

CHARIHO REGIONAL SCHOOL DISTRICT

**BASIC FINANCIAL STATEMENTS
AND REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2010**

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CHARIHO REGIONAL SCHOOL DISTRICT

**BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2010**

TABLE OF CONTENTS

	<u>Exhibit</u>	<u>Page(s)</u>
Independent Auditors' Report		1 - 2
Management's Discussion and Analysis		3 - 8
Basic Financial Statements:		
Government-wide Financial Statements:		
Statement of Net Assets	A-1	9
Statement of Activities	A-2	10
Fund Financial Statements:		
Governmental Funds:		
Balance Sheet		
Statement of Revenues and Other Financing Sources, Expenditures and Other Financing uses and Changes in Fund Balance	B-1	11
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds (B-2) to the Statement of Activities (A - 2)	B-2	12
	B-3	13
Proprietary Funds:		
Statement of Net Assets	C-1	14
Statement of Revenues, Expenses and Changes in Net Assets	C-2	15
Statement of Cash Flows	C-3	16
Fiduciary Funds:		
Statement of Fiduciary Net Assets	D-1	17
Notes to Financial Statements		18 - 39
Required Supplementary Information:		
Schedule of Revenues and Expenditures (Non-GAAP Budgetary Basis) Budget and Actual Municipal Employees' Retirement System of the State of Rhode Island	E-1	40
	E-2	41
Other Supplementary Information:		
Agency Funds:		
Statement of Changes in Assets and Liabilities	F - 1	42 - 44
Single Audit:		
Schedule of Expenditures of Federal Awards		45
Notes to Schedule of Expenditures of Federal Awards		46
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit Of Financial Statements Performed in Accordance with Government Auditing Standards		47 - 48
Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133		49 - 50
Schedule of Findings and Questioned Costs		51

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INDEPENDENT AUDITORS' REPORT

To the Superintendent &
Members of the School Committee
Chariho Regional School District
Wood River Junction, Rhode Island

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Chariho Regional School District as of and for the year ended June 30, 2010, which collectively comprises the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Chariho Regional School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic 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, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Chariho Regional School District as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Boston

Newton

Taunton

Concord

In accordance with *Governmental Auditing Standards*, we have also issued a report dated November 6, 2010 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 3 through 8 and Required Supplemental Information on pages 40 and 41 is 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.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements that collectively comprise the Chariho Regional School District's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of Chariho Regional School District. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards have been subjected to the audited procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Branen PC

Providence, Rhode Island
November 6, 2010

**CHARIHO REGIONAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2010**

As management of the CHARIHO Regional School District, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2010. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the notes to the basic financial statements and the financial statements to enhance their understanding of the District's financial performance.

FINANCIAL HIGHLIGHTS

- General Fund revenues accounted for \$50.7 million in revenues, or 87.6 percent of all fiscal year 2010 governmental fund revenues, compared to \$51.6 million, or 89.4 percent for fiscal year 2009. Program specific revenues in the form of grants and contributions accounted for \$5.9 million or 8.0 percent of total fiscal year 2010 governmental fund revenues, compared to \$4.8 million or 8.3 percent for fiscal year 2009.
- The District had approximately \$56.2 million in expenses related to governmental activities; of which \$6.5 million of these expenses were offset by program specific charges for services or grants and contributions. A decrease from \$57.0 million in expenses from fiscal year 2009; of which \$6.7 million of expenses were offset by program specific charges for services or grants and contributions.
- The District had business-type activity in several major and nonmajor proprietary funds. The Lunch fund's operating and non-operating revenues totaled \$873,776 and operating expenses totaled \$847,517 (including depreciation of \$8,334) leaving a net income of \$26,259 for 2010. Operating and non-operating revenues totaled \$892,100 and operating expenses totaled \$917,022 (including depreciation of \$6,435), leaving net loss of \$24,922 for 2009.
- Among major funds, the General Fund had \$50.7 million in fiscal year 2010 revenues as compared to \$51.6 in 2009, which primarily consisted of contributions from the Towns of Charlestown, Richmond, and Hopkinton, and \$49.9 million in expenditures in 2010 compared to \$53.7 in 2009. The General Fund's fund balance increased from \$5.7 million to \$6.6 million.
- The General Fund's fund balance at the close of the fiscal year consisted of the following:
 - \$ 50,967 reserved for prepaid expenditures
 - \$ 75,000 reserved for special education expenditures
 - \$ 8,276 reserved for encumbrances
 - \$ 1,386,556 designated for 2010-11 expenditures
 - \$ 90,000 designated for management study
 - \$ 569,859 designated for charter school tuition pending litigation
 - \$ 1,528,009 designated for participation in health care plan
 - \$ 2,876,234, unreserved and undesignated
- The District's long-term liabilities increased in comparison to prior year as a new bond issuance for \$4,812,000 was awarded during FY10.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise 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.

OVERVIEW OF FINANCIAL STATEMENTS (CONTINUED)

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

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

The *statement of activities* presents information showing how the District'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 fees and earned but unused compensated absences).

The government-wide financial statements outline functions of the District that are principally supported by contributions from the Towns of Charlestown, Richmond, and Hopkinton, vocational tuitions, and other intergovernmental revenues (*governmental activities*). The governmental activities of the District include instruction, instructional support, operations, and community 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 uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental 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 financial 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 the District's near-term financing requirements.

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

The District maintains many individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and the School's Grant Programs, both of which are considered to be major funds. Data from the other non-major governmental funds are combined into a single, aggregated presentation.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the District. 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. The accrual basis of accounting is used for fiduciary funds.

Proprietary Funds. Proprietary funds (the food service fund) have historically operated as enterprise funds using the same basis of accounting as business-type activities; therefore, these statements will essentially match the information provided in the statements for the District as a whole.

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

Other information In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the District's budget process. The District adopts an annual expenditure budget for the General Fund. A budgetary comparison statement has been provided for the General Fund as required supplementary information.

GOVERNMENT-WIDE FINANCIAL ANALYSIS. The key elements of the increases of the District's net assets for the year ended June 30, 2010 are as follows:

Table 1
Statement of Net Assets

	Governmental Activities 2010	Business-Type Activities 2010	Total 2010
Assets:			
Cash and other current assets	\$ 25,302,428	\$ 328,571	\$ 25,630,999
Capital assets, net	19,035,134	43,937	19,079,071
Total Assets	44,337,562	372,508	44,710,070
Liabilities:			
Current Liabilities	14,689,457	322,414	15,011,871
Noncurrent Liabilities	7,280,351	-	7,280,351
Total Liabilities	21,969,808	322,414	22,292,222
Net Assets:			
Invested in capital assets, net of related debt:	14,191,443	43,937	14,235,380
Unrestricted:	8,176,311	6,157	8,182,468
Total Net Assets	\$ 22,367,754	\$ 50,094	\$ 22,417,848

GOVERNMENT-WIDE FINANCIAL ANALYSIS. The key elements of the increases of the District's net assets for the year ended June 30, 2009 are as follows:

Table 1
Statement of Net Assets

	Governmental Activities 2009	Business-Type Activities 2009	Total 2009
Assets:			
Cash and other current assets	\$ 15,751,657	\$ 381,718	\$ 16,133,375
Capital assets, net	16,852,611	33,282	16,885,893
Total Assets	32,604,268	415,000	33,019,268
Liabilities:			
Current Liabilities	9,816,741	391,165	10,207,906
Noncurrent Liabilities	2,867,571	-	2,867,571
Total Liabilities	12,684,312	391,165	13,075,477
Net Assets:			
Invested in capital assets, net of related debt:	16,744,784	33,282	16,778,066
Unrestricted:	3,175,172	(9,447)	3,165,725
Total Net Assets	\$ 19,919,956	\$ 23,835	\$ 19,943,791

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

- An overview of the changes in the District's net assets for the year ended June 30, 2010 follows:

**Table 2
Changes in Net Assets**

	Governmental Activities 2010	Business-Type Activities 2010	Total 2010
Total Revenues	\$ 57,761,854	\$ 925,960	\$ 58,687,814
Total Expenses	56,226,478	899,701	57,126,179
Increase/(decrease) in Net Assets	<u>\$ 1,535,376</u>	<u>\$ 26,259</u>	<u>\$ 1,561,635</u>

- An overview of the changes in the District's net assets for the year ended June 30, 2009 follows:

**Table 2
Changes in Net Assets**

	Governmental Activities 2009	Business-Type Activities 2009	Total 2009
Total Revenues	\$ 57,845,458	\$ 951,396	\$ 58,796,854
Total Expenses	57,027,080	976,318	58,003,398
Increase/(decrease) in Net Assets	<u>\$ 818,378</u>	<u>\$ (24,922)</u>	<u>\$ 793,456</u>

REVENUE SOURCES

Local Contributions: The largest percentage of revenues comes from contributions from the Towns of Charlestown, Richmond, and Hopkinton. Per the enabling legislation of the regional school district (The CHARIHO Act), "Operating expenses for each fiscal year or portion thereof shall be apportioned among the member towns in proportion to the relationship of their respective pupil enrollment in the said district school system on October 1 of the previous calendar year to the total pupil enrollment in the said school system on said date". The enrollment numbers for calculation of the apportionment for the last five years are as follows:

	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10
Charlestown	1,103	1,075	1,058	1,051	1,044
	28.57%	28.17%	28.24%	28.15%	28.52%
Richmond	1,362	1,377	1,345	1,345	1,303
	35.27%	36.09%	35.91%	36.03%	35.59%
Hopkinton	1,396	1,364	1,343	1,337	1,314
	36.16%	35.74%	35.85%	35.82%	35.89%
TOTAL	3,861	3,816	3,746	3,733	3,661

REVENUE SOURCES (CONTINUED)

Housing Aid: In accordance with RI General Law 16-7-35 to 16-7-47, districts that undertake school housing projects for maintenance, renovation or new construction supported by general obligation bonds, and certain lease revenue bonds, capital leases, and capital reserve funds, are eligible for state housing aid reimbursement. Housing aid by law has a one year reference which results in the first payment of the construction entitlement being made in the fiscal year following the completion of the project. Housing aid received from the State for FY 2010 totaled \$1,193,930.

Intergovernmental grants: Revenues in this category are proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. Revenues are derived principally from federal and state governments and private foundations. These funds are detailed in the financial statements under the caption of Grant Programs.

EXPENDITURES BY FUNCTION – The expenditures of governmental activities are categorized by function in the six areas as listed below:

Instruction: Includes instructional teachers, substitutes, instructional paraprofessionals, pupil-use technology and software and instructional materials, trips and supplies.

Instructional support: Includes pupil support in the areas of guidance and counseling, library and media, extracurricular, student health services and academic interventions. Also includes teacher support in the areas of curriculum development, staff development, program management, therapists, psychologists, evaluators and social workers.

Operations: Includes non-instructional student support in the areas of in-district transportation, food service, safety, building upkeep, utilities, maintenance, data processing and business operations.

Other commitments (non-operating): Includes debt service, out of district public, parochial, private and charter school pass-throughs, retiree benefits and community service programs.

Leadership: Includes the costs of principals, school office, deputies, senior administrators, superintendent, school board and legal.

Fringe benefits: Includes the costs for district provided benefits, primarily employer retirement contributions, social security, medicare, health, dental and life insurance premiums.

GENERAL FUND BUDGETARY HIGHLIGHTS

There were minor differences between the District's original budget and the final amended budget. There were no additional appropriations necessary during the fiscal year.

Actual revenues and other sources were less than budgeted amounts by \$1,670,049. This was attributable to the District returning \$1,809,885 to the member towns to offset member town reductions in state aid to education. (The District was able to return these funds due to savings attributable to reduced pension contributions and to receipt of stabilization funds.)

Actual expenditures were less than budgeted amounts by \$4,729,102. Significant positive budget variances occurred in the Instruction category (\$572,610 primarily due to savings attributable to negotiation of a new certified staff collective bargaining agreement and reduced substitute teacher costs) in the Instructional Support category (\$381,774 primarily due to negotiation of a new certified staff collective bargaining agreement and a budgetary freeze on non-essential items) in the Operations category (\$359,047 primarily due to savings due to significantly reduced heating fuel prices and a budgetary freeze on non-essential items) in the Other Commitments category (\$2,351,359 primarily due to savings attributable to reduced pension contributions due to state pension reform and savings due to receipt of stabilization funds (see \$1,809,885 revenue above) as well as charter school tuition savings) and the Employee Benefit category (\$951,322 primarily due to payroll expense (FICA/retirement contribution) savings due to lower than expected salaries and reduced health insurance costs attributable to positive claims experience.) The Schedule of Revenues and Expenditures - Budget and Actual is presented on Exhibit E-1, following the Notes to the Financial Statements.

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS As of June 30, 2010, the District's investment in capital assets for its governmental activities was \$31.5 million less accumulated depreciation of \$12.5 million for a net investment in capital assets of \$19 million. This investment in capital assets includes construction work in progress, buildings and building improvements, equipment and vehicles.

CAPITAL RESERVE FUND

The District maintains a Capital Reserve Fund for costs incurred for capital projects. The RI law was changed in 1998 to allow Housing Aid reimbursement of non-bonded capital projects paid for out of a district capital reserve fund. However, the district must document that projects reimbursed under this provision of the law are indeed supported by properly constituted capital reserve funds. The district, therefore, maintains a separate fund for this specific purpose. The funds to support these projects come from contributions from participating Towns

LONG TERM LIABILITIES

At June 30, 2010, the District had long-term liabilities, all related to governmental activities, totaling \$8.2 million consisting of a capital lease payable, bonds payable and compensated absences, with the amounts due within one year estimated to be \$809 thousand. Additional information related to the District's long term liabilities can be found in Note 15 to the Financial Statements.

FACTORS AFFECTING NEXT YEAR'S BUDGET (FY 2011)

- Reduction in teacher pension contributions of \$606,415
- Reduction in portable classroom lease expenses of \$57,692
- Increase in charter school tuitions of \$117,792
- Increase in In-District SPED transportation of \$158,560
- Increase in debt service expense of \$625,623

- \$1,386,556 of the General Fund's fund balance was appropriated for spending in the 2010-11 budget.

- In the aggregate, member town contributions to the District increased by \$456,585, or .93%, for the 2010-11 fiscal year.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the CHARIHO Regional School District's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to:

Director of Administration and Finance
CHARIHO Regional School District
455A Switch Road
Wood River Junction, RI 02894

CHARIHO REGIONAL SCHOOL DISTRICT

A - 1

**Statement of Net Assets
June 30, 2010**

	Governmental Activities	Business-type Activities	Total	Component Unit Chariho Tri-Town Task Force
ASSETS				
Cash and cash equivalents	\$ 18,758,276	\$ 297,063	\$ 19,055,339	\$ -
Investments	1,070,601		1,070,601	
Prepaid Expenses	50,967		50,967	
Due from state	2,602,157	22,470	2,624,627	
Claims deposit	1,927,409		1,927,409	
Receivables (net)	802,695	9,038	811,733	38,485
Capital Assets, (net)	19,035,134	43,937	19,079,071	
Bond issuance costs	90,323		90,323	
TOTAL ASSETS	44,337,562	372,508	44,710,070	38,485
LIABILITIES				
Accounts payable	1,715,360	73,029	1,788,389	22,082
Accrued payroll and benefits	2,333,657		2,333,657	10,945
Due to member towns	779,044		779,044	879
Claims payable	399,400		399,400	
Deferred revenue	105,133	249,385	354,518	
Due to state	25,484		25,484	
Notes payable	8,315,806		8,315,806	
Pollution remediation obligation	206,800		206,800	
Current portion of long term debt	808,773		808,773	
Net OPEB Obligation	137,104		137,104	
Long-term liabilities (net)	7,143,247		7,143,247	
TOTAL LIABILITIES	21,969,808	322,414	22,292,222	33,906
NET ASSETS				
Invested in capital assets, net of related debt	14,191,443	43,937	14,235,380	
Unrestricted	8,176,311	6,157	8,182,468	4,579
TOTAL NET ASSETS	\$ 22,367,754	\$ 50,094	\$ 22,417,848	\$ 4,579

See notes to the basic financial statements

CHARIHO REGIONAL SCHOOL DISTRICT

**Statement of Activities
For the year ended June 30, 2010**

Functions/Programs	Program Revenues		Net (Expense) Revenue and Changes in Net Assets			Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	
Governmental activities:						
Instruction	\$ 22,126,652	\$ 1,360,823	\$ 2,588,685	\$ (18,177,144)	\$ -	\$ -
Instructional support	8,043,256		662,788	(7,380,468)		(7,380,468)
Operations	7,257,532		11,050	(7,246,482)		(7,246,482)
Other commitments	4,797,531		65,522	(4,732,009)		(4,732,009)
Leadership	2,409,996			(2,409,996)		(2,409,996)
Fringe benefits	9,650,872			(9,650,872)		(9,650,872)
Interest expense	131,781			(131,781)		(131,781)
Intergovernmental pension contribution	1,808,858		1,808,858	-		-
Total governmental activities	<u>56,226,478</u>	<u>1,360,823</u>	<u>5,136,903</u>	<u>(49,728,752)</u>	<u>-</u>	<u>(243,468)</u>
Business-type activity:						
Other business-type funds	52,184	49,784	2,400	-	-	-
Cafeteria program	847,517	541,139	313,648	7,270	7,270	7,270
Total business-type activities	<u>899,701</u>	<u>590,923</u>	<u>316,048</u>	<u>7,270</u>	<u>7,270</u>	<u>7,270</u>
Totals	<u>\$ 57,126,179</u>	<u>\$ 1,951,746</u>	<u>\$ 5,452,951</u>	<u>(49,728,752)</u>	<u>7,270</u>	<u>(49,721,482)</u>
General revenues:						
Town contributions				47,201,346		47,201,346
Intergovernmental revenue				2,739,215		2,739,215
Grants and contributions not restricted to specific programs				1,193,930		1,193,930
Grants and contributions restricted to Tri Town Task Force						244,560
Investment earnings				69,121		69,121
Transfers in (out)				(18,989)	18,989	-
Miscellaneous				79,505		79,505
Total general revenues				<u>51,264,128</u>	<u>18,989</u>	<u>244,560</u>
Change in Net Assets				1,535,376	26,259	1,092
Net Assets - beginning, as restated				20,832,378	23,835	3,487
Net Assets - ending				<u>\$ 22,367,754</u>	<u>\$ 50,094</u>	<u>\$ 4,579</u>

CHARIHO REGIONAL SCHOOL DISTRICT

B - 1

**Balance Sheet
Governmental Funds
June 30, 2010**

	General Fund	Capital Projects Housing Aid Fund	Debt Service Bond Fund	Capital Project Bond Proceeds Fund	Non-major Funds	Total Governmental Funds
ASSETS:						
Cash and cash equivalents	\$ 7,029,846	\$ 1,454,059	\$ 4,721,677	\$ 4,787,714	\$ 764,980	\$ 18,758,276
Investments				1,009,623	60,978	1,070,601
Prepaid expenditures	50,967					50,967
Due from state	555,430					555,430
Due from other funds	146,754				2,046,727	2,602,157
Claims deposit	1,927,409					1,927,409
Receivables (net)	707,159				95,536	802,695
TOTAL ASSETS	<u>10,417,565</u>	<u>1,454,059</u>	<u>4,721,677</u>	<u>5,797,337</u>	<u>2,968,221</u>	<u>25,358,859</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	613,515		498,766		603,079	1,715,360
Accrued payroll and benefits	2,270,525			2,154	60,978	2,333,657
Due to other funds				146,754		146,754
Due to member towns	549,224					549,224
Claims payable	399,400				229,820	779,044
Deferred revenue						399,400
Due to state					105,133	105,133
Notes payable				8,258,000	25,484	8,283,484
TOTAL LIABILITIES	<u>3,832,664</u>	<u>-</u>	<u>498,766</u>	<u>8,406,908</u>	<u>1,024,494</u>	<u>13,762,832</u>
FUND BALANCES:						
Reserved:						
Reserved for prepaid expenditures	50,967					50,967
Reserved for special education expenditures	75,000					75,000
Reserved for encumbrances	8,276					8,276
Unreserved:						
Designated for subsequent year expenditures	1,386,556					1,386,556
Designated for management study	90,000					90,000
Designated for charter school tuition pending litigation	569,859					569,859
Designated for health plan	1,528,009					1,528,009
Undesignated:						
Reported in General Fund	2,876,234					2,876,234
Reported in capital project fund		1,454,059	4,222,911	(2,609,571)	1,892,236	4,959,635
Reported in debt service funds						-
Reported in special revenue					51,491	51,491
TOTAL FUND BALANCES	<u>6,584,901</u>	<u>1,454,059</u>	<u>4,222,911</u>	<u>(2,609,571)</u>	<u>1,943,727</u>	<u>11,596,027</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 10,417,565</u>	<u>\$ 1,454,059</u>	<u>\$ 4,721,677</u>	<u>\$ 5,797,337</u>	<u>\$ 2,968,221</u>	

Amounts reported for governmental activities in the statement of net assets differ because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	19,035,134
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	(7,919,503)
Accrual of net OPEB obligation	(137,104)
Accrual of Pollution remediation obligation	(206,800)
Net Assets of governmental activities (A-1)	<u>\$ 22,367,754</u>

CHARIHO REGIONAL SCHOOL DISTRICT

B - 2

**Statement of Revenues and Other Financing Sources,
Expenditures and Other Financing Uses and Changes in Fund Balance
Governmental Funds
For the year ended June 30, 2010**

	General Fund	Capital Projects Housing Aid Fund	Debt Service Bond Fund	Capital Project Bond Proceeds Fund	Non-major Funds	Total Governmental Funds
Revenues						
Contributions of participating towns	\$ 45,875,382	\$ -	\$ -	\$ -	\$ 1,325,964	\$ 47,201,346
School housing aid		1,193,930				1,193,930
Intergovernmental	1,539,215				1,200,000	2,739,215
Tuition	1,360,823					1,360,823
Interest income	50,154			18,967		69,121
Federal grants					2,013,843	2,013,843
State grants					1,314,202	1,314,202
Miscellaneous	50,089				96,946	147,035
Intergovernmental pension contribution	1,808,858					1,808,858
Total revenues	<u>50,684,521</u>	<u>1,193,930</u>	<u>-</u>	<u>18,967</u>	<u>5,950,955</u>	<u>57,848,373</u>
Expenditures						
<i>Current:</i>						
Instruction	19,317,724				2,660,997	21,978,721
Instructional support	7,576,751				729,202	8,305,953
Operations	6,978,058				274,659	7,252,717
Other commitments	2,134,881	255,704	498,766	2,345,418	1,636,328	6,871,097
Leadership	2,406,290				-	2,406,290
Fringe benefits	9,644,630					9,644,630
Intergovernmental pension contribution	1,808,858					1,808,858
Total expenditures	<u>49,867,192</u>	<u>255,704</u>	<u>498,766</u>	<u>2,345,418</u>	<u>5,301,186</u>	<u>58,268,266</u>
Excess of revenues over(under) expenditures before transfers	<u>817,329</u>	<u>938,226</u>	<u>(498,766)</u>	<u>(2,326,451)</u>	<u>649,769</u>	<u>(419,893)</u>
Other financing sources (uses)						
Bond proceeds			4,721,677			4,721,677
Bond anticipation note premium				57,806		57,806
Transfers in					-	-
Transfers out					(18,989)	(18,989)
Interest expense				(131,781)		(131,781)
Net other sources (uses)	<u>-</u>	<u>-</u>	<u>4,721,677</u>	<u>(73,975)</u>	<u>(18,989)</u>	<u>4,628,713</u>
Excess of revenues and other sources over (under) expenditures and other uses	817,329	938,226	4,222,911	(2,400,426)	630,780	4,208,820
Fund balance, beginning of the year	<u>5,767,572</u>	<u>515,833</u>	<u>-</u>	<u>(209,145)</u>	<u>1,312,947</u>	<u>7,387,207</u>
Fund balance, end of the year	<u>\$ 6,584,901</u>	<u>\$ 1,454,059</u>	<u>\$ 4,222,911</u>	<u>\$ (2,609,571)</u>	<u>\$ 1,943,727</u>	<u>\$ 11,596,027</u>

CHARIHO REGIONAL SCHOOL DISTRICT

B - 3

***Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds (B-2) to the Statement of Activities (A-2)
For the year ended June 30, 2010***

Net change in fund balances - total governmental funds (B-2)	\$ 4,208,820
<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. This is the amount by which capital outlays exceeded depreciation in the current period</p>	2,182,523
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences.</p>	(4,942,925)
<p>Some expenses in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds</p>	86,958
Change in Net Assets of Governmental Activities in the Statement of Activities (A-2)	<hr/> <u>\$ 1,535,376</u>

Statement of Net Assets
 Proprietary Fund
 June 30, 2010

	Lunch Fund	Summer School Remedial	Adult Education Program	Non-Major Proprietary Funds	Total Business-type Activities
ASSETS					
<i>Current assets:</i>					
Cash	\$ 63,494	\$ 64,767	\$ 156,357	\$ 12,445	\$ 297,063
Receivables (net)	9,038				9,038
Due from federal and state grants	22,470				22,470
Total current assets	95,002	64,767	156,357	12,445	328,571
<i>Capital assets (net)</i>	43,937				43,937
TOTAL ASSETS	138,939	64,767	156,357	12,445	372,508
<i>Current liabilities:</i>					
Accounts payable	72,001		1,028		73,029
Deferred revenue	16,844	64,767	155,329	12,445	249,385
Total current liabilities	88,845	64,767	156,357	12,445	322,414
<i>Long Term Liabilities:</i>					
TOTAL LIABILITIES	88,845	64,767	156,357	12,445	322,414
NET ASSETS					
Invested in capital assets, net of related debt	43,937				43,937
Unrestricted	6,157		-		6,157
TOTAL NET ASSETS	\$ 50,094	\$ -	\$ -	\$ -	\$ 50,094

Statement of Revenues, Expenses and Changes in Fund Net Assets
 Proprietary Fund
 For the year ended June 30, 2010

	Lunch Fund	Summer School Remedial	Adult Education Program	Non-Major Proprietary Funds	Total Business-type Activities
Operating revenues:					
Charges for usage and service	\$ 541,139	\$ 20,892	\$ 28,892	\$ -	\$ 590,923
Intergovernmental				2,400	2,400
Total operating revenues	<u>541,139</u>	<u>20,892</u>	<u>28,892</u>	<u>2,400</u>	<u>593,323</u>
Operating expenses:					
Instruction		20,692			20,692
Operations	839,183	200			839,383
Other commitments			28,892	2,400	31,292
Depreciation	8,334			-	8,334
Total operating expenses	<u>847,517</u>	<u>20,892</u>	<u>28,892</u>	<u>2,400</u>	<u>899,701</u>
Operating loss	(306,378)	-	-	-	(306,378)
Nonoperating revenues:					
Federal grants	313,648				313,648
Transfer in	18,989				18,989
Total nonoperating revenues	<u>332,637</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>332,637</u>
Net income	26,259	-	-	-	26,259
Net assets - beginning of the year	<u>23,835</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>23,835</u>
Net assets - end of the year	<u>\$ 50,094</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 50,094</u>

Statement of Cash Flows
 Proprietary Fund
 For the year ended June 30, 2010

	Lunch Fund	Summer School Remedial	Adult Education Program	Non-Major Proprietary Funds	Total Business-type Activities
Cash flows from operating activities:					
Cash received from customers	\$ 552,935	\$ 20,892	\$ 28,892	\$ 2,400	\$ 605,119
Cash paid to suppliers	(906,919)	(20,892)	(34,482)	2,175	(960,118)
Net cash used for operating activities	(353,984)	-	(5,590)	4,575	(354,999)
Cash flows from noncapital financing activities:					
Federal grant receipts	313,648	-	-	-	313,648
Net cash provided by noncapital financing activities	313,648	-	-	-	313,648
Net Increase (decrease) in cash	(40,336)	-	(5,590)	4,575	(41,351)
Cash, beginning of the year	103,830	64,767	161,947	7,870	338,414
Cash, end of the year	\$ 63,494	\$ 64,767	\$ 156,357	\$ 12,445	\$ 297,063
Reconciliation of net income to net cash provided by operating activities:					
Operating loss	\$ (306,378)	\$ -	\$ -	\$ -	\$ (306,378)
Adjustments to reconcile:					
Depreciation	8,334				8,334
(Increase)/decrease in accounts receivable	7,846				7,846
(Increase)/decrease in due from federal and state grants	3,950				3,950
(Decrease)/increase in accounts payable	(84,580)		1,028		(83,552)
(Decrease)/increase in accrued expenses		(568)			(568)
(Decrease)/increase in deferred revenue	16,844	568	(6,618)	4,575	15,369
Net cash used for operating activities	\$ (353,984)	\$ -	\$ (5,590)	\$ 4,575	\$ (354,999)

CHARIHO REGIONAL SCHOOL DISTRICT

D - 1

***Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2010***

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 144,766
Investments	<u>111,905</u>
Total Assets	<u><u>256,671</u></u>
LIABILITIES	
Due to student groups	<u>256,671</u>
Total Liabilities	<u><u>\$ 256,671</u></u>

CHARIHO REGIONAL SCHOOL DISTRICT

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Chariho Regional School District conform to accounting principles generally accepted in the United States of America as applied to governmental entities. The following notes to the basic financial statements are an integral part of the District's basic financial statements.

The Chariho Regional School District was formed through enabling legislation of the State of Rhode Island for the purpose of operating elementary and secondary schools within the Districts of Charles District, Richmond and Hopkinton. The District is governed by an elected School Committee.

As required by generally accepted accounting principles, these basic financial statements present the Chariho Regional School District.

In evaluating how to define the government for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GASB Statement No. 39. Under GASB Statement No. 14, the financial reporting entity includes both the primary government and all of its component units. Component units are legally separate entities that meet any one of the following three tests:

- Test 1 – The primary government appoints the voting majority of the board of the potential component unit and is able to impose its will on the potential component unit and/or is in a relationship of financial benefit or burden with the potential component unit
- Test 2 – The potential component unit is fiscally dependent upon the primary government; or
- Test 3 – The financial statements would be misleading if data from the potential component unit were not included

The following entity was considered for classification as component units for fiscal year 2010:

❖ Chariho Tri-Town Task Force

The municipal governments of Charlestown, Richmond and Hopkinton authorized the creation of the Task Force. The Chariho Tri-Town Task Force supports the Chariho Regional School District's Substance Abuse Prevention programs as a result; the Chariho Tri-Town Task Force is considered a component unit of the District. The Chariho Regional School District serves as its fiduciary agent. The Chariho Tri-Town Task Force is included in the financial statements of the District as a discretely presented component unit. There are no other component units of the District.

❖ SORICO

The District is a member of the Southern Rhode Island Regional Collaborative (SORICO), a non-profit cooperative educational service organization created pursuant to Chapter 16-3.1 of the Rhode Island General Laws.

SORICO, in partnership with its member districts, provides leadership to ensure strong student achievement through the development and delivery of high quality programs and services using cost effective, collaborative and entrepreneurial strategies.

The District may withdraw from membership, subject to the conditions and restrictions set forth in SORICO's bylaws. SORICO is not classified as a component unit of the District under GASB Statement No.14.

CHARIHO REGIONAL SCHOOL DISTRICT

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation

Recently Issued Accounting Standards

The District has implemented the following new accounting pronouncements:

- ✓ GASB Statement No. 51 – Accounting and Financial Reporting for Intangible Assets, effective for the District's fiscal year end June 30, 2010. The impact of these pronouncements on the District's financial statements has not been determined.
- ✓ GASB Statement No. 53 – Accounting and Financial Reporting for Derivative Instruments, effective for the District's fiscal year end June 30, 2010. The impact of these pronouncements on the District's financial statements has not been determined.
- ✓ GASB Statement No. 58 – Accounting and Financial Reporting for Chapter 9 Bankruptcies, effective for the District's fiscal year ending June 30, 2010. The adoption of this Statement did not have an impact on the District's financial position or results in operation

The District will adopt the following new accounting pronouncement in future years:

- ✓ GASB Statement No. 54 - Fund Balance Reporting and Governmental Fund Type Definitions, effective for the District's fiscal year ending June 30, 2011.
- ✓ GASB Statement No. 59 – Financial Instruments Omnibus, effective for the District's fiscal year ending June 30, 2011.

Government-Wide Financial Statements

The Statement of Net Assets and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts which constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the District or meets the following criteria:

- a) Total assets, liabilities, revenues, or expenditures/expenses of that individual, governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
- b) Total assets, liabilities, revenues, or expenditures/expenses of the individual, governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

CHARIHO REGIONAL SCHOOL DISTRICT

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund

The General Fund is the primary operating fund of the District and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally or administratively restricted to expenditures for certain purposes.

Capital Project Housing Aid Fund

Capital Project Funds are used to account for resources restricted for the acquisition or construction of specific capital projects or items.

Debt Service Bond Fund

The Debt Service fund is used to account for the general obligation bond proceeds for the acquisition or construction of specific capital projects or items.

Capital Project Bond Proceeds Fund

The Capital Project Bond Proceeds fund is used to account for the bond anticipation note issuance during the fiscal year and for future bond issuance proceeds to finance capital improvement projects.

Proprietary Funds

The proprietary funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. Operating revenues of the Proprietary Fund consist of customer charges for uses and services and certain other miscellaneous revenues. All other revenues of the Proprietary Fund are considered non-operating sources of revenue.

Fiduciary Funds (Not included in government-wide statements)

Agency Funds

Agency funds account for assets held by the District in a purely custodial capacity. The reporting entity includes one agency fund. Since agency funds are custodial in nature (i.e. assets equal liabilities), they do not involve the measurement of results of operations. The agency fund is the Student Activity Fund.

CHARIHO REGIONAL SCHOOL DISTRICT

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Major and Non-Major Funds

The funds are further classified as major or non-major as follows:

<u>Fund</u>	<u>Brief Description</u>
Major:	
General:	See above for description
Capital Project Funds:	See above for description
Debt Service Bond Fund:	See above for description
Proprietary Fund:	Lunch fund, Summer School Remedial, Adult Education Program.
Non Major:	
Special Revenue:	Grant programs including federal grants, state grants, private grants, other capital project funds, and the Marine Fund
Non major proprietary:	Adult Continuing Education and District Calendar.

Measurement Focus

On the government-wide Statement of Net Assets and the Statement of Activities both governmental and business-like activities are presented using the economic resources measurement focus as defined in item (b) below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

- (a) All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spend able financial resources during a given period. These funds use fund balance as their measure of available spend able financial resources at the end of the period.
- (b) The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of net income, financial position and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.
- (c) Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

CHARIHO REGIONAL SCHOOL DISTRICT

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting

In the government-wide Statement of Net Assets and Statement of Activities both governmental and business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds and agency funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when "measurable and available". Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days thereafter to pay current liabilities. Expenditures (including capital outlay) are recorded when the related fund liability is incurred.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the proprietary fund's principal operation. The principal operating revenues of the enterprise funds are charges for services provided in accordance with the fund's purpose. Operating expenses for the enterprise funds include the costs of providing the services, including administration and depreciation on capital assets. All other revenue and expense items not meeting these criteria are reported as nonoperating revenues and expenses.

Cash Equivalents

For purposes of the cash flow statement, the proprietary fund considers all investments with original maturities of three months or less when purchased to be cash equivalents.

Accounts Receivable

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Major receivable balances for the governmental activities include intergovernmental receivables.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as grants and other similar intergovernmental revenues since they are usually both measurable and available. Non-exchange transactions collectible but not available are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the government-wide financial statements in accordance with the accrual basis. Proprietary fund material receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivables are based upon historical trends and the periodic aging of accounts receivable.

Proprietary Activity Accounting and Financial Reporting

The District has elected to apply to its proprietary funds accounting standards applicable to the private sector issued on or before November 30, 1989 unless those standards conflict with or contradict pronouncements of the Governmental Accounting Standards Board.

CHARIHO REGIONAL SCHOOL DISTRICT

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is employed in governmental funds. Open encumbrances at year-end are reported as reservations of fund balance since they do not constitute expenditures or liabilities.

Certain unexpended and unencumbered appropriations for incomplete projects are carried over to succeeding years. Such continuing appropriations are accounted for similar to encumbrances. Other unencumbered appropriations lapse at year end.

Investments

In accordance with GASB No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, investments are reported at fair value.

Compensated Absences

Under the terms of various contracts and policies, District employees are granted sick leave and personal days based on length of service. The District's policy is to recognize the cost of sick leave and personal days in governmental funds when paid and on the accrual basis in proprietary funds. The amount of earned but unpaid sick leave and personal days relating to governmental fund employees is recorded as long-term debt in the government-wide financial statements.

Capital Assets

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

Government-Wide Statements

In the government-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated fixed assets, which are recorded at their estimated fair value at the date of donation. Historical cost was used to value the majority of the assets recorded.

Capital assets are defined by the District, as assets with an initial individual cost of \$1,000 or more and an estimated useful life in excess of two years. However, only capital assets with value of \$5,000 or greater are depreciated.

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

Buildings.....	10 - 50 years
Building improvements.....	10 - 15 years
Land improvements	15 years
Vehicles.....	5 - 7 years
Equipment.....	5 - 15 years

CHARIHO REGIONAL SCHOOL DISTRICT

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

Interfund Transactions

Interfund activity within and among the funds of the District have been classified and reported as follows:

- Reciprocal interfund activities:
 - Interfund loans are reported as interfund receivables in the lending fund and interfund payables in borrower funds.
 - Interfund services are reported as revenues in the seller fund and as expenditures on expenses in the purchasing fund.
- Non-reciprocal interfund activities:
 - Interfund transfers are reported in governmental funds as other financing uses in the funds making transfers and as other financing sources in the funds receiving transfers. In proprietary funds, transfers are reported after nonoperating revenues and expenses.
 - Interfund reimbursements are repayments from the fund responsible for particular expenditures or expenses to other funds that initially paid for them. Reimbursements are not displayed separately within the financial statements.

Governmental Expenditures

In the fund financial statements, the operating expenditures are broken out into six functional categories, excluding the Intergovernmental Pension Contribution. Below is a description of the six categories and related activity charged to them:

- Instruction – face to face teaching and classroom materials.
- Instructional support – pupil support, teacher support, program support and assessments.
- Operations – non-instructional student support, facilities and business services.
- Other commitments – contingencies, capital, out-of-district obligations and legal obligations.
- Leadership – school management, program and operations management, district management,
- Fringe Benefits – health and medical benefits, other post employment retirement payments, fica, Medicare, voluntary savings contributions, unemployment, workers compensation, and other employee benefits.

CHARIHO REGIONAL SCHOOL DISTRICT

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Equity Classifications

Government-Wide Statements

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

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

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated. Proprietary fund equity is classified the same as in the government-wide statements.

Estimates

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

Explanation of Certain Differences Between the Governmental Fund Statement of Revenues and Other Financing Sources, Expenditures and Other Financing Uses and the Government-wide Statement of Activities

The governmental fund Statement of Revenues and Other Financing Sources, Expenditures and Other Financing Uses includes reconciliation between *net changes in fund balances – total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains, "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their useful lives and reported as depreciation expense." The details of this \$2,182,523 difference are as follows:

Capital outlays (net of disposals)	\$3,432,543
Depreciation expense.....	<u>(1,250,020)</u>
Net adjustment.....	<u>\$2,182,523</u>

Another element of the reconciliation states, "the governmental fund reflects this activity when it is paid with measurable and available resources." The details of the \$86,958 are as follows:

Increase in accrual of net OPEB obligation	(\$ 6,242)
Increase in liability for pollution remediation obligation	<u>93,200</u>
Net adjustment.....	<u>\$86,958</u>

CHARIHO REGIONAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

2. BUDGETARY DATA

The School District requires an annual budget for the General Fund. The practices used in preparation of the 2010 budget differ in certain respects from the presentation of the actual results of operations prepared in accordance with generally accepted accounting principles (GAAP). The actual results of operations, for purposes of the Statement of Revenues and Expenditures, Budget and Actual on a Budgetary Basis - General Fund, have been adjusted to a basis consistent with the School District's budget for 2010.

Amendments to the operating budget that do not result in additional appropriations may be made by means of a transfer. The Director of Administration and Finance has authority to make such transfers within departments as well as any transfers up to \$1,500. Transfers over \$1,500 must be approved by the School Committee. There were no additional appropriations during the year.

The adjustment necessary to reconcile actual revenues and expenditures reported on a budgetary basis to actual revenues and expenditures reported in accordance with generally accepted accounting principles are as follows:

	<u>Revenues and Transfers</u>	<u>Expenditures and Transfers</u>	<u>Net</u>
Statement of Revenues and Expenditures – Budgetary Basis (Exhibit 1)	\$50,077,471	\$47,018,418	\$3,059,053
Current year encumbrances included for Budgetary Basis....		(8,276)	8,276
On-behalf pension contribution by State of Rhode Island.....	1,808,858	1,808,858	-
Inclusion of Federal Stabilization Funds	1,048,192	1,048,192	-
Use of accumulated fund balance.....	<u>(2,250,000)</u>	-	<u>(2,250,000)</u>
Statement of Revenues and Expenditures -GAAP Basis (B-2)	<u>\$50,684,521</u>	<u>\$49,867,192</u>	<u>\$ 817,239</u>

3. CASH DEPOSITS AND INVESTMENTS

The District maintains deposits at local financial institutions. At year end, the carrying amount of such deposits was \$270,129, including \$750 of petty cash, while the bank balance was \$3,536,281 of which \$3,536,281 was covered by federal depository insurance and \$0 was uninsured. In addition, the District has investments classified as cash equivalents of \$18,929,986 with financial institutions.

At June 30, 2010, the District had the following investments classified as cash and cash equivalents:

<u>Description</u>	<u>Maturity</u>	<u>Fair Value</u>
Government Money Market Fund	N/A	\$9,382,521
Municipal Money Market Fund	N/A	\$4,757,388
Clark Scholarship Money Market Fund	N/A	\$68,400
Rhode Island Health & Educational Building District Fund	N/A	\$4,721,677

CHARIHO REGIONAL SCHOOL DISTRICT

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

3. CASH DEPOSITS AND INVESTMENTS (Continued)

Investments

The District has established legal restrictions as to the types of investments that may be held by the District. The District may invest in U.S. Treasury Bills, Short-term obligations of U.S. Government agencies, Federally Insured or collateralized certificates of deposit, Repurchase agreements collateralized by U.S. Treasury securities, State investment pools and Money Market mutual funds whose portfolios consist of U.S. Government securities.

At June 30, 2010, the District had the following investments of \$1,182,506.

<u>Description</u>	<u>Maturity</u>	<u>Fair Value</u>
Certificate of deposit	09/30/10	\$64,785
Certificate of deposit	03/31/11	\$47,120
Certificate of deposit	07/08/10	\$1,009,623
Certificate of deposit	07/07/10	\$60,978

Custodial Credit Risk – Deposits and Investments. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The collateralization of certificates of deposit or repurchase agreements must be in an amount of at least 102% of market value to the amount of the deposit is the District's investment policy for custodial credit risk.

Interest Rate Risk. It is the policy of the District to limit the length of its investment maturities in order to manage the exposure to fair value losses arising from increasing interest rates.

Credit Risk. As of June 30, 2010, the District's investments in Money Markets are not rated, as the fund invests in short-term Government obligations and other instruments collateralized or secured by U.S. Treasury obligations. The U.S. Treasury does not directly or indirectly insure or guarantee the performance of the fund. Treasury obligations have historically involved minimal risk of loss if held to maturity. However, fluctuations in market interest rates may cause the value of Treasury obligations in the Fund's portfolio to fluctuate.

Concentration of Credit Risk. The District places the following limits on the maximum percent of portfolio it may invest in any one specific instrument: the portfolio shall at all times comprise of at least three separate investment instruments; with no one instrument holding more than 50% of total fund principal. Furthermore, at least 30% of the invested funds shall be in instruments that can be redeemed by the District on demand within one day.

CHARIHO REGIONAL SCHOOL DISTRICT

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

4. CAPITAL ASSETS

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets not being depreciated				
Construction in progress	\$ -	\$ 1,966,017	\$ -	\$ 1,966,017
Total capital assets not being depreciated ..	<u>-</u>	<u>1,966,017</u>	<u>-</u>	<u>1,966,017</u>
Other capital assets:				
Buildings and improvements	24,436,755	969,713	163,502	25,242,966
Equipment	1,810,494	91,219	23,969	1,877,744
Land improvements	1,931,229	430,124	112,199	2,249,154
Vehicles	208,879	43,000	27,175	224,704
Total other capital assets at historical cost ..	<u>28,387,357</u>	<u>1,534,056</u>	<u>326,845</u>	<u>29,594,568</u>
Less: accumulated depreciation for:				
Buildings and improvements	8,751,007	1,035,840	118,432	9,668,415
Equipment	1,261,509	96,035	17,669	1,339,875
Land improvements	1,353,342	97,329	96,039	1,354,632
Vehicles	168,888	20,816	27,175	162,529
Total accumulated depreciation	<u>11,534,746</u>	<u>1,250,020</u>	<u>259,315</u>	<u>12,525,451</u>
Governmental activities capital assets, net	<u>\$16,852,611</u>	<u>\$2,250,053</u>	<u>\$67,530</u>	<u>\$19,035,134</u>
Business-type activities:				
Other capital assets:				
Equipment	\$ 93,671	\$ 18,989	\$ -	\$ 112,660
Total other capital assets at historical cost ..	<u>93,671</u>	<u>18,989</u>		<u>112,660</u>
Less: accumulated depreciation for:				
Equipment	60,389	8,334		68,723
Total accumulated depreciation	<u>60,389</u>	<u>8,334</u>		<u>68,723</u>
Business-type activities capital assets, net	<u>\$ 33,282</u>	<u>\$10,655</u>	<u>\$ -</u>	<u>\$ 43,937</u>

Depreciation expense was charged to functions as follows:

Governmental activities:	
Instruction	\$ 39,207
Operations	4,815
Other commitments	1,202,292
Leadership	3,706
Total governmental activities depreciation expense	<u>\$1,250,020</u>
Business-type activities	
School lunch	\$ 8,334
Total business-type activities depreciation expense	<u>\$ 8,334</u>

CHARIHO REGIONAL SCHOOL DISTRICT

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

5. INTERFUND BALANCES

The District had interfund receivables and payables totaling \$146,754 at June 30, 2010.

	<u>Due From</u>	<u>Due To</u>
General Fund	\$ 146,754	\$ -
Capital Project Bond Proceeds Fund		<u>146,754</u>
Total	<u>\$ 146,754</u>	<u>\$ 146,754</u>

The District had interfund transfers totaling \$18,989 for the year. The composition of interfund transfer balances at June 30, 2010 is as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
Capital Project Member Town Contributions Fund	\$ -	\$ 18,989
Lunch Fund	<u>18,989</u>	
Total	<u>\$ 18,989</u>	<u>\$ 18,989</u>

6. DEFINED BENEFIT PENSION PLANS

(a) Teacher's Pension Plan (ERS)

All Chariho Regional School District certified school personnel participate in the Employees' Retirement System of the State of Rhode Island ("System"), a cost-sharing multiple-employer public employee retirement system. In addition to classified employees, the System covers substantially all employees of the State of Rhode Island. The payroll for employees covered by the System for the year ended June 30, 2010 was \$24,761,193. The District's total payroll for the year ended June 30, 2010 was \$31,749,898.

Plan Description

The ERS was established under section two of chapter 2334 of the Rhode Island Public Laws of 1951 and placed under the management of the Retirement Board for the purpose of providing retirement allowances for employees of the State of Rhode Island under the provisions of chapters 8 to 10, inclusive, of title 36, and public school teachers under the provisions of chapters 15 to 17, inclusive, of title 16 of the Rhode Island General Laws. The plan provides a two tier benefit structure referred to as schedules A and B as follows:

CHARIHO REGIONAL SCHOOL DISTRICT

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

6. DEFINED BENEFIT PENSION PLANS (Continued)

(a) Teacher's Pension Plan (ERS) (Continued)

Plan Description (Continued)

Schedule A Benefits: Schedule A benefits are available to members who possess 10 years or more of contributory service on or before July 1, 2005. Schedule A provides unreduced benefits of 1.7% of earnings for each of the first ten years of service; 1.9% for each of the next ten years of service; 3.0% per year for each of the next fourteen years; and 2% for the 35th year. Joint and survivor options are available as well as the Service Retirement Allowance (SRA) Plus option that provides for the payment of a larger benefit before the attainment of age 62 and a reduced amount thereafter. The reduced amount is equal to the benefit before age 62, including cost-of-living increases, minus the member's estimated social security benefit payable at age 62. The maximum benefit is 80% of "final average" (FAC) earnings after 35 years of service. Final average earnings are the three highest consecutive years of earned salary excluding overtime, bonuses, or severance pays. Such benefits are available to members at least age 60 with 10 years of service, or after 28 years at any age. On the third January after retirement, a cost-of-living increase of 3% (compounded annually) is provided independent of actual changes in the consumer price index. The plan also provides nonservice-connected disability benefits after five years of service; service-connected disability pensions with no minimum service requirements; vested benefits after ten years of service; survivor's benefits for service connected death; and certain lump sum death benefits. For Schedule A members who are not grandfathered, i.e., members who had at least 10 years of creditable service at June 30, 2005 but who were not eligible to retire on September 30, 2009, benefits are based on Schedule A for services through September 30, 2009 and on Schedule B for services after September 30, 2009. Maximum benefit is 80% of FAC.

Schedule B Benefits: Schedule B benefits are provided to members who have less than 10 years of contributory service on or before July 1, 2005. For Schedule B members, the plan provides unreduced benefits of 1.6% of earnings for each of the first ten years of service; 1.8% for each of the next ten years; 2.0% per year for years 21 through 25 inclusive; 2.25% per year for years 26 through 30 inclusive; 2.5% per year for years 31 through 37 inclusive and 2.25% for the 38th year. Only single life, and joint and survivor options are available. The maximum benefit is 75% of his or her average highest three years of compensation after 38 years of service. Such benefits are available to members at least age 65 with 10 years of service, or after 29 years of service and age 59. Actuarially reduced retirement is available at age 55 and 20 years of service, the benefit is reduced actuarially for each month that the age of the member is less than sixty-five years. On the month following the third anniversary date of the retirement, and on the month following the anniversary date of each succeeding year, a cost of living increase of 3% (compounded annually) or the percentage of increase in the Consumer Price Index for all Urban Consumers (CPI-U) as published by the United States Department of Labor Statistics, determined as of September 30 of the prior calendar year, whichever is less is provided for Schedule B members.

The ERS plan also provides a survivor benefit to public school teachers via a "Teachers Survivor Benefits Fund" in lieu of Social Security. The details of the survivor death benefits and other death benefits are provided in the financial section of the Annual Financial Report of the Employees' Retirement System of Rhode Island for the fiscal year ending June 30, 2010 which can be found at www.ersri.org.

Funding Policy

Rhode Island general laws set the contribution rates for participating plan employees at 9.5% of salary. Annual contributions by both employers and the State on behalf of those employees are determined by actuaries and assessed as percentage of participants' payroll. The District was required to contribute 11.25%, 11.89%, and 13.04% for all full-time certified employees for fiscal years 2010, 2009, and 2008, respectively. The required contributions include (a) normal costs; (b) payments to amortize the unfunded frozen actuarial accrued liability as of June 30, 1999 over 30 years; and (c) interest on the unfunded frozen actuarial liability. Normal cost is determined using the entry age normal cost method with frozen initial liability. A variety of significant actuarial assumptions are used to determine the standardized measure of the pension benefit obligation and these assumptions are summarized below:

CHARIHO REGIONAL SCHOOL DISTRICT

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

6. DEFINED BENEFIT PENSION PLANS (Continued)

(a) Teacher's Pension Plan (ERS) (Continued)

Funding Policy (Continued)

Rhode Island general laws set the contribution rates for participating plan employees at 9.5% of salary. Annual contributions by both employers and the State on behalf of those employees are determined by actuaries and assessed as percentage of participants' payroll. The District was required to contribute 11.25%, 11.89%, and 13.04% for all full-time certified employees for fiscal years 2010, 2009, and 2008, respectively. The required contributions include (a) normal costs; (b) payments to amortize the unfunded frozen actuarial accrued liability as of June 30, 1999 over 30 years; and (c) interest on the unfunded frozen actuarial liability. Normal cost is determined using the entry age normal cost method with frozen initial liability. A variety of significant actuarial assumptions are used to determine the standardized measure of the pension benefit obligation and these assumptions are summarized below:

- (a) **Mortality** – 1994 Group Annuity Mortality Tables
- (b) **Investment return** – 8.25 percent, compounded annually.
- (c) **Salary increase** - Salaries will increase at a rate of 4.5 – 13.25 percent, compounded annually.
- (d) **Retirement age** – 75% of Schedule B members who reach the age of 59 with 29 years of service before age 65 are assumed to retire when first eligible. 75% of other members are expected to retire when first eligible, at age 65 with 10 years of service. Because of enactment of Article 7 in 2009, the retirement assumption was modified for members not eligible for retirement by October 1, 2009. Members who would have been assumed to retire prior to age 62 under the rules in effect before the enactment of Article 7 are assumed to retire when first eligible for an unreduced benefit under Article 7.
- (e) **Cost of living adjustments** – Schedule A members – 3% compounded; Schedule B members 2.5%.

As prescribed by Rhode Island general law, the State pays the entire portion of the annual required contribution attributable to the costs of contributions deferred by the State in prior years plus 40% of contributions assessed to employers on payroll not reimbursable through Federal programs. For fiscal year 2010, actuarial required contributions were 19.01% of the participant's salary. This resulted in contribution rates paid by the State on behalf of the District of 7.76% of non-federally reimbursable payrolls totaling \$1,808,858 for the fiscal year ended June 30, 2010. The District contributed the remaining 11.25% of the required 19.01%.

The amounts contributed to the plan were as follows:

<u>Years Ending June 30,</u>	<u>Employee</u>	<u>Percentage Contributed</u>
2010	\$2,987,418	100%
2009	\$2,304,644	100%
2008	\$3,160,550	100%

In accordance with GASB 27, "Accounting for Pensions by State and Local Governmental Employers," the District has determined that there are no assets or liabilities relating to the funding requirements of the plan.

CHARIHO REGIONAL SCHOOL DISTRICT

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

6. DEFINED BENEFIT PENSION PLANS (Continued)

(a) Teacher's Pension Plan (ERS) (Continued)

Funding Policy (Continued)

Trend information showing the System's progress in accumulating sufficient assets to pay benefits when due is presented in the State of Rhode Island's Employee Retirement System's June 30, 2009 annual financial report, which may be obtained from the administrative offices of the State of Rhode Island Retirement Board, 40 Fountain Street, Providence, Rhode Island. This report is the most recent report available from the State, who administers the Plan.

(b) General Municipal Employees' Pension Plan (MERS)

The Chariho Regional School District participates in the Municipal Employees' Retirement System of the State of Rhode Island ("System"), an agent multiple employer defined benefit plan. The System includes a normal plan for general employees and both a normal and optional plan for police and EMT personnel. All non-certified District general employees participate in the System.

The payroll for employees covered by the System for the year ended June 30, 2010 was approximately \$5,229,086 and the District wide payroll was \$31,749,898.

Plan Description

The following eligibility and benefit provisions are established by State Statute. The System generally provides retirement benefits equal to 2 percent of final average salary per year of service with a maximum benefit of 75 percent of final average salary. Final average salary is the three highest consecutive years of earned salary exclusive of overtime, and severance pay. Such benefits are available to members at least age 58 with 10 years of service or after 30 years regardless of age. The plan also provides nonservice-connected disability benefits after 5 years of service, service-connected disability benefits with no minimum service requirement, survivors' benefits, and certain lump sum death benefits. Employees are vested in their retirement benefits after 10 years of service. Benefits are established by State Statute.

Contributions Required and Contributions Made

General employees are required by State Statute to contribute 7 percent of their annual earnings until the maximum benefit (75 percent of final average salary) is accrued. The District is required to contribute based on an actuarially computed amount and as provided by State Statute for each participating municipality. The actuarial method used is the entry age normal cost with part of each municipality's unfunded actuarial liability funded over a fixed amortization period and the balance funded over the projected future payroll of active members. Due to large fluctuations in the contribution rates of certain municipalities, the plan has adopted a procedure which would allow a unit the option of paying a smoothed contribution rate. The smoothed contribution rate equals the previous fiscal year's contribution rate plus the greater of 2 percent or one eighth of the increase in contribution rate plus the cost of any benefit improvements. The actuarially determined contribution amount for the District was determined as described above and was based on an actuarial valuation as of June 30, 2009.

The annual required contribution for the District which equals the annual pension cost for the year ended June 30, 2010 was approximately \$538,727 for general employees. This contribution represents 10.30% of covered payroll. District employees were required to contribute approximately \$366,039. This contribution represents 7% of covered payroll for the period July 1, 2009 to June 30, 2010.

CHARIHO REGIONAL SCHOOL DISTRICT

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

6. DEFINED BENEFIT PENSION PLANS (Continued)

(b) General Municipal Employees' Pension Plan (MERS) (Continued)

Contributions Required and Contributions Made (Continued)

There were no current year changes in actuarial assumptions, benefit provisions, or actuarial funding method that would significantly affect the contribution requirement. Significant actuarial assumptions and other actuarial information are presented at the end of this note disclosure and in required supplemental information.

Trend Information

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2010	\$538,727	100%	\$0
2009	\$567,790	100%	\$0
2008	\$474,940	100%	\$0

Trend information showing the System's progress in accumulating sufficient assets to pay benefits when due is presented in the State of Rhode Island's Employee Retirement System's June 30, 2009 annual financial report, which may be obtained from the administrative offices of the State of Rhode Island Retirement Board, 40 Fountain Street, Providence, Rhode Island. This report is the most recent report available from the State, who administers the Plan.

Funded Status of Plan

The required supplementary information which follows 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 liability for benefits. Listed below are the details of the funding progress of the General Municipal Employees' Pension Plan with a valuation date of June 30, 2009 which is the most recent report available from the State who administers this plan.

- Actuarial value of assets - \$12,643,833
- Actuarial accrued liability - \$16,218,058
- Unfunded actuarial accrued liability (UAAL) - \$3,574,225
- Funded Ratio – 78.0%
- Annual covered payroll - \$5,152,916
- UAAL as percentage of payroll – 69.4%

CHARIHO REGIONAL SCHOOL DISTRICT

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

7. COMMITMENTS AND CONTINGENCIES

Contracts

The School District has contracted to have bus service provided for students through the last day of school in June 2011. The projected annual payment is approximately \$3.9M.

The District has contracted to have food service provided for students through the last day of school in June, 2009 with an option to renew in one year increments through June, 2013. The fees for this contract are based upon the number of meals served by the District. The District entered into a renewal agreement for the fiscal year 2011.

The District has an open commitment relating to various capital projects totaling \$207,821.

Grants

The School District has received federal and state grants for specific purposes that are subject to audit by the grantors or their representatives. Such audits could lead to requests for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. School District officials believe such disallowances, if any, would be immaterial.

Litigation

There are various lawsuits pending against the School District. The School District officials' estimate that liabilities, if any, against the District from such litigation not covered by insurance will be immaterial.

8. OTHER POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

The District administers a single-employer, defined benefit Other Post Employment Benefit plan in accordance with the District's teachers' contract, effective September 1, 2002. Under the provisions of the contract, any teacher who retires within the first three years of their eligibility to collect retirement benefits from the State's Teacher Retirement System will be entitled to the following District contributions toward the teacher's cost of health insurance: \$2,000 maximum per year for family plan coverage, and \$850 maximum per year for individual coverage. The District's obligation to these retirees shall continue until the retiree reaches age 65. The retiree may not receive benefits under the plan if covered by a spouse's family plan, but may opt to participate once coverage under a spouse's plan ceases. The plan may only be amended by the School Committee, subject to the terms of the teacher contract. The plan does not issue a stand-alone financial report since there are no assets legally segregated for the sole purpose of paying benefits under the plan.

The District currently contributes funds to the plan to satisfy current obligations on a pay-as-you-go basis. The costs of administering the plan are paid by the District.

The accrual basis of accounting is used. The District's annual other post employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the District (ARC). The District has engaged an actuary to calculate the ARC and related information per the provisions of GASB Statement 45 for employers with plans including more than 100 total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The amortization period for the benefits is 15 years. The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2010, the amount actually contributed to the plan, and the District's net OPEB obligation to the plan as of June 30, 2010.

CHARIHO REGIONAL SCHOOL DISTRICT

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

8. OTHER POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

<u>Annual OPEB Cost</u>	<u>Year ended June 30, 2010</u>
Normal cost	\$ 171,915
Adjustment to ARC	(11,317)
Interest	<u>5,234</u>
Annual Required Contribution (expense)	165,832
Contributions made during year	<u>(159,590)</u>
Change in Net OPEB Obligation	6,242
Net OPEB obligation at beginning of year	<u>130,862</u>
Net OPEB obligation at beginning of year	<u>\$ 137,104</u>

District contributions to the plan for the year ended June 30, 2010 represented 96.2% of annual OPEB expense. The difference represents the District's OPEB obligation to the plan and has been accrued as an expense in the government-wide financial statements.

The required supplementary information which follows 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 liability for benefits. Listed below are the details of the funding progress of the OPEB obligation with a valuation date of July 1, 2009, which is the most recent report available from the actuary who values this plan.

- Actuarial value of assets - \$0
- Actuarial accrued liability - \$1,715,539
- Unfunded actuarial accrued liability - (\$1,715,539)
- Funded ratio - 0%
- Annual covered payroll - \$29,755,715
- UAAL as percentage of payroll - 5.77%

The projection of future benefit payments for an ongoing plan involves 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 annual required contributions 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 on page 38 will, over time, present multi-year trend information about whether the actuarial value of plan assets (none at present) is increasing or decreasing relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (as understood by the employees and management) and include the type of benefit provided at the time of each valuation. The 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 following assumptions were made:

- Measurement date - July 1, 2009
- Actuarial cost method - Entry age normal method.
- Discount rate - 4.0%
- Salary increase - Not applicable.
- Expected rate of return - Not applicable.
- Mortality - RP-2000 Combined Mortality Table for male and females
- Amortization period - 15 years
- Health Care Cost trend factors for Classical Medical Plan - 2011 - 0.0%, 2012 - 8.5%, 2013 - 8.0%, 2014 - 7.5%, 2015 - 7.0%, 2016 - 6.5%, 2017 - 6.0%, 2018 - 5.5%, 2019 - 5.0%, and 2020 - 4.5%.

CHARIHO REGIONAL SCHOOL DISTRICT

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

9. RISK MANAGEMENT ACTIVITIES

For its employer health insurance coverage, the District has chosen to participate in the Health Benefits Project provided by the West Bay Community Health, an independent, non-profit organization. Deposits made to the Collaborative are treated as expenditures when it is probable that a claim has been incurred, and include estimated amounts for claims that have been incurred but not reported (IBNR). Claim liabilities are calculated considering the effects of inflation, recent claim and health care trends, and other economic and social factors.

An analysis of claims activity is presented below:

<u>Net Asset Balance at Beginning Of Fiscal Year</u>	<u>Current Year Claims and Expenses, Including IBNR</u>	<u>Actual Plan Deposits</u>	<u>Net Asset Balance at Fiscal Year End</u>
\$951,579	\$4,302,215	\$4,878,645	\$1,528,009

The Plan is covered by excess loss insurance coverage to cover annual per person claims in excess of \$175,000.

Other types of insurance coverage purchased through private insurers are as follows: public officials and employee liability, flood and earthquake insurance, boiler and machinery coverage, general liability, property and casualty, garage liability, oceans and marine liability and fiduciary coverage.

There have been no significant reductions in insurance coverage during the year ended June 30, 2010 as compared to the previous year. Claims incurred did not exceed insurance coverage in any of the last three years.

10. FUND BALANCE

(a) Designations and reservations

Designations and reservations of fund balance at June 30, 2010 were as follows:

General Fund:

Designated for health plan	\$1,528,009
Designated for subsequent year's expenditures	1,386,556
Designated for charter school tuition litigation	569,859
Designated for management study	90,000
Reserved for special education expenditures	75,000
Reserved for prepaid expenditures	50,967
Reserved for encumbrances.....	<u>8,276</u>

Total designations and reservations of fund balance..... **\$3,708,667**

CHARIHO REGIONAL SCHOOL DISTRICT

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

11. POLLUTION REMEDIATION OBLIGATION

The District is currently involved in the operation and maintenance of the Groundwater Remediation System at the Middle School and continued implementation of a Rhode Island Department of Environmental Management (RIDEM) approved Full-Scale Soil Washing Program. The District initially retained non-professional and professional consulting services to achieve the initial design of the recovery system. The initial design of the recovery system included the use of total fluids recovery technology which involved pumping a combination of groundwater and free product and running it through an oil/water separator. From its original installation in 1999 through 2005, it is estimate that approximately 4,000 gallons of free product were recovered. Consulting services are being utilized to achieve compliance with the applicable RIDEM regulations with regard to the remediation of No. 2 fuel from a former leaking underground storage tank. Using RIDEM's target cleanup goal, the District anticipates ongoing operation of the system in substantially the same configuration that exists today for one to three more years. The District will monitor the system operation and product recovery rates over the next year to assess when the free product thickness will meet the target goal. When appropriate, the District will shut down the system and observe the free product thickness at several locations. The consulting service believes the cleanup can be terminated within three years at a total remaining estimated cost of \$206,800. The District has recorded the remaining liability and corresponding charge to expenses for this estimated cost of the remedial work in the financial statements.

12. RESTATEMENT

Net Assets for Governmental activities at June 30, 2009 have been restated for the prior year overstatement of compensated absences which increased net assets by \$912,422.

13. OPERATING LEASES

On May 1, 2004 the District entered into a five year operating lease for modular classroom space ending May 1, 2009. On May 1, 2009 the District extended the operating lease for a period of two years ending May 1, 2011. The rental expense for the modular classroom space during the year ended June 30, 2010 amounted to \$133,440.

Future minimum lease payments are as follows:

2011	<u>\$ 111,200</u>
Total	<u>\$ 111,200</u>

14. NOTES PAYABLE

Notes payable at June 30, 2010 consisted of the following general obligation bond anticipation note:

Date of issue	June 24, 2010
Maturity date	June 23, 2011
Amount of issue	\$8,258,000
Amount of repayments during fiscal year 2010.....	\$0
Net Interest rate798%
Balance outstanding at June 30, 2010.....	\$8,258,000

CHARIHO REGIONAL SCHOOL DISTRICT

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

15. LONG TERM LIABILITIES

(a) Long-Term Liability Activity

Long-term liability activity for the year ended June 30, 2010 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Contractual Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:						
Long-term debt:						
Construction bond payable	\$ -	\$ 4,812,000	\$ -	\$ -	\$ 4,812,000	\$ -
Leases payable	107,827		76,136		31,691	31,691
Total long-term debt	107,827	4,812,000	76,136	-	4,843,691	31,691
Other long-term liabilities:						
Compensated absences	2,868,751	2,461,397	1,341,280	880,539	3,108,329	777,082
Total other long-term liabilities	2,868,751	2,461,397	1,341,280	880,539	3,108,329	777,082
Governmental activities:						
Long-term liabilities	\$ 2,976,578	\$ 7,273,397	\$ 1,417,416	\$ 880,539	\$ 7,952,020	\$ 808,773

CHARIHO REGIONAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

15. LONG-TERM LIABILITIES (Continued)

Payments on all long-term debt and other long-term liabilities that pertain to the District's governmental activities are made by the general fund or debt service funds. Long-term liabilities consist of the long-term liabilities that are not recorded as fund liabilities (i.e., debt of the proprietary fund). Amounts are as follows:

	Date of Issue	Amount Issued	Interest Rate	Maturity Date	Balance Outstanding #NAME?	Additions	Retirements	Balance Outstanding #NAME?
Bonds Payable:								
\$4.8M Revenue Bond	6/15/2010	\$ 4,812,000	.46%	5/15/2027	\$ -	\$ 4,812,000	\$ -	\$ 4,812,000
Bonds payable total					<u>4,812,000</u>	<u>4,812,000</u>	<u>-</u>	<u>4,812,000</u>
Leases payable:								
Energy-Efficient Lighting Copiers	11/15/2005	\$ 112,947	7.90%	11/15/2009	13,500		13,500	-
Computer Server	10/15/2005	\$ 153,446	19.14%	10/15/2010	55,985		40,633	15,352
Computer Server	3/31/2008	\$ 20,187	5.56%	3/31/2010	6,818		6,818	-
Computer Server	6/30/2009	\$ 49,105	7.35%	6/30/2012	31,524		15,185	16,339
Leases payable total					<u>107,827</u>	<u>-</u>	<u>76,136</u>	<u>31,691</u>
Total long-term debt					<u>\$ 107,827</u>	<u>\$ 4,812,000</u>	<u>\$ 76,136</u>	<u>\$ 4,843,691</u>

Total interest expense paid on long-term debt for the year ended June 30, 2010 was approximately \$133,640.

(b) Debt Maturity

Debt service requirements at June 30, 2010 were as follows:

Year Ended June 30,	Principal	Interest
2011	\$ 31,691	\$ 20,291
2012	300,750	22,135
2013	300,750	22,135
2014	300,750	22,135
2015	300,750	22,135
2016-2020	1,503,750	110,675
2021-2025	1,503,750	110,675
2026-2027	601,500	44,270
Total	\$ 4,843,691	\$ 374,451

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REQUIRED SUPPLEMENTARY INFORMATION

**Schedule of Revenues and Expenditures (Non-GAAP Budgetary Basis)
Budget and Actual
(Unaudited)**

Year Ended June 30, 2010

Required Supplementary Information

	Originally Adopted <u>Budget</u>	Final Approved <u>Budget</u>	Actual (Budgetary Basis)	Variance Favorable (Unfavorable)
Revenues:				
Contributions from participating Towns	\$ 47,685,268	\$ 47,685,267	\$ 47,685,267	\$ -
(Less: funds returned to Towns)	-	-	(1,809,885)	(1,809,885)
Intergovernmental revenue	532,192	532,192	491,023	(41,169)
Tuition	1,167,060	1,193,061	1,360,823	167,762
Investment income	50,000	50,000	50,154	154
Miscellaneous	63,000	37,000	50,089	13,089
Total revenues	<u>49,497,520</u>	<u>49,497,520</u>	<u>47,827,471</u>	<u>(1,670,049)</u>
Expenditures:				
Instruction	20,120,441	19,736,995	19,164,385	572,610
Instructional support	7,622,996	7,371,911	6,990,137	381,774
Operations	7,188,256	7,037,142	6,678,095	359,047
Other commitments	2,830,079	4,486,240	2,134,881	2,351,359
Leadership	2,576,910	2,519,280	2,406,290	112,990
Fringe benefits	11,408,838	10,595,952	9,644,630	951,322
Total expenditures	<u>51,747,520</u>	<u>51,747,520</u>	<u>47,018,418</u>	<u>4,729,102</u>
Excess of expenditures over revenues	<u>(2,250,000)</u>	<u>(2,250,000)</u>	<u>809,053</u>	<u>3,059,053</u>
Other financing sources (uses) :				
Use of accumulated fund balance	2,250,000	2,250,000	2,250,000	-
Net other financing sources	<u>2,250,000</u>	<u>2,250,000</u>	<u>2,250,000</u>	<u>-</u>
Excess of revenues over expenditures and other financing sources	<u>\$ -</u>	<u>\$ -</u>	<u>3,059,053</u>	<u>\$ 3,059,053</u>
Less: Increase in reserves and designations			76,188	
Less: Reappropriated fund balance			(2,250,000)	
Net increase in Unreserved, Undesignated Fund Balance			<u>\$ 885,241</u>	

CHARIHO REGIONAL SCHOOL DISTRICT

E-2

**REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2010**

SCHEDULE OF FUNDING PROGRESS (MERS)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) Entry Age (b)	Accrued Excess (Unfunded) of Assets Over AAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Excess of Assets Over AAL As a Percentage Of Covered Payroll ((a-b)/c)
6/30/09	\$12,643,833	\$16,218,058	\$(3,574,225)	78.0%	\$5,152,916	69.4%
6/30/08	\$11,805,862	\$14,496,692	\$(2,690,830)	81.4%	\$4,867,400	55.3%
6/30/07	\$10,500,830	\$13,354,584	\$(2,853,754)	78.6%	\$4,700,381	60.7%

SCHEDULE OF FUNDING PROGRESS (OTHER POST EMPLOYMENT BENEFITS)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) Entry Age (b)	Accrued Excess (Unfunded) of Assets Over AAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Excess of Assets Over AAL As a Percentage Of Covered Payroll ((a-b)/c)
7/01/09	\$ 0	\$1,715,539	\$(1,715,539)	0%	\$29,755,715	5.77%
7/01/08	\$ 0	\$2,018,516	\$(2,018,516)	0%	\$28,044,672	7.20%
7/01/07	\$ 0	\$2,229,046	\$(2,229,046)	0%	\$28,044,672	7.95%

OTHER SUPPLEMENTAL INFORMATION

CHARIHO REGIONAL SCHOOL DISTRICT

**Statement of Changes in Assets and Liabilities
Agency Funds
For the year ended June 30, 2010**

	Balance June 30, 2009	Additions	Deductions	Balance June 30, 2010
STUDENT FUNDS:				
Interest Account	\$ 19,508	\$ 2,412	\$ 2,281	\$ 19,639
Machine Income	8,995	1	-	8,996
SAF Council	79	-	-	79
Class Reserves	47,063	11,934	689	58,309
General Fund	12	-	-	12
National Honor Society	636	1,375	1,313	698
RYSE Field Day Acct	47	275	145	177
HS Principal Account	926	3,372	1,344	2,954
211B - Business Department	374	-	280	94
211E - English Department	223	12,233	12,366	90
211G - Guidance Department	1,452	13,362	14,112	702
211M - Math Department	1,856	-	-	1,856
211PE - Physical Education Dept.	274	1,074	391	957
211S - Science Department	1,222	1,680	1,606	1,296
211SS - Social Studies Department	3,318	-	990	2,329
Travel - Chariho Task Force	118	-	98	20
Travel - Misc.	377	-	-	377
Travel MS Nat'l Helpers	80	-	-	80
Travel - Quebec	1,293	17,034	16,882	1,445
Travel - Ransport	78	-	-	78
Post Grad Committee	9,081	7,815	13,204	3,692
Freshman Orientation	35	-	-	35
Oceanography	21	-	-	21
Student Emergency Fund	288	3,350	3,076	562
MS Principal Acct	7,590	5,711	9,842	3,459
Chariho Music Boosters	1,417	2,700	2,994	1,123
CHS Mentoring Program	138	-	-	138
Culinary Field Trips	6,726	11,005	12,865	4,865
HS Yearbook	15,582	29,440	35,099	9,923
MS Yearbook	1,002	14,826	14,449	1,380
HS Interact Club	1,620	1,113	837	1,896
FFA	6,647	10,479	5,797	11,329
Skills USA--VICA	3,324	14,119	16,110	1,334
Music	-	440	149	291
HS Foreign Language	785	-	-	785
MS Foreign Language	88	-	-	88
HS Home Economics	8	-	-	8
MS Home Economics	-	159	159	-
MS Kids Grow	42	-	-	42
MS Special Subjects	106	-	-	106
HS Science Club	573	-	90	483
MS Science Club	193	150	238	106
HS Drama Club	9,342	5,283	8,373	6,251
MS Drama Club	2,551	2,543	2,686	2,409
HS School Store	485	-	-	485
HS General Shop	29	-	-	29
FBLA	15	-	-	15
CHS Community Service	134	-	-	134
Chariho Surf Club	364	-	-	364
School Climate Control	293	-	-	293
HS Spanish Club	716	1,658	1,658	716
HS Art Club	439	6,517	5,981	976

(CONTINUED)

CHARIHO REGIONAL SCHOOL DISTRICT

**Statement of Changes in Assets and Liabilities
Agency Funds
For the year ended June 30, 2010**

	<u>Balance</u> <u>June 30, 2009</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2010</u>
STUDENT FUNDS:				
AP Art	\$ 135	\$ -	\$ -	\$ 135
CHS Arts Center Scholarship	1,401	3,519	552	4,368
HS Chorus	2,393	4,329	6,342	379
MS Feinstein Community Outreach	936	-	-	936
MS Chess Club	373	-	-	373
CMS Art Club	492	236	228	500
Team Phoenix (9th gr)	328	-	-	328
Dance Team	518	-	398	120
HS Student Council	441	1,102	1,074	469
MS Student Council	736	-	-	736
HS Library	1,576	484	701	1,359
MS Library	3,148	15,840	16,968	2,020
HS Newspaper	140	-	-	140
MS Students as Mediators	597	-	198	399
HS Literary Magazine	1,278	-	-	1,278
Scholarships - Art Dept.	4,294	-	-	4,294
Scholarships - Spinney	1,880	50	1,541	390
Scholarships-Greenhalgh/Naylor	420	-	-	420
Scholarships-Matson	993	-	-	993
Scholarships-Seeders-Brooks	1,788	-	-	1,788
Scholarships-SPED	2,102	-	-	2,102
Scholarships-Willis	265	-	-	265
Scholarships-Duncan	9,141	-	-	9,141
HS Library Memorial	220	-	220	-
Richmond Principal	551	4,933	5,197	287
Richmond Grades 1&2	84	200	197	87
HV Principal	1,900	1,042	1,744	1,198
HV Student Council	306	-	-	306
5 White A-Gest (formerly 5 Mint-A)	984	2,324	3,061	247
HV 4th Grade - Macksoud	295	-	-	295
HV 1st Grade - Haberek	2	-	-	2
HV Grade 4-Ricci	375	-	-	375
HV Library	394	-	-	394
Charlestown Principal	327	3,542	3,869	0
Charlestown Gr 2	32	-	32	-
Charlestown Gr 4	68	-	68	-
Charlestown Music	-	275	236	39
Charlestown Library	448	4,818	5,001	264
Ashaway Principal	490	5,392	5,176	706
Ashaway Feinstein	1,243	-	-	1,243
Ashaway Art	61	-	-	61
Ashaway Grade 4	25	1,315	1,268	72
5 Green B (formerly 5MintB)	1,172	6,150	7,322	0
Ashaway Library	701	365	723	343
Ashaway Grade 2	218	418	381	255
Ashaway After School Activities	775	-	-	775
Ashaway Grade 3	-	1,722	1,677	45
Ashaway Drama	203	-	-	203
Grade 5 House Account	481	5,531	5,189	823
5 Green A	-	1,211	1,088	124
5 Mint A-Potter (formerly 5GreenB)	802	1,492	894	1,400
5 Mint B (formerly 5WhiteA)	141	3,285	2,407	1,019
5 White B	79	2,300	2,037	342
Grade 6 House Account	746	5,608	5,920	434

(CONTINUED)

CHARIHO REGIONAL SCHOOL DISTRICT

**Statement of Changes in Assets and Liabilities
Agency Funds
For the year ended June 30, 2010**

	Balance June 30, 2009	Additions	Deductions	Balance June 30, 2010
STUDENT FUNDS:				
6 White B (formerly 6GreenA) - Vincent	\$ 519	\$ 1,362	\$ 1,764	\$ 117
6 Green B - Zasloff	15	2,289	1,200	1,104
6 White A - Haynes	616	3,035	3,179	472
6 Green A -Anderson (formerly 6WhiteB)	465	1,624	1,947	142
Blue	1,757	2,544	3,754	547
Orange	5,271	15,673	18,949	1,995
Silver	788	26,353	26,484	657
Red	1,411	7,046	7,937	520
MS Dance Account	1,347	867	1,822	392
8th Grade House (new account)	-	3,700	3,560	140
7th Grade House (formerly 7/8 Grade House)	3,492	1,040	2,077	2,455
Gold	693	-	693	-
Purple	1,521	16,968	16,787	1,702
ADL Classroom	64	120	45	139
Grade 8 Washington DC	2,698	16,452	17,034	2,116
MS Sensory Garden	580	-	-	580
Class of 2009	12,054	-	12,054	-
Class of 2010	11,077	17,417	26,093	2,401
Class of 2011	3,376	20,058	13,450	9,984
Class of 2012	1,107	2,901	1,464	2,544
Class of 2013 (new account)	-	2,084	976	1,108
PROGRAM FUNDS:				
Athletics	5,740	25,570	28,489	2,821
CTC Culinary	8,985	30,021	23,737	15,269
VT Facility-CTC #801-816 excl. 808	9,504	31,041	28,875	11,670
Totals	\$ 279,143	\$ 487,706	\$ 510,178	\$ 256,671

(CONCLUDED)

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SINGLE AUDIT

CHARIHO REGIONAL SCHOOL DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2010**

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures Incurred</u>
<i>U.S. Department of Education:</i>		
Idea-Part B (94-142) *	84.027	\$ 822,350
Preschool Services *	84.137	17,716
Title I *	84.010	234,791
Title II	84.367	170,652
Title III	84.365	2,053
Title IV	84.186	11,206
Long Term Plan	84.048	179,970
Perkins Adult Vocational Training	84.048	40,601
Federal Stabilization Funds *	84.394	1,048,192
ARRA IDEA Part B *	84.391	397,686
ARRA IDEA Preschool *	84.392	500
ARRA Title I *	84.389	98,137
ARRA E2T2-MCA	84.386	38,181
<i>Total U.S. Department of Education</i>		<u>3,062,035</u>
<i>U.S. Department of Agriculture:</i>		
National school lunch	10.555	280,745
National school breakfast	10.553	32,221
National school milk	10.556	682
<i>Total U.S. Department of Agriculture</i>		<u>313,648</u>
<i>Total Expenditures of Federal Awards</i>		<u>\$ 3,375,683</u>

*Denotes major program

CHARIHO REGIONAL SCHOOL DISTRICT

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2010**

1. GENERAL

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards programs of the Chariho Regional School District. All federal awards received from federal agencies are included on the Schedule.

2. BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting.

3. DETERMINATION OF MAJOR PROGRAMS

The determination of major federal awards programs was based upon the overall level of expenditures for all federal programs for the Chariho Regional School District. As such, the threshold for determining Type A and Type B programs are defined as those with program expenditures greater than \$300,000 or 3 percent of total expenditures when the total expenditures are over \$10,000,000. For the fiscal year, ended June 30, 2010, programs with expenditures exceeding \$300,000 were considered major programs. For the fiscal year ended June 30, 2010, the following was considered a major program:

Federal Stabilization Grant.....	84.394
IDEA Part B.....	84.027
IDEA Part B - Stimulus.....	84.391
Preschool Services	84.173
Preschool Services - Stimulus	84.392
Title I	84.010
Title I - Stimulus	84.389

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

To the Members of the School Committee
Chariho Regional School District

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Chariho Regional School District, as of and for the year ended June 30, 2010, which collectively comprise Chariho Regional School District's basic financial statements and have issued our report thereon dated November 6, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

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

Braun PC

Providence, Rhode Island
November 6, 2010

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Members of the School Committee
Chariho Regional School District

Compliance

We have audited the compliance of Chariho Regional School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2010. The Chariho Regional School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Chariho Regional School District's management. Our responsibility is to express an opinion on Chariho Regional School District's compliance based on our audit.

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

In our opinion, the Chariho Regional School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

Boston

Newton

Taunton

Concord
49

Internal Control Over Compliance

The management of the Chariho Regional School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Chariho Regional School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Chariho Regional School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

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

Bram. PC

Providence, Rhode Island
November 6, 2010

CHARIHO REGIONAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expressed an unqualified opinion on the financial statements of the Chariho Regional School District.
2. No significant deficiencies relating to the audit of the financial statements are reported in the Auditor's report.
3. No instances of noncompliance material to the financial statements of the Chariho Regional School District were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs were reported.
5. The auditor's report on compliance for the major federal award programs for the Chariho Regional School District expresses an unqualified opinion.
6. There were no audit findings relative to the major federal award programs for the Chariho Regional School District.
7. The programs tested as a major program includes:

Federal Stabilization Grant.....	84.394
IDEA Part B.....	84.027
IDEA Part B - Stimulus.....	84.391
Preschool Services	84.173
Preschool Services - Stimulus	84.392
Title I	84.010
Title I - Stimulus	84.389
8. The threshold for distinguishing Type A and B programs is described in note 3 to the Schedule of Expenditures of Federal Awards.
9. The auditee qualified as a low risk auditee.

B. FINDINGS -- RELATED TO THE AUDIT OF FINANCIAL STATEMENTS

None

C. FINDINGS AND QUESTIONED COSTS RELATING TO FEDERAL AWARDS

None

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