

NORTH MIDDLESEX REGIONAL SCHOOL DISTRICT

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

YEAR ENDED JUNE 30, 2019

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

JUNE 30, 2019

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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, 2019, and the related notes to the financial statements, which collectively comprise the North Middlesex Regional School 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, 2019, 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 September 9, 2019, 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.

September 9, 2019

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, 2019. 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 the District's financial position. Liabilities and deferred inflows exceeded assets and deferred outflows by \$14.8 million at the close of 2019. Key components of the District's governmental financial position are listed below.

	2019	2018 (as restated)
Assets:		
Current assets.....	\$ 16,342,732	\$ 30,850,251
Capital assets, non depreciable.....	24,852,115	28,408,586
Capital assets, net of accumulated depreciation.....	96,571,009	76,819,055
Total assets.....	137,765,856	136,077,892
Deferred outflows of resources.....	8,117,576	10,150,421
Liabilities:		
Current liabilities (excluding debt).....	4,804,978	9,503,775
Noncurrent liabilities (excluding debt).....	94,522,994	89,967,826
Current debt.....	25,166,383	20,742,836
Noncurrent debt.....	36,042,097	38,037,860
Total liabilities.....	160,536,452	158,252,297
Deferred inflows of resources.....	142,851	691,612
Net position:		
Net investment in capital assets.....	63,614,642	59,490,897
Restricted.....	2,138,928	4,043,025
Unrestricted.....	(80,549,441)	(76,249,518)
Total net position (as restated).....	\$ (14,795,871)	\$ (12,715,596)

Beginning net position of the governmental activities has been restated to reflect a fiscal year 2018 late adjustment to the other postemployment benefits liability (OPEB) actuarial valuation. Accordingly, previously reported net position of \$7.8 million has been restated and totals a deficit of \$12.7 million (see Note 15 for details).

Net investment in capital assets of \$63.6 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 \$2.1 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 \$80.5 million. This is mainly attributable to the District's liability related to the net OPEB liability and the net pension liability, which totaled \$80.6 million and \$12.9 million, respectively, as of June 30, 2019.

Governmental Activities

The governmental activities of the District are detailed below. The District's net position decreased by \$2.1 million during 2019. The change in net position is primarily due to the \$5.4 million expense for other postemployment benefits and pension liability (see Notes 11 and 12 for additional information).

	2019	2018 (as restated)
Program Revenues:		
Charges for services.....	\$ 1,290,690	\$ 1,250,672
Operating grants and contributions.....	12,015,292	11,740,859
Capital grants and contributions.....	3,771,994	8,512,369
General Revenues:		
Member town assessment.....	31,554,020	29,106,796
Grants and contributions not restricted to specific programs.....	20,735,521	20,599,857
Unrestricted investment income.....	39,100	32,182
Miscellaneous.....	589,212	969,678
Total revenues.....	69,995,829	72,212,413
Expenses:		
Administration.....	1,553,551	1,413,605
Instruction.....	25,891,421	25,521,815
Guidance services.....	1,298,382	1,265,281
Pupil services.....	4,192,855	4,118,294
Transportation.....	1,998,650	1,959,353
Operations and maintenance.....	3,889,879	4,044,500
Fixed charges.....	13,754,006	11,358,432
Programs with other districts.....	1,107,660	1,089,315
School choice/charter school.....	5,186,181	4,957,549
MTRS pension contribution.....	7,607,046	7,460,505
Interest expense.....	1,964,153	1,552,587
Depreciation.....	3,632,320	2,185,731
Total expenses.....	72,076,104	66,926,967
Change in net position.....	(2,080,275)	5,285,446
Net position, beginning of year (as restated).....	(12,715,596)	(18,001,042)
Net position, end of year.....	\$ (14,795,871)	\$ (12,715,596)

Assessments to Member Towns increased \$2.4 million, in accordance with the District's budget. Capital grants and contributions decreased \$4.7 million, which was the result of the Massachusetts School Building Authority (MSBA) reimbursements for the school construction projects nearing completion. Fixed charges expense increased due to the increase in the net OPEB and net pension liabilities. With the exception of the interest

expense and depreciation expense, both of which increases related to the high school project, remaining 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 the District'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 balance deficit of \$10.7 million, a decrease of \$14.1 million from the prior year. The decrease was primarily due to capital outlay expenditures within the capital funds, which had not issued long-term debt as of year-end.

The *general fund* is the District's chief operating fund. At year end, unassigned fund balance of the general fund totaled \$3.1 million while total fund balance equaled \$5 million. Assigned fund balance for encumbrances and E&D used for subsequent year's expenditures totaled \$1.9 million. Unassigned fund balance represents 5.1% of total general fund expenditures while total fund balance represents 8.1%.

The *High School capital building fund* is used to account for financial resources for the planning and construction of the new high school. At the end of the current year, the fund had a deficit fund balance of \$7.3 million, which was a decrease of \$4.3 million from the prior year. The fund had \$10 million in bond anticipation notes outstanding at year end. Eligible project costs are reimbursed 60.63% by MSBA under the core program

The *Squannacook early childhood center roof repair project fund* is used to account for financial resources for the roof repair at the center. At the end of the current year, the fund had an accumulated fund balance deficit of \$2.1 million with \$2.9 million in bond anticipation notes outstanding. Eligible project costs are reimbursed 57.11% by MSBA under the accelerated repair program.

The *Varnum Brook elementary roof and window project fund* is used to account for financial resources for the construction costs at the elementary school. At the end of the current year, the fund had an accumulated fund balance deficit of \$5.7 million with \$6.6 million in bond anticipations note outstanding. Eligible project costs are reimbursed 57.11% by MSBA under the accelerated repair program.

The *Hawthorne Brook middle school window and door project fund* is used to account for financial resources for the construction costs at the middle school. At the end of the current year, the fund had an accumulated fund balance deficit of \$3.2 with a \$3.2 million in bond anticipation notes outstanding. Eligible project costs are reimbursed 57.11% by MSBA under the accelerated repair program.

General Fund Budgetary Highlights

The District's year 2019 operating budget consisted of \$54.4 million in current year appropriations. The budget was balanced by using \$1.4 million of excess and deficiency and \$65,700 of prior year's bond premium. There were no increases or decreases to the operating budget during the year, only transfers between line items.

The District had positive budget results of \$1.3 million for the year from \$614,000 of expenditures and encumbrances less than budgeted, and \$665,000 of revenues more than budgeted. The positive revenue

variance related to miscellaneous revenue and intergovernmental state revenues higher than budgeted by \$325,000 and \$305,000, respectively. Of the miscellaneous revenue, \$298,000 was a return of surplus funds from Valley Collaborative for tuitions.

Capital Asset and Debt Administration

The District's capital assets totaled \$121.4 million as of June 30, 2019. The District added \$19.8 million in 2019, of which \$8.5 million was the new High School and \$7.7 million was for the Varnum Brook roof and HVAC.

Outstanding bonds and unamortized premiums of the District, as of June 30, 2019, totaled \$38 million, all of which is related to school building construction and improvements. Notes payable as of June 30, 2019, totaled \$23.2 million.

Capital leases outstanding totaled \$879,000 as of June 30, 2019. Capital assets acquired under the leases include various capital technology items as well as the High School turf field.

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 District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Business Administrator, North Middlesex Regional School District, 66 Brookline Street, Townsend, MA 01469.

Basic Financial Statements

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STATEMENT OF NET POSITION

JUNE 30, 2019

	<i>Primary Government</i>	
	<u>Governmental Activities</u>	
ASSETS		
CURRENT:		
Cash and cash equivalents.....	\$	9,727,390
Receivables, net of allowance for uncollectibles:		
Departmental and other.....		33,860
Intergovernmental.....		<u>6,581,482</u>
Total current assets.....		<u>16,342,732</u>
NONCURRENT:		
Capital assets, nondepreciable.....		24,852,115
Capital assets, net of accumulated depreciation.....		<u>96,571,009</u>
Total noncurrent assets.....		<u>121,423,124</u>
TOTAL ASSETS.....		<u>137,765,856</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pensions.....		1,406,416
Deferred outflows related to other postemployment benefits.....		<u>6,711,160</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES.....		<u>8,117,576</u>
LIABILITIES		
CURRENT:		
Warrants payable.....		1,098,813
Accrued payroll.....		2,560,340
Accrued interest.....		689,300
Other liabilities.....		222,930
Capital lease obligations.....		99,595
Compensated absences.....		134,000
Notes payable.....		23,170,620
Bonds payable.....		<u>1,995,763</u>
Total current liabilities.....		<u>29,971,361</u>
NONCURRENT:		
Capital lease obligations.....		779,413
Compensated absences.....		216,000
Net pension liability.....		12,930,464
Net other postemployment benefits liability.....		80,597,117
Bonds payable.....		<u>36,042,097</u>
Total noncurrent liabilities.....		<u>130,565,091</u>
TOTAL LIABILITIES.....		<u>160,536,452</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pensions.....		139,778
Deferred inflows related to other postemployment benefits.....		<u>3,073</u>
TOTAL DEFERRED INFLOWS OF RESOURCES.....		<u>142,851</u>
NET POSITION		
Net investment in capital assets.....		63,614,642
Restricted for:		
Debt service.....		888,860
Gifts and grants.....		1,250,068
Unrestricted.....		<u>(80,549,441)</u>
TOTAL NET POSITION.....	\$	<u>(14,795,871)</u>

See notes to basic financial statements.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2019

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.....	\$ 1,553,551	\$ -	\$ -	\$ -	\$ (1,553,551)
Instruction.....	25,891,421	233,930	1,051,930	-	(24,605,561)
Guidance services.....	1,298,382	-	-	-	(1,298,382)
Pupil services.....	4,192,855	862,510	379,730	-	(2,950,615)
Transportation.....	1,998,650	-	1,038,140	-	(960,510)
Operations and Maintenance.....	3,889,879	194,250	-	-	(3,695,629)
Fixed charges.....	13,754,006	-	15,610	-	(13,738,396)
Massachusetts School Building Authority.....	-	-	-	3,771,994	3,771,994
Programs with other school districts.....	1,107,660	-	1,116,923	-	9,263
School Choice/Charter School.....	5,186,181	-	805,913	-	(4,380,268)
MTRS Pension contributions/payments.....	7,607,046	-	7,607,046	-	-
Interest.....	1,964,153	-	-	-	(1,964,153)
Depreciation.....	3,632,320	-	-	-	(3,632,320)
Total Governmental Activities.....	\$ 72,076,104	\$ 1,290,690	\$ 12,015,292	\$ 3,771,994	\$ (54,998,128)

See notes to basic financial statements.

(Continued)

STATEMENT OF ACTIVITIES (continued)

YEAR ENDED JUNE 30, 2019

	<u>Primary Government</u>
	Governmental Activities
Changes in net position:	
Net (expense) revenue from previous page.....	\$ (54,998,128)
<i>General revenues:</i>	
Member town assessments.....	31,554,020
Grants and contributions not restricted to specific programs.....	20,735,521
Unrestricted investment income.....	39,100
Miscellaneous revenue.....	<u>589,212</u>
Total general revenues.....	<u>52,917,853</u>
Change in net position.....	(2,080,275)
<i>Net position:</i>	
Beginning of year, as restated.....	<u>(12,715,596)</u>
End of year.....	\$ <u><u>(14,795,871)</u></u>
	(Concluded)

See notes to basic financial statements.

**GOVERNMENTAL FUNDS
BALANCE SHEET**

JUNE 30, 2019

	General	High School Capital Building	Squannacook Early Childhood Center Roof Repair Project	Varnum Brook Elementary Roof and Window Project	Hawthorne Brook Middle School Window and Door Project	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS							
Cash and cash equivalents.....	\$ 5,614,868	\$ 928,149	\$ 620	\$ 290,800	\$ 250	\$ 2,892,703	\$ 9,727,390
Receivables, net of uncollectibles:							
Departmental and other.....	500	-	-	-	-	33,360	33,860
Intergovernmental.....	2,223,800	2,382,447	713,095	765,010	-	497,130	6,581,482
TOTAL ASSETS.....	\$ 7,839,168	\$ 3,310,596	\$ 713,715	\$ 1,055,810	\$ 250	\$ 3,423,193	\$ 16,342,732
LIABILITIES							
Warrants payable.....	\$ 213,877	\$ 656,292	\$ -	\$ 145,073	\$ -	\$ 83,571	\$ 1,098,813
Accrued payroll.....	2,427,040	-	-	-	-	133,300	2,560,340
Other liabilities.....	222,930	-	-	-	-	-	222,930
Notes payable.....	-	10,000,000	2,860,000	6,640,000	3,200,000	470,620	23,170,620
TOTAL LIABILITIES.....	2,863,847	10,656,292	2,860,000	6,785,073	3,200,000	687,491	27,052,703
FUND BALANCES							
Restricted.....	-	-	-	-	-	3,206,322	3,206,322
Assigned.....	1,866,251	-	-	-	-	-	1,866,251
Unassigned.....	3,109,070	(7,345,696)	(2,146,285)	(5,729,263)	(3,199,750)	(470,620)	(15,782,544)
TOTAL FUND BALANCES.....	4,975,321	(7,345,696)	(2,146,285)	(5,729,263)	(3,199,750)	2,735,702	(10,709,971)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES.....	\$ 7,839,168	\$ 3,310,596	\$ 713,715	\$ 1,055,810	\$ 250	\$ 3,423,193	\$ 16,342,732

See notes to basic financial statements.

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

JUNE 30, 2019

Total governmental fund balances.....		\$ (10,709,971)
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....		121,423,124
The statement of net position includes certain deferred inflows of resources and deferred outflows of resources that will be amortized over future periods. In governmental funds, these amounts are not deferred.....		7,974,725
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.....		(689,300)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:		
Bonds payable.....	(38,037,860)	
Net pension liability.....	(12,930,464)	
Net other postemployment benefits liability.....	(80,597,117)	
Capital lease obligations.....	(879,008)	
Compensated absences.....	<u>(350,000)</u>	
Net effect of reporting long-term liabilities.....		<u>(132,794,449)</u>
Net position of governmental activities.....		\$ <u><u>(14,795,871)</u></u>

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2019

	General	High School Capital Building	Squannacook Early Childhood Center Roof Repair Project	Varnum Brook Elementary Roof and Window Project	Hawthorne Brook Middle School Window and Door Project	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:							
Member town assessments.....	\$ 31,554,020	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 31,554,020
Intergovernmental - federal.....	-	-	-	-	-	1,383,011	1,383,011
Intergovernmental - Medicaid.....	224,810	-	-	-	-	-	224,810
Intergovernmental - state.....	21,423,730	1,104,994	-	2,114,284	552,716	1,162,423	26,358,147
Intergovernmental - Teachers Retirement.....	7,607,046	-	-	-	-	-	7,607,046
School choice/charter school.....	103,493	-	-	-	-	702,420	805,913
Charges for services.....	-	-	-	-	-	1,290,590	1,290,590
Investment income.....	38,820	-	-	-	-	280	39,100
Contributions and donations.....	-	-	-	-	-	143,980	143,980
Miscellaneous revenue.....	329,250	-	-	-	-	-	329,250
TOTAL REVENUES.....	61,281,169	1,104,994	-	2,114,284	552,716	4,682,704	69,735,867
EXPENDITURES:							
Current:							
District administration.....	1,597,551	-	-	-	-	-	1,597,551
Instruction.....	24,374,375	-	-	-	-	1,811,343	26,185,718
Guidance, counseling and testing.....	1,298,382	-	-	-	-	-	1,298,382
Pupil services.....	2,975,544	-	-	-	-	1,217,311	4,192,855
Transportation services.....	1,998,650	-	-	-	-	-	1,998,650
Operations and maintenance.....	3,919,810	-	-	-	-	137,080	4,056,890
MTRS Pension payments.....	7,607,046	-	-	-	-	-	7,607,046
Insurance, retirement programs and other.....	8,423,660	-	-	-	-	2,360	8,426,020
Programs with other school districts (tuitions).....	-	-	-	-	-	1,107,660	1,107,660
Capital outlay.....	-	6,945,013	1,706,258	7,444,260	3,410,956	-	19,506,487
School Choice/Charter school.....	5,186,181	-	-	-	-	-	5,186,181
Debt service:							
Debt service principal.....	1,870,000	-	-	-	-	-	1,870,000
Interest.....	1,901,560	-	-	-	-	38,897	1,940,457
TOTAL EXPENDITURES.....	61,152,759	6,945,013	1,706,258	7,444,260	3,410,956	4,314,651	84,973,897
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	128,410	(5,840,019)	(1,706,258)	(5,329,976)	(2,858,240)	368,053	(15,238,030)
OTHER FINANCING SOURCES (USES):							
Premium from issuance of debt.....	-	-	-	-	-	259,962	259,962
Capital lease financing.....	101,485	732,000	-	-	-	-	833,485
Transfers in.....	-	789,960	748,286	31,929	15,960	66,820	1,652,955
Transfers out.....	(66,820)	-	-	-	-	(1,586,135)	(1,652,955)
TOTAL OTHER FINANCING SOURCES (USES).....	34,665	1,521,960	748,286	31,929	15,960	(1,259,353)	1,093,447
NET CHANGE IN FUND BALANCES.....	163,075	(4,318,059)	(957,972)	(5,298,047)	(2,842,280)	(891,300)	(14,144,583)
FUND BALANCES AT BEGINNING OF YEAR, AS REVISED.....	4,812,246	(3,027,637)	(1,188,313)	(431,216)	(357,470)	3,627,002	3,434,612
FUND BALANCES AT END OF YEAR.....	\$ 4,975,321	\$ (7,345,696)	\$ (2,146,285)	\$ (5,729,263)	\$ (3,199,750)	\$ 2,735,702	\$ (10,709,971)

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, 2019

Net change in fund balances - total governmental funds.....		\$ (14,144,583)
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>		
Capital outlay.....	19,827,803	
Depreciation expense.....	<u>(3,632,320)</u>	
Net effect of reporting capital assets.....		16,195,483
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are unavailable and amortized in the Statement of Activities.</p>		
Principal payments on capital leases.....	105,889	
Premium from issuance of bonds.....	(259,962)	
Capital lease financing.....	(833,485)	
Net amortization of premium from issuance of bonds.....	399,427	
Debt service principal payments.....	<u>1,870,000</u>	
Net effect of reporting long-term debt.....		1,281,869
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.</p>		
Net change in compensated absences accrual.....	128,000	
Net change in accrued interest on long-term debt.....	(163,161)	
Net change in deferred outflow/(inflow) of resources related to pensions.....	752,201	
Net change in net pension liability.....	(1,320,250)	
Net change in deferred outflow/(inflow) of resources related to other postemployment benefits.....	(2,236,285)	
Net change in net other postemployment benefits liability.....	<u>(2,573,549)</u>	
Net effect of recording long-term liabilities.....		<u>(5,413,044)</u>
Change in net position of governmental activities.....		\$ <u><u>(2,080,275)</u></u>

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2019

	Other Postemployment Benefit Trust Fund	Agency Funds
ASSETS		
Cash and cash equivalents.....	\$ 534	\$ 177,646
Investments:		
Equity mutual funds.....	114,682	-
Fixed income mutual funds.....	42,074	-
TOTAL ASSETS.....	157,290	177,646
LIABILITIES		
Liabilities due depositors.....	-	177,646
NET POSITION		
Restricted for other postemployment benefits.....	157,290	-
TOTAL NET POSITION.....	\$ 157,290	\$ -

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

YEAR ENDED JUNE 30, 2019

	Other Postemployment Benefit Trust Fund
<u>ADDITIONS:</u>	
Contributions:	
Employer contributions.....	\$ 150,000
Employer contributions for other postemployment benefit payments.....	2,415,613
Total contributions.....	2,565,613
Net investment income:	
Investment income.....	7,290
TOTAL ADDITIONS.....	2,572,903
<u>DEDUCTIONS:</u>	
Other postemployment benefit payments.....	2,415,613
NET INCREASE (DECREASE) IN NET POSITION.....	157,290
NET POSITION AT BEGINNING OF YEAR.....	-
NET POSITION AT END OF YEAR.....	\$ 157,290

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 three 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 activities) report information on all of the non-fiduciary activities of the primary government. *Governmental activities* are primarily supported by member assessments and state aide.

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

The *Squannacook early childhood center roof repair project fund* is used to account for financial resources for the roof repair at the center.

The *Varnum Brook Elementary roof and window project fund* is used to account for financial resources for the roof and window repair at the elementary school.

The *Hawthorne Brook Middle school window and door project fund* is used to account for financial resources for the window and door repair at the middle 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 types are reported:

The *other postemployment benefit trust fund* is used to accumulate resources to provide funding for future other postemployment benefits (OPEB) liabilities.

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 or amortized cost.

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 District'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, construction in progress, 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 and construction in progress) are depreciated on a straight-line basis. The estimated useful lives of capital assets are as follows:

<u>Capital Asset Type</u>	<u>Estimated Useful Life (in years)</u>
Land improvements.....	15 - 30
Buildings.....	20 - 40
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 net 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 and other postemployment benefits in this category.

In addition to liabilities, the statement of net 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 accounted for deferred outflows related to pensions and other postemployment benefits 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.

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 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 are recognized when due and payable in accordance with the benefit terms.

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

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 the trust fund 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.

The District Treasurer is the custodian of funds held in the Other Postemployment Benefit (OPEB) Trust Fund. As of June 30, 2019, \$157,290 from the OPEB Trust fund is included within the District's balances in the following disclosures.

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 \$9,899,625 and the bank balance totaled \$10,996,810. Of the bank balance, \$1,062,998 was covered by Federal Depository Insurance, \$9,291,605 was insured under the Depositors Insurance Fund, and \$642,207 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Investments

At June 30, 2019, the District's investments totaled \$156,756 of which \$114,682 and \$42,074 are invested in equity mutual funds and fixed income mutual funds, respectively.

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of a failure by the counterparty, the District will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. To manage this risk, the District uses only regulated custodians and will review the financial institution's financial statements of safety ratings from well-established rating services. Further, all securities not held directly by the District, will be held in the District's name and tax identification number by a third-party custodian approved by the Treasurer and evidenced by safekeeping receipts showing individual CUSIP numbers for each security. As of June 30, 2019, the District's investments are all registered in the name and tax ID of the District and all investment accounts are held in the District's name as well as a third-party custodian, therefore, the District is not subject to custodial credit risk for its investments.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity date of an investment the greater the sensitivity of its fair value to changes in the market interest rates. 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.

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. The District's investments as of June 30, 2019 are unrated.

Concentration of Credit Risk

The District places no limit on the amount that may be invested in any one issuer.

Fair Value of Investments

The District holds investments that are measured at fair value on a recurring basis. Because investing is not a core part of the District's mission, the District determines that the disclosures related to these investments only need to be disaggregated by major type. The District chooses a tabular format for disclosing the levels within the fair value hierarchy.

The following table presents financial assets at June 30, 2019, for which the District measures fair value on a recurring basis, by level, within the fair value hierarchy:

Investment Type	June 30, 2019	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments measured at fair value:				
Equity mutual funds.....	114,682	114,682	-	-
Fixed income mutual funds.....	42,074	42,074	-	-
Money market mutual funds.....	535	535	-	-
Total investments measured at fair value.....	157,291	\$ 157,291	\$ -	\$ -
Investments measured at amortized cost:				
MMDT - Cash portfolio.....	5,410			
Total investments.....	\$ 162,701			

Equity mutual funds, fixed income mutual funds, and money market mutual funds classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

NOTE 3 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2019, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 633,724	\$ -	\$ -	\$ 633,724
Construction in progress.....	27,774,862	20,175,945	(23,732,416)	24,218,391
Total capital assets not being depreciated.....	<u>28,408,586</u>	<u>20,175,945</u>	<u>(23,732,416)</u>	<u>24,852,115</u>
<u>Capital assets being depreciated:</u>				
Land improvements.....	1,044,409	732,000	-	1,776,409
Buildings.....	104,057,707	22,409,108	(30,126)	126,436,689
Machinery, equipment and furnishings.....	6,454,963	259,735	-	6,714,698
Total capital assets being depreciated.....	<u>111,557,079</u>	<u>23,400,843</u>	<u>(30,126)</u>	<u>134,927,796</u>
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(542,803)	(32,213)	-	(575,016)
Buildings.....	(28,803,403)	(3,263,988)	13,557	(32,053,834)
Machinery, equipment and furnishings.....	(5,391,818)	(336,119)	-	(5,727,937)
Total accumulated depreciation.....	<u>(34,738,024)</u>	<u>(3,632,320)</u>	<u>13,557</u>	<u>(38,356,787)</u>
Total capital assets being depreciated, net.....	<u>76,819,055</u>	<u>19,768,523</u>	<u>(16,569)</u>	<u>96,571,009</u>
Total governmental activities capital assets, net.....	<u>\$ 105,227,641</u>	<u>\$ 39,944,468</u>	<u>\$ (23,748,985)</u>	<u>\$ 121,423,124</u>

Depreciation is unallocated.

NOTE 4 - RECEIVABLES

At June 30, 2019, receivables for the individual major and non-major governmental funds totaled \$6,615,342 and consisted of amounts due from the MSBA, other federal and state agencies and departmental receivables.

NOTE 5 – INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2019, are summarized as follows:

	Transfers In:				Total
	High School Capital Building	Squannacook EC Center Roof Repair Project	Varnum Brook Roof & Window Project	Nonmajor governmental funds	
Transfers Out:					
General fund.....	\$ -	\$ -	\$ -	\$ 66,820	\$ 66,820 (1)
Nonmajor governmental funds.....	789,960	748,286	31,929	15,960	1,586,135 (2)
Total.....	<u>\$ 789,960</u>	<u>\$ 748,286</u>	<u>\$ 31,929</u>	<u>\$ 82,780</u>	<u>\$ 1,652,955</u>

- (1) Transfer from general fund to nonmajor governmental funds for budgeted pay-down of the septic bond anticipation note and to cover deficits.
- (2) Transfer from nonmajor governmental funds to the major capital funds for bond premiums and insurance proceeds used to reduce future bond issuance.

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>Asset:</u>	<u>Governmental Activities</u>
Machinery and equipment.....	\$ 412,017
Land improvements.....	732,000
Less: accumulated depreciation.....	<u>(153,073)</u>
 Total.....	 \$ <u>990,944</u>

The future minimum lease obligation and the net present value of the minimum payments at June 30, 2019, are as follows:

<u>Years ending June 30:</u>	<u>Governmental Activities</u>
2020.....	\$ 151,338
2021.....	151,337
2022.....	115,816
2023.....	115,818
2024.....	93,628
2025 - 2029.....	<u>468,145</u>
 Total minimum lease payments.....	 1,096,082
 Less: amounts representing interest.....	 <u>(217,074)</u>
 Present value of minimum lease payments... \$	 <u>879,008</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 (RANS).
- 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, 2019, follow:

Type	Purpose	Rate (%)	Due Date	Balance at June 30, 2018	Renewed/ Issued	Retired/ Redeemed	Balance at June 30, 2019
BAN	Septic Improvements.....	1.30%	07/20/18	\$ 533,371	\$ -	\$ (533,371)	\$ -
BAN	Feasibility Studies.....	2.00%	02/05/19	200,000	-	(200,000)	-
BAN	New High School.....	2.50%	02/05/19	10,000,000	-	(10,000,000)	-
BAN	Varnum School Roof, Windows & HVAC Replacement.....	2.50%	02/05/19	4,000,000	-	(4,000,000)	-
BAN	Squannacook Center Roof, Siding & HVAC Repair.....	2.50%	02/05/19	2,000,000	-	(2,000,000)	-
BAN	Hawthorne School Window, Doors & HVAC project.....	2.50%	02/05/19	2,000,000	-	(2,000,000)	-
BAN	Septic Improvements.....	3.00%	02/05/20	-	470,620	-	470,620
BAN	New High School.....	3.00%	02/05/20	-	10,000,000	-	10,000,000
BAN	Varnum Roof, Windows & HVAC Replacement.....	3.00%	02/05/20	-	6,500,000	-	6,500,000
BAN	Hawthorne Window, Doors & HVAC project.....	3.00%	02/05/20	-	3,000,000	-	3,000,000
BAN	Squannacook Center Roof, Siding & HVAC Repair.....	3.00%	02/05/20	-	2,500,000	-	2,500,000
BAN	Varnum Brook & Hawthorne Brooke Feasibility Studies.....	3.00%	02/05/20	-	200,000	-	200,000
BAN	Squannacook ECC anticipation serial loan.....	2.15%	02/05/20	-	360,000	-	360,000
BAN	Varnum Brook Elementary anticipation serial loan.....	2.15%	02/05/20	-	140,000	-	140,000
Total.....				\$ 18,733,371	\$ 23,170,620	\$ (18,733,371)	\$ 23,170,620

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, 2019, and the debt service requirements follow:

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2019
School Building Remodel - Pepperell.....	2025	\$ 2,545,000	4.00	\$ 1,470,000
Municipal Purpose - School Project.....	2041	12,500,000	2.00-5.00	11,250,000
High School Project.....	2042	25,000,000	3.00-5.00	23,950,000
Total Bonds Payable.....				36,670,000
Add: Unamortized premium on bonds.....				1,367,860
Total Bonds Payable, net.....				\$ 38,037,860

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

Year	Principal	Interest	Total
2020.....	\$ 1,865,000	\$ 1,356,425	\$ 3,221,425
2021.....	1,805,000	1,271,125	3,076,125
2022.....	1,795,000	1,188,525	2,983,525
2023.....	1,790,000	1,106,125	2,896,125
2024.....	1,735,000	1,023,825	2,758,825
2025.....	1,730,000	944,125	2,674,125
2026.....	1,500,000	927,235	2,427,235
2027.....	1,600,000	808,375	2,408,375
2028.....	1,600,000	744,375	2,344,375
2029.....	1,600,000	696,375	2,296,375
2030.....	1,600,000	648,375	2,248,375
2031.....	1,600,000	600,375	2,200,375
2032.....	1,600,000	551,000	2,151,000
2033.....	1,600,000	500,250	2,100,250
2034.....	1,600,000	450,625	2,050,625
2035.....	1,600,000	399,625	1,999,625
2036.....	1,550,000	348,000	1,898,000
2037.....	1,500,000	297,500	1,797,500
2038.....	1,500,000	246,250	1,746,250
2039.....	1,500,000	195,000	1,695,000
2040.....	1,500,000	142,500	1,642,500
2041.....	1,500,000	90,001	1,590,001
2042.....	1,000,000	37,500	1,037,500
Total.....	\$ <u>36,670,000</u>	\$ <u>14,573,511</u>	\$ <u>51,243,511</u>

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 High School, Squannacook, Varnum Brook and Hawthorne Brook projects are being funded by this grant program at an eligible cost rate of 60.63%, 57.11%, 57.11% and 57.11%, respectively. During year 2019, approximately \$3.8 million of such assistance was received.

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, 2019, the District had the following authorized and unissued debt:

Purpose	Amount
New High School.....	\$ 40,695,434
Ashby Roof.....	1,458,296
School Building - Varnum Brook.....	2,379,934
School Building - Squannacook.....	1,529,416
School Building - Hawthorne Brook.....	1,062,688
Septic System.....	3,851
Total.....	\$ <u>47,129,619</u>

Changes in Long-term Liabilities

During the year ended June 30, 2019, the following changes occurred in long-term liabilities:

	Beginning Balance	Bonds and Notes Issued	Bonds and Notes Redeemed	Other Increases	Other Decreases	Ending Balance	Due Within One Year
Governmental Activities:							
Long-term bonds payable.....	\$ 38,540,000	\$ -	\$ (1,870,000)	\$ -	\$ -	\$ 36,670,000	\$ 1,865,000
Add: Unamortized premium on bonds.....	1,507,325	-	(139,465)	-	-	1,367,860	130,763
Total bonds payable.....	40,047,325	-	(2,009,465)	-	-	38,037,860	1,995,763
Capital lease obligations.....	151,412	-	-	797,964	(70,368)	879,008	99,595
Compensated absences.....	478,000	-	-	97,000	(225,000)	350,000	134,000
Net pension liability.....	11,610,214	-	-	2,294,890	(974,640)	12,930,464	-
Net other postemployment benefits liability...	78,023,568	-	-	5,139,162	(2,565,613)	80,597,117	-
Total governmental activity long-term liabilities.....	\$ 130,310,519	\$ -	\$ (2,009,465)	\$ 8,329,016	\$ (3,835,621)	\$ 132,794,449	\$ 2,229,358

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 did not report nonspendable fund balance at year end.

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 District from its highest level of decision-making authority.
- Assigned: fund balances that contain self-imposed constraints of the District 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:

	General	High School Capital Building	Squannacook E.C.C. Roof Repair Project	Varnum Brook Roof and Window Project	Hawthorne Brook Window and Door Project	Nonmajor Governmental Funds	Total Governmental Funds
Fund Balances:							
Restricted for:							
Federal and State grant funds.....	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 24,170	\$ 24,170
Circuit breaker.....	-	-	-	-	-	957,250	957,250
Other revolving.....	-	-	-	-	-	1,336,042	1,336,042
Bond premium reserved.....	-	-	-	-	-	888,860	888,860
Assigned to:							
Encumbrances:							
Administration.....	7,416	-	-	-	-	-	7,416
Instruction.....	126,280	-	-	-	-	-	126,280
Guidance counseling and testing....	139	-	-	-	-	-	139
Pupil services.....	14,454	-	-	-	-	-	14,454
Operation and maintenance.....	331,919	-	-	-	-	-	331,919
School choice/charter school.....	20,263	-	-	-	-	-	20,263
Capital outlay.....	65,780	-	-	-	-	-	65,780
E&D used to balance subsequent year's budget.....	1,300,000	-	-	-	-	-	1,300,000
Unassigned.....	3,109,070	(7,345,696)	(2,146,285)	(5,729,263)	(3,199,750)	(470,620)	(15,782,544)
Total Fund Balances.....	\$ 4,975,321	\$ (7,345,696)	\$ (2,146,285)	\$ (5,729,263)	\$ (3,199,750)	\$ 2,735,702	\$ (10,709,971)

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, 2018. The District's portion of the collective pension expense, contributed by the Commonwealth, of \$7,607,046 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 \$75,067,910 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, 2018, was \$974,640, 19.22% 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, 2019, the District reported a liability of \$12,930,464 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2018. 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, 2018, the District's proportion was 0.83%.

Pension Expense

For the year ended June 30, 2019, the District recognized pension expense of \$1,542,689. At June 30, 2019, the District reported deferred outflows and inflows of resources related to pensions of \$1,406,416 and \$139,778, respectively. Components of the amounts are as follows:

Deferred Category	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Differences between expected and actual experience.....	\$ 26,455	\$ (45,070)	\$ (18,615)
Difference between projected and actual earnings, net.....	576,358	-	576,358
Changes in assumptions.....	803,603	-	803,603
Changes in proportion and proportionate share of contributions...	-	(94,708)	(94,708)
Total deferred outflows/(inflows) of resources.....	\$ 1,406,416	\$ (139,778)	\$ 1,266,638

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

Year ended June 30:	
2020.....	\$ 489,660
2021.....	336,238
2022.....	192,783
2023.....	247,957
	\$ 1,266,638

Actuarial Assumptions

The total pension liability in the January 1, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement that was updated to December 31, 2018.

Valuation date.....	January 1, 2018
Actuarial cost method.....	Entry Age Normal Cost Method.
Amortization method.....	Prior year's total contribution increased by 6.50% for fiscal 2018 through fiscal 2024, and thereafter the remaining unfunded liability will be amortized on a 4.00% annual increasing basis; ERI liability amortized in level payments.
Remaining amortization period.....	As of July 1, 2018, 1 year remaining for 2002 ERI liability, 2 years remaining for 2003 ERI liability, 4 years remaining for 2010 ERI liability, and 17 year for remaining unfunded liability.
Asset valuation method.....	The difference between 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 market value.
Inflation rate.....	3.25% (previously 3.50%)
Projected salary increases.....	Varies by length of service with ultimate rates of 4.00% for Group 1, 4.25% for Group 2 and 4.50% for Group 4.
Cost of living adjustments.....	3% of the first \$14,000 of retirement income.
Investment rate of return/Discount rate.....	7.50%, net of pension plan investment expense, including inflation (previously 7.75%).
Rates of retirement.....	Varies based upon age for general 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-2014 Blue Collar Employee Mortality Table projected generationally with Scale MP-2017.
Healthy Retiree.....	The RP-2014 Blue Collar Healthy Annuitant Mortality Table projected generationally with Scale MP-2017.
Disabled Retiree.....	The RP-2014 Blue Collar Healthy Annuitant Mortality Table set forward one year and projected generationally with Scale MP-2017.

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, 2018, are summarized in the following table:

Asset Class	Long-Term Expected Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity.....	17.00%	7.62%
International developed markets equity.....	14.90%	7.80%
International emerging markets equity.....	6.00%	9.31%
Core fixed income.....	13.00%	4.00%
Value added fixed income.....	8.10%	7.58%
Private equity.....	12.10%	11.15%
Real estate.....	9.40%	6.59%
Timberland.....	4.10%	7.00%
Hedge funds/PCS.....	14.20%	6.83%
Liquidating portfolios.....	0.30%	0.00%
Overlay.....	0.90%	0.00%
Total.....	100.00%	

Rate of return

For the year ended December 31, 2018, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was -2.52%. 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 7.50%. 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 7.50%, as well as what the net position liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

	December 31, 2018 Measurement Date		
		Current	
	1% Decrease (6.50%)	Discount (7.50%)	1% Increase (8.50%)
The District's proportionate share of the net pension liability.....	\$ 15,685,233	\$ 12,930,464	\$ 10,607,790

NOTE 12 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description – The District administers a single-employer defined benefit healthcare plan (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. No assets have been accumulated in a trust. The District contributes 80% 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% of their premium costs.

The Commonwealth of Massachusetts passed special legislation that has allowed the District to establish a postemployment benefit trust fund and to enable the District to begin pre-funding its other postemployment benefits (OPEB) liability. During 2019, the District pre-funded future OPEB liabilities totaling \$150,000 by contributing funds to the OPEB fund in excess of the pay-as-you-go required contribution. This fund is reported within the District’s Fiduciary Fund financial statements. As of June 30, 2019, the balance of this fund totaled \$157,290.

Net OPEB Liability – GASB Statement #75 requires the net OPEB liability to be measured as of a date no earlier than the end of the employer’s prior fiscal year and no later than the end of the employer’s current fiscal year, consistently applied from period to period. The District’s net OPEB liability of \$80,597,117 was measured as of June 30, 2019, and was determined by an actuarial valuation as of July 1, 2017.

Employees Covered by Benefit Terms – The following table represents the Plan’s membership at July 1, 2017:

Active members.....	445
Inactive employees or beneficiaries currently receiving benefits.....	<u>434</u>
Total.....	<u><u>879</u></u>

Components of OPEB Liability – The following table represents the components of the Plan’s OPEB liability as of June 30, 2019:

Total OPEB liability.....	\$ 80,754,407
Less: OPEB plan's fiduciary net position.....	<u>(157,290)</u>
Net OPEB liability.....	<u><u>\$ 80,597,117</u></u>
The OPEB plan's fiduciary net position as a percentage of the total OPEB liability.....	0.19%

Significant Actuarial Methods and Assumptions – The net OPEB liability in the July 1, 2017, actuarial valuation was determined by using the actuarial assumptions on the next page, applied to all periods included in the measurement, unless otherwise specified, that was updated to June 30, 2019, to be in accordance with GASB Statement #75.

Valuation date.....	July 1, 2017
Actuarial cost method.....	Individual Entry Age Normal.
Asset valuation method.....	Market value of assets as of the measurement date, June 30, 2019.
Investment rate of return.....	7.06%, net of OPEB plan investment expense, including inflation.
Municipal Bond Rate.....	2.79% as of June 30, 2019 (source: S&P Municipal Bond 20-Year High Grade Index - SAPIHG).
Single equivalent discount rate.....	3.25%, net of OPEB plan investment expense, including inflation.
Inflation rate.....	2.75% as of June 30, 2019 and for future periods.
Projected salary increases.....	3.00% annually as of June 30, 2019 and for future periods.
Cost of living adjustments.....	Not applicable.
Pre-Retirement mortality rates.....	RP-2000 Employees Mortality Table projected generationally with Scale BB and a base year 2009 for males and females.
Post-Retirement mortality rates.....	RP-2000 Healthy Annuitant Mortality Table projected generationally with Scale BB and a base year 2009 for males and females.
Disabled mortality rates.....	RP-2000 Healthy Annuitant Table projected generationally with Scale BB and a base year 2012 for males and females.

Rate of Return – For the year ended June 30, 2019, the annual money-weighted rate of return on investments, net of investment expense was 15.30%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

The long-term expected rate of return on OPEB plan investments was derived using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB 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 weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The Plan’s expected future real rate of return is added to the expected inflation rate to produce the long-term expected nominal rate of return of 7.06%.

Best estimates of real rates of return for each major asset class included in the OPEB plan’s target asset allocation as of June 30, 2019, are summarized in the following table:

Asset Class	Long-Term Expected Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity - large cap.....	18.75%	4.00%
Domestic equity - small/mid cap.....	14.75%	6.00%
International equity - developed market....	13.50%	4.50%
International equity - emerging market.....	9.25%	7.00%
Domestic fixed income.....	21.75%	2.00%
International fixed income.....	5.25%	3.00%
Alternatives.....	16.50%	6.50%
Real estate.....	0.00%	6.25%
Cash & cash equivalents.....	0.25%	0.00%
Total.....	100.00%	

Discount rate – The single equivalent discount rate used to measure the total OPEB liability was 3.25% as of June 30, 2019. The projection of cash flows used to determine the discount rate assumed that contributions will be made in accordance with the Plan’s funding policy. Based on those assumptions the OPEB plan’s fiduciary net position was projected to be insufficient to make all projected benefit payments to current plan members. Therefore the long-term expected rate of return on the OPEB plan assets was applied first to projected future benefits payments and a yield or index rate for 20 year, tax exempt general obligation municipal bonds with an average rate of AA/Aa or higher, which was based on the S&P Municipal Bond 20 – Year High Grade Index as of June 30, 2019, was applied to periods thereafter.

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2018..... \$	78,023,568	-	\$ 78,023,568
Changes for the year:			
Service cost.....	2,566,224	-	2,566,224
Interest.....	2,580,228	-	2,580,228
Benefit payments.....	(2,415,613)	(2,415,613)	-
Contributions - employer.....	-	2,565,613	(2,565,613)
Net investment income.....	-	7,290	(7,290)
Net change.....	2,730,839	157,290	2,573,549
Balances at June 30, 2019..... \$	80,754,407	157,290	80,597,117

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate – The following table presents the net other postemployment benefit liability, calculated using the discount rate of 3.25%, as well as what the net other postemployment benefit liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.25%) or 1-percentage-point higher (4.25%) than the current discount rate.

	1% Decrease (2.25%)	Current Discount Rate (3.25%)	1% Increase (4.25%)
Net OPEB liability..... \$	\$ 94,726,923	\$ 80,597,117	\$ 69,425,832

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates – The following table presents the net other postemployment benefit liability, calculated using the current healthcare trend rate of 5.00%, as well as what the net other postemployment benefit liability would be if it were calculated using a healthcare trend rate that is 1-percentage-point lower or 1-percentage-point higher.

	1% Decrease (4.00%)	Current Trend (5.00%)	1% Increase (6.00%)
Net OPEB liability..... \$	\$ 64,868,563	\$ 80,597,117	\$ 100,764,003

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB – For the year ended June 30, 2019, the GASB Statement #75 measurement date, the District recognized OPEB expense of \$7,379,288. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Deferred Category	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Differences between expected and actual experience.....	\$ 2,029,922	\$ -	\$ 2,029,922
Difference between projected and actual earnings, net.....	-	(3,073)	(3,073)
Changes in assumptions.....	4,681,238	-	4,681,238
Total deferred outflows/(inflows) of resources.....	\$ 6,711,160	\$ (3,073)	\$ 6,708,087

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

For the year ended June 30:

2020.....	\$ 2,236,285
2021.....	2,236,285
2022.....	2,236,286
2023.....	(769)
	<u>\$ 6,708,087</u>

Changes of Assumptions – None.

Changes in Plan Provisions – None.

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, 2019, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2019.

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 – RESTATEMENT OF NET POSITION PREVIOUSLY REPORTED & REVISION OF FUND BALANCE PREVIOUSLY REPORTED

Beginning net position of the governmental activities has been restated to reflect the late adjustment to the other postemployment liability (OPEB) actuarial valuation during FY18. The District decreased the discount rate from 5.50% to 3.50% after the financial statements were issued. Accordingly, previously reported net position, which was \$7.8 million, has been restated to a deficit balance of \$12.7 million.

Beginning fund balance of the general fund and nonmajor governmental funds has been revised to reflect the movement of bond premiums due to accounting changes required by the Commonwealth of Massachusetts. The revised balances are summarized in the following table:

	06/30/2018 Previously Reported Balances	Reclassification of bond premiums	06/30/2018 Revised Balances
Governmental Funds Financial Statements			
General Fund.....	\$ 6,333,855	\$ (1,521,609)	\$ 4,812,246
Nonmajor Governmental Funds.....	<u>1,747,923</u>	<u>1,521,609</u>	<u>3,269,532</u>
Total.....	<u>\$ 8,081,778</u>	<u>\$ -</u>	<u>\$ 8,081,778</u>

NOTE 16 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 9, 2019, which is the date the financial statements were available to be issued.

NOTE 17 - IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

During 2019, the following GASB pronouncements were implemented:

- GASB Statement #83, *Certain Asset Retirement Obligations*. This pronouncement did not impact the basic financial statements.
- GASB Statement #88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. This pronouncement did not impact the basic financial statements.

The following GASB pronouncements will be implemented in the future:

- The GASB issued Statement #84, *Fiduciary Activities*, which is required to be implemented in 2020.
- The GASB issued Statement #87, *Leases*, which is required to be implemented in 2021.
- The GASB issued Statement #89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which is required to be implemented in 2021.
- The GASB issued Statement #90, *Majority Equity Interests – an amendment of GASB Statements #14 and #61*, which is required to be implemented in 2020.
- The GASB issued Statement #91, *Conduit Debt Obligations*, which is required to be implemented in 2022.

Management is currently assessing the impact the implementation of 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, 2019

	Budgeted Amounts			
	Amounts	Current Year		
	Carried Forward From Prior Year	Initial Budget	Original Budget	Final Budget
REVENUES:				
Member town assessments.....	\$ -	\$ 31,554,038	\$ 31,554,038	\$ 31,554,038
Intergovernmental - Medicaid.....	-	230,000	230,000	230,000
Intergovernmental - state.....	-	21,118,928	21,118,928	21,118,928
Charter school.....	-	92,391	92,391	92,391
Investment income.....	-	9,500	9,500	9,500
Miscellaneous revenue.....	-	-	-	-
TOTAL REVENUES.....	-	53,004,857	53,004,857	53,004,857
EXPENDITURES:				
Current:				
District administration.....	7,407	1,555,203	1,562,610	1,630,757
Instruction.....	37,430	24,615,483	24,652,913	24,587,840
Guidance counseling and testing.....	7,791	1,282,452	1,290,243	1,304,905
Pupil services.....	41,281	2,990,452	3,031,733	3,050,759
Transportation services.....	-	1,790,000	1,790,000	2,000,327
Operation and maintenance.....	151,244	4,449,483	4,600,727	4,410,671
Insurance, retirement programs and other.....	-	8,523,012	8,523,012	8,408,944
School choice/charter school.....	11,104	5,239,943	5,251,047	5,242,302
Capital outlay.....	-	-	-	65,780
Debt service:				
Debt service principal.....	-	1,932,752	1,932,752	1,932,752
Interest.....	-	1,901,740	1,901,740	1,901,740
TOTAL EXPENDITURES.....	256,257	54,280,520	54,536,777	54,536,777
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	(256,257)	(1,275,663)	(1,531,920)	(1,531,920)
OTHER FINANCING SOURCES (USES):				
Transfers out.....	-	(150,000)	(150,000)	(150,000)
NET CHANGE IN FUND BALANCE.....	(256,257)	(1,425,663)	(1,681,920)	(1,681,920)
FUND BALANCES AT BEGINNING OF YEAR.....	-	4,812,246	4,812,246	4,812,246
FUND BALANCES AT END OF YEAR.....	\$ (256,257)	\$ 3,386,583	\$ 3,130,326	\$ 3,130,326

See notes to required supplementary information.

	Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance to Final Budget
\$	31,554,020	\$ -	\$ (18)
	224,810	-	(5,190)
	21,423,730	-	304,802
	103,493	-	11,102
	38,820	-	29,320
	<u>325,180</u>	<u>-</u>	<u>325,180</u>
	 53,670,053	 <u>-</u>	 <u>665,196</u>
	 1,597,551	 7,416	 25,790
	24,272,890	126,280	188,670
	1,298,382	139	6,384
	2,975,544	14,454	60,761
	1,998,650	-	1,677
	3,919,810	331,919	158,942
	8,273,660	-	135,284
	5,186,181	20,263	35,858
	-	65,780	-
	 1,932,750	 -	 2
	<u>1,901,560</u>	<u>-</u>	<u>180</u>
	 53,356,978	 <u>566,251</u>	 <u>613,548</u>
	 313,075	 <u>(566,251)</u>	 <u>1,278,744</u>
	 <u>(150,000)</u>	 <u>-</u>	 <u>-</u>
	 163,075	 <u>(566,251)</u>	 <u>1,278,744</u>
	 4,812,246	 <u>-</u>	 <u>-</u>
\$	<u><u>4,975,321</u></u>	\$ <u><u>(566,251)</u></u>	\$ <u><u>1,278,744</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
MIDDLESEX COUNTY RETIREMENT SYSTEM**

Year	Proportion of the net pension liability (asset)	Proportionate share of the net pension liability (asset)	Covered- payroll	Net pension liability as a percentage of covered- payroll	Plan fiduciary net position as a percentage of the total pension liability
December 31, 2018.....	0.83%	\$ 12,930,464	\$ 5,070,233	255.03%	46.40%
December 31, 2017.....	0.82%	11,610,214	4,866,639	238.57%	49.27%
December 31, 2016.....	0.83%	11,779,471	4,638,161	253.97%	45.49%
December 31, 2015.....	0.85%	10,991,588	4,990,136	220.27%	46.13%
December 31, 2014.....	0.84%	10,106,977	4,798,208	210.64%	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.

See notes to required supplementary information.

**SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
MIDDLESEX COUNTY RETIREMENT SYSTEM**

Year	Actuarially determined contribution (a)	Contributions in relation to the actuarially determined contribution	Contribution deficiency (excess)	Covered- payroll	Contributions as a percentage of covered- payroll
December 31, 2018.....	\$ 974,640	\$ (974,640)	-	\$ 5,070,233	19.22%
December 31, 2017.....	914,940	(914,940)	-	4,866,639	18.80%
December 31, 2016.....	890,539	(890,539)	-	4,638,161	19.20%
December 31, 2015.....	836,323	(836,323)	-	4,990,136	16.76%
December 31, 2014.....	759,662	(759,662)	-	4,798,208	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.

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. Therefore, there is no net pension liability to recognize. This schedule discloses the Commonwealth's 100% share of the associated collective net pension liability; the portion of the collective pension expense as both a revenue and pension expense recognized; and the Plan's fiduciary net position as a percentage of the total liability.

Year	Commonwealth's 100% Share of the Associated Net Pension Liability	Expense and Revenue Recognized for the Commonwealth's Support	Plan Fiduciary Net Position as a Percentage of the Total Liability
2019.....	\$ 75,067,910	\$ 7,607,046	54.84%
2018.....	71,479,325	7,460,505	54.25%
2017.....	70,226,463	7,163,560	52.73%
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 Changes in the District's Total Other Postemployment Benefit Liability and Related Ratios presents multi-year trend information on change in the Plan's total OPEB liability, changes in the Plan's net position, and ending net OPEB liability. It also demonstrates the Plan's net position as a percentage of the total liability and the Plan's net other postemployment benefit liability as a percentage of covered-employee payroll.

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

The Schedule of Investment Returns presents multi-year trend information on the money-weighted investment return on the Plan's other postemployment assets, net of investment expense.

**SCHEDULE OF CHANGES IN THE
DISTRICT'S NET OPEB LIABILITY AND RELATED RATIOS
OTHER POSTEMPLOYMENT BENEFIT PLAN**

	June 30, 2018	June 30, 2019
Total OPEB Liability		
Service Cost.....	\$ 2,391,518	\$ 2,566,224
Interest.....	2,140,901	2,580,228
Changes of benefit terms.....	-	-
Differences between expected and actual experience....	3,383,202	-
Changes of assumptions.....	7,802,064	-
Benefit payments.....	<u>(2,334,283)</u>	<u>(2,415,613)</u>
Net change in total OPEB liability.....	13,383,402	2,730,839
Total OPEB liability - beginning.....	<u>64,640,166</u>	<u>78,023,568</u>
Total OPEB liability - ending (a).....	<u>\$ 78,023,568</u>	<u>\$ 80,754,407</u>
Plan fiduciary net position		
Employer contributions.....	\$ -	\$ 150,000
Employer contributions for OPEB payments.....	-	2,415,613
Net investment income.....	-	7,290
Benefit payments.....	<u>-</u>	<u>(2,415,613)</u>
Net change in plan fiduciary net position.....	-	157,290
Plan fiduciary net position - beginning of year.....	<u>-</u>	<u>-</u>
Plan fiduciary net position - end of year (b).....	<u>\$ -</u>	<u>\$ 157,290</u>
Net OPEB liability - ending (a)-(b).....	<u>\$ 78,023,568</u>	<u>\$ 80,597,117</u>
Plan fiduciary net position as a percentage of the total OPEB liability.....	0.00%	0.19%
Covered-employee payroll.....	\$ 24,556,285	\$ 25,292,974
Total OPEB liability as a percentage of covered-employee payroll.....	317.73%	319.28%

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.

**SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
OTHER POSTEMPLOYMENT BENEFIT PLAN**

<u>Year</u>	<u>Actuarially determined contribution</u>	<u>Contributions in relation to the actuarially determined contribution</u>	<u>Contribution deficiency (excess)</u>	<u>Covered- employee payroll</u>	<u>Contributions as a percentage of covered- employee payroll</u>
June 30, 2019.....	\$ 6,678,568	\$ (2,565,613)	\$ 4,112,955	\$ 25,292,974	10.14%
June 30, 2018.....	6,372,550	(2,334,283)	4,038,267	24,556,285	9.51%

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.

SCHEDULE OF INVESTMENT RETURNS
OTHER POSTEMPLOYMENT BENEFIT PLAN

<u>Year</u>	<u>Annual money-weighted rate of return, net of investment expense</u>
June 30, 2019.....	15.30%

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.

NOTE A - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

The District adopts a balanced budget that is approved by the School Committee. The Superintendent of Schools presents an annual budget to the School Committee, which includes estimates of revenues and other financing sources and recommendations of expenditures and other financing uses. The School 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 2019 approved budget for the General Fund authorized \$54.7 million in appropriations, included in this amount was \$256,000 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, 2019, is presented below:

Net change in fund balance - budgetary basis.....	\$ 163,075
<u>Basis of accounting differences:</u>	
Recognition of revenue for on-behalf payments.....	7,607,046
Recognition of expenditures for on-behalf payments.....	<u>(7,607,046)</u>
Net change in fund balance - GAAP basis.....	<u>\$ 163,075</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:

- The mortality tables for healthy participants was changed from RP-2000 Employee and Healthy Annuitant Mortality Tables projected generationally using Scale BB2D from 2009.
- The mortality tables for disabled participants was changed from RP-2000 Healthy Annuitant Mortality Tables projected generationally using Scale BB2D from 2015.
- The long-term salary increase assumption was lowered by 0.25%.
- The investment rate of return assumption was reduced from 7.75%.
- The inflation rate was reduced to 3.25%.

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. Additionally, retired teachers and their spouses receive health insurance through the Group Insurance Commission of the Commonwealth of Massachusetts (GIC). Each participating municipality is assessed for the governmental share of health and life insurance premiums paid on behalf of its teacher retirees by the state.

The Other Postemployment Benefit Plan

The Schedule of Changes in the District's Net Other Postemployment Benefit Liability and Related Ratios

The Schedule of Changes in the District's Net Other Postemployment Benefit Liability and Related Ratios presents multi-year trend information on changes in the Plan's net OPEB liability.

Schedule of the District's Contributions

The Schedule of the District's Contributions includes the District's annual required contribution to the Plan, along with the contribution made in relation to the actuarially determined contribution and the covered-employee payroll. The District is not required to fully fund this contribution. It also demonstrates the contributions as a percentage of covered-employee payroll. Actuarial contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates are as follows:

Valuation date.....	July 1, 2017
Actuarial cost method.....	Individual Entry Age Normal.
Asset valuation method.....	Market value of assets as of the measurement date, June 30, 2019.
Investment rate of return.....	7.06%, net of OPEB plan investment expense, including inflation.
Municipal Bond Rate.....	2.79% as of June 30, 2019 (source: S&P Municipal Bond 20-Year High Grade Index - SAPIHG).
Single equivalent discount rate.....	3.25%, net of OPEB plan investment expense, including inflation.
Inflation rate.....	2.75% as of June 30, 2019 and for future periods.
Projected salary increases.....	3.00% annually as of June 30, 2019 and for future periods.
Cost of living adjustments.....	Not applicable.
Pre-Retirement mortality rates.....	RP-2000 Employees Mortality Table projected generationally with Scale BB and a base year 2009 for males and females.
Post-Retirement mortality rates.....	RP-2000 Healthy Annuitant Mortality Table projected generationally with Scale BB and a base year 2009 for males and females.
Disabled mortality rates.....	RP-2000 Healthy Annuitant Table projected generationally with Scale BB and a base year 2012 for males and females.

Schedule of Investment Returns

The Schedule of Investment Returns includes the money-weighted investment return on the Plan’s other postemployment assets, net of investment expense.

Changes of Assumptions - None.

Changes in Provisions - None.