirement System (the System), participates in a cost-sharing multiple-employer defined benefit pension plan administered by the Town of Southbridge Retirement Board. Each participating employers' share of the total annual contribution is determined on the basis of active payroll. Substantially, all employees are members of the System, except for public school teachers and administrators who are members of Commonwealth of Massachusetts Teachers' Retirement System to which the District does not contribute. Pension benefits and administrative expenses paid by the Teachers' Retirement Board are the legal responsibility of the Commonwealth. The amount of these on-behalf payments totaled approximately $2,618,132 for the fiscal year ending June 30, 2013, and, accordingly are reported in the General Fund.

The System provides retirement, disability, and death benefits to plan members and beneficiaries. Chapter 32 of the Massachusetts General Laws assigns authority to establish and amend benefit provisions of the plan. Cost of living adjustments granted between 1981 and 1987 and any increases in other benefits imposed by the Commonwealth's state law during those years are borne by the Commonwealth and are deposited into the pension fund. Cost-of-living adjustments granted after 1987 must be approved by the Board and are borne by the System. The System issues a publicly available unaudited financial report in accordance with guidelines established by the Commonwealth's PERAC. That report may be obtained by contacting the System through the Town of Southbridge Accountant's Department, Southbridge, Massachusetts.

Funding Policy

Plan members are required to contribute to the System at rates ranging from 5% to 11% of annual covered compensation. The District is required to pay into the System its share of the system-wide actuarial determined contribution that is apportioned among the employers based on active current

payroll. Administrative expenses are funded through investment earnings. Chapter 32B of the Massachusetts general laws governs the contributions of plan members and the District.

The District's contribution to the System for the fiscal years ended June 30, 2013, 2012 and 2011 is shown below, which equaled its required contribution for each fiscal year.

Year Ended June 30	District's Contribution
2013	$ 368,049
2012	$ 354,408
2011	$ 334,169

The last actuarial valuation was prepared by Public Employee Retirement Administration Commission (PERAC) as of January 1, 2012.

The unfunded actuarial liability for the entire system is $30,656,148. The District's portion of such liability is approximately 13.02% or $3,991,430.

Reporting Policies

The funds of the Southbridge Retirement Board System are accounted for under the accrual basis. Under the accrual basis of accounting, all revenues and expenditures are accrued and investments are amortized to value. The books are maintained on a calendar year basis from January 1st to December 31st in accordance with the standards and procedures outlined by the Commissioner of the Public Employees Retirement Administration.

Investments are reported in accordance with PERAC requirements.

SUPPLEMENTARY SCHEDULE

SOUTHERN WORCESTER COUNTY REGIONAL VOCATIONAL SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	Fund Balances July 1, 2012	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balances June 30, 2013
Special Revenue Funds:					
Federal Grants:					
School Grants	$ 62,920	$ 808,506	$ 832,344	$ -	$ 39,082
Department of Youth Services Grants	-	29,382	29,182	-	200
State Grants:					
School Grants	-	22,100	22,100	-	-
Cultural Council Grants	-	1,010	1,010	-	-
Transportation Routing Grant	1	-	-	-	1
Wind Feasibility Study Grant	5,191	-	1,291	-	3,900
Revolving Accounts:					
School Lunch Program	33,820	321,397	320,516	-	34,701
School Lunch Commodities	-	23,260	23,260	-	-
Athletic Revolving	27,925	9,975	5,480	-	32,420
Evening School Revolving	92,535	410,125	427,932	-	74,728
Facilities Rental Revolving	7,671	7,314	6,257	-	8,728
Out of District Tuition Revolving	42,882	5,005	939	-	46,948
Practical Nursing Revolving	39,599	375,714	365,702	-	49,611
Shop Revolving	168,409	361,425	313,492	-	216,342
Summer School Revolving	15,463	11,930	10,840	-	16,553
Tuition Revolving	108,532	69,503	-	-	178,035
Other:					
Premium on Bonds	-	-	122,518	122,518	-
DiGregorio Memorial Machining Center	8,154	-	-	-	8,154
Tech Prep Mini-Grant	1,039	-	-	-	1,039
Total Special Revenue Funds	614,141	2,456,646	2,482,863	122,518	710,442
Capital Projects Funds:					
Auto Body Fund	182,927	-	106,466	-	76,461
Dust Collector Replacement	462	-	-	-	462
School Bus Purchase	53,410	-	-	63,910	117,320
Water System Upgrade	400,000	-	-	-	400,000
Sewer Project	100,427	-	30,750	-	69,677
Total Capital Projects Funds	737,226	-	137,216	63,910	663,920
Total Non-Major Governmental Funds	$ 1,351,367	$ 2,456,646	$ 2,620,079	$ 186,428	$ 1,374,362