



NASHOBA

Regional School District

NASHOBA REGIONAL SCHOOL DISTRICT

Financial Statements
For the Year Ended June 30, 2020

(With Independent Auditors' Report Thereon)

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INDEPENDENT AUDITORS' REPORT

To the School Committee
Nashoba Regional School District

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 Nashoba Regional School District (the District), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise District's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

The District's 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.

Auditors' 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 auditors' 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,

Merrimack, New Hampshire
Andover, Massachusetts
Greenfield, Massachusetts
Ellsworth, Maine

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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 Nashoba Regional School District, as of June 30, 2020, and the respective changes in financial position 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 Management's Discussion and Analysis, the Budgetary Comparison for the general fund, and certain Pension and OPEB schedules 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 evidence sufficient 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 a report dated April 30, 2021 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's 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 District's internal control over financial reporting and compliance.

Melanson

Greenfield, Massachusetts
April 30, 2021



MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Nashoba Regional School District (the District), we offer readers this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2020.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the basic financial statements. The basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, (3) notes to financial statements. This report also contains required supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

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

The Statement of Net Position presents information on all assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether financial position is improving or deteriorating.

The Statement of Activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

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. The District's funds are divided into two categories: governmental funds and fiduciary funds.

Governmental Funds

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Reconciliations are provided to facilitate the comparison between governmental funds and governmental activities.

Fiduciary Funds

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

Notes to 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.

Required Supplementary Information (Other Than MD&A)

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information which is required to be disclosed by accounting principles generally accepted in the United States of America.

Financial Highlights

- As of the close of the current fiscal year, net position in governmental activities was \$(47,123,380), a change of \$(4,476,372), as further discussed in the Government-Wide Financial Analysis Section.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$6,832,142, a change of \$1,275,277 in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$1,774,161, a change of \$(525,534) in comparison to the prior year.

Government-Wide Financial Analysis

The following is a summary of condensed government-wide financial data for the current and prior fiscal years.

NET POSITION

	Governmental Activities	
	<u>2020</u>	<u>2019</u>
Current and other assets	\$ 10,651,417	\$ 8,467,491
Capital assets	<u>16,020,280</u>	<u>16,466,706</u>
Total Assets	26,671,697	24,934,197
Deferred Outflows of Resources	10,495,976	4,191,161
Current liabilities	4,381,878	3,548,256
Noncurrent liabilities	<u>78,363,836</u>	<u>66,757,667</u>
Total Liabilities	82,745,714	70,305,923
Deferred Inflows of Resources	1,545,339	1,466,443
Net investment in capital assets	12,689,906	13,126,706
Restricted	2,327,066	2,162,259
Unrestricted	<u>(62,140,352)</u>	<u>(57,935,973)</u>
Total Net Position	\$ <u>(47,123,380)</u>	\$ <u>(42,647,008)</u>

As noted earlier, net position may serve over time as a useful indicator of a District's financial position. At the close of the most recent fiscal year, total net position was \$(47,123,380), a change of \$(4,476,372) from the prior year.

The largest portion of net position, \$12,689,906, reflects our investment in capital assets (e.g., land, land improvements, buildings, machinery and equipment, infrastructure, vehicles, and construction in progress), less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net position, \$2,327,066, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position reflects a deficit of \$(62,140,352) primarily resulting from unfunded pension and OPEB liabilities.

CHANGE IN NET POSITION

	Governmental Activities	
	<u>2020</u>	<u>2019</u>
Revenues		
Program revenues:		
Charges for services	\$ 2,275,280	\$ 3,178,492
Operating grants and contributions	15,123,431	12,128,135
General revenues:		
Assessments to members	46,292,275	45,198,734
Grants and contributions not restricted to specific programs	8,664,635	8,245,950
Investment income	113,982	181,002
Miscellaneous	<u>22,031</u>	<u>6,308</u>
Total Revenues	72,491,634	68,938,621
Expenses		
Administration	1,805,673	1,628,166
Instruction	61,763,788	56,968,109
Other school services	5,856,400	6,335,131
Operations and maintenance	4,472,221	4,502,665
Capital improvements	136,168	-
Other expenditures	2,080,549	2,678,032
Interest	62,949	75,246
Depreciation	<u>790,258</u>	<u>795,268</u>
Total Expenses	<u>76,968,006</u>	<u>72,982,617</u>
Change in Net Position	(4,476,372)	(4,043,996)
Net Position - Beginning of Year	<u>(42,647,008)</u>	<u>(38,603,012)</u>
Net Position - End of Year	<u>\$ (47,123,380)</u>	<u>\$ (42,647,008)</u>

Governmental Activities

Governmental activities for the year resulted in a change in net position of \$(4,476,372). Key elements of this change are as follows:

General fund operations	\$	1,101,241
Revolving funds operations		61,941
Nonmajor governmental funds operations		112,095
Capital asset purchases		343,832
Depreciation expense in excess of principal debt service		(290,258)
Change in accrued interest		4,101
Issuance of long-term notes		(480,000)
Change in compensated absence liability		(16,585)
Change in pension expense from GASB 68		(703,540)
Change in OPEB expense from GASB 75		(4,609,199)
Total	\$	<u>(4,476,372)</u>

Financial Analysis of the District's Funds

As noted earlier, fund accounting is used 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 fiscal year.

General Fund

The general fund is the chief operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was \$1,774,161, while total fund balance was \$4,495,847. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to general fund expenditures. Refer to the table below.

<u>General Fund</u>	<u>06/30/20</u>	<u>06/30/19</u>	<u>Change</u>	<u>% of General Fund Expenditures*</u>
Unassigned fund balance	\$ 1,774,161	\$ 2,299,695	\$ (525,534)	2.7%
Total fund balance	\$ 4,495,847	\$ 3,394,606	\$ 1,101,241	6.9%

* Expenditure amounts used to calculate the above percentages have been adjusted to exclude the on-behalf payment from the Commonwealth to the Massachusetts Teachers Retirement System of \$5,681,631.

The total fund balance of the general fund changed by \$1,101,241 during the current fiscal year. Key factors in this change are as follows:

Use of excess and deficiency as a funding source	\$ (750,000)
Revenues in excess of budget	109,122
Expenditures less than budget	759,804
Change in stabilization	144,360
Add effect of current year encumbrances, net of prior year encumbrances	712,415
Transfer of excess revolving fund balances	<u>125,540</u>
Total	<u>\$ 1,101,241</u>

Included in the total fund balance of the general fund are the District’s stabilization funds with the following balances:

	<u>06/30/20</u>	<u>06/30/19</u>	<u>Change</u>
Stabilization - turf and track	\$ 94,360	\$ 50,000	\$ 44,360
Stabilization - full day kindergarten	<u>100,000</u>	<u>-</u>	<u>100,000</u>
Total	<u>\$ 194,360</u>	<u>\$ 50,000</u>	<u>\$ 144,360</u>

General Fund Budgetary Highlights

There were no differences between the total original budget and the total final budget; however, there were line item changes that were approved by the School Committee.

Capital Asset and Debt Administration

Capital Assets

Total investment in capital assets at year-end amounted to \$16,020,280 (net of accumulated depreciation).

Major capital asset events during the current fiscal year include the following:

- Depreciation expense \$ (790,258)
- Construction in progress – Leaching field \$ 287,700
- Purchase of oil tank \$ 56,132

Long-Term Debt

At the end of the current fiscal year, total bonded debt outstanding was \$2,840,000, all of which was backed by the full faith and credit of the District.

Additional information on capital assets and long-term debt can be found in the Notes to Financial Statements.

Requests for Information

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

Nashoba Regional School District
50 Mechanic Street
Bolton, Massachusetts 01740

NASHOBA REGIONAL SCHOOL DISTRICT

Statement of Net Position
June 30, 2020

	<u>Governmental Activities</u>
Assets	
Current:	
Cash and short-term investments	\$ 10,520,139
Intergovernmental receivables	128,603
Prepaid expenses	<u>2,675</u>
Total Current Assets	10,651,417
Noncurrent:	
Capital assets:	
Land	37,913
Capital assets, net of accumulated depreciation	<u>15,982,367</u>
Total Noncurrent Assets	<u>16,020,280</u>
Total Assets	26,671,697
Deferred Outflows of Resources	
Related to pension	894,269
Related to OPEB	<u>9,601,707</u>
Total Deferred Outflows of Resources	<u>10,495,976</u>
Liabilities	
Current:	
Accounts payable	833,190
Accrued payroll and related liabilities	2,986,085
Accrued interest payable	19,603
Current portion of long-term liabilities:	
Bonds payable	495,000
Notes payable	<u>48,000</u>
Total Current Liabilities	4,381,878
Noncurrent:	
Bonds payable, net of current portion	2,345,000
Notes payable, net of current portion	432,000
Compensated absences	130,511
Net pension liability	15,201,248
Net OPEB liability	<u>60,255,077</u>
Total Noncurrent Liabilities	<u>78,363,836</u>
Total Liabilities	82,745,714
Deferred Inflows of Resources	
Related to pension	536,230
Related to OPEB	<u>1,009,109</u>
Total Deferred Inflows of Resources	<u>1,545,339</u>
Net Position	
Net investment in capital assets	12,689,906
Restricted	2,327,066
Unrestricted	<u>(62,140,352)</u>
Total Net Position	<u>\$ (47,123,380)</u>

The accompanying notes are an integral part of these financial statements.

NASHOBA REGIONAL SCHOOL DISTRICT

Statement of Activities
For the Year Ended June 30, 2020

		<u>Program Revenues</u>		<u>Net (Expenses) Revenues and Change in Net Position</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental Activities				
Administration	\$ 1,805,673	\$ -	\$ -	\$ (1,805,673)
Instruction	61,763,788	1,569,941	14,726,158	(45,467,689)
Other school services	5,856,400	705,339	397,273	(4,753,788)
Operations and maintenance	4,472,221	-	-	(4,472,221)
Capital improvements	136,168	-	-	(136,168)
Other expenditures	2,080,549	-	-	(2,080,549)
Interest	62,949	-	-	(62,949)
Depreciation	790,258	-	-	(790,258)
Total	<u>\$ 76,968,006</u>	<u>\$ 2,275,280</u>	<u>\$ 15,123,431</u>	<u>(59,569,295)</u>
		General Revenues		
				46,292,275
				8,664,635
				113,982
				22,031
				<u>55,092,923</u>
				(4,476,372)
		Net Position		
				<u>(42,647,008)</u>
				<u>\$ (47,123,380)</u>

The accompanying notes are an integral part of these financial statements.

NASHOBA REGIONAL SCHOOL DISTRICT

Governmental Funds
Balance Sheet
June 30, 2020

	General <u>Fund</u>	Revolving <u>Funds</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Assets				
Cash and short-term investments	\$ 8,164,237	\$ 1,937,532	\$ 418,370	\$ 10,520,139
Intergovernmental receivables	-	-	128,603	128,603
Prepaid expenses	<u>2,675</u>	<u>-</u>	<u>-</u>	<u>2,675</u>
Total Assets	<u>\$ 8,166,912</u>	<u>\$ 1,937,532</u>	<u>\$ 546,973</u>	<u>\$ 10,651,417</u>
 Liabilities				
Accounts payable	\$ 710,945	\$ 26,932	\$ 95,313	\$ 833,190
Accrued payroll and related liabilities	<u>2,960,120</u>	<u>-</u>	<u>25,965</u>	<u>2,986,085</u>
Total Liabilities	3,671,065	26,932	121,278	3,819,275
 Fund Balances				
Nonspendable	2,675	-	-	2,675
Restricted	-	1,910,600	425,695	2,336,295
Committed	194,360	-	-	194,360
Assigned	2,524,651	-	-	2,524,651
Unassigned	<u>1,774,161</u>	<u>-</u>	<u>-</u>	<u>1,774,161</u>
Total Fund Balances	<u>4,495,847</u>	<u>1,910,600</u>	<u>425,695</u>	<u>6,832,142</u>
Total Liabilities and Fund Balances	<u>\$ 8,166,912</u>	<u>\$ 1,937,532</u>	<u>\$ 546,973</u>	<u>\$ 10,651,417</u>

The accompanying notes are an integral part of these financial statements.

NASHOBA REGIONAL SCHOOL DISTRICT

Reconciliation of Total Governmental Fund Balances
to Net Position of Governmental Activities
in the Statement of Net Position
June 30, 2020

Total Governmental Fund Balances	\$ 6,832,142
<ul style="list-style-type: none">• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	16,020,280
<ul style="list-style-type: none">• In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.	(19,603)
<ul style="list-style-type: none">• Long-term liabilities, including bonds and notes payable, net pension liability and net OPEB liability are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(69,825,688)
<ul style="list-style-type: none">• Other.	<u>(130,511)</u>
Net Position of Governmental Activities	<u>\$ (47,123,380)</u>

The accompanying notes are an integral part of these financial statements.

NASHOBA REGIONAL SCHOOL DISTRICT

Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended June 30, 2020

	General Fund	Revolving Funds	Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Assessments to members	\$ 46,292,275	\$ -	\$ -	\$ 46,292,275
Intergovernmental	14,346,266	1,241,375	1,848,914	17,436,555
Charges for services	-	1,569,941	705,339	2,275,280
Investment income	113,982	-	-	113,982
Miscellaneous	<u>22,031</u>	<u>-</u>	<u>-</u>	<u>22,031</u>
Total Revenues	60,774,554	2,811,316	2,554,253	66,140,123
Expenditures				
Current:				
Administration	1,395,320	-	56,515	1,451,835
Instruction	40,309,973	1,770,379	886,154	42,966,506
Other school services	3,034,934	603,456	1,459,489	5,097,879
Operations and maintenance	3,790,558	50,000	-	3,840,558
Insurance and benefits	8,660,469	200,000	-	8,860,469
Capital improvements	-	-	480,000	480,000
Other expenditures	2,080,549	-	-	2,080,549
Debt service:				
Principal	460,000	-	40,000	500,000
Interest	<u>67,050</u>	<u>-</u>	<u>-</u>	<u>67,050</u>
Total Expenditures	<u>59,798,853</u>	<u>2,623,835</u>	<u>2,922,158</u>	<u>65,344,846</u>
Excess (Deficiency) of Revenues over Expenditures	975,701	187,481	(367,905)	795,277
Other Financing Sources (Uses)				
Issuance of long-term notes	-	-	480,000	480,000
Transfers in	125,540	-	-	125,540
Transfers (out)	<u>-</u>	<u>(125,540)</u>	<u>-</u>	<u>(125,540)</u>
Total Other Financing Sources (Uses)	<u>125,540</u>	<u>(125,540)</u>	<u>480,000</u>	<u>480,000</u>
Change in Fund Balance	1,101,241	61,941	112,095	1,275,277
Fund Equity, at Beginning of Year, as reclassified	<u>3,394,606</u>	<u>1,848,659</u>	<u>313,600</u>	<u>5,556,865</u>
Fund Equity, at End of Year	<u>\$ 4,495,847</u>	<u>\$ 1,910,600</u>	<u>\$ 425,695</u>	<u>\$ 6,832,142</u>

The accompanying notes are an integral part of these financial statements.

NASHOBA REGIONAL SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures, and Changes
In Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2020

Net Changes in Fund Balances - Total Governmental Funds	\$ 1,275,277														
<ul style="list-style-type: none"> • 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: <table style="width: 100%; margin-left: 20px;"> <tr> <td style="width: 80%;">Capital outlay</td> <td style="text-align: right;">343,832</td> </tr> <tr> <td>Depreciation</td> <td style="text-align: right;">(790,258)</td> </tr> </table> • The issuance of long-term debt (e.g., bonds and notes) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position: <table style="width: 100%; margin-left: 20px;"> <tr> <td style="width: 80%;">Issuance of long-term notes payable</td> <td style="text-align: right;">(480,000)</td> </tr> <tr> <td>Repayments of bonds payable</td> <td style="text-align: right;">500,000</td> </tr> </table> • In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due. 4,101 • 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: <table style="width: 100%; margin-left: 20px;"> <tr> <td style="width: 80%;">Change in pension expense from GASB 68</td> <td style="text-align: right;">(703,540)</td> </tr> <tr> <td>Change in OPEB expense from GASB 75</td> <td style="text-align: right;">(4,609,199)</td> </tr> <tr> <td>Other</td> <td style="text-align: right;"><u>(16,585)</u></td> </tr> </table> 		Capital outlay	343,832	Depreciation	(790,258)	Issuance of long-term notes payable	(480,000)	Repayments of bonds payable	500,000	Change in pension expense from GASB 68	(703,540)	Change in OPEB expense from GASB 75	(4,609,199)	Other	<u>(16,585)</u>
Capital outlay	343,832														
Depreciation	(790,258)														
Issuance of long-term notes payable	(480,000)														
Repayments of bonds payable	500,000														
Change in pension expense from GASB 68	(703,540)														
Change in OPEB expense from GASB 75	(4,609,199)														
Other	<u>(16,585)</u>														
Change in Net Position of Governmental Activities	\$ <u>(4,476,372)</u>														

The accompanying notes are an integral part of these financial statements.

NASHOBA REGIONAL SCHOOL DISTRICT

Fiduciary Funds
Statement of Fiduciary Net Position
June 30, 2020

	Other Post- Employment Benefits <u>Trust Fund</u>	Agency <u>Funds</u>
Assets		
Cash and short-term investments	\$ -	\$ 242,560
Investments in external investment pool	<u>450,602</u>	<u>-</u>
Total Assets	450,602	242,560
Liabilities		
Due to student organizations	<u>-</u>	<u>242,560</u>
Total Liabilities	<u>-</u>	\$ <u><u>242,560</u></u>
Net Position		
Restricted for OPEB purposes	\$ <u><u>450,602</u></u>	

The accompanying notes are an integral part of these financial statements.

NASHOBA REGIONAL SCHOOL DISTRICT

Fiduciary Funds
Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2020

	<u>Other Post- Employment Benefits Trust Fund</u>
Additions	
Contributions	\$ 1,238,141
Investment income	<u>8,825</u>
Total Additions	1,246,966
Deductions	
Benefit payments to plan members, beneficiaries and other systems	<u>1,138,141</u>
Total Deductions	<u>1,138,141</u>
Net Increase	108,825
Net Position Restricted for OPEB Purposes	
Beginning of year	<u>341,777</u>
End of year	<u>\$ 450,602</u>

The accompanying notes are an integral part of these financial statements.

NASHOBA REGIONAL SCHOOL DISTRICT

Notes to Financial Statements

1. Summary of Significant Accounting Policies

The accounting policies of the Nashoba Regional School District (the District) conform to generally accepted accounting principles (GAAP) as applicable to governmental units. The following is a summary of significant policies:

Reporting Entity

The District is a municipal corporation governed by an elected School Committee. As required by generally accepted accounting principles, these financial statements present the District and applicable component units for which the District is considered to be financially accountable. In fiscal year 2020, it was determined that no entities met the required GASB 14 (as amended) criteria of component units.

Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government. The effect of interfund activity has been removed from these statements.

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

Fund Financial Statements

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-Wide Financial Statements

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a

liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Fund Financial Statements

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Typically, revenue items are considered to be measurable and available only when cash is received by the District. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, certain expenditures such as debt service, claims and judgments, compensated absences, pension, and OPEB costs are recorded as expenditures only when payment is due.

The District reports the following major governmental funds:

- The *general fund* is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The *revolving funds* tracks the District's special revenue revolving funds. This includes School Choice, which accounts for revenue from other communities whose students chose to attend the District, and Circuit Breaker, which accounts for state revenue received by the District for special education costs.

The fiduciary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Under this method, revenues are recognized when earned and expenses are recorded when liabilities are incurred.

The District reports the following fiduciary funds:

- The *other post-employment benefits trust fund* is used to accumulate resources for health and dental insurance benefits for retired employees.
- The *agency funds* account for fiduciary assets held by the District in a custodial capacity as an agent on behalf of others. Agency Funds report only assets and liabilities, and therefore, have no measurement focus.

Cash and Investments

Cash balances from all funds, except those required to be segregated by law, are combined to form a consolidation of cash. Cash balances are invested to the extent available, and interest earnings are recognized in the general fund. Certain special

revenue and fiduciary funds segregate cash, and investment earnings become a part of those funds.

Deposits with financial institutions consist primarily of demand deposits and savings accounts. Generally, a cash and investment pool is maintained that is available for use by all funds. Each fund's portion of this pool is reflected on the combined financial statements under the caption "cash and short-term investments".

Investments, generally, are presented at fair value. Where applicable, fair values are based on quotations from national securities exchanges, except for certain investments that are required to be presented using the net asset value (NAV). The NAV per share is the amount of net assets attributable to each share of capital stock outstanding at the close of the period investments measured at the NAV for fair value are not subject to level classification.

The District's investments in the Massachusetts Municipal Depository Trust (MMDT) Cash Portfolio, an external investment pool overseen by the Treasurer of the Commonwealth of Massachusetts. This cash portfolio meets the requirements of GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, and investments are valued at amortized cost.

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

Investments are carried at fair value, except certificates of deposit which are reported at cost.

Capital Assets

Capital assets, which include land, land improvements, buildings, machinery and equipment, infrastructure, vehicles, and construction in progress are reported in the in the government-wide financial statements. Capital assets are defined by the District as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land improvements	10 - 20
Buildings	40
Machinery and equipment	5 - 10
Infrastructure	20 - 30
Vehicles	5

Compensated Absences

It is the District’s policy to permit employees to accumulate earned but unused vacation benefits. All vested vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Long-Term Liabilities

In the government-wide financial statements, long-term debt, and other long-term obligations are reported as liabilities in the governmental activities Statement of Net Position.

Fund Equity

Fund equity at the governmental fund financial reporting level is classified as “fund balance”. Fund equity for all other reporting is classified as “net position”.

Fund Balance

Generally, fund balance represents the difference between the current assets and deferred outflows and current liabilities and deferred inflows. The District reserves those portions of fund balance that are legally segregated for a specific future use or which do not represent available, spendable resources and therefore, are not available for appropriation or expenditure. Unassigned fund balance indicates that portion of fund balance that is available for appropriation in future periods.

When an expenditure is incurred that would qualify for payment from multiple fund balance types, the District uses the following order to liquidate liabilities: restricted, committed, assigned, and unassigned.

Net Position

Net position represents the difference between assets/deferred outflows and liabilities/deferred inflows. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used

for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on use either through enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The remaining net position is reported as unrestricted.

Use of Estimates

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

2. Stewardship, Compliance, and Accountability

Budgetary Information

The School Committee annually determines the amount to be raised (after deducting the amount of anticipated revenue the District expects to receive) to maintain and operate the District during the next fiscal year. The District then calculates the assessments to each member community based on its approved budget and seeks an appropriation in the amount of that assessment from each community. After assessments are appropriated by each member community that are consistent with the School Committee's budget (either its initial budget or a budget revised to be consistent with the member's appropriations), the District Treasurer certifies the assessments to the treasurers of the member communities.

Formal budgetary integration is employed as a management control device during the year for the General Fund. Effective budgetary control is achieved for all other funds through provisions of Massachusetts General Laws.

At year-end, appropriation balances lapse, except for certain unexpended capital items and encumbrances which will be honored during the subsequent year.

Assessments of Member Communities

Most capital and operating costs of the District in excess of each town's net minimum contribution are apportioned to the member towns on the basis of their respective pupil enrollments in the District on October 1 of the preceding year. Certain costs, such as transportation and debt service, are outside of the net school spending requirements established by the Commonwealth. These costs are apportioned to the member towns

based on either the above percentage or on a member-specific basis. For the year ended June 30, 2020, the assessments were calculated as follows:

Member <u>Community</u>	Minimum <u>Contribution</u>	Contribution Outside Net <u>Sch. Spending</u>	Additional <u>Contribution</u>	Total <u>Assessments</u>
Bolton	\$ 8,769,091	\$ 6,459,925	\$ 159,576	\$ 15,388,593
Lancaster	6,867,146	6,021,503	125,756	13,014,404
Stow	<u>10,037,867</u>	<u>7,694,693</u>	<u>156,718</u>	<u>17,889,278</u>
Total	\$ <u>25,674,104</u>	\$ <u>20,176,121</u>	\$ <u>442,050</u>	\$ <u>46,292,275</u>

3. Deposits – District

State statutes (MGL Chapter 44, Section 55) place certain limitation on the nature of deposits and investments available to the District. Deposits, including demand deposits, money markets, certificates of deposits in any one financial institution, may not exceed 60% of the capital and surplus of such institution unless collateralized by the institution involved. Investments may be made in unconditionally guaranteed U.S. government obligations have maturities of a year or less from the date of purchase, or through repurchase agreements with maturities of no greater than 90 days in which the underlying securities consists of such obligations. Other allowable investments include certificates of deposits having a maturity date of up to 3 years from the date of purchase, national banks and Massachusetts Municipal Depository Trust (MMDT). MMDT, which is an external investment pool overseen by the Treasurer of the Commonwealth of Massachusetts, meets the criteria established by GASB 79, Certain External Investment Pools and Pool Participants, to report its investments at amortized cost, which approximates the net asset value of 1.00 per share. MMDT has a maturity of less than 1 year and is not rated or subject to custodial credit risk disclosure. MGL Chapter 44, Section 54 provides additional investment options for certain special revenue, trust and OPEB funds.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of bank failure, the District’s deposits may not be returned. The District does not have formal deposit policies related to the custodial credit risk of deposits.

As of June 30, 2020, none of the District’s bank balance of \$9,146,150 was exposed to custodial credit risk as uninsured and uncollateralized. In addition, the District also had \$1,822,118 held in MMDT.

4. Investments – OPEB Trust Fund

All of the OPEB Trust Fund’s investments of \$450,602 are invested in the external (State) investment pool – State Retirees Benefits Trust Fund (SRBT).

Custodial Credit Risk

The OPEB Trust Fund does not have formal investment policies related to custodial credit risk of investments. All of the OPEB Trust Fund’s investments are exempt from custodial credit risk disclosure as they are invested in SRBT.

Concentration of Credit Risk

The OPEB Trust Fund does not have formal investment policies related to concentration of credit risk. All of the OPEB Trust Fund’s investments are exempt from concentration of credit risk disclosure as they are invested in SRBT.

Interest Rate Risk

The OPEB Trust Fund does not have formal investment policies related to interest rate risk. All of the OPEB Trust Fund’s investments are exempt from interest rate risk disclosure as they are invested in SRBT.

Fair Value

The OPEB Trust Funds investments are in SRBT which are measured at net asset value and are not subject to fair value measurement.

<u>Investment Type</u>	<u>Amount</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency (If currently eligible)</u>	<u>Redemption Notice Period</u>
External investment pools	\$ 450,602	\$ -	Monthly	30 Days

5. Intergovernmental Receivables

This balance represents reimbursements requested from Federal and State agencies for expenditures incurred in fiscal 2020.

6. Capital Assets

Capital asset activity for the year ended June 30, 2020 was as follows:

	Beginning <u>Balance</u>	<u>Increases</u>	Convert <u>CIP</u>	Ending <u>Balance</u>
Governmental Activities				
Capital assets, being depreciated:				
Land improvements	\$ 2,491,438	\$ -	\$ 330,925	\$ 2,822,363
Buildings	29,344,193	-	-	29,344,193
Machinery and equipment	807,529	56,132	-	863,661
Infrastructure	178,175	-	-	178,175
Vehicles	<u>305,365</u>	<u>-</u>	<u>-</u>	<u>305,365</u>
Total capital assets, being depreciated	33,126,700	56,132	330,925	33,513,757
Less accumulated depreciation for:				
Land improvements	(896,440)	(133,768)	-	(1,030,208)
Buildings	(14,713,107)	(613,994)	-	(15,327,101)
Machinery and equipment	(689,064)	(31,288)	-	(720,352)
Infrastructure	(178,175)	-	-	(178,175)
Vehicles	<u>(264,346)</u>	<u>(11,208)</u>	<u>-</u>	<u>(275,554)</u>
Total accumulated depreciation	<u>(16,741,132)</u>	<u>(790,258)</u>	<u>-</u>	<u>(17,531,390)</u>
Total capital assets, being depreciated, net	16,385,568	(734,126)	330,925	15,982,367
Capital assets, not being depreciated:				
Land	37,913	-	-	37,913
Construction in progress (CIP)	<u>43,225</u>	<u>287,700</u>	<u>(330,925)</u>	<u>-</u>
Total capital assets, not being depreciated	<u>81,138</u>	<u>287,700</u>	<u>(330,925)</u>	<u>37,913</u>
Governmental activities capital assets, net	<u>\$ 16,466,706</u>	<u>\$ (446,426)</u>	<u>\$ -</u>	<u>\$ 16,020,280</u>

7. Deferred Outflows of Resources

Deferred outflows of resources represent the consumption of net position by the District that is applicable to future reporting periods. Deferred outflows of resources have a positive effect on net position, similar to assets. Deferred outflows of resources related to pensions and OPEB, in accordance with GASB Statements No. 68 and No. 75, are more fully discussed in the corresponding pension and OPEB notes.

8. Accounts Payable

Accounts payable represent 2020 expenditures paid in fiscal year 2021.

9. Long-Term Debt

Long-Term Debt Supporting Activities

The District issues general obligation bonds and long-term notes to provide funds for the acquisition and construction of major capital facilities. General obligation bonds and long-term notes currently outstanding are as follows:

<i>General Obligation Bonds</i>	Original <u>Issue</u>	Serial Maturities <u>Through</u>	Interest <u>Rate(s) %</u>	<u>Amount</u>
Athletics Field Renovations	\$ 2,210,000	06/30/28	2.00%	\$ 1,160,000
GOB Refunding Bonds	3,085,000	06/30/25	2.00-3.00%	<u>1,680,000</u>
Total general obligation bonds				<u>\$ 2,840,000</u>
 <i>Long-Term Notes Payable</i>				
Leach Field Note	\$ 480,000	08/07/20	2.06%	<u>\$ 480,000</u>

Future Debt Service

The annual payments to retire all general obligation bonds outstanding as of June 30, 2020 are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 495,000	\$ 56,225	\$ 551,225
2022	490,000	45,450	535,450
2023	480,000	35,650	515,650
2024	475,000	26,050	501,050
2025	465,000	16,550	481,550
2026 - 2030	<u>435,000</u>	<u>13,050</u>	<u>448,050</u>
Total	<u>\$ 2,840,000</u>	<u>\$ 192,975</u>	<u>\$ 3,032,975</u>

The District intends to pay down the long-term note payable by \$48,000 per year over a period of ten years.

The general fund has been designated as the source to repay the general obligation long-term bonds outstanding as of June 30, 2020.

Changes in General Long-Term Liabilities

During the year ended June 30, 2020, the following changes occurred in long-term liabilities (in thousands):

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Less Current Portion	Equals Long-Term Portion
Governmental Activities						
Bonds payable	\$ 3,340	\$ -	\$ (500)	\$ 2,840	\$ (495)	\$ 2,345
Notes payable	-	480	-	480	(48)	432
Compensated absences	114	17	-	131	-	131
Net pension liability	15,947	-	(746)	15,201	-	15,201
Net OPEB liability	<u>47,970</u>	<u>12,285</u>	<u>-</u>	<u>60,255</u>	<u>-</u>	<u>60,255</u>
Totals	<u>\$ 67,371</u>	<u>\$ 12,782</u>	<u>\$ (1,246)</u>	<u>\$ 78,907</u>	<u>\$ (543)</u>	<u>\$ 78,364</u>

Long-Term Debt Supporting Governmental Activities

Bonds and notes issued by the District for various project are approved by School Committee and will be repaid with revenues recorded in the general fund.

10. Deferred Inflows of Resources

Deferred inflows of resources are the acquisition of net position by the District that is applicable to future reporting periods. Deferred inflows of resources have a negative effect on net position, similar to liabilities. Deferred inflows of resources related to pensions and OPEB will be recognized as expense in future years and are more fully described in the corresponding pension and OPEB notes.

11. Transfers

In fiscal year 2020 the District was required to transfer the excess balance in the circuit breaker fund of \$125,540 to the general fund. The yearend balance in the circuit breaker fund is not allowed to exceed the current years revenue.

12. Governmental Funds – Fund Balances

Fund balances are segregated to account for resources that are either not available for expenditure in the future or are legally set aside for a specific future use.

The District has implemented GASB Statement No. 54 (GASB 54), *Fund Balance Reporting and Governmental Fund Type Definitions*, which enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying existing governmental fund type definitions.

The following types of fund balances are reported at June 30, 2020:

Nonspendable

Represents amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. This fund balance classification includes general fund reserves for prepaid expenditures.

Restricted

Represents amounts that are restricted to specific purposes by constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation. This fund balance classification includes various special funds and bonded projects.

Committed

Represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the District's highest level of decision-making authority. This fund balances classification includes special purpose stabilization funds.

Assigned

Represents amounts that are constrained by the District's intent to use these resources for a specific purpose. This fund balance classification includes general fund encumbrances for the expenditure of current year budgetary financial resources upon vendor performance in the subsequent budgetary period, and amounts set aside to be used in the subsequent year's budget.

Unassigned

Represents amounts that are available to be spent in future periods.

The following types of fund balances are reported at June 30, 2020:

	General Fund	Revolving Funds	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable				
Prepaid expenses	\$ 2,675	\$ -	\$ -	\$ 2,675
Total Nonexpendable	2,675	-	-	2,675
Restricted				
Grants	-	-	416,466	416,466
Revolving funds	-	1,910,600	-	1,910,600
Bonded projects	-	-	9,229	9,229
Total Restricted	-	1,910,600	425,695	2,336,295
Committed				
Stabilization - turf and track *	94,360	-	-	94,360
Stabilization - full day kindergarten *	100,000	-	-	100,000
Total Committed	194,360	-	-	194,360
Assigned				
Encumbrances:				
Administration	19,178	-	-	19,178
Instruction	262,451	-	-	262,451
Other school services	18,835	-	-	18,835
Operations & maintenance	110,955	-	-	110,955
Insurance and benefits	61,039	-	-	61,039
Other expenditures	532,193	-	-	532,193
Reserved for expenditures	1,520,000	-	-	1,520,000
Total Assigned	2,524,651	-	-	2,524,651
Unassigned				
General fund	1,774,161	-	-	1,774,161
Total Unassigned	1,774,161	-	-	1,774,161
Total Fund Balances	\$ 4,495,847	\$ 1,910,600	\$ 425,695	\$ 6,832,142

* Massachusetts General Law Chapter 40, Section 5B allows for the establishment of stabilization funds for one or more different purposes. The creation of a fund requires two-thirds vote of the legislative body and must clearly define the purpose of the fund. Any change to the purpose of the fund, along with any additions to or appropriations from the fund, requires a two-thirds vote of the legislative body.

13. Worcester Regional Retirement System

The District follows the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, with respect to the employees' retirement funds.

Plan Description

All employees of the District (except teachers and administrators) are members of the Worcester Regional Retirement System (the System), a cost sharing, multiple-employer

public employee retirement system (PERS). Eligible employees must participate in the System. The pension plan provides pension benefits, deferred allowances, and death and disability benefits. Chapter 32 of the Massachusetts General Laws establishes the authority of the System, contribution percentages, and benefits paid. The System Retirement Board does not have the authority to amend benefit provisions. Additional information is disclosed in the System's annual financial reports publicly available from the System located at Worcester Regional Retirement System at 23 Midstate Drive, Suite 106, Midstate Office Park, Auburn, Massachusetts 01501 or from the System's website at www.worcesterregionalretirement.org.

Participants' Contributions

Participants contribute a set percentage of their gross regular compensation annually. Employee contribution percentages are specified in Chapter 32 of the Massachusetts General Laws. The employee's individual contribution percentage is determined by their date of entry into the system. In addition, all employees hired after January 1, 1979 contribute an additional 2% on all gross regular compensation over the rate of \$30,000 per year. The percentages are as follows:

Before January 1, 1975	5%
January 1, 1975 - December 31, 1983	7%
January 1, 1984 - June 30, 1996	8%
Beginning July 1, 1996	9%

For those members entering a Massachusetts System on or after April 2, 2012 in Group 1, the contribution rate will be reduced to 6% when at least 30 years of creditable service has been attained.

Participant Retirement Benefits

A retirement allowance consists of two parts: an annuity and a pension. A member's accumulated total deductions and a portion of the interest they generate constitute the annuity. The difference between the total retirement allowance and the annuity is the pension. The average retirement benefit is approximately 80-85% pension and 15-20% annuity.

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 those hired prior to April 2, 2012 and the highest five-year average annual rate of regular compensation for those first becoming members of the System on or after that date. However, per Chapter 176 of the Acts of 2011, for members who retire on or after April 2, 2012, if in the 5 years of creditable service immediately preceding retirement, the difference in the annual rate of regular compensation between any 2 consecutive years exceeds 10 percent, the normal yearly amount of the retirement allowance shall be based on the average annual rate of regular compensation received by the member during the

period of 5 consecutive years preceding retirement. Benefit payments are based upon a member's age, length of creditable service, level of compensation and group classification.

There are four classes of membership in the retirement system, but one of these classes, Group 3, is made up exclusively of the Massachusetts State Police. The other three classes are as follows:

- Group 1 – General employees, including clerical, administrative, technical, and all other employees not otherwise classified.
- Group 2 – Certain specified hazardous duty positions.
- Group 4 – Police officers, firefighters, and other specified hazardous positions.

A retirement allowance may be received at any age, upon attaining 20 years of service. The plan also provides for retirement at age 55 if the participant was a member prior to January 1, 1978, with no minimum vesting requirements. If the participant was a member on or after January 1, 1978 and a member of Groups 1 or 2, then a retirement allowance may be received if the participant (1) has at least 10 years of creditable service, (2) is age 55, (3) voluntarily left District employment on or after that date, and (4) left accumulated annuity deductions in the fund. Members of Group 4 have no minimum vesting requirements, however, must be at least age 55. Groups 2 and 4 require that participants perform the duties of the Group position for at least 12 months immediately prior to retirement.

A participant who became a member on or after April 2, 2012 is eligible for a retirement allowance upon 10 years creditable service and reaching ages 60 or 55 for Groups 1 and 2, respectively. Participants in Group 4 must be at least age 55. Groups 2 and 4 require that participants perform the duties of the Group position for at least 12 months immediately prior to retirement.

Methods of Payment

A member may elect to receive his or her retirement allowance in one of three forms of payment as follows:

- Option A – Total annual allowance, payable in monthly installments, commencing at retirement and terminating at the member's death.
- Option B – A reduced annual allowance, payable in monthly installments, commencing at retirement and terminating at the death of the member, provided however, that if the total amount of the annuity portion received by the member is less than the amount of his or her accumulated deductions, including interest, the difference or balance of his accumulated deductions will be paid in a lump sum to the retiree's beneficiary or beneficiaries of choice.

- Option C – A reduced annual allowance, payable in monthly installments, commencing at retirement. At the death of the retired employee, 2/3 of the allowance is payable to the member’s designated beneficiary (who may be the spouse, or former spouse who has not remarried, child, parent, sister, or brother of the employee) for the life of the beneficiary. For members who retired on or after January 12, 1988, if the beneficiary pre-deceases the retiree, the benefit payable increases (or “pops up” to Option A) based on the factor used to determine the Option C benefit at retirement. For members who retired prior to January 12, 1988, if the System has accepted Section 288 of Chapter 194 of the Acts of 1998 and the beneficiary pre-deceases the retiree, the benefit payable “pops up” to Option A in the same fashion. The Option C became available to accidental disability retirees on November 7, 1996.

Participants’ Refunds

Employees who resign from service and who are not eligible to receive a retirement allowance are entitled to request a refund of their accumulated total deductions. Members voluntarily withdrawing with at least 10 years of service or involuntarily withdrawing, receive 100% of the regular interest that has accrued on those accumulated total deductions. Members voluntarily withdrawing with less than 10 years of service get credited interest each year at a rate of 3%.

Employer Contributions

Employers are required to contribute at actuarially determined rates as accepted by the Public Employee Retirement Administration Commission (PERAC).

The District’s contribution to the System for the year ended June 30, 2020 was \$1,039,818, which was equal to its annual required contribution.

Summary of Significant Accounting Policies

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 System and additions to/deductions from System’s fiduciary net position have been determined on the same basis as they are reported by System. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2020, the District reported a liability of \$15,201,248 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2018, rolled forward to the measurement date of December 21, 2019. 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 employers, actuarially determined. At June 30, 2020, the District's proportion was 1.707%, which was a decrease of (0.051)% from its proportion measured as of December 31, 2018.

For the year ended June 30, 2020, the District recognized pension expense of \$1,743,361. In addition, the District reported deferred outflows of resources and deferred (inflows) of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred (Inflows) of Resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ (417,527)
Changes in proportion and differences between pension contributions and proportionate share of contributions	-	(27,627)
Difference between expected and actual experience	44,639	(91,076)
Changes in assumptions	<u>849,630</u>	<u>-</u>
Total	<u>\$ 894,269</u>	<u>\$ (536,230)</u>

Amounts reported as deferred outflows of resources and deferred (inflows) of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30:</u>	<u>Amount</u>
2021	\$ 168,428
2022	269,562
2023	185,293
2024	(248,996)
2025	<u>(16,248)</u>
Total	<u>\$ 358,039</u>

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of January 1, 2018 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.4% per year
Salary increases	Group 1: 6% - 4.25%, based on service Group 4: 7% - 4.75%, based on service
Investment rate of return	7.65%
Remaining amortization period	17 years, except for ERI for 2002 and 2003 (10 years) and 2010 (4 years)

Mortality rates were based on the RP-2000 mortality table (base year 2009) with full generational mortality improvement using Scale BB. For disabled lives, the mortality rates were based on the RP-2000 mortality table (base year 2012) with full generational mortality improvement using Scale BB.

Target Allocations

The long-term expected rate of return on pension plan investments was selected from a best estimate range determined using the building block approach. Under this method, an expected future real return range (expected returns, net of pension plan investment expense and inflation) is calculated separately for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return net of investment expenses by the target asset allocation percentage and by adding expected inflation rate. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of December 31, 2019 are summarized in the following table:

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global equity	39.00%	4.68%
Fixed income	23.00%	1.90%
Private equity	13.00%	8.50%
Real estate	10.00%	3.70%
Timber/natural resources	4.00%	4.30%
Portfolio completion strategies	<u>11.00%</u>	3.40%
Total	<u>100.00%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.65%. The projection of cash flows used to determine the discount rate assumed that the plan member contributions will be made at the current contribution rate and that employer contributions will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive 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 Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.65 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current rate:

	Current	
1% Decrease	Discount Rate	1% Increase
<u>(6.65%)</u>	<u>(7.65%)</u>	<u>(8.65%)</u>
\$ 18,549,481	\$ 15,201,248	\$ 12,373,761

Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s fiduciary net position is available in the separately issued System financial report.

14. Massachusetts Teachers’ Retirement System (MTRS)

Plan Description

The Massachusetts Teachers’ Retirement System (MTRS) is a public employee retirement system (PERS) that administers a cost-sharing multi-employer defined benefit plan, as defined in Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans*. MTRS is managed by the Commonwealth of Massachusetts (the Commonwealth) on behalf of municipal teachers and municipal teacher retirees. The Commonwealth is a nonemployer contributor and is responsible for all 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 does not issue a standalone audited financial report.

Management of MTRS is vested in the Massachusetts Teachers’ Retirement Board (MTRB), which consists of seven members—two elected by the MTRS members, one who is chosen by the six other MTRB members, the State Treasurer (or their designee), the State Auditor

(or their designee), a member appointed by the Governor, and the Commissioner of Education (or their designee), who serves ex-officio as the Chairman of the MTRB.

Benefits Provided

MTRS provides retirement, disability, survivor, and death benefits to members and their beneficiaries. Massachusetts General Laws (MGL) establish uniform benefit and contribution requirements for all contributory PERS. These requirements provide for superannuation retirement allowance benefits up to a maximum of 80% of a member’s highest three-year average annual rate of regular compensation. For employees hired after April 1, 2012, retirement allowances are calculated on the basis of the last five years or any five consecutive years, whichever is greater in terms of compensation. Benefit payments are based upon a member’s age, length of creditable service, and group creditable service and group classification. The authority for amending these provisions rests with the Legislature.

Members become vested after ten years of creditable service. A superannuation retirement allowance may be received upon the completion of twenty years of creditable service or upon reaching the age of 55 with ten years of service. Normal retirement for most employees occurs at age 65. Most employees who joined the system after April 1, 2012 cannot retire prior to age 60.

MTRS’ funding policies have been established by Chapter 32 of the MGL. The Legislature has the authority to amend these policies. The annuity portion of the MTRS retirement allowance is funded by employees who contribute a percentage of their regular compensation. Costs of administering the plan are funded out of plan assets.

Contributions

Member contributions for MTRS vary depending on the most recent date of membership:

<u>Membership Date</u>	<u>% of Compensation</u>
Prior to 1975	5% of regular compensation
1975 to 1983	7% of regular compensation
1984 to 6/30/1996	8% of regular compensation
7/1/1996 to present	9% of regular compensation
7/1/2001 to present	11% of regular compensation (for teachers hired after 7/1/01 and those accepting provisions of Chapter 114 of the Acts of 2000)
1979 to present	An additional 2% of regular compensation in excess of \$30,000

Actuarial Assumptions

The total pension liability for the June 30, 2019 measurement date was determined by an actuarial valuation as of January 1, 2019 rolled forward to June 30, 2019. This valuation used the following assumptions:

- (a) 7.25% (changed from 7.35%) investment rate of return, (b) 3.50% interest rate credited to the annuity savings fund and (c) 3.00% cost of living increase on the first \$13,000 per year.
- Salary increases are based on analyses of past experience but range from 4.00% to 7.50% depending on length of service.
- Experience study is dated July 21, 2014 and encompasses the period January 1, 2006 to December 31, 2011, updated to reflect post-retirement mortality through January 1, 2017.
- Mortality rates were as follows:
 - Pre-retirement – reflects RP-2014 White Collar Employees table projected generationally with Scale MP-2016 (gender distinct).
 - Post-retirement – reflects RP-2014 White Collar Healthy Annuitant table projected generationally with Scale MP-2016 (gender distinct).
 - Disability – assumed to be in accordance with the RP-2014 White Collar Healthy Annuitant Table projected generationally with Scale MP-2016 (gender distinct).

Target Allocations

Investment assets of the MTRS are with the Pension Reserves Investment Trust (PRIT) Fund. 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 rates of return 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 rates of return by the target asset allocation percentage. Best estimates of geometric rates of return for each major asset class included in the PRIT Fund's target asset allocation as of June 30, 2019 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global equity	39.0%	4.9%
Portfolio completion strategies	11.0%	3.9%
Core fixed income	15.0%	1.3%
Private equity	13.0%	8.2%
Real estate	10.0%	3.6%
Value added fixed income	8.0%	4.7%
Timber/natural resources	4.0%	4.1%
Total	<u>100.0%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the Commonwealth’s contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rates. Based on those assumptions, the 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 Analysis

The following illustrates the sensitivity of the collective net pension liability to changes in the discount rate. In particular, the table presents the MTRS collective net pension liability assuming it was calculated using a single discount rate that is one percentage-point lower or one percentage-point higher than the current discount rate (amounts in thousands):

1% Decrease	Current Discount Rate	1% Increase
<u>(6.25%)</u>	<u>(7.25%)</u>	<u>(8.25%)</u>
\$ 31,232,100	\$ 25,214,020	\$ 20,062,500

Special Funding Situation

The Commonwealth is a nonemployer contributor and is required by statute to make all actuarial determined employer contributions on behalf of the member employers. Therefore, these employers are considered to be in a special funding situation as defined by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions (GASB 68)* and the Commonwealth is a nonemployer contributing entity in MTRS. Since the employers do not contribute directly to MTRS, there is no net pension liability to recognize for each employer.

District Proportions

In fiscal year 2019 (the most recent measurement period), the District’s proportionate share of the MTRS’ collective net pension liability was approximately \$99.2 million based on a proportionate share of 0.393%. As required by GASB 68, the District has recognized its portion of the Commonwealth’s contribution of approximately \$5.7 million as both a revenue and expenditure in the general fund, and its portion of the collective pension expense of approximately \$12 million as both a revenue and expense in the governmental activities.

15. Other Post-Employment Benefits (GASB 74 and GASB 75)

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)*, replaces the requirements of Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This applies if a trust fund has been established to fund future OPEB costs. In fiscal year 2018, the District established an OPEB Trust Fund to provide funding for future employee health care costs. The OPEB Trust Fund does not issue a stand-alone financial report.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, replaces the requirements of Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. This Statement identifies the methods and assumptions that are required to be used to project benefit payments, discounted projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

All the following OPEB disclosures are based on a measurement date of June 30, 2020.

General Information about the OPEB Plan

Plan Description

The District provides post-employment healthcare benefits for retired employees through the District’s plan. The District provides health insurance coverage through the MIIA health benefits trust. The benefits, benefit levels, employee contributions, and employer contributions are governed by Chapter 32 of the Massachusetts General Laws.

Benefits Provided

The District provides healthcare and dental benefits to retirees and their covered dependents. All active employees who retire from the District and meet the eligibility criteria will receive these benefits.

Funding Policy

The District’s funding policy includes financing the implicit subsidy on a pay-as-you-go basis, as required by statute. Additional contributions are based on annual budget authorizations.

Plan Membership

At June 30, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries	
currently receiving benefit payments	339
Active employees	<u>377</u>
Total	<u>716</u>

Investments

The OPEB trust fund assets are invested in the external (State) investment pool – State Retirement Benefits Trust Fund (SRBT).

Rate of return. For the year ended June 30, 2020, the annual money-weighted rate of return on investments, net of investment expense, was not available.

Actuarial Assumptions and Other Inputs

The net OPEB liability was determined by an actuarial valuation as of December 31, 2019, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.25%
Salary increases	6.00% decreasing to 4.25% based on service for Non-Teachers 7.50% decreasing to 4.00% based on service for Teachers
Investment rate of return	7.25%
Discount rate	2.21%
Healthcare cost trend rates	7.0% then decreasing by 0.25% down to 4.50% for medical 3.5% for dental 4.5% for Medicare Part B
Retirees' share of benefit-related costs	50%
Participation rate	85% of covered employees

The following actuarial assumptions were changed from the previous actuarial valuation:

- The impact of the excise tax on high-cost health plans scheduled to begin in 2022 was repealed effective December 20, 2019 and as such has been removed with this valuation.
- The disabled mortality assumption was updated for Teachers.
- The per capita health care costs were updated to reflect recent experience.
- The trend assumptions were revised to better reflect future expectations.
- The funded discount rate was decreased from 7.25% to 7.0%.
- The discount rate was decreased from 3.5% to 2.21%.

Mortality rates were as follows:

- Pre-Retirement (Non-Teachers): RP-2000 Employee Mortality Table projected generationally with Scale BB2D from 2009.
- Healthy (Non-Teachers): RP-2000 Healthy Annuitant Mortality Table projected generationally with Scale BB2D from 2009.
- Disabled (Non-Teachers): RP-2000 Healthy Annuitant Mortality Table projected generationally with Scale BB2D from 2012.
- Pre-Retirement (Teachers): RP-2014 White Collar Employee Mortality Table projected generationally with Scale MP2016.
- Healthy (Teachers): RP-2014 White Collar Annuitant Mortality Table projected generationally with Scale MP2016.
- Disabled (Teachers): RP-2014 Healthy Annuitant Mortality Table projected generationally with Scale BB2D from 2014 set forward 4 years.

Target Allocations

The long-term expected rate of return on OPEB 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 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 target asset allocation as of June 30, 2020 are summarized in the following table.

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	21.00%	6.15%
International developed markets equity	13.00%	6.78%
International emerging markets equity	5.00%	8.65%
Core fixed income	15.00%	1.11%
High-yield fixed income	8.00%	3.51%
Real estate	10.00%	4.33%
Commodities	4.00%	4.13%
Hedge fund, GTAA, Risk parity	11.00%	3.19%
Private equity	13.00%	9.99%
Total	<u>100.00%</u>	

Contributions

In addition to the implicit subsidy contribution, the District’s policy is to contribute amounts provided annually by the budget.

Discount Rate

The discount rate used to measure the net OPEB liability was 2.21%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate.

Based on these assumptions, the OPEB plan fiduciary net position was not projected to be available to make all projected future benefit payments of current plan members.

Net OPEB Liability

The components of the net OPEB liability, measured as of June 30, 2020, were as follows:

Total OPEB liability	\$ 60,705,679
Plan fiduciary net position	<u>(450,602)</u>
Net OPEB liability	<u>\$ 60,255,077</u>
Plan fiduciary net positions as a percentage of the total OPEB liability	0.74%

The fiduciary net position has been determined on the same basis used by the OPEB Plan. For this purpose, the Plan recognizes benefit payments when due and payable.

Changes in the Net OPEB Liability

The following summarizes the changes in the net OPEB liability for the past year:

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances, Beginning of Year	\$ 48,312,046	\$ 341,777	\$ 47,970,269
Changes for the year:			
Service cost	2,320,516	-	2,320,516
Interest	1,752,222		1,752,222
Contributions - employer	-	1,238,141	(1,238,141)
Net investment income	-	8,825	(8,825)
Differences between expected and actual experience	790,973	-	790,973
Changes of assumptions	8,668,063	-	8,668,063
Benefit payments	<u>(1,138,141)</u>	<u>(1,138,141)</u>	<u>-</u>
Net Changes	<u>12,393,633</u>	<u>108,825</u>	<u>12,284,808</u>
Balances, End of Year	<u>\$ 60,705,679</u>	<u>\$ 450,602</u>	<u>\$ 60,255,077</u>

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current discount rate:

1% Decrease (1.21%)	Current Discount Rate (2.21%)	1% Increase (3.21%)
\$ 72,459,127	\$ 60,255,077	\$ 50,759,844

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the net OPEB liability, as well as what the net OPEB liability would be if it as calculated using healthcare cost trend rates that are one percentage-point lower or one percentage-point higher than the current healthcare cost trend rates:

1% Decrease (6.0% decreasing to 3.5%)	Current Healthcare Cost Trend Rates (7.0% decreasing to 4.5%)	1% Increase (8.0% decreasing to 5.5%)
\$ 49,476,053	\$ 60,255,077	\$ 74,586,391

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2020, the District recognized an OPEB expense of \$3,866,276. At June 30, 2020, the District reported deferred outflows and inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred (Inflows) of Resources</u>
Difference between expected and actual experience	\$ 650,230	\$ -
Changes of assumptions	8,937,872	(1,009,109)
Net difference between projected and actual OPEB investment earnings	<u>13,605</u>	<u>-</u>
Total	<u>\$ 9,601,707</u>	<u>\$ (1,009,109)</u>

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

<u>Year Ended June 30:</u>	<u>Amount</u>
2021	\$ 1,803,006
2022	1,803,006
2023	1,803,003
2024	2,140,062
2025	<u>1,043,521</u>
Total	<u>\$ 8,592,598</u>

16. Commitments and Contingencies

COVID-19

The COVID-19 outbreak in the United States (and across the globe) has resulted in economic uncertainties. There is considerable uncertainty around the duration and scope of the economic disruption. The extent of the impact of COVID-19 on our operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on individuals served by the District, employees, and vendors, all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact our financial condition or results of operations is uncertain.

Outstanding Legal Issues

On an ongoing basis, there are typically pending legal issues in which the District is involved. The District’s management is of the opinion that the potential future settlement of such claims would not materially affect its financial statements taken as a whole.

Grants

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount of expenditures which may be disallowed by the grantor cannot be determined at this time, although the District expects such amounts, if any, to be immaterial.

Encumbrances

At year-end the District’s general fund has \$1,004,651 in encumbrances that will be honored in the next fiscal year.

17. Beginning Fund Balance Reclassification

The District’s major governmental funds for fiscal year 2020 as defined by GASB Statement 34, have changed from the previous fiscal year. Accordingly, the following reconciliation is provided:

	Fund Equity 06/30/19 (as previously reported)	<u>Reclassification</u>	Fund Equity 06/30/19 (as reclassified)
Nonmajor governmental funds	\$ 2,162,259	\$ (1,848,659)	\$ 313,600
Revolving funds	<u>-</u>	<u>1,848,659</u>	<u>1,848,659</u>
Total	\$ <u>2,162,259</u>	\$ <u>-</u>	\$ <u>2,162,259</u>

18. New Pronouncements

The Governmental Accounting Standards Board (GASB) has issued Statement No. 84, Fiduciary Activities, effective for District beginning with its fiscal year ending June 30, 2021. This statement establishes guidance on how to address the categorization of fiduciary activities for financial reporting and how fiduciary activities are to be reported and may require reclassification of certain funds.

The Governmental Accounting Standards Board (GASB) has issued Statement No. 87, Leases, effective for the District beginning with its fiscal year ending June 30, 2022. This statement establishes new reporting and disclosure requirements, including the recording of various operating leases in the financial statements.

NASHOBA REGIONAL SCHOOL DISTRICT

Required Supplemental Information
 General Fund
 Schedule of Revenues and Other Sources, and Expenditures and Other Uses -
 Budget and Actual
 For the Year Ended June 30, 2020

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual Amounts	
Revenues				
Assessments to members	\$ 46,292,275	\$ 46,292,275	\$ 46,292,275	\$ -
Intergovernmental	8,571,526	8,571,526	8,664,635	93,109
Investment income	100,000	100,000	113,982	13,982
Miscellaneous	<u>20,000</u>	<u>20,000</u>	<u>22,031</u>	<u>2,031</u>
Total Revenues	54,983,801	54,983,801	55,092,923	109,122
Expenditures				
Administration	1,318,927	1,318,927	1,400,240	(81,313)
Instruction	34,796,710	34,795,529	34,750,998	44,531
Other school services	3,811,102	3,812,283	3,022,782	789,501
Operations and maintenance	4,034,586	4,034,586	3,790,423	244,163
Insurance and benefits	8,794,177	8,794,177	8,721,508	72,669
Other expenditures	2,386,249	2,386,249	2,610,996	(224,747)
Debt service	<u>442,050</u>	<u>442,050</u>	<u>527,050</u>	<u>(85,000)</u>
Total Expenditures	<u>55,583,801</u>	<u>55,583,801</u>	<u>54,823,997</u>	<u>759,804</u>
Excess (Deficiency) of Revenues over Expenditures	(600,000)	(600,000)	268,926	868,926
Other Financing Sources (Uses)				
Transfers in	-	-	125,540	125,540
Transfers (out)	(150,000)	(150,000)	(150,000)	-
Use of excess and deficiency:				
Operating budget	<u>750,000</u>	<u>750,000</u>	<u>-</u>	<u>(750,000)</u>
Total Other Financing Sources (Uses)	<u>600,000</u>	<u>600,000</u>	<u>(24,460)</u>	<u>(624,460)</u>
Overall Budgetary Excess	\$ <u>-</u>	\$ <u>-</u>	\$ <u>244,466</u>	\$ <u>244,466</u>

See Independent Auditors' Report.

**Notes to the Required Supplemental Information
for General Fund Budget**

Budgetary Basis

The general fund final appropriation appearing on the previous page represents the final amended budget after all reserve fund transfers and supplemental appropriations.

Budget/GAAP Reconciliation

The budgetary data for the general fund is based upon accounting principles that differ from generally accepted accounting principles (GAAP). Therefore, in addition to the GAAP basis financial statements, the results of operations of the general fund are presented in accordance with budgetary accounting principles to provide a meaningful comparison to budgetary data.

The following is a summary of adjustments made to the actual revenues, expenditures and other financing sources (uses) to conform to the budgetary basis of accounting.

	<u>Revenues</u>	<u>Expenditures</u>	<u>Other Financing Sources (Uses)</u>
GAAP Basis	\$ 60,774,554	\$ 59,798,853	\$ 125,540
Remove effect of combining stabilization and general fund	-	(5,640)	(150,000)
Reverse beginning of year appropriation carryforwards from expenditures	-	(292,236)	-
Add end-of-year appropriation carryforwards from expenditures	-	1,004,651	-
To reverse the effect of non-budgeted State contributions for teachers' retirement	<u>(5,681,631)</u>	<u>(5,681,631)</u>	<u>-</u>
Budgetary Basis	<u>\$ 55,092,923</u>	<u>\$ 54,823,997</u>	<u>\$ (24,460)</u>

See Independent Auditors' Report.

NASHOBA REGIONAL SCHOOL DISTRICT
Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability
(Unaudited)

Worcester Regional Retirement System

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Proportion of the Net Pension Liability</u>	<u>Proportionate Share of the Net Pension Liability</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position Percentage of the Total Pension Liability</u>
June 30, 2020	December 31, 2019	1.707756%	\$ 15,201,248	\$ 6,423,956	236.6%	47.4%
June 30, 2019	December 31, 2018	1.758719%	\$ 15,947,398	\$ 6,016,656	265.1%	43.1%
June 30, 2018	December 31, 2017	1.771049%	\$ 14,441,629	\$ 6,360,163	227.1%	46.4%
June 30, 2017	December 31, 2016	1.582927%	\$ 13,258,496	\$ 6,915,075	191.7%	42.0%
June 30, 2016	December 31, 2015	1.595410%	\$ 11,324,325	\$ 6,391,445	177.2%	44.5%
June 30, 2015	December 31, 2014	1.845627%	\$ 10,982,732	\$ 6,145,620	178.7%	47.9%

Massachusetts Teachers' Retirement System

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Proportion of the Net Pension Liability</u>	<u>Proportionate Share of the Net Pension Liability</u>	<u>Commonwealth of Massachusetts' Total Proportionate Share of the Net Pension Liability Associated with the District</u>	<u>Total Net Pension Liability Associated with the District</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position Percentage of the Total Pension Liability</u>
June 30, 2020	June 30, 2019	0.393544%	\$ -	\$ 99,228,204	\$ 99,228,204	\$ 28,638,779	-	53.95%
June 30, 2019	June 30, 2018	0.398716%	\$ -	\$ 94,540,768	\$ 94,540,768	\$ 28,638,763	-	54.84%
June 30, 2018	June 30, 2017	0.395613%	\$ -	\$ 90,537,669	\$ 90,537,669	\$ 28,003,212	-	54.25%
June 30, 2017	June 30, 2016	0.392449%	\$ -	\$ 87,743,467	\$ 87,743,467	\$ 26,866,603	-	52.73%
June 30, 2016	June 30, 2015	0.391548%	\$ -	\$ 80,226,884	\$ 80,226,884	\$ 25,806,831	-	55.38%
June 30, 2015	June 30, 2014	0.388253%	\$ -	\$ 61,718,049	\$ 61,718,049	\$ 24,818,459	-	61.64%

Schedules are intended to show information for 10 years. Additional years will be displayed as they become available.

See Independent Auditors' Report.

NASHOBA REGIONAL SCHOOL DISTRICT

Required Supplementary Information
Schedule of Pension Contributions

(Unaudited)

Worcester Regional Retirement System

<u>Fiscal Year</u>	<u>Actuarially Determined Contribution</u>	<u>Contributions in Relation to the Actuarially Determined Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
June 30, 2020	\$ 1,039,818	\$ 1,039,818	\$ -	\$ 6,423,956	16.2%
June 30, 2019	\$ 979,158	\$ 979,158	\$ -	\$ 6,016,656	16.3%
June 30, 2018	\$ 896,139	\$ 896,139	\$ -	\$ 6,360,163	14.1%
June 30, 2017	\$ 768,904	\$ 768,904	\$ -	\$ 6,915,075	11.1%
June 30, 2016	\$ 717,712	\$ 717,712	\$ -	\$ 6,391,445	11.2%
June 30, 2015	\$ 729,374	\$ 729,374	\$ -	\$ 6,145,620	11.9%

Massachusetts Teachers' Retirement System

<u>Fiscal Year</u>	<u>Actuarially Determined Contribution Provided by Commonwealth</u>	<u>Contributions in Relation to the Actuarially Determined Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
June 30, 2020	\$ 5,681,631	\$ 5,681,631	\$ -	\$ 28,638,779	19.8%
June 30, 2019	\$ 5,242,254	\$ 5,242,254	\$ -	\$ 28,638,763	18.3%
June 30, 2018	\$ 4,887,863	\$ 4,887,863	\$ -	\$ 28,003,212	17.5%
June 30, 2017	\$ 4,413,415	\$ 4,413,415	\$ -	\$ 26,866,603	16.4%
June 30, 2016	\$ 4,001,351	\$ 4,001,351	\$ -	\$ 25,806,831	15.5%
June 30, 2015	\$ 3,639,402	\$ 3,639,402	\$ -	\$ 24,818,459	14.7%

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See Independent Auditors' Report.

NASHOBA REGIONAL SCHOOL DISTRICT
Required Supplementary Information
Other Post-Employment Benefits (OPEB)
Schedule of Changes in Net OPEB Liability
(Unaudited)

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability			
Service cost	\$ 2,320,516	\$ 2,041,539	\$ 2,131,226
Interest	1,752,222	1,720,586	1,574,791
Differences between expected and actual experience	790,973	-	-
Changes of assumptions	8,668,063	2,718,253	(2,018,216)
Benefit payments, including refunds of member contributions	<u>(1,138,141)</u>	<u>(1,161,686)</u>	<u>(1,093,953)</u>
Net change in total OPEB liability	12,393,633	5,318,692	593,848
Total OPEB Liability - Beginning	<u>48,312,046</u>	<u>42,993,354</u>	<u>42,399,506</u>
Total OPEB Liability - Ending (a)	60,705,679	48,312,046	42,993,354
Plan Fiduciary Net Position			
Contributions - employer	1,238,141	1,238,196	1,193,953
Net investment income	8,825	15,267	-
Benefit payments, including refunds of member contributions	<u>(1,138,141)</u>	<u>(1,161,686)</u>	<u>(1,093,953)</u>
Net change in plan fiduciary net position	108,825	91,777	100,000
Plan Fiduciary Net Position - Beginning	<u>341,777</u>	<u>250,000</u>	<u>150,000</u>
Plan Fiduciary Net Position - Ending (b)	<u>450,602</u>	<u>341,777</u>	<u>250,000</u>
Net OPEB Liability (Asset) - Ending (a-b)	<u>\$ 60,255,077</u>	<u>\$ 47,970,269</u>	<u>\$ 42,743,354</u>

Schedules are intended to show information for 10 years. Additional years will be displayed as they become available.

See notes to the District's financial statements for summary of significant actuarial methods and assumptions.

See Independent Auditors' Report.

NASHOBA REGIONAL SCHOOL DISTRICT

Required Supplementary Information
 Other Post-Employment Benefits (OPEB)
 Schedule of Net OPEB Liability, Contributions, and Investment Returns
 (Unaudited)

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Schedule of Net OPEB Liability			
Total OPEB liability	\$ 60,705,679	\$ 48,312,046	\$ 42,993,354
Plan fiduciary net position	<u>450,602</u>	<u>341,777</u>	<u>250,000</u>
Net OPEB liability (asset)	\$ 60,255,077	\$ 47,970,269	\$ 42,743,354
Plan fiduciary net position as a percentage of the total OPEB liability	0.74%	0.71%	0.58%

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Schedule of Contributions			
Actuarially determined contribution	\$ 2,132,734	\$ 2,217,566	\$ 2,132,734
Contributions in relation to the actuarially determined contribution	<u>1,093,953</u>	<u>1,238,197</u>	<u>1,093,953</u>
Contribution deficiency (excess)	<u>\$ 1,038,781</u>	<u>\$ 979,369</u>	<u>\$ 1,038,781</u>

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Schedule of Investment Returns			
Annual money weighted rate of return, net of investment expense	Unavailable	Unavailable	Unavailable

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