

NORTH MIDDLESEX REGIONAL SCHOOL DISTRICT

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

YEAR ENDED JUNE 30, 2016

NORTH MIDDLESEX REGIONAL SCHOOL DISTRICT
REPORT ON EXAMINATION OF BASIC FINANCIAL STATEMENTS

JUNE 30, 2016

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Independent Auditor's Report

To the Honorable School Committee
North Middlesex Regional School District
Pepperell, Massachusetts 01463

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the North Middlesex Regional School District as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the North Middlesex Regional School District, as of June 30, 2016, and the respective changes in financial position, where applicable, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2016, on our consideration of the North Middlesex Regional School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the North Middlesex Regional School District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Powers & Sullivan LLC". The signature is written in a cursive, flowing style.

November 8, 2016

Management's Discussion and Analysis

Management's Discussion and Analysis

As management of the North Middlesex Regional School District (District), we offer readers of these financial statements this narrative overview and analysis of the financial activities for the year ended June 30, 2016. The District complies with financial reporting requirements issued by the Governmental Accounting Standards Board (GASB). Management's discussion and analysis are part of these requirements. All amounts, unless otherwise indicated, are expressed in whole dollars.

Overview of the Financial Statements

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

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

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

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

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

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

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

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

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

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the District's budgetary basis of accounting as well as pension and other postemployment benefit obligations.

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

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. Assets exceeded liabilities by \$14.9 million at the close of 2016. Key components of the District's governmental financial position are listed below.

	<u>2016</u>	<u>2015</u>
Assets:		
Current assets.....	\$ 29,328,404	\$ 6,323,603
Capital assets.....	51,335,655	32,514,625
Total assets.....	<u>80,664,059</u>	<u>38,838,228</u>
Deferred outflows of resources		
Deferred outflows of resources related to pensions.....	663,197	34,132
Liabilities:		
Current liabilities (excluding debt).....	4,061,101	3,185,845
Noncurrent liabilities (excluding debt).....	28,300,467	24,478,022
Current debt.....	18,682,208	3,890,357
Noncurrent debt.....	15,406,468	2,275,000
Total liabilities.....	<u>66,450,244</u>	<u>33,829,224</u>
Deferred inflows of resources		
Deferred inflows of resources related to pensions.....	9,232	-
Net Position:		
Net investment in capital assets.....	35,793,084	26,318,183
Restricted.....	2,103,242	909,647
Unrestricted.....	<u>(24,057,971)</u>	<u>(22,184,694)</u>
Total net position.....	<u>\$ 13,838,355</u>	<u>\$ 5,043,136</u>

Net investment in capital assets of \$35.8 million reflects the District's investment in capital assets (e.g., buildings, land improvements, and machinery, equipment and furnishings); less any related debt used to acquire those assets that are still outstanding. The District uses these capital assets to provide services to pupils; consequently, these assets are *not* available for future spending. Although the investment in its capital assets is reported net of its related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Restricted net position of \$3.1 million represents resources that are subject to external restrictions on how they may be used, such as grants. The remaining balance of unrestricted net position reflects a deficit balance totaling \$24.1 million. This is mainly attributable to the District's liability related to other postemployment benefits and the net pension liability, which totaled \$16.9 million and \$11 million, respectively, as of June 30, 2016.

Governmental Activities

The governmental activities of the District are detailed below. The District's net position increased by \$9.8 million during 2016. The change in net position is primarily due to \$11.5 million of capital grants and favorable budgetary results offset by depreciation expense on capital assets exceeding debt principal payments by \$1.3 million and the recognition of a \$2.9 million expense for other postemployment benefits (see Note 12 for additional information).

	<u>2016</u>	<u>2015</u>
Program revenues:		
Charges for services.....	\$ 970,036	\$ 1,070,232
Operating grants and contributions.....	9,824,883	7,041,389
Capital grants and contributions.....	11,531,208	2,815,186
General Revenues:		
Member town assessment (operating).....	25,427,101	24,089,990
Grants and contributions not restricted to specific programs.....	20,259,716	20,218,740
Unrestricted investment income.....	10,987	10,201
Miscellaneous.....	689,060	36,954
Total revenues.....	<u>68,712,991</u>	<u>55,282,692</u>
Expenses:		
Administration.....	\$ 1,427,898	\$ 1,260,789
Instruction.....	23,868,559	23,955,729
Other School Services.....	3,362,984	3,291,744
Operations and Maintenance.....	3,305,528	3,640,723
Fixed Charges.....	10,500,248	9,819,735
MTRS Pension Contribution.....	5,549,506	3,185,806
Programs with Other Districts.....	674,249	1,228,081
Transportation.....	3,194,438	3,194,551
School Choice/Charter School.....	5,129,038	4,316,254
Interest.....	123,075	98,767
Depreciation.....	1,752,824	1,792,098
Total expenses.....	<u>58,888,347</u>	<u>55,784,277</u>
Change in net position.....	9,824,644	(501,585)
Net position - beginning.....	<u>5,043,136</u>	<u>5,544,721</u>
Net position - ending.....	<u>\$ 14,867,780</u>	<u>\$ 5,043,136</u>

Assessments to Member Towns increased \$1.3 million, in accordance with the District's budget. Capital grants and contributions increased \$8.7 million, which was the result of the increase in Massachusetts School Building Authority (MSBA) reimbursements for the high school construction project. With the exception of the MTRS pension contribution and school choice, total expenditures remained consistent with the prior year.

Financial Analysis of the Governmental Funds

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

Governmental funds. The focus of *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the year.

As of the end of the current year, governmental funds reported combined ending fund balances of \$7.4 million, an increase of \$7.3 million from the prior year. The increase was primarily due to favorable general fund budgetary results and the issuance of \$12.5 million of bond proceeds related to the school construction project.

The *general fund* is the District's chief operating fund. At year end, unassigned fund balance of the general fund totaled \$2.8 million while total fund balance equaled \$4.7 million. Assigned fund balance for encumbrances and subsequent year's expenditures totaled \$910,000 and fund balance restricted for debt service totaled \$1.0 million. Unassigned fund balance represents 5.38% of total general fund expenditures.

The *circuit breaker fund* is used to account for financial resources generated by funding from the state to offset the costs of special education. At the end of the current year, the fund had an accumulated fund balance of \$752,000, which is an increase of \$348,000 from the prior year.

The *high school capital building fund* is used to account for financial resources for the planning and construction of a new high school. At the end of the current year, the fund had an accumulated fund balance of \$1.4 million.

General Fund Budgetary Highlights

The District's year 2016 operating budget consisted of \$46.9 million in current year appropriations. There were no increases or decreases to the operating budget during the year.

Other Postemployment Benefits

As of June 30, 2016, the District has recognized a liability for other postemployment liabilities based on its Annual Required Contribution (ARC) totaling \$16.9 million. Please see Note 12 of the financial statements for further discussion.

Capital Asset and Debt Administration

The District's capital assets totaled \$51.3 million as of June 30, 2016. The District added \$20.6 million in 2016, most of which was related to the new high school project.

Outstanding bonds and notes of the District, as of June 30, 2016, totaled \$34.1 million, all of which is related to school building construction and improvements. Included in this amount is the issuance of \$18.3 million of bond anticipation notes related to High School construction and repairs. Please refer to Note 8 for more information.

Capital leases outstanding totaled \$310,000 as of June 30, 2016. Capital assets acquired under the leases include various capital technology items.

Please refer to the Notes 3, 6, 7 and 8 of the basic financial statements for further discussion of the capital asset and debt activity.

Requests for Information

This financial report is designed to provide a general overview of the North Middlesex Regional School District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Manager of Financial Operations, North Middlesex Regional School District, 45 Main Street, Pepperell, MA 01463.

Basic Financial Statements

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STATEMENT OF NET POSITION

JUNE 30, 2016

	Primary Government	
		<u>Governmental Activities</u>
ASSETS		
CURRENT:		
Cash and cash equivalents.....	\$	23,947,569
Receivables, net of allowance for uncollectibles:		
Departmental and other.....		25,462
Intergovernmental.....		5,355,373
Capital assets, net of accumulated depreciation:		
Nondepreciable.....		26,567,715
Depreciable.....		<u>24,767,940</u>
TOTAL ASSETS.....		<u>80,664,059</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources related to pensions.....		<u>663,197</u>
LIABILITIES		
CURRENT:		
Warrants payable.....		1,552,151
Accrued payroll.....		1,919,490
Accrued interest.....		20,678
Other liabilities.....		199,884
Capital lease obligations.....		129,898
Compensated absences.....		239,000
Notes payable.....		18,269,251
Bonds payable.....		412,957
NONCURRENT:		
Capital lease obligations.....		179,795
Compensated absences.....		264,000
Net pension liability.....		10,991,588
Other postemployment benefits.....		16,865,084
Bonds payable.....		<u>15,406,468</u>
TOTAL LIABILITIES.....		<u>66,450,244</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources related to pensions.....		<u>9,232</u>
NET POSITION		
Net investment in capital assets.....		35,793,084
Restricted for:		
Debt service.....		1,029,425
Gifts and grants.....		2,103,242
Unrestricted.....		<u>(24,057,971)</u>
TOTAL NET POSITION.....	\$	<u><u>14,867,780</u></u>

See notes to basic financial statements.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2016

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
<i>Governmental Activities:</i>					
Administration.....	\$ 1,427,898	\$ -	\$ -	\$ -	(1,427,898)
Instruction.....	23,868,559	93,477	1,368,199	-	(22,406,883)
Other School Services.....	3,362,984	826,283	362,789	-	(2,173,912)
Operations and Maintenance.....	3,305,528	50,276	-	-	(3,255,252)
Fixed Charges.....	10,500,248	-	-	-	(10,500,248)
MTRS pension contributions/payments.....	5,549,506	-	5,549,506	-	-
Massachusetts School Building Authority.....	-	-	-	11,531,208	11,531,208
Programs with Other Districts.....	674,249	-	1,022,625	-	348,376
Transportation.....	3,194,438	-	976,815	-	(2,217,623)
School Choice/Charter School.....	5,129,038	-	544,949	-	(4,584,089)
Interest.....	123,075	-	-	-	(123,075)
Depreciation.....	1,752,824	-	-	-	(1,752,824)
Total Governmental Activities.....	\$ 58,888,347	\$ 970,036	\$ 9,824,883	\$ 11,531,208	\$ (36,562,220)

See notes to basic financial statements.

(Continued)

STATEMENT OF ACTIVITIES (Continued)

YEAR ENDED JUNE 30, 2016

Changes in net position:

Net (expense) revenue from previous page..... \$ (36,562,220)

General revenues:

Member town assessments..... 25,427,101

Grants and contributions not restricted to
specific programs..... 20,259,716

Unrestricted investment income..... 10,987

Miscellaneous..... 689,060

Total general revenues..... 46,386,864

Change in net position..... 9,824,644

Net Position:

Beginning of year..... 5,043,136

End of year..... \$ 14,867,780

See notes to basic financial statements. (Concluded)

**GOVERNMENTAL FUNDS
BALANCE SHEET**

JUNE 30, 2016

ASSETS	<u>General</u>	<u>Circuit Breaker</u>	<u>High School Capital Building Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash and cash equivalents.....	\$ 8,093,249	\$ 929,286	\$ 13,660,249	\$ 1,264,785	\$ 23,947,569
Receivables, net of uncollectibles:					
Departmental and other.....	-	-	-	25,462	25,462
Intergovernmental.....	<u>2,328</u>	<u>-</u>	<u>5,195,549</u>	<u>157,496</u>	<u>5,355,373</u>
TOTAL ASSETS.....	<u>\$ 8,095,577</u>	<u>\$ 929,286</u>	<u>\$ 18,855,798</u>	<u>\$ 1,447,743</u>	<u>\$ 29,328,404</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES:					
Warrants payable.....	\$ 1,338,760	\$ 176,814	\$ -	\$ 36,577	\$ 1,552,151
Accrued payroll.....	1,859,094	-	-	60,396	1,919,490
Other liabilities.....	199,884	-	-	-	199,884
Notes payable.....	<u>-</u>	<u>-</u>	<u>17,438,766</u>	<u>830,485</u>	<u>18,269,251</u>
TOTAL LIABILITIES.....	<u>3,397,738</u>	<u>176,814</u>	<u>17,438,766</u>	<u>927,458</u>	<u>21,940,776</u>
FUND BALANCES:					
Restricted.....	1,029,425	752,472	1,417,032	1,350,770	4,549,699
Assigned.....	909,981	-	-	-	909,981
Unassigned.....	<u>2,758,433</u>	<u>-</u>	<u>-</u>	<u>(830,485)</u>	<u>1,927,948</u>
TOTAL FUND BALANCES.....	<u>4,697,839</u>	<u>752,472</u>	<u>1,417,032</u>	<u>520,285</u>	<u>7,387,628</u>
TOTAL LIABILITIES AND FUND BALANCES.....	<u>\$ 8,095,577</u>	<u>\$ 929,286</u>	<u>\$ 18,855,798</u>	<u>\$ 1,447,743</u>	<u>\$ 29,328,404</u>

See notes to basic financial statements.

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

JUNE 30, 2016

Total governmental fund balances.....		\$ 7,387,628
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....		51,335,655
Deferred outflows of resources related to pensions.....		663,197
Deferred inflows of resources related to pensions.....		(9,232)
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.....		(20,678)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
Capital lease obligations.....	(309,693)	
Bonds payable.....	(15,819,425)	
Net pension liability.....	(10,991,588)	
Other postemployment benefits.....	(16,865,084)	
Compensated absences.....	<u>(503,000)</u>	
Net effect of reporting long-term liabilities.....		<u>(44,488,790)</u>
Net position of governmental activities.....		<u>\$ 14,867,780</u>

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2016

	General	Circuit Breaker	High School Capital Building Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:					
Member town assessments.....	\$ 25,427,101	\$ -	\$ -	\$ -	\$ 25,427,101
Charges for service.....	-	-	-	967,835	967,835
Intergovernmental.....	26,757,158	1,022,625	11,531,208	1,729,821	41,040,812
Departmental and other.....	-	-	-	2,201	2,201
School choice/charter school.....	53,576	-	-	491,373	544,949
Investment income.....	10,928	-	-	59	10,987
Contributions.....	-	-	-	30,046	30,046
Miscellaneous.....	115,576	-	-	573,484	689,060
TOTAL REVENUES.....	52,364,339	1,022,625	11,531,208	3,794,819	68,712,991
EXPENDITURES:					
Current:					
Administration.....	1,330,898	-	-	-	1,330,898
Instruction.....	22,251,525	-	-	1,826,151	24,077,676
Other School Services.....	2,312,580	-	-	1,050,404	3,362,984
Operation and Maintenance.....	3,612,472	-	-	52,660	3,665,132
Fixed Charges.....	7,330,046	-	-	20,385	7,350,431
MTRS Pension Payments.....	5,549,506	-	-	-	5,549,506
Capital Outlay.....	-	-	20,208,146	-	20,208,146
Programs with other Districts.....	-	674,249	-	-	674,249
Transportation.....	3,194,438	-	-	-	3,194,438
School Choice/Charter School.....	5,129,038	-	-	-	5,129,038
Debt Services:					
Debt Principal.....	495,000	-	-	-	495,000
Debt Interest.....	109,011	-	-	-	109,011
TOTAL EXPENDITURES.....	51,314,514	674,249	20,208,146	2,949,600	75,146,509
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	1,049,825	348,376	(8,676,938)	845,219	(6,433,518)
OTHER FINANCING SOURCES (USES):					
Proceeds from bonds.....	-	-	12,500,000	-	12,500,000
Premium from issuance of refunding bonds.....	1,029,425	-	-	-	1,029,425
Capital lease financing.....	199,591	-	-	-	199,591
Transfers in.....	-	-	-	147,855	147,855
Transfers out.....	(147,855)	-	-	-	(147,855)
TOTAL OTHER FINANCING SOURCES (USES).....	1,081,161	-	12,500,000	147,855	13,729,016
NET CHANGE IN FUND BALANCES.....	2,130,986	348,376	3,823,062	993,074	7,295,498
FUND BALANCES AT BEGINNING OF YEAR.....	2,566,853	404,096	(2,406,030)	(472,789)	92,130
FUND BALANCES AT END OF YEAR.....	\$ 4,697,839	\$ 752,472	\$ 1,417,032	\$ 520,285	\$ 7,387,628

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2016

Net change in fund balances - total governmental funds..... \$ 7,295,498

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.

Capital outlay.....	20,573,854
Depreciation expense.....	<u>(1,752,824)</u>

Net effect of reporting capital assets..... 18,821,030

The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.

Capital lease financing.....	(199,591)
Capital lease principal payments.....	159,013
Proceeds from bonds.....	(12,500,000)
Premium from issuance of bonds.....	(1,029,425)
Debt service principal payments.....	<u>495,000</u>

Net effect of reporting long-term debt..... (13,075,003)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Net change in compensated absences accrual.....	(33,000)
Net change in accrued interest on long-term debt.....	(34,064)
Net change in net pension liability.....	(884,611)
Net change in deferred outflow/(inflow) of resources related to pensions.....	619,833
Net change in other postemployment benefits accrual.....	<u>(2,885,039)</u>

Net effect of recording long-term liabilities..... (3,216,881)

Change in net position of governmental activities..... \$ 9,824,644

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2016

	Agency Funds
ASSETS	
CURRENT:	
Cash and cash equivalents.....	\$ <u>139,071</u>
LIABILITIES	
Liabilities due depositors.....	\$ <u><u>139,071</u></u>

See notes to basic financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The District consists of the Towns of Ashby, Pepperell, and Townsend. The District is governed by a nine-member School Committee that oversees school administration and has members from all three towns based on relative town population as follows: one member from Ashby, three members from Pepperell, two members from Townsend and three at-large members collectively elected by the three towns. Members are elected for staggered 3-year terms. The District's schools include four elementary schools, two middle schools, and one high school. As required by GAAP, these basic financial statements present the District (the primary government) and its component units. The District has no component units that require inclusion in these basic financial statements.

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

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

Fund Financial Statements

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

Major Fund Criteria

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

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

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

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation*Government-Wide Financial Statements*

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

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

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

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

The effect of interfund activity has been removed from the government-wide financial statements.

Fund Financial Statements

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

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

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

The following major governmental funds are reported:

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

The *circuit breaker fund* is used to account for financial resources generated by funding from the state to offset the costs of special education.

The *high school capital building fund* is used to account for financial resources for the planning and construction of a new high school.

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

The *special revenue fund* is used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than permanent funds or capital projects.

The *capital projects fund* is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets of the governmental funds.

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

The following fiduciary fund type is reported:

The *agency fund* is used to account for assets held in a purely custodial capacity. The District's agency fund is comprised of student activities.

D. Cash and Investments

Government-Wide and Fund Financial Statements

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

E. Fair Value Measurements

The District reports required types of financial instruments in accordance with the fair value standards. These standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or valuation techniques) to determine fair value. Fair value standards also require the government to classify these financial instruments into a three-level hierarchy, based on the priority of inputs to the valuation technique or in accordance with net asset value practical expedient rules, which allow for either Level 2 or Level 3 depending on lock up and notice periods associated with the underlying funds.

Instruments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 – Quoted prices are available in active markets for identical instruments as of the reporting date. Instruments, which are generally included in this category, include actively traded equity and debt securities, U.S. government obligations, and mutual funds with quoted market prices in active markets.

Level 2 – Pricing inputs are other than quoted in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. Certain fixed income securities, primarily corporate bonds, are classified as Level 2 because fair values are estimated using pricing models, matrix pricing, or discounted cash flows.

Level 3 – Pricing inputs are unobservable for the instrument and include situations where there is little, if any, market activity for the instrument. The inputs into the determination of fair value require significant management judgment or estimation.

In some instances the inputs used to measure fair value may fall into different levels of the fair value hierarchy and is based on the lowest level of input that is significant to the fair value measurement.

Market price is affected by a number of factors, including the type of instrument and the characteristics specific to the instrument. Instruments with readily available active quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value. It is reasonably possible that change in values of these instruments will occur in the near term and that such changes could materially affect amounts reported in these financial statements. For more information on the fair value of the Town's financial instruments, see Note 2 – Cash and Investments.

F. Accounts Receivable

Government-Wide and Fund Financial Statements

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

Intergovernmental

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

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

G. Inventories

Government-Wide and Fund Financial Statements

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

H. Capital Assets

Government-Wide Financial Statements

Capital assets, which include land, land improvements, buildings, and machinery, equipment and furnishings are reported in the government-wide financial statements. Capital assets are recorded at historical cost, or at estimated historical cost, if actual historical cost is not available. Donated capital assets are recorded at the estimated fair market value at the date of donation.

All purchases and construction costs in excess of \$10,000 are capitalized at the date of acquisition or construction, respectively, with expected useful lives of greater than one year.

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

Capital Asset Type	Estimated Useful Life (in years)
Buildings.....	20-40
Land improvements.....	15-30
Machinery, equipment and furnishings.....	5-15

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

Governmental Fund Financial Statements

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

I. Deferred Outflows/Inflows of Resources

Government-Wide Financial Statements (Net Position)

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. The District accounted for deferred outflows related to pensions in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has no items that qualify for reporting in this category.

Governmental Fund Financial Statements

In addition to liabilities, the governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents assets that have been recorded in the governmental fund financial statements but the revenue is not available and so will not be recognized as an inflow of resources (revenue) until it becomes available. The District has no elements that qualify for reporting in this category.

J. Interfund Receivables and Payables

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

Fund Financial Statements

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

Government-Wide Financial Statements

Transactions of a buyer/seller nature between and within governmental funds are eliminated from the governmental activities in the statement of net position.

K. Interfund Transfers

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

Government-Wide Financial Statements

Transfers within governmental funds are eliminated from the governmental activities in the statement of net activities.

Fund Financial Statements

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

L. Net Position and Fund Equity

Government-Wide Financial Statements (Net Position)

Net position reported as “net investment in capital assets” includes capital assets, net of accumulated depreciation, less the principal balance of outstanding debt used to acquire capital assets. Unspent proceeds of capital related debt are not considered to be capital assets. Outstanding debt related to future reimbursements from the state’s school building program is not considered to be capital related debt.

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

Net position has been restricted for “Gifts and grants”, which represents restrictions placed on assets from outside parties.

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Fund Financial Statements (Fund Balances)

Governmental fund balances are classified as nonspendable, restricted, committed, assigned, or unassigned based on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

The governmental fund balance classifications are as follows:

“Nonspendable” fund balance includes amounts that cannot be spent because they are either not in spendable form or they are legally or contractually required to be maintained intact.

“Restricted” fund balance includes amounts subject to constraints placed on the use of resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or that are imposed by law through constitutional provisions or enabling legislation.

“Committed” fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision-making authority. The School Committee is the highest level of decision making authority that can commit funds for a specific purpose. Once voted, the limitation imposed by the vote remains in place until the funds are used for their intended purpose or a vote is taken to rescind the commitment.

“Assigned” fund balance includes amounts that are constrained by the District’s intent to be used for specific purposes, but are neither restricted nor committed. The District’s business manager is authorized to assign fund balance. Assignments generally only exist temporarily. Additional action does not have to be taken for the removal of an assignment.

“Unassigned” fund balance includes the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

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

M. Long-term debt*Government-Wide Financial Statements*

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

Governmental Fund Financial Statements

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

N. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Middlesex County Contributory Retirement System and the Massachusetts Teachers Retirement System and additions to/deductions from the Systems' fiduciary net position have been determined on the same basis as they are reported by the Systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

O. Investment Income

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

P. Compensated Absences

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

Government-Wide Fund Financial Statements

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

Governmental Fund Financial Statements

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

Q. Use of Estimates

Government-Wide and Fund Financial Statements

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

R. Total Column

Government-Wide Financial Statements

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

Fund Financial Statements

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

NOTE 2 - CASH AND INVESTMENTS

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

Statutes authorize the investment in obligations of the U.S. Treasury, agencies, and instrumentalities, certificates of deposit, repurchase agreements, money market accounts, bank deposits and the State Treasurer's Investment Pool (Pool). In addition, there are various restrictions limiting the amount and length of deposits and investments.

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

Custodial Credit Risk – Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a formal deposit policy for custodial credit risk. At year-end, the carrying amount of deposits totaled \$24,081,492 and the bank balance totaled \$24,518,611. Of the bank balance, \$1,012,332 was covered by Federal Depository Insurance, \$22,715,612 was insured under the Depositors Insurance Fund, and \$790,667 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Investments

As of June 30, 2016, North Middlesex Regional School District investments consisted of \$5,148 invested in MMDT. MMDT's value is measured at amortized cost.

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of a failure by the counterparty, the entity will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. The District does not have a formal investment policy for custodial credit risk.

Interest Rate Risk

The District does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Concentration of Credit Risk

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

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District has not adopted a formal policy related to Credit Risk.

NOTE 3 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2016, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 633,724	\$ -	\$ -	\$ 633,724
Construction in Progress.....	5,725,845	20,208,146	-	25,933,991
Total capital assets not being depreciated.....	<u>6,359,569</u>	<u>20,208,146</u>	<u>-</u>	<u>26,567,715</u>
<u>Capital assets being depreciated:</u>				
Buildings.....	51,890,875	-	-	51,890,875
Land improvements.....	1,044,409	-	-	1,044,409
Machinery, equipment and furnishings.....	5,408,524	365,708	-	5,774,232
Total capital assets being depreciated.....	<u>58,343,808</u>	<u>365,708</u>	<u>-</u>	<u>58,709,516</u>
<u>Less accumulated depreciation for:</u>				
Buildings.....	(27,581,497)	(1,263,244)	-	(28,844,741)
Land improvements.....	(446,162)	(32,213)	-	(478,375)
Machinery, equipment and furnishings.....	(4,161,093)	(457,367)	-	(4,618,460)
Total accumulated depreciation.....	<u>(32,188,752)</u>	<u>(1,752,824)</u>	<u>-</u>	<u>(33,941,576)</u>
Total capital assets being depreciated, net.....	<u>26,155,056</u>	<u>(1,387,116)</u>	<u>-</u>	<u>24,767,940</u>
Total governmental activities capital assets, net.....	<u>\$ 32,514,625</u>	<u>\$ 18,821,030</u>	<u>\$ -</u>	<u>\$ 51,335,655</u>

NOTE 4 - RECEIVABLES

At June 30, 2016, receivables for the individual major and non-major governmental funds totaled \$5,380,835 and consisted of amounts due from the MSBA, other federal and state agencies and departmental receivables.

NOTE 5 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The District transferred \$147,855 from the general fund to the nonmajor funds for a budgeted pay-down of bond anticipation notes.

NOTE 6 – CAPITAL LEASES

The District has entered into non-cancelable long-term lease agreements for the purchase of certain equipment. The lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

The following identifies the assets acquired through capital lease agreements:

		<u>Governmental</u>	
		<u>Activities</u>	
<u>Asset:</u>			
Machinery and equipment.....	\$	1,371,984	
Less: accumulated depreciation.....		<u>(884,662)</u>	
Total.....	\$	<u><u>487,322</u></u>	

The future minimum lease obligation and the net present value of the minimum payments at June 30, 2016, are as follows:

		<u>Governmental</u>	
		<u>Activities</u>	
<u>Years</u>			
<u>Ending June 30</u>			
2017.....	\$	132,140	
2018.....		132,140	
2019.....		<u>52,140</u>	
Total minimum lease payments.....		316,419	
Less: amounts representing interest.....		<u>(6,726)</u>	
Present value of minimum lease payments.....	\$	<u><u>309,693</u></u>	

NOTE 7 - SHORT-TERM FINANCING

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

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

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

Details related to the District's short-term debt activity for the year ended June 30, 2016, follow:

<u>Type</u>	<u>Purpose</u>	<u>Rate</u>	<u>Due Date</u>	<u>Balance at</u>	<u>Renewed/</u>	<u>Retired/</u>	<u>Balance at</u>
		<u>(%)</u>		<u>June 30,</u>	<u>Issued</u>	<u>Redeemed</u>	<u>June 30,</u>
				<u>2015</u>			<u>2016</u>
BAN	Septic System Repairs.....	0.55%	7/25/2015	\$ 565,000	\$ -	\$ 565,000	\$ -
BAN	High School Construction.....	0.50%	7/24/2015	2,000,000	-	2,000,000	-
BAN	MSBA feasibility study.....	0.50%	7/24/2015	453,166	-	453,166	-
BAN	Municipal Purpose Loan - Green Repair.....	0.50%	12/4/2015	382,191	-	382,191	-
BAN	Ashby School Roof Repairs.....	0.55%	12/2/2016	-	234,336	-	234,336
BAN	High School Construction and feasibility.....	1.50%	7/22/2016	-	8,034,915	-	8,034,915
BAN	High School Construction.....	2.00%	3/17/2017	-	10,000,000	-	10,000,000
Total.....				<u>\$ 3,400,357</u>	<u>\$ 18,269,251</u>	<u>\$ 3,400,357</u>	<u>\$ 18,269,251</u>

NOTE 8 - LONG-TERM DEBT

State law permits the District, under the provisions of Chapter 71, Section 16, to authorize indebtedness not to exceed an amount approved by the School Committee. Additionally, written notice of the amount of debt authorized and general purpose of the debt must be given to the Board of Selectmen in each of the Town's comprising the District.

Details related to the District's outstanding indebtedness at June 30, 2016, and the debt service requirements follow:

Project	Maturities Through	Original Issue	Interest Rate (%)	Outstanding at June 30, 2015	Issued	Redeemed	Outstanding at June 30, 2016
School Building Remodel - Pepperell.....	2016	2,235,000	4.00	\$ 220,000	\$ -	\$ 220,000	\$ -
School Building Remodel Refunding - Nissitissit.....	2025	2,545,000	2.25-3.00	2,565,000	-	275,000	2,290,000
High School Project.....	2041	12,500,000	2.00-5.00	-	12,500,000	-	12,500,000
				2,785,000	12,500,000	495,000	14,790,000
Add: unamortized premium.....				-	1,029,425	-	1,029,425
Total Bonds Payable.....				\$ 2,785,000	\$ 13,529,425	\$ 495,000	\$ 15,819,425

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

Year	Principal	Interest	Total
2017.....	\$ 325,000	\$ 498,800	\$ 823,800
2018.....	875,000	494,825	1,369,825
2019.....	870,000	465,325	1,335,325
2020.....	865,000	429,925	1,294,925
2021.....	805,000	394,625	1,199,625
2022.....	795,000	362,025	1,157,025
2023.....	790,000	329,625	1,119,625
2024.....	735,000	297,325	1,032,325
2025.....	730,000	267,625	997,625
2026.....	500,000	229,012	729,012
2027.....	500,000	221,875	721,875
2028.....	500,000	201,875	701,875
2029.....	500,000	186,875	686,875
2030.....	500,000	171,875	671,875
2031.....	500,000	156,875	656,875
2032-2036....	2,500,000	573,750	3,073,750
2037-2041....	2,500,000	225,001	2,725,001
Total.....	\$ 14,790,000	\$ 5,507,238	\$ 20,297,238

The District has been approved to receive school construction assistance through the Massachusetts School Building Authority (MSBA). The MSBA provides resources for eligible construction costs and debt interest and borrowing costs. During year 2016, approximately \$6.6 million of such assistance was recognized.

The MSBA offers a construction grant program which pays the District the State's share of the approved school construction costs and therefore eliminates the need for the District to fund the State's share through long-term debt. The North Middlesex Regional High School project is being funded by this grant program at an eligible cost rate of 60.63%.

The District is subject to various debt limits by statute and may issue additional general obligation debt under the normal debt limit.

At June 30, 2016, the District had the following authorized and unissued debt:

Purpose	Amount
Ashby AES Roof.....	\$ 1,333,296
Feasibility Study - New High School.....	501,234
New High School.....	76,584,977
Septic System.....	<u>3,851</u>
Total.....	<u>\$ 78,423,358</u>

Changes in Long-term Liabilities

During the year ended June 30, 2016, the following changes occurred in long-term liabilities:

	Balance June 30, 2015	Additions	Deductions	Balance June 30, 2016	Current Portion
Long-term bonds and notes.....	2,785,000	12,500,000	(495,000)	14,790,000	325,000
Add: unamortized premium.....	-	1,029,425	-	1,029,425	87,957
Total long-term bonds and notes..	2,785,000	13,529,425	(495,000)	15,819,425	412,957
Compensated absences.....	\$ 470,000	\$ 272,000	\$ (239,000)	\$ 503,000	\$ 239,000
Capital leases.....	269,115	149,693	(109,115)	309,693	129,898
Other postemployment benefits.....	13,980,045	4,854,169	(1,969,130)	16,865,084	-
Total.....	<u>\$ 17,504,160</u>	<u>\$ 18,805,287</u>	<u>\$ (2,812,245)</u>	<u>\$ 33,497,202</u>	<u>\$ 781,855</u>

NOTE 9 - GOVERNMENTAL FUND BALANCE CLASSIFICATIONS

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54) provides for two major types of fund balances, which are nonspendable and spendable. Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. Examples of this classification are prepaid items, inventories, and principal (corpus) of an endowment fund. The District has reported principal portions of endowment funds as nonspendable.

In addition to the nonspendable fund balance, GASB 54 has provided a hierarchy of spendable fund balances, based on a hierarchy of spending constraints.

- **Restricted:** fund balances that are constrained by external parties, constitutional provisions, or enabling legislation.
- **Committed:** fund balances that contain self-imposed constraints of the government from its highest level of decision making authority.
- **Assigned:** fund balances that contain self-imposed constraints of the government to be used for a particular purpose.
- **Unassigned:** fund balance of the general fund that is not constrained for any particular purpose and the deficit fund balances for other funds that would otherwise be restricted, committed, or assigned.

The District has classified its fund balances with the following hierarchy:

	<u>General</u>	<u>Circuit Breaker</u>	<u>High School Capital Building Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
FUND BALANCES					
Federal and state grant funds.....	\$ -	\$ -	\$ -	\$ 9,829	\$ 9,829
Other revolving funds.....	-	-	-	1,340,941	1,340,941
Circuit breaker.....	-	752,472	-	-	752,472
Capital projects Funds.....	-	-	1,417,032	-	1,417,032
Debt service.....	1,029,425	-	-	-	1,029,425
Assigned to:					
Administration.....	5,600	-	-	-	5,600
Instruction.....	116,166	-	-	-	116,166
Other school services.....	663	-	-	-	663
Operation and maintenance.....	225,319	-	-	-	225,319
School Choice/Charter Schools.....	72,233	-	-	-	72,233
E&D used to balance subsequent year's budget.....	490,000	-	-	-	490,000
Unassigned.....	<u>2,758,433</u>	<u>-</u>	<u>-</u>	<u>(830,485)</u>	<u>1,927,948</u>
TOTAL FUND BALANCES (DEFICIT).....	<u>\$ 4,697,839</u>	<u>\$ 752,472</u>	<u>\$ 1,417,032</u>	<u>\$ 520,285</u>	<u>\$ 7,387,628</u>

NOTE 10 - RISK FINANCING

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance.

The District participates in premium-based health care plans for its employees and retirees.

Workers' Compensation claims are administered by a third party administrator and are funded on a pay-as-you-go basis from annual appropriations.

NOTE 11 - PENSION PLAN*Plan Description*

The District is a member of the Middlesex County Retirement System (MCRS), a cost-sharing multiple-employer defined benefit pension plan covering eligible employees of the 70 member units. The MCRS is administered by five board members (Board) on behalf of all current employees and retirees except for current teachers and retired teachers. Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan.

The District is a member of the Massachusetts Teachers' Retirement System (MTRS), a cost-sharing multi-employer defined benefit plan. MTRS is managed by the Commonwealth of Massachusetts (Commonwealth) on behalf of municipal teachers and municipal teacher retirees. The Commonwealth is a nonemployer contributor and is responsible for 100% of the contributions and future benefit requirements of the MTRS. The MTRS covers certified teachers in cities (except Boston), towns, regional school districts, charter schools, educational collaboratives and Quincy College. The MTRS is part of the Commonwealth's reporting entity and the audited financial report may be obtained by visiting <http://www.mass.gov/osc/publications-and-reports/financial-reports/>.

Special Funding Situation

The Commonwealth is a nonemployer contributor and is required by statute to make 100% of all actuarially determined employer contributions on behalf of the District to the MTRS. Therefore, the District is considered to be in a special funding situation as defined by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and the Commonwealth is a nonemployer contributor in MTRS. Since the District does not contribute directly to MTRS, there is no net pension liability to recognize. The total of the Commonwealth provided contributions have been allocated based on each employer's covered payroll to the total covered payroll of employers in MTRS as of the measurement date of June 30, 2015. The District's portion of the collective pension expense, contributed by the Commonwealth, of \$5,549,506 is reported in the general fund as intergovernmental revenue and pension expense in the current fiscal year. The portion of the Commonwealth's collective net pension liability associated with the District is \$68,420,437 as of the measurement date.

Benefits Provided

Both Systems provide retirement, disability, survivor and death benefits to plan members and beneficiaries. Massachusetts Contributory Retirement System benefits are, with certain minor exceptions, uniform from system to system. The System provides for retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. For persons who became members on or after April 2, 2012, average salary is the average annual rate of regular compensation received during the five consecutive years that produce the highest average, or, if greater, during the last five years (whether or not consecutive) preceding retirement. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification. Members become vested after ten years of creditable service.

Employees who resign from service and who are not eligible to receive a retirement allowance or are under the age of 55 are entitled to request a refund of their accumulated total deductions. Survivor benefits are extended to eligible beneficiaries of members whose death occurs prior to or following retirement.

Cost-of-living adjustments granted between 1981 and 1997 and any increase in other benefits imposed by the Commonwealth's state law during those years are borne by the Commonwealth and are deposited into the pension fund. Cost-of-living adjustments granted after 1997 must be approved by the Board and are borne by the System.

Contributions

Chapter 32 of the MGL governs the contributions of plan members and member units. Active plan members are required to contribute to the System at rates ranging from 5% to 9% of gross regular compensation with an additional 2% contribution required for compensation exceeding \$30,000. The percentage rate is keyed to the date upon which an employee's membership commences. The member units are required to pay into the MCRS a legislatively mandated actuarial determined contribution that is apportioned among the employers based on active current payroll. The District's proportionate share of the required contribution equaled its actual contribution for the year ended December 31, 2015, was \$836,323, 16.76% of covered payroll, actuarially determined as an amount that, when combined with plan member contributions, is expected to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability.

Pension Liabilities

At June 30, 2016, the District reported a liability of \$10,991,588 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2014. Accordingly, update procedures were used to roll forward the total pension liability to the measurement date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At December 31, 2015, the District's proportion was 0.852%.

Pension Expense

For the year ended June 30, 2016, the District recognized pension expense of \$1.1 million. At June 30, 2016, the District reported deferred outflows of resources related to pensions of \$663,197 from the net difference between projected and actual investment earnings on pension plan investments, and \$102,710, from the changes in proportion and differences between employer contributions and proportionate share of contributions. The District also reported deferred inflows of resources related to pensions of \$9,232 related to the changes in proportion and differences between employer contributions and proportionate share of contributions. Since the System performs an actuarial valuation bi-annually, there are not reported differences between expected and actual experience or a change of assumptions as of December 31, 2015.

The District's deferred outflows/inflows of resources related to pensions will be recognized in future pension expense as follows:

Year ended June 30:	
2017.....	\$ 165,651
2018.....	165,651
2019.....	165,651
2020.....	<u>157,012</u>
Total.....	<u>\$ 653,965</u>

Actuarial Assumptions - The total pension liability in the January 1, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement that was updated to December 31, 2015:

Valuation date.....	January 1, 2014
Actuarial cost method.....	Entry Age Normal Cost Method.
Amortization method.....	Payments increased by 6.5% for 2016 through 2020, and thereafter will be amortized on a 4.0% annual increasing basis. The Early Retirement Incentive liability will be amortized in level payments.
Remaining amortization period.....	As of July 1, 2014, 5 years remaining for 2002 ERI liability 6 years remaining for 2003 ERI liability, 8 years remaining for 2010 ERI liability and 21 year remaining for the unfunded liability.
Asset valuation method.....	The difference between the expected return and the actual investment return on a market value basis is recognized over a five-year period. Asset value is adjusted as necessary to be within 20% of the market value.
Inflation rate.....	4.00%
Projected salary increases.....	Varies by length of service with ultimate rates of 4.25% for Group 1, 4.50% for Group 2 and 4.75% for Group 4.
Cost of living adjustments.....	3.0% of the first \$14,000 of retirement income.
Rates of retirement.....	Varies based upon age for employees.
Rates of disability.....	For general employees, it was assumed that 45% of all disabilities are ordinary (55% are service connected).
Mortality Rates:	
Pre-Retirement.....	The RP-2000 Employee Mortality Table projected 22 years with Scale AA.
Healthy Retiree.....	The RP-2000 Healthy Annuitant Mortality Table projected 17 years with Scale AA.
Disabled Retiree.....	The RP-2000 Healthy Annuitant Mortality Table set forward three years projected 17 years with Scale AA.
Investment rate of return/Discount rate.....	7.875%, net of pension plan investment expense, including inflation previously 8.00%

Investment policy - The pension plan's policy in regard to the allocation of invested assets is established by PRIT. Plan assets are managed on a total return basis with a long-term objective of achieving a fully funded status for the benefits provided through the pension plan.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan’s target asset allocation as of January 1, 2014, are summarized in the following table:

Asset Class	Long-Term Expected Rate of Return	Target Asset Allocation
Domestic equity.....	6.49%	19.60%
International developed markets equity.....	7.16%	15.60%
International emerging markets equity.....	9.46%	6.50%
Core fixed income.....	1.68%	15.30%
High-yield fixed income.....	4.76%	8.30%
Real estate.....	4.37%	9.90%
Commodities.....	4.13%	3.90%
Short-term government money market.....	1.11%	0.00%
Hedge fund, GTAA, Risk parity.....	3.60%	9.80%
Private equity.....	11.04%	11.10%
		100.00%

Rate of return

For the year ended December 31, 2015, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 0.61%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount rate: The discount rate used to measure the total pension liability was 7.875%. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that contributions will be made at rates equal to the actuarially determined contribution rate. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net position liability to changes in the discount rate. The following presents the net position liability, calculated using the discount rate of 7.875%, as well as what the net position liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.875%) or 1-percentage-point higher (8.875%) than the current rate:

	1% Decrease (6.875%)	Current Discount (7.875%)	1% Increase (8.875%)
The District's proportionate share of the net pension liability.....	\$ 13,198,831	\$ 10,991,588	\$ 9,111,978

NOTE 12 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description – The District administers a single-employer defined benefit healthcare plan (“Retiree Health Plan”). The plan provides lifetime healthcare insurance for eligible retirees and their spouses through the District’s group health insurance plan, which covers both active and retired members. Chapter 32B of the MGL assigns authority to establish and amend benefit provisions of the plan. Benefit provisions are negotiated between the District and the unions representing District employees and are renegotiated each bargaining period. The Retiree Health Plan does not issue a publicly available financial report.

Funding Policy – Contribution requirements are also negotiated between the District and union representatives. The required contribution is based on a pay-as-you-go financing requirement. The District contributes 80 percent of the cost of current-year health plan premiums for eligible retired plan members and their spouses. Plan members receiving benefits contribute the remaining 20 percent of their premium costs.

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

The components of the District’s annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District’s net OPEB obligations are summarized in the following table:

Annual required contribution.....	\$	5,099,277
Interest on net OPEB obligation.....		489,301
Adjustment to annual required contribution.....		<u>(734,409)</u>
Annual OPEB cost (expense).....		4,854,169
Contributions made.....		<u>(1,969,130)</u>
Increase/(Decrease) in net OPEB obligation.....		2,885,039
Net OPEB obligation - beginning of year.....		<u>13,980,045</u>
Net OPEB obligation - end of year.....	\$	<u><u>16,865,084</u></u>

The District’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for year 2016 and the preceding two years were as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2016	\$ 4,854,169	40.6%	\$ 16,865,084
6/30/2015	4,682,097	44.2%	13,980,045
6/30/2014	4,525,010	45.0%	11,369,379

Funded Status and Funding Progress – As of July 1, 2015, the most recent actuarial valuation date, the actuarial accrued liability for benefits totaled \$58,851,151, all of which was unfunded.

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

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

In the July 1, 2015, actuarial valuation, actuarial liabilities were determined using the individual entry age actuarial cost method. The actuarial assumptions included a 3.5% investment return assumption, which is based on the expected yield on the assets of the District, calculated based on the funded level of the plan at the valuation date, and an annual medical/drug cost trend rate of 6% initially, graded to 5% over 8 years. The UAAL is being amortized over a 30 year period, as a level percentage of payroll. The remaining amortization period at June 30, 2016 is 22 years.

NOTE 13 - CONTINGENCIES

Various legal actions and claims are pending against the District. Litigation is subject to many uncertainties, and the outcome of individual litigated matters is not always predictable. Although the amount of liability, if any, at June 30, 2016 cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2016.

NOTE 14 - EXCESS AND DEFICIENCY (E&D) ACCOUNT

Chapter 71: Section 16B of MGL limits the unencumbered amount in the excess and deficiency fund of a regional school district at the end of the preceding year, as certified by the commissioner of revenue pursuant to section sixteen B1/2, to an amount not to exceed five per cent (5%) of the regional school district's operating budget and its budgeted capital costs for the current year. It further states that the proportionate share of any such excess should be used to reduce the member community's municipality's assessment for the current year.

NOTE 15 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 8, 2016, which is the date the financial statements were available to be issued.

NOTE 16 - IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

During 2016, the following GASB pronouncements were implemented:

- GASB Statement #72, *Fair Value Measurement and Application*. Notes to the basic financial statements were changed to provide additional disclosure on fair value measurement.
- GASB Statement #76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This pronouncement did not impact the basic financial statements.
- GASB Statement #73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The provisions of this Statement are effective for 2016—except those provisions that address employers and governmental non-employer contributing entities for pensions that are not within the scope of Statement 68, which is required to be implemented in 2017.
- GASB Statement #79, *Certain External Investment Pools and Pool Participants*. The basic financial statements and related notes were updated to be in compliance with this pronouncement.

The following GASB pronouncements will be implemented in the future:

- The GASB issued Statement #74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which is required to be implemented in 2017.
- The GASB issued Statement #75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which is required to be implemented in 2018.
- The GASB issued Statement #77, *Tax Abatement Disclosures*, which is required to be implemented in 2017.
- The GASB issued Statement #78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, which is required to be implemented in 2017.
- The GASB issued Statement #80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement #14*, which is required to be implemented in 2017.
- The GASB issued Statement #81, *Irrevocable Split-Interest Agreements*, which is required to be implemented in 2018.
- The GASB issued Statement #82, *Pension Issues – an amendment of GASB Statements #67, #68, and #73*, which is required to be implemented in 2018.

Management is currently assessing the impact that these pronouncements will have on the basic financial statements.

Required Supplementary Information

General Fund Budgetary Comparison Schedule

The General Fund is the general operating fund of the District. It is used to account for all of the District's financial resources, except those required to be accounted for in another fund.

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

YEAR ENDED JUNE 30, 2016

	Budgeted Amounts			
	Amounts Carried forward From Prior Year	Current Year Initial Budget	Original Budget	Final Budget
REVENUES:				
Member town assessment..... \$	-	\$ 25,427,101	\$ 25,427,101	\$ 25,427,103
Intergovernmental.....	-	20,775,565	20,775,565	20,775,565
School choice/charter school.....	-	100,978	100,978	100,978
Investment income.....	-	8,000	8,000	8,000
Miscellaneous.....	-	-	-	-
TOTAL REVENUES.....	-	46,311,644	46,311,644	46,311,646
EXPENDITURES:				
Current:				
Administration.....	7,521	1,336,017	1,343,538	1,357,938
Instruction.....	57,136	22,322,544	22,379,680	22,379,680
Other School Services.....	2,723	2,380,556	2,383,279	2,383,279
Operation and Maintenance.....	128,012	4,018,196	4,146,208	4,195,848
Fixed Charges.....	-	7,454,797	7,454,797	7,402,657
Transportation.....	-	3,201,949	3,201,949	3,201,949
School Choice/Charter Schools.....	72,233	5,126,821	5,199,054	5,201,554
Debt Services:				
Debt Principal.....	-	516,997	516,997	499,500
Debt Interest.....	-	105,912	105,912	109,011
TOTAL EXPENDITURES.....	267,625	46,463,789	46,731,414	46,731,416
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	(267,625)	(152,145)	(419,770)	(419,770)
OTHER FINANCING SOURCES (USES):				
Premium from issuance of bonds.....	-	-	-	-
Transfers out.....	-	(147,855)	(147,855)	(147,855)
TOTAL OTHER FINANCING SOURCES (USES)...	-	(147,855)	(147,855)	(147,855)
NET CHANGE IN FUND BALANCE.....	(267,625)	(300,000)	(567,625)	(567,625)
BUDGETARY FUND BALANCE, Beginning of year.....	-	2,566,853	2,566,853	2,566,853
BUDGETARY FUND BALANCE, End of year..... \$	(267,625)	\$ 2,266,853	\$ 1,999,228	\$ 1,999,228

See notes to required supplementary information.

	Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance to Final Budget
\$	25,427,101	\$ -	\$ (2)
	21,207,652	-	432,087
	53,576	-	(47,402)
	10,928	-	2,928
	115,576	-	115,576
	<u>46,814,833</u>	<u>-</u>	<u>503,187</u>
	1,330,898	5,600	21,440
	22,051,934	116,166	211,580
	2,312,580	663	70,036
	3,612,472	225,319	358,057
	7,330,046	-	72,611
	3,194,438	-	7,511
	5,129,038	72,233	283
	495,000	-	4,500
	109,011	-	-
	<u>45,565,417</u>	<u>419,981</u>	<u>746,018</u>
	<u>1,249,416</u>	<u>(419,981)</u>	<u>1,249,205</u>
	1,029,425	-	1,029,425
	(147,855)	-	-
	<u>881,570</u>	<u>-</u>	<u>1,029,425</u>
	2,130,986	(419,981)	2,278,630
	<u>2,566,853</u>	<u>-</u>	<u>-</u>
\$	<u><u>4,697,839</u></u>	<u><u>(419,981)</u></u>	<u><u>2,278,630</u></u>

Pension Plan Schedules

The Schedule of the District's Proportionate Share of the Net Pension Liability presents multi-year trend information on the District's net pension liability and related ratios.

The Schedule of District's Contributions presents multi-year trend information on the District's required and actual contributions to the pension plan and related ratios.

The Schedule of the Special Funding Amounts of the Net Pension Liability for the Massachusetts Teachers Contributory Retirement System presents multi-year trend information on the liability and expense assumed by the Commonwealth of Massachusetts on behalf of the District along with related ratios.

These schedules are intended to present information for ten years. Until a ten year trend is compiled, information is presented for those years for which information is available.

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY**

	December 31, 2015	December 31, 2014
District's proportion of the net pension liability (asset).....	0.85%	0.84%
District's proportionate share of the net pension liability (asset).....	\$ 10,991,588	\$ 10,106,977
District's covered employee payroll (*).....	\$ 4,990,136	\$ 4,798,208
Net pension liability as a percentage of covered-employee payroll.....	220.27%	210.64%
Plan fiduciary net position as a percentage of the total pension liability.....	46.13%	46.18%

Note: this schedule is intended to present information for 10 years. Until a 10-year trend is compiled, information is presented for those years for which information is available.

*Covered employee payroll as reported in the January 1, 2015 funding valuation report.

See notes to required supplementary information.

**MIDDLESEX COUNTY RETIREMENT SYSTEM
SCHEDULE OF CONTRIBUTIONS**

	2015	2014
Actuarially determined contribution (a).....	\$ 836,323	\$ 759,662
Contributions in relation to the actuarially determined contribution.....	<u>(836,323)</u>	<u>(759,662)</u>
Contribution deficiency (excess).....	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll (*).....	\$ 4,990,136	\$ 4,798,208
Contributions as a percentage of covered- employee payroll.....	16.76%	15.83%

Note: this schedule is intended to present information for 10 years. Until a 10-year trend is compiled, information is presented for those years for which information is available.

(a) Based on the results of the January 1, 2014 actuarial valuation (including assumptions and methods) which determined budgeted appropriations for fiscal 2016.

*Covered employee payroll as reported in the January 1, 2015 funding valuation report.

See notes to required supplementary information.

**SCHEDULE OF THE SPECIAL FUNDING AMOUNTS
OF THE NET PENSION LIABILITY
MASSACHUSETTS TEACHERS' RETIREMENT SYSTEM**

The Commonwealth of Massachusetts is a nonemployer contributor and is required by statute to make all actuarially determined employer contributions on behalf of the member employers which creates a special funding situation. Since the Town does not contribute directly to MTRS, there is no net pension liability to recognize. This schedule discloses the Commonwealth's 100% share of the collective net pension liability that is associated with the Town; the portion of the collective pension expense as both a revenue and pension expense recognized by the Town; and the Plan's fiduciary net position as a percentage of the total liability.

<u>Fiscal Year</u>	<u>Commonwealth's 100% Share of the Net Pension Liability Associated with the District</u>	<u>District's Expense and Revenue Recognized for the Commonwealth's Support</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Liability</u>
2016.....	\$ 68,420,437	\$ 5,549,506	55.38%
2015.....	54,025,835	3,753,434	61.64%

Note: this schedule is intended to present information for 10 years. Until a 10-year trend is compiled, information is presented for those years for which information is available.

See notes to required supplementary information.

Other Postemployment Benefits Plan Schedules

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

The Schedule of Employer Contributions presents multiyear trend information for required and actual contributions related to the plan.

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

OTHER POSTEMPLOYMENT BENEFIT PLAN
SCHEDULE OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS

JUNE 30, 2016

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Entry Age Normal (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
7/1/2015	\$ -	\$ 58,851,151	\$ 58,851,151	0%	N/A	N/A
7/1/2013	-	50,922,858	50,922,858	0%	24,667,972	206.4%
7/1/2011	-	48,001,006	48,001,006	0%	23,480,936	204.4%
7/1/2009	-	45,198,736	45,198,736	0%	24,632,006	183.5%
7/1/2007	-	26,883,305	26,883,305	0%	18,667,974	144.0%

Schedule of Employer Contributions

Year Ended	Annual Required Contribution	Actual Contributions Made	Percentage Contributed
6/30/2016	\$ 4,854,169	\$ 1,969,130	40.6%
6/30/2015	4,682,097	2,071,431	44.2%
6/30/2014	4,525,010	2,037,714	45.0%
6/30/2013	3,604,843	1,789,645	49.6%
6/30/2012	3,403,783	1,710,612	50.3%

See notes to required supplementary information.

OTHER POSTEMPLOYMENT BENEFIT PLAN
ACTUARIAL METHODS AND ASSUMPTIONS

YEAR ENDED JUNE 30, 2016

Actuarial Methods:

Valuation date.....	July 1, 2015
Actuarial cost method.....	Individual Entry Age Actuarial Cost Method
Amortization method.....	Level dollar amortization over 30 years
Remaining amortization period.....	22 years as of July 1, 2015, closed

Actuarial Assumptions:

Investment rate of return.....	3.50%
Medical/drug cost trend rate.....	6% initially, graded to 5% over 8 years

Plan Membership:

Current retirees, beneficiaries, and dependents..	429
Current active members.....	<u>429</u>
Total	<u><u>858</u></u>

See notes to required supplementary information.

NOTE A - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

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

The majority of appropriations are non-continuing which lapse at the end of each year. Others are continuing appropriations for which the governing body has authorized that an unspent balance from a prior year be carried forward and made available for spending in the current year. These carry forwards are included as part of the subsequent year’s original budget.

The District adopts an annual budget for the General Fund in conformity with the guidelines described above. The original 2016 approved budget for the General Fund authorized \$46.6 million in appropriations. Included in this amount was \$268,000 of encumbrances carried forward from the prior year.

The District’s accounting office has the responsibility to ensure that budgetary control is maintained. Budgetary control is exercised through the District’s accounting system.

B. Budgetary - GAAP Reconciliation

For budgetary financial reporting purposes, the Uniform Municipal Accounting System basis of accounting (established by the Commonwealth) is followed, which differs from the GAAP basis of accounting. A reconciliation of budgetary-basis to GAAP-basis results for the general fund for the year ended June 30, 2016, is presented below:

Net change in fund balance, budgetary basis.....	\$ 2,130,986
<u>Basis of accounting differences:</u>	
Recognition of revenue for on-behalf payments.....	5,549,506
Recognition of expenditures for on-behalf payments.....	<u>(5,549,506)</u>
Net change in fund balance, GAAP basis.....	<u>\$ 2,130,986</u>

NOTE B - PENSION PLAN

Schedule of the District’s Proportionate Share of the Net Pension Liability

The Schedule of the District’s Proportionate Share of the Net Pension Liability details the allocated percentage of the net pension liability (asset), the proportionate share of the net pension liability, and the covered employee payroll. It also demonstrates the net position as a percentage of the pension liability and the net pension liability as a percentage of covered payroll.

Schedule of District’s Contributions

Governmental employers are required to pay an annual appropriation as established by PERAC. The appropriation includes the amounts to pay the pension portion of each member’s retirement allowance, an amount

to amortize the actuarially determined unfunded liability to zero in accordance with the system's funding schedule, and additional appropriations in accordance with adopted early retirement incentive programs. The appropriations are payable on July 1 and January 1. The District may choose to pay the entire appropriation in July at a discounted rate. Accordingly, actual contributions may be less than the "total appropriation". The pension fund appropriation is allocated to the District based on covered payroll.

Schedule of the Special Funding Amounts of the Net Pension Liabilities

The Commonwealth of Massachusetts is a nonemployer contributor and is required by statute to make all actuarially determined employer contributions on behalf of the member employers which creates a special funding situation. Since the District does not contribute directly to MTRS, there is no net pension liability to recognize. This schedule discloses the Commonwealth's 100% share of the collective net pension liability that is associated with the District; the portion of the collective pension expense as both a revenue and pension expense recognized by the District; and the Plan's fiduciary net position as a percentage of the total liability.

Changes in Assumptions:

None

Changes in Plan Provisions:

None

NOTE C - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

The District administers a single-employer defined benefit healthcare plan ("the Retiree Health Plan"). The plan provides lifetime healthcare, dental and life insurance for eligible retirees and their spouses through the District's health insurance plan, which covers both active and retired members, including teachers.

The District currently finances its other postemployment benefits (OPEB) on a pay-as-you-go basis. As a result, the funded ratio (actual value of assets expressed as a percentage of the actuarial accrued liability) is 0%. In accordance with Governmental Accounting Standards, the District has recorded its OPEB cost equal to the actuarial determined annual required contribution (ARC) which includes the normal cost of providing benefits for the year and a component for the amortization of the total unfunded actuarial accrued liability of the plan.

The Schedule of Funding Progress presents multi-year trend information which compares, over time, the actuarial accrued liability for benefits with the actuarial value of accumulated plan assets.

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

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