

NASHOBA REGIONAL SCHOOL DISTRICT

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

FISCAL YEAR ENDED JUNE 30, 2010

NASHOBA REGIONAL SCHOOL DISTRICT

REPORT ON EXAMINATION OF BASIC FINANCIAL STATEMENTS

JUNE 30, 2010

TABLE OF CONTENTS

Independent Auditors' Report.....	1
Management's Discussion and Analysis	2
Basic Financial Statements	8
Statement of Net Assets.....	9
Statement of Activities	10
Governmental funds – balance sheet.....	12
Reconciliation of the governmental funds balance sheet total fund balances to the statement of net assets.....	13
Governmental funds – statement of revenues, expenditures and changes in fund balances	14
Reconciliation of the statement of revenues, expenditures, and changes in fund balances of governmental funds to the statement of activities	15
Fiduciary funds – statement of fiduciary net assets	16
Fiduciary funds – statement of changes in fiduciary net assets.....	17
Notes to basic financial statement.....	18
Required Supplementary Information.....	32
Schedule of revenues, expenditures and changes in fund balance – general fund – budget and actual.....	34
Retirement System Schedules	36
Retirement system schedule of funding progress	37
Retirement system schedule of employer contributions	38
Other Postemployment Benefit Plan Schedules	39
Other postemployment benefit plan funding progress.....	40
Other postemployment benefit plan actuarial methods and assumptions.....	41
Notes to Required Supplementary Information	42



Independent Auditors' Report

To the Honorable School Committee
Nashoba Regional School District
Bolton, Massachusetts

100 Quannapowitt Parkway
Suite 101
Wakefield, MA 01880
T. 781-914-1700
F. 781-914-1701
www.powersandsullivan.com

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Nashoba Regional School District (District), as of and for the fiscal year ended June 30, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2010, and the respective changes in financial position, where applicable, thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2010, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's discussion and analysis, located on the following pages, and schedule of revenues, expenditures and changes in fund balance – general fund – budgetary basis, retirement system schedule of funding progress, retirement system schedule of employer contributions, other postemployment benefits schedule of funding progress and other postemployment benefits actuarial methods and assumptions, located after the notes to the basic financial statements, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

November 29, 2010

Management's Discussion and Analysis

Management's Discussion and Analysis

As management of the Nashoba Regional School District, we offer readers of these financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2010. The District complies with financial reporting requirements issued by the Governmental Accounting Standards Board (GASB). Management's discussion and analysis are part of these requirements. All amounts, unless otherwise indicated, are expressed in whole dollars.

Overview of the Financial Statements

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

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

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

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

Both of the government-wide financial statements distinguish functions that are principally supported by member town assessment and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities include providing pupil education at the seven District schools, facility maintenance, employee benefits, and central services. The district had no business-type activities.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. All of the funds can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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

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

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

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

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

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

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the District’s budgetary basis of accounting and its participation in the Worcester Regional Retirement System.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government’s financial position. Assets exceed liabilities by \$14 million at the close of FY2010. Key components of the District’s governmental financial position are listed below.

	<u>2010</u>	<u>2009</u>
Assets:		
Current assets.....	\$ 7,619,813	\$ 6,918,678
Capital assets.....	20,376,140	21,166,367
Total assets.....	<u>27,995,953</u>	<u>28,085,045</u>
Liabilities:		
Current liabilities (excluding debt).....	1,401,714	1,355,899
Noncurrent liabilities (excluding debt).....	6,120,603	3,118,791
Current debt.....	760,000	745,000
Noncurrent debt.....	5,670,000	6,475,000
Total liabilities.....	<u>13,952,317</u>	<u>11,694,690</u>
Net Assets:		
Capital assets net of related debt.....	15,171,140	15,611,367
Restricted.....	469,920	638,185
Unrestricted.....	<u>(1,597,424)</u>	<u>140,804</u>
Total net assets.....	<u>\$ 14,043,636</u>	<u>\$ 16,390,356</u>

Net assets of \$15.2 million reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that are still outstanding. The District uses these capital assets to provide services to pupils; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of its related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Restricted net assets of \$470,000 represent resources that are subject to external restrictions on how they may be used, such as grants. The remaining balance of unrestricted net assets reflects a deficit balance totaling \$1.5 million.

Governmental Activities

The governmental activities net assets decreased by \$2.3 million in Fiscal 2010. The decrease in net assets is due to the recording of GASB Statement No. 45 which required the recognition of a \$3.0 million expense for other postemployment benefits (see Note 8 for additional information)

	<u>2010</u>	<u>2009</u>
Program revenues:		
Charges for services.....	\$ 2,152,810	\$ 2,172,881
Operating grants and contributions.....	5,846,142	6,179,650
 General Revenues:		
Member town assessments.....	33,621,197	32,695,330
Intergovernmental.....	8,171,504	7,815,883
Unrestricted investment income.....	33,505	103,408
Miscellaneous.....	16,737	10,159
Total revenues.....	<u>49,841,895</u>	<u>48,977,311</u>
 Expenses:		
System wide.....	3,239,164	3,582,149
Employee benefits.....	11,992,553	10,582,374
Insurance.....	112,618	154,573
Health services.....	715,924	650,734
Facilities.....	3,392,554	3,668,344
Substitute teachers.....	401,924	373,765
Curriculum.....	340,877	605,174
Special education.....	7,428,229	7,551,441
Technology.....	1,163,248	955,807
Athletics.....	472,422	524,122
Nashoba Regional High School.....	6,376,485	6,125,720
Luther Burbank Middle school.....	1,627,932	1,560,470
Center School.....	1,511,492	1,449,456
Pompositticut School.....	1,478,848	1,379,743
Hale Middle School.....	1,339,120	1,444,567
Mary Rowlandson Elementary School.....	2,423,269	2,288,026
Florence Sawyer School.....	4,127,025	4,007,953
Federal and state grants.....	1,702,878	2,185,362
Extended day.....	244,321	241,128
Athletic revolving.....	174,882	154,875
Cafeteria.....	807,658	816,830
Other special revenue.....	857,085	656,166
Interest.....	258,107	308,880
Total expenses.....	<u>52,188,615</u>	<u>51,267,659</u>
 Change in net assets.....	<u>\$ (2,346,720)</u>	<u>\$ (2,290,348)</u>

Revenues increased \$865,000 from the prior year. This was principally due to budgeted increases in member town assessments which are partially funded through reimbursements from the Mass School Business Authority (MSBA) on behalf of the member communities. Operating grants and contribution revenue decreased in fiscal 2010 by approximately \$334,000. This was mostly due to the decrease in federal and state grant funding in fiscal 2010.

Otherwise, for the most part, changes in revenues and expenses closely paralleled the increases in the demand for student services, increases in employee benefits and other related personnel costs. The exception is the recognition of the OPEB liability in employee benefits.

Financial Analysis of the Governmental Funds

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

Governmental funds. The focus of *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, *unreserved 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 \$6.3 million, an increase of \$600,000 in comparison with the prior year. Most of the increase is attributable to the better than anticipated receipts and expenditures in the general fund.

The general fund is the chief operating fund. At the end of the current fiscal year, unreserved fund balance of the general fund was \$2.9 million, while total fund balance equaled \$3.9 million. Reservations of fund balance for encumbrances and continuing appropriations and the supplemental reserve fund totaled \$495,000 and \$454,000, respectively. The amount used to balance the fiscal 2010 budget totaled \$500,000. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 4.8% of current year general fund expenditures, while total fund balance represents 9.4% of that same amount.

Capital and Debt Administration

The District maintains a MIG 1 (Municipal Investment Grade) Bond Rating with Moody's Investors Service, Inc on its short-term debt. This designation by Moody's denotes superior credit quality due to factors such as established cash flows, highly reliable liquidity support, and/or a demonstrated broad-based access to the market for refinancing

The District has \$1.2 million of state qualified deficit bonds and \$5.2 million for school addition and renovation bonds outstanding as of June 30, 2010.

Requests for Information

This financial report is designed to provide a general overview of the Nashoba Regional School District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Assistant Superintendent of Finance, Nashoba Regional School District, 50 Mechanic Street, Bolton, MA 01740.

Basic Financial Statements

STATEMENT OF NET ASSETS

JUNE 30, 2010

		<u>Primary Government</u>
		Governmental Activities
ASSETS		
CURRENT:		
Cash and short-term investments.....	\$	7,619,813
NONCURRENT:		
Capital assets, net of accumulated depreciation:		
Nondepreciable.....		37,913
Depreciable.....		<u>20,338,227</u>
TOTAL ASSETS.....		<u>27,995,953</u>
LIABILITIES		
CURRENT:		
Warrants payable.....		908,659
Accrued payroll.....		18,008
Accrued interest.....		117,772
Payroll withholdings.....		311,046
Other liabilities.....		10,185
Compensated absences.....		36,044
Bonds and notes payable.....		760,000
NONCURRENT:		
Other postemployment benefits.....		6,120,603
Bonds and notes payable.....		<u>5,670,000</u>
TOTAL LIABILITIES.....		<u>13,952,317</u>
NET ASSETS		
Invested in capital assets, net of related debt.....		15,171,140
Restricted for:		
Capital projects.....		15,729
Supplemental reserve.....		454,191
Unrestricted.....		<u>(1,597,424)</u>
TOTAL NET ASSETS.....	\$	<u><u>14,043,636</u></u>

See notes to basic financial statements.

STATEMENT OF ACTIVITIES

FISCAL YEAR ENDED JUNE 30, 2010

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	
Primary Government:				
<i>Governmental Activities:</i>				
System wide.....	\$ 3,239,164	\$ -	\$ -	\$ (3,239,164)
Employee benefits.....	11,992,553	-	3,823,057	(8,169,496)
Insurance.....	112,618	-	-	(112,618)
Health services.....	715,924	-	-	(715,924)
Facilities.....	3,392,554	-	-	(3,392,554)
Substitute teachers.....	401,924	-	-	(401,924)
Curriculum.....	340,877	-	-	(340,877)
Special education.....	7,428,229	-	304,268	(7,123,961)
Technology.....	1,163,248	-	-	(1,163,248)
Athletics.....	472,422	-	-	(472,422)
Nashoba Regional High School.....	6,376,485	-	-	(6,376,485)
Luther Burbank Middle School.....	1,627,932	-	-	(1,627,932)
Center School.....	1,511,492	-	-	(1,511,492)
Pompositticut School.....	1,478,848	-	-	(1,478,848)
Hale Middle School.....	1,339,120	-	-	(1,339,120)
Mary Rowlandson Elementary School.....	2,423,269	-	-	(2,423,269)
Florence Sawyer School.....	4,127,025	-	-	(4,127,025)
Federal and state grants.....	1,702,878	-	1,563,313	(139,565)
Extended day.....	244,321	340,490	-	96,169
Athletic revolving.....	174,882	191,298	8,335	24,751
Cafeteria.....	807,658	788,410	138,569	119,321
Other special revenue.....	857,085	832,612	8,600	(15,873)
Interest.....	258,107	-	-	(258,107)
Total Governmental Activities.....	\$ 52,188,615	\$ 2,152,810	\$ 5,846,142	\$ (44,189,663)

See notes to basic financial statements.

(Continued)

STATEMENT OF ACTIVITIES (Continued)

FISCAL YEAR ENDED JUNE 30, 2010

	Primary Government
	Governmental Activities
Changes in net assets:	
Net (expense) revenue from previous page.....	\$ <u><u>(44,189,663)</u></u>
<i>General revenues:</i>	
Member town assessments.....	33,621,197
Intergovernmental.....	8,171,504
Unrestricted investment income.....	33,505
Departmental and other.....	<u>16,737</u>
 Total general revenues and transfers.....	 <u>41,842,943</u>
 Change in net assets.....	 (2,346,720)
 <i>Net Assets:</i>	
Beginning of year.....	<u>16,390,356</u>
 End of year.....	 \$ <u><u>14,043,636</u></u>

(Concluded)

**GOVERNMENTAL FUNDS
BALANCE SHEET**

JUNE 30, 2010

ASSETS	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash and short-term investments.....	\$ 5,072,740	\$ 2,547,073	\$ 7,619,813
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Warrants payable.....	\$ 856,921	\$ 51,738	\$ 908,659
Accrued payroll.....	18,008	-	18,008
Payroll withholdings.....	311,046	-	311,046
Other liabilities.....	10,185	-	10,185
TOTAL LIABILITIES.....	1,196,160	51,738	1,247,898
FUND BALANCES:			
Reserved for:			
Encumbrances and continuing appropriations.....	495,447	-	495,447
Supplemental reserve fund.....	454,191	-	454,191
Unreserved:			
Designated for subsequent year's expenditures.....	944,557	-	944,557
Undesignated, reported in:			
General fund.....	1,982,385	-	1,982,385
Special revenue funds.....	-	2,479,606	2,479,606
Capital projects funds.....	-	15,729	15,729
TOTAL FUND BALANCES.....	3,876,580	2,495,335	6,371,915
TOTAL LIABILITIES AND FUND BALANCES.....	\$ 5,072,740	\$ 2,547,073	\$ 7,619,813

See notes to basic financial statements.

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

FISCAL YEAR ENDED JUNE 30, 2010

Total governmental fund balances.....	\$	6,371,915
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....		20,376,140
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.....		(117,772)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds		
Bonds and notes payable.....	(6,430,000)	
Other postemployment benefits.....	(6,120,603)	
Compensated absences.....	<u>(36,044)</u>	
Net effect of reporting long-term liabilities.....		<u>(12,586,647)</u>
Net assets of governmental activities.....	\$	<u><u>14,043,636</u></u>

See notes to basic financial statements.

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

FISCAL YEAR ENDED JUNE 30, 2010

	General	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:			
Member town assessments.....	\$ 33,621,197	\$ -	\$ 33,621,197
Intergovernmental.....	11,307,393	2,389,050	13,696,443
Departmental and other.....	16,737	2,474,013	2,490,750
Investment income.....	33,505	-	33,505
TOTAL REVENUES.....	44,978,832	4,863,063	49,841,895
EXPENDITURES:			
Current:			
System wide.....	3,172,112	-	3,172,112
Employee benefits.....	8,990,740	-	8,990,740
Insurance.....	112,618	-	112,618
Health services.....	715,924	-	715,924
Facilities.....	3,390,296	-	3,390,296
Substitute teachers.....	401,924	-	401,924
Curriculum.....	340,877	-	340,877
Special education.....	6,909,685	518,544	7,428,229
Technology.....	1,162,342	-	1,162,342
Athletics.....	472,422	-	472,422
Nashoba Regional High School.....	5,651,229	-	5,651,229
Luther Burbank Middle School.....	1,624,399	-	1,624,399
Center School.....	1,512,446	-	1,512,446
Pompositicut School.....	1,477,859	-	1,477,859
Hale Middle School.....	1,339,166	-	1,339,166
Mary Rowlandson Elementary School.....	2,422,884	-	2,422,884
Florence Sawyer School.....	4,128,927	-	4,128,927
Federal and state grants.....	-	1,702,878	1,702,878
Extended day.....	-	244,321	244,321
Athletic revolving.....	-	174,882	174,882
Cafeteria.....	-	807,658	807,658
Other special revenue.....	-	857,085	857,085
Debt service:			
Maturing debt.....	790,000	-	790,000
Interest.....	272,728	-	272,728
TOTAL EXPENDITURES.....	44,888,578	4,305,368	49,193,946
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	90,254	557,695	647,949
OTHER FINANCING SOURCES (USES):			
Transfers in.....	314,418	-	314,418
Transfers out.....	-	(314,418)	(314,418)
TOTAL OTHER FINANCING SOURCES (USES).....	314,418	(314,418)	-
NET CHANGE IN FUND BALANCES.....	404,672	243,277	647,949
FUND BALANCES AT BEGINNING OF YEAR.....	3,471,908	2,252,058	5,723,966
FUND BALANCES AT END OF YEAR.....	\$ 3,876,580	\$ 2,495,335	\$ 6,371,915

See notes to basic financial statements.

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

FISCAL YEAR ENDED JUNE 30, 2010

Net change in fund balances - total governmental funds.....	\$	647,949
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>		
Depreciation expense.....		(790,227)
<p>The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.</p>		
Debt service principal payments.....		790,000
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.</p>		
Net change in compensated absences accrual.....	(7,250)	
Net change in accrued interest on long-term debt.....	14,621	
Net change in other postemployment benefits accrual.....	<u>(3,001,813)</u>	
Net effect of recording long-term liabilities and amortizing deferred losses.....		<u>(2,994,442)</u>
Change in net assets of governmental activities.....	\$	<u><u>(2,346,720)</u></u>

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2010

	Private Purpose Trust Funds	Agency Funds
ASSETS		
CURRENT:		
Cash and short-term investments.....	\$ 2,932	\$ 139,902
LIABILITIES		
Liabilities due depositors.....	-	139,902
NET ASSETS		
Held in trust for education scholarships.....	\$ 2,932	\$ -

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

FISCAL YEAR ENDED JUNE 30, 2010

	<u>Private Purpose Trust Funds</u>
<u>ADDITIONS:</u>	
Interest.....	\$ 21
<u>DEDUCTIONS:</u>	
Student activities.....	<u>380</u>
CHANGE IN NET ASSETS.....	(359)
NET ASSETS AT BEGINNING OF YEAR.....	<u>3,291</u>
NET ASSETS AT END OF YEAR.....	\$ <u><u>2,932</u></u>

See notes to basic financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The District was formed under Chapter 71 of the Massachusetts General Laws that, by agreement, serves the Towns of Bolton, Lancaster and Stow (Member Towns) and provides public education for pupils from member Towns in grades pre-kindergarten through twelve. An eight-member School Committee governs the District, which consists of elected members from the member towns for a term of 3 years.

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

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

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

Fund Financial Statements

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

Major Fund Criteria

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

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

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

Fiduciary funds are reported by fund type.

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

Government-Wide Financial Statements

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

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

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

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

The effect of interfund activity has been removed 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.

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

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

The *special revenue fund* is used to account for 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.

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

The following fiduciary fund types are reported:

The *private-purpose trust fund* is used to account for trust arrangements, other than those properly reported in the pension trust fund or 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.

Government-Wide and Fund Financial Statements

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

D. Cash and Investments

Government-Wide and Fund Financial Statements

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

E. Accounts Receivable

Government-Wide and Fund Financial Statements

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

Intergovernmental

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

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

F. Inventories

Government-Wide and Fund Financial Statements

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

G. Capital Assets

Government-Wide Financial Statements

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

All purchases and construction costs greater than \$5,000 with expected useful lives of greater than one year are capitalized at the date of acquisition or construction.

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

<u>Capital Asset Type</u>	<u>Useful Life</u>
Land improvements.....	5-50
Buildings.....	40
Machinery and equipment.....	5-10
Vehicles.....	5
Library and text books.....	3-10
Infrastructure.....	20-30

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

Governmental Fund Financial Statements

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

H. Interfund Receivables and Payables

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

Government-Wide Financial Statements

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

Fund Financial Statements

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

I. Interfund Transfers

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

Government-Wide Financial Statements

Operating transfers between and within governmental funds and internal service funds are eliminated from the governmental activities in the statement of net assets. Any residual balances outstanding between the governmental activities and business-type activities are reported in the statement of activities as "Transfers, net".

Fund Financial Statements

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

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

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

Net assets have not been "restricted for" a specific use.

Fund Financial Statements (Fund Balances)

Fund balances are reserved for amounts that are not available for appropriation or are legally restricted by outside parties for a specific future use. Designations of fund balance represent tentative management plans that are subject to change.

Fund balances have been "reserved for" the following:

"Encumbrances and continuing appropriations" represents amounts obligated under purchase orders, contracts and other commitments for expenditures that are being carried over to the ensuing fiscal year.

"Supplemental reserve fund" represents a statutory requirement to accumulate funds equal to a fixed percentage of each year's budget.

Fund balances have been “designated for” the following:

“Subsequent year’s expenditures” represents amounts appropriated for the subsequent year’s operating budget.

K. Long-term debt

Government-Wide Financial Statements

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

Governmental Fund Financial Statements

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

L. Investment Income

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

M. Compensated Absences

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

Government-Wide Financial Statements

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

Governmental Fund Financial Statements

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

N. Fund Deficits

Individual fund deficits exist at June 30, 2010, within the nonmajor governmental funds. These deficits will be funded through receipts and other available funds in fiscal year 2011.

O. Use of Estimates

Government-Wide and Fund Financial Statements

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

P. Total Column

Government-Wide Financial Statements

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

Fund Financial Statements

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

NOTE 2 – CASH AND INVESTMENTS

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

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

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

Custodial Credit Risk – Deposits

In the case of deposits, this is the risk that in the event of a bank failure, Nashoba Regional School District's deposits may not be returned to it. The Town does not have a deposit policy for custodial credit risk. At fiscal year-end, the carrying amount of deposits totaled \$4,727,589 and the bank balance totaled \$6,165,132. Of the bank balance, \$1,181,286 was covered by Federal Depository Insurance, \$818,660 was insured under the Depositors Insurance Fund and \$4,165,186 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Investments

As of June 30, 2010, Nashoba Regional School District investments consisted of \$3,035,058 invested in MMDT.

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of a failure by the counterparty, the District will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. The investments in MMDT are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form. The District's investment policy is to adhere to Massachusetts General Law, Chapter 44, Section 55 which sets the legal investments for the District.

Interest Rate Risk

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

Credit Risk

The District purchases investments that assures the principal amount invested is safe from credit and market risk. All of the District’s investments at June 30, 2010, are unrated.

Concentration of Credit Risk

The District places no limit on the amount that may be invested in any one issuer. 100 percent of the District’s investments are in MMDT.

NOTE 3 – CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 37,913	\$ -	\$ -	\$ 37,913
<u>Capital assets being depreciated:</u>				
Buildings.....	29,219,586	-	-	29,219,586
Land improvements.....	146,997	-	-	146,997
Machinery and equipment.....	577,657	-	-	577,657
Vehicles.....	273,639	-	-	273,639
Library and text books.....	1,536,091	-	-	1,536,091
Infrastructure.....	178,175	-	-	178,175
 Total capital assets being depreciated.....	 31,932,145	 -	 -	 31,932,145
<u>Less accumulated depreciation for:</u>				
Buildings.....	(8,470,112)	(691,253)	-	(9,161,365)
Land improvements.....	(66,150)	(14,700)	-	(80,850)
Machinery and equipment.....	(436,576)	(18,405)	-	(454,981)
Vehicles.....	(223,457)	(8,364)	-	(231,821)
Library and text books.....	(1,446,542)	(52,701)	-	(1,499,243)
Infrastructure.....	(160,854)	(4,804)	-	(165,658)
 Total accumulated depreciation.....	 (10,803,691)	 (790,227)	 -	 (11,593,918)
 Total capital assets being depreciated, net.....	 21,128,454	 (790,227)	 -	 20,338,227
 Total governmental activities capital assets, net.....	 \$ 21,166,367	 \$ (790,227)	 \$ -	 \$ 20,376,140

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

Systemwide.....	\$ 59,571
Facilities.....	2,144
High school.....	724,004
Luther Burbank middle school.....	3,434
Sawyer school.....	<u>1,074</u>
 Total depreciation expense - governmental activities.....	 \$ <u><u>790,227</u></u>

NOTE 4 – SHORT-TERM FINANCING

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

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

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

There was no short term debt outstanding at June 30, 2010.

NOTE 5 - LONG-TERM DEBT

General Long-Term Debt:

State law permits the District, under the provisions of Chapter 71, Section 16, to authorize indebtedness not to exceed an amount approved by the Finance Advisory Board (see Note 12). Furthermore, written notice of the amount of debt authorized and general purpose of the debt must be given to the Board of Selectmen in each of the member town's comprising the District.

State Qualified Deficit Bonds:

State law permitted the District, under the provisions of Chapter 344 of the Acts of 2002, a home rule petition, to issue \$5,000,000 of deficit bonds or notes to maintain and operate the District while it adjusted the level of its expenditures and revenues to achieve balanced budgets and fiscal stability. In November 2002, the District issued \$3,800,000 of such deficit bonds. The remaining unused portion of \$1,200,000 is not available to the District.

Details related to the outstanding indebtedness at June 30, 2010, and the debt service requirements are as follows:

Purpose	Interest Rate (%)	Outstanding at June 30, 2009	Issued	Redeemed	Outstanding at June 30, 2010
State qualified deficit bond.....	3.00%	\$ 1,665,000	\$ -	\$ 440,000	\$ 1,225,000
Addition & Renovation to High School.....	3.00%-5.00%	5,555,000	-	350,000	5,205,000
Total bonds and notes payable.....		\$ 7,220,000	\$ -	\$ 790,000	\$ 6,430,000

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

Fiscal Year	Principal	Interest	Total
2011.....	760,000	244,429	1,004,429
2012.....	775,000	217,704	992,704
2013.....	740,000	190,641	930,641
2014.....	350,000	164,366	514,366
2015.....	350,000	146,866	496,866
2016.....	350,000	129,366	479,366
2017.....	345,000	111,866	456,866
2018.....	345,000	101,516	446,516
2019.....	345,000	91,166	436,166
2020.....	345,000	80,816	425,816
2021.....	345,000	70,466	415,466
2022.....	345,000	56,236	401,236
2023.....	345,000	42,436	387,436
2024.....	345,000	28,462	373,462
2025.....	345,000	14,318	359,318
Total.....	\$ 6,430,000	\$ 1,690,653	\$ 8,120,653

The District is subject to various debt limits by statute and may issue additional general obligation debt under the normal debt limit. At June 30, 2010, the District has no authorized and unissued debt.

Changes in Long-term Liabilities

During the fiscal year ended June 30, 2010, the following changes occurred in long-term liabilities:

	Balance June 30, 2009	Bonds and Notes Issued	Bonds and Notes Redeemed	Other Net Increase (Decrease)	Balance June 30, 2010	Current Portion
Long-term bonds and notes.....	\$ 7,220,000	\$ -	\$ 790,000	\$ -	\$ 6,430,000	\$ 760,000
Other postemployment benefits.....	3,118,790	-	-	3,001,813	6,120,603	-
Compensated absences.....	28,794	-	-	7,250	36,044	36,044
Total.....	\$ 10,367,584	\$ -	\$ 790,000	\$ 3,009,063	\$ 12,586,647	\$ 796,044

NOTE 6 – RISK FINANCING

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance. The District participates in premium-based health care plans for its active employees and a portion of its retirees'.

The District is self-insured for a portion of its retirees' health insurance and workers' compensation activities. These activities are accounted for in the general fund where revenues are recorded when earned and expenses are recorded when the liability is incurred. As of June 30, 2010, there were no employees out on workers' compensation and the liability for incurred but not reported health claims is immaterial and therefore not reported.

NOTE 7 - PENSION PLAN

Plan Description - The District contributes to the Worcester Regional Retirement System (System), a cost sharing multiple-employer defined benefit pension plan administered by the Worcester Regional Retirement Board. School teachers and certain administrators are members of the Commonwealth of Massachusetts' Teachers Retirement System, to which the District does not contribute. All pension benefits and expenses paid by the Teachers Retirement System are funded by the Commonwealth of Massachusetts (Commonwealth). The amount of these on-behalf payments totaled \$3,823,000 for the fiscal year ended June 30, 2010 and, accordingly, are reported in the General Fund as Intergovernmental Revenues and Employee Benefits Expenditures.

The System provides retirement, disability and death benefits to plan members and beneficiaries. Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan. Cost-of-living adjustments granted between 1981 and 1997 and any increase in other benefits imposed by the Commonwealth's state law during those years are borne by the Commonwealth. Cost-of-living adjustments granted after 1997 must be approved by the System and are borne by the System. The System issues a publicly available financial report in accordance with guidelines established by the Commonwealth's Public Employee Retirement Administration Commission. That report may be obtained by contacting the System located at 2 Main Street, Worcester, Massachusetts 01608.

Funding Policy - Plan members are required to contribute to the System at rates ranging from 5% to 11% of annual covered compensation. The District is required to pay into the System its share of the system wide actuarial determined contribution that is apportioned among the employers based on active current payroll. The contributions of plan members and the District are governed by Chapter 32 of the MGL. The District's contributions to the System for the fiscal years ended June 30, 2010, 2009, and 2008 were \$502,932, \$469,587, and \$397,682 respectively, which equaled its required contribution for each fiscal year.

NOTE 8 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Fiscal year 2009 was the initial year that the District has implemented GASB Statement 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions (GASB 45). As allowed by GASB 45, the District has established the net Other Postemployment Benefits (OPEB) obligation at zero at the beginning of the transition year and has applied the measurement and recognition requirements of GASB 45 on a prospective basis.

Plan Description – The Nashoba Regional School District administers a single-employer defined benefit healthcare plan ("the Retiree Health Plan"). The plan provides lifetime healthcare insurance for eligible retirees and their spouses through the District's group health insurance plan, which covers both active and retired members. Chapter 32B of the MGL assigns authority to establish and amend benefit provisions of the plan.

Benefit provisions are negotiated between the District and the unions representing District employees and are renegotiated each bargaining period. The Retiree Health Plan does not issue a publicly available financial report.

Funding Policy – Contribution requirements are also negotiated between the District and union representatives. The required contribution is based on a pay-as-you-go financing requirement. The District contributes 50 percent of the cost of current-year premiums for eligible retired plan members and their spouses. Plan members receiving benefits contribute the remaining 50 percent of their premium costs. For fiscal year 2010, the District contributed \$1,159,649 to the plan.

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

Normal cost.....	\$	2,392,182
Amortization of unfunded actuarial accrued liability.....		1,844,325
Interest on net OPEB obligation.....		155,940
Adjustment to annual required contribution.....		<u>(230,985)</u>
Annual OPEB cost (expense).....		4,161,462
Contributions made.....		<u>(1,159,649)</u>
Increase in net OPEB obligation.....		3,001,813
Net OPEB obligation--beginning of year.....		<u>3,118,790</u>
Net OPEB obligation--end of year.....	\$	<u><u>6,120,603</u></u>

The District’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2010 was as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2009	\$ 4,118,287	24%	\$ 3,118,790
6/30/2010	4,161,462	28%	\$ 6,120,603

Funded Status and Funding Progress – As of July 1, 2007, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$51,673,835 million, all of which was unfunded.

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

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

In the July 1, 2007, actuarial valuation, actuarial liabilities were determined using the projected unit credit cost method. The actuarial assumptions included a 5% investment return assumption, which is based on the expected yield on the assets of the District, calculated based on the funded level of the plan at the valuation date, and an annual medical/drug cost trend rate of 10% initially, graded to 5% over 5 years and included a 4.5% inflation assumption. The UAAL is being amortized over a 30 year period, with amortization payments increasing at 4.5% per year. The remaining amortization period at June 30, 2010 is 30 years.

NOTE 9 - COMMITMENTS

The District appropriates annually those amounts necessary for transportation of its students. For the fiscal year ended June 30, 2010, regular day and special education transportation expenditures totaled \$1,474,460 and \$815,337, respectively. The regular day and special education transportation contracts expire on June 30, 2011.

NOTE 10 - CONTINGENCIES

The District participates in a number of federal award programs. Although the grant programs have been audited in accordance with the provisions of the Single Audit Act Amendments of 1996 through June 30, 2010, these programs are still subject to financial and compliance audits. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although it is expected such amounts, if any, to be immaterial.

The District is subject to legal actions and claims that are subject to many uncertainties. Although the amount of liability, if any, at June 30, 2010, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2010.

NOTE 11 – SUPPLEMENTAL RESERVE FUND

The October 3, 2002 legislation required the establishment of a Supplemental Reserve Fund (Fund) into which funds are to be accumulated equal to a fixed percentage of each year's budget. Beginning in Fiscal 2004, the amount appropriated to create the fund was equal to .25% of the District's prior year budget. Each year after Fiscal 2004, the balance was increased based on a percentage of the prior year's budget. At the end of Fiscal 2009 the balance was to be maintained equal to 1.5% of the prior year's budget.

Section 5 of Chapter 344 was amended to allow the District to use up to 25% of the balance as of October 1, 2009 for budget fiscal years 2010, 2011, 2012 and 2013.

For the fiscal year ended June 30, 2010, \$454,191 of fund balance has been reserved in the general fund for the Supplemental Reserve Fund.

NOTE 12 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

The following GASB Pronouncements were implemented during the fiscal year:

- The GASB issued Statement #51, *Accounting and Financial Reporting for Intangible Assets*, which was implemented in fiscal year 2010. This pronouncement did not impact the basic financial statements.
- The GASB issued Statement #57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. The standards in this statement permits an agent employer that has an individual employer OPEB plan with fewer than 100 members to use an alternative measurement method to produce actuarially based information for purposes of financial reporting, regardless of the number of total plan members in the agent multiple-employer OPEB plan in which it participates. Management elected to implement this standard early and this standard did not impact the basic financial statements.
- The GASB issued Statement #58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies*. The standards in this statement provide guidance for bankrupt state and local governments by establishing requirements for recognizing and measuring the effects of the bankruptcy process on assets and liabilities and for classifying changes in those items and related costs. Management elected to implement this standard early and this standard did not impact the basic financial statements.
-

The following GASB Pronouncements will be implemented in the future:

- The GASB issued Statement #54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which is required to be implemented in fiscal year 2011. Management believes this pronouncement will require additional disclosure and impact the basic financial statements.

Required Supplementary Information

This page intentionally left blank.

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

FISCAL YEAR ENDED JUNE 30, 2010

	Budgeted Amounts			
	Amounts Carried forward From Prior Year	Current Year Initial Budget	Original Budget	Final Budget
REVENUES:				
Member town assessments.....	\$ -	\$ 33,621,197	\$ 33,621,197	\$ 33,621,197
Intergovernmental.....	-	7,340,981	7,340,981	7,340,981
Miscellaneous.....	-	-	-	-
Investment income.....	-	60,000	60,000	60,000
TOTAL REVENUES.....	-	41,022,178	41,022,178	41,022,178
EXPENDITURES:				
Current:				
System wide.....	29,948	3,268,779	3,298,727	3,298,727
Employee benefits.....	-	5,329,900	5,329,900	5,329,900
Insurance.....	-	154,000	154,000	154,000
Health services.....	1,871	714,680	716,551	716,551
Facilities.....	35,476	3,561,558	3,597,034	3,597,034
Substitute teachers.....	-	403,426	403,426	403,426
Curriculum.....	12,529	374,193	386,722	386,722
Special education.....	58,963	7,127,965	7,186,928	7,186,928
Technology.....	62,243	1,152,712	1,214,955	1,214,955
Athletics.....	5,117	509,675	514,792	514,792
Nashoba Regional High School.....	38,670	5,713,660	5,752,330	5,752,330
Luther Burbank Middle School.....	1,808	1,625,814	1,627,622	1,627,622
Center School.....	5,629	1,511,798	1,517,427	1,517,427
Pompositicut School.....	125	1,478,909	1,479,034	1,479,034
Hale Middle School.....	39	1,361,240	1,361,279	1,361,279
Mary Rowlandson Elementary School.....	11,533	2,418,372	2,429,905	2,429,905
Florence Sawyer School.....	25,292	4,148,880	4,174,172	4,174,172
Debt service:				
Maturing debt.....	-	790,000	790,000	790,000
Interest.....	-	276,617	276,617	276,617
TOTAL EXPENDITURES.....	289,243	41,922,178	42,211,421	42,211,421
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	(289,243)	(900,000)	(1,189,243)	(1,189,243)
OTHER FINANCING SOURCES (USES):				
Transfers in.....	-	265,000	265,000	265,000
NET CHANGE IN FUND BALANCE.....	(289,243)	(635,000)	(924,243)	(924,243)
BUDGETARY FUND BALANCE,				
Beginning of year.....	3,471,908	3,471,908	3,471,908	3,471,908
BUDGETARY FUND BALANCE, End of year.....	\$ 3,182,665	\$ 2,836,908	\$ 2,547,665	\$ 2,547,665

See notes to required supplementary information.

	Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance to Final Budget
\$	33,621,197	\$ -	\$ -
	7,484,336	-	143,355
	16,737	-	16,737
	33,505	-	(26,495)
	<u>41,155,775</u>	<u>-</u>	<u>133,597</u>
	3,172,112	132,718	(6,103)
	5,167,683	67,785	94,432
	112,618	2,899	38,483
	715,924	2,604	(1,977)
	3,390,296	15,998	190,740
	401,924	3,975	(2,473)
	340,877	6,711	39,134
	6,909,685	23,718	253,525
	1,162,342	38,685	13,928
	472,422	31,939	10,431
	5,651,229	65,956	35,145
	1,624,399	35,482	(32,259)
	1,512,446	29,006	(24,025)
	1,477,859	3,655	(2,480)
	1,339,166	16,365	5,748
	2,422,884	9,882	(2,861)
	4,128,927	8,069	37,176
	790,000	-	-
	272,728	-	3,889
	<u>41,065,521</u>	<u>495,447</u>	<u>650,453</u>
	<u>90,254</u>	<u>(495,447)</u>	<u>784,050</u>
	<u>314,418</u>	<u>-</u>	<u>49,418</u>
	404,672	\$ <u>(495,447)</u>	\$ <u>833,468</u>
	<u>3,471,908</u>		
\$	<u><u>3,876,580</u></u>		

Retirement System Schedules of Funding Progress and Employer Contributions

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

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

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

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

The District's share of the UAAL, as of January 1, 2007 is approximately 7%.

See notes to required supplementary information.

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

Plan Year Ended December 31	System Wide			Nashoba Regional School District	
	Annual Required Contributions	(A) Actual Contributions	Percentage Contributed	(B) Actual Contributions	(B/A) District's Percentage of System Wide Actual Contributions
2005	\$ 17,562,285	\$ 17,562,285	100%	\$ 388,168	2.21%
2006	21,012,959	21,012,959	100%	352,813	1.68%
2007	21,982,772	21,982,772	100%	400,322	1.82%
2008	22,997,682	22,997,682	100%	397,682	1.73%

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

See notes to required supplementary information.

Other Postemployment Benefits Plan Schedules

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

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

OTHER POSTEMPLOYMENT BENEFIT PLAN
SCHEDULE OF FUNDING PROGRESS

JUNE 30, 2010

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Projected Unit Credit (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
7/1/2007	\$ -	\$ 51,673,835	\$ 51,673,835	0%	\$ N/A	N/A

The District implemented GASB Statement No. 45 for the fiscal year ended June 30, 2009.
Information for prior years is not available.

See notes to required supplementary information.

OTHER POSTEMPLOYMENT BENEFIT PLAN
ACTUARIAL METHODS AND ASSUMPTIONS

FISCAL YEAR ENDED JUNE 30, 2010

Actuarial Methods:

Valuation date.....7/1/2007
Actuarial cost method..... Projected Unit Credit
Amortization method..... Payments increasing at 4.5%
Remaining amortization period..... 30 years at July 1, 2007
Asset valuation method..... Market value

Actuarial Assumptions:

Investment rate of return..... 5.00%, pay-as-you-go scenario
Medical/drug cost trend rate..... 10.00%, graded to 5.0% over 5 years

Plan Membership:

Current retirees, beneficiaries, and dependents...	128
Current active members.....	<u>337</u>
Total.....	<u><u>465</u></u>

See notes to required supplementary information.

NOTE A - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

The District adopts a balanced budget that is approved by the Committee. The Superintendent of Schools presents an annual budget to the Committee, which includes estimates of revenues and other financing sources and recommendations of expenditures and other financing uses. The Committee, which has full authority to amend and/or reject the budget or any line item, adopts the expenditure budget by majority vote. Increases in the budget subsequent to the approval of the annual budget require majority Committee approval.

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

The District adopts an annual budget for the General Fund in conformity with the guidelines described above. The original fiscal year 2010 approved budget for the General Fund authorized \$42.2 million in appropriations, which included a carryover of \$495,000 of encumbrances from the prior year. There were no supplemental appropriations during the fiscal year.

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

B. Budgetary - GAAP Reconciliation

For budgetary financial reporting purposes, the Uniform Municipal Accounting System basis of accounting (established by the Commonwealth) is followed, which differs from the GAAP basis of accounting. A reconciliation of budgetary-basis to GAAP-basis results for the general fund for the fiscal year ended June 30, 2010, is presented below:

Net change in fund balance, budgetary basis.....	\$	404,672
<u>Basis of accounting differences:</u>		
Recognition of revenue for on-behalf payments.....		3,823,056
Recognition of expenditures for on-behalf payments.....		<u>(3,823,056)</u>
Net change in fund balance, GAAP basis.....	\$	<u>404,672</u>

NOTE B – PENSION PLAN

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

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

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

Actuarial Methods and Assumptions:

Valuation Date.....	January 1, 2007
Actuarial Cost Method.....	Entry Age Normal Cost Method
Amortization Method.....	Increasing at 4.5% per year
Remaining Amortization Period.....	20 years remaining as of July 1, 2008
Asset Valuation Method.....	The difference between the expected return and act investmetn return on a market value basis is recogn over a five-year period.

Actuarial Assumptions:

Investment rate of return.....	8.50%
Projected salary increases.....	4.0% to 4.8%
Cost of living adjustments.....	3.0% for the first \$12,000 of retirement income

Plan Membership:

Retired participants and beneficiaries receiving benefits.....	2,686
Terminated participants entitled to a return of their employee contributions.....	2,155
Terminated participants with a vested right to a deferred or immediate benefit.....	201
Active participants.....	<u>6,610</u>
Total.....	<u>11,652</u>

NOTE C – OTHER POSTEMPLOYMENT BENEFITS

The District administers a single-employer defined benefit healthcare plan ("The Other Postemployment Benefit Plan"). The plan provides lifetime healthcare insurance and life insurance benefits for eligible retirees and their spouses through the District's group health insurance plan, which covers both active and retired members.

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

The Schedule of Funding Progress presents multi-year trend information which compares, over time, the actuarially accrued liability for benefits with the actuarial value of accumulated plan assets. Since fiscal 2009 was the District's initial year of implementation of GASB Statement 45, information for prior years is not available.

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

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