

NASHOBA REGIONAL SCHOOL DISTRICT

Annual Financial Statements

For the Year Ended June 30, 2017

NASHOBA REGIONAL SCHOOL DISTRICT

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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 Nashoba Regional School District, as of and for the year ended June 30, 2017, 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, 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, 2017, and the respective changes in financial position and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the OPEB and Pension schedules appearing on pages 43 to 45 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 March 28, 2018 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and in considering the District's internal control over financial reporting and compliance.

Melanson Heath

March 28, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of 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, 2017.

A. 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 comprise three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to financial statements. This report also contains other 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 the 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. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

An annual appropriated budget is adopted for the General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

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.

Other information. 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.

B. FINANCIAL HIGHLIGHTS

- As of the close of the current fiscal year, total liabilities and deferred inflows exceeded assets and deferred outflows by \$(21,355,047) (i.e., net position), a change of \$(4,008,381) in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$6,209,637, a change of \$(601,826) in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1,485,332, a change of \$(255,614) in comparison to the prior year.

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

NET POSITION

	<u>Governmental Activities</u>	
	<u>2017</u>	<u>2016</u>
Current assets	\$ 8,664,817	\$ 10,047,849
Noncurrent assets	<u>17,811,804</u>	<u>18,559,970</u>
Total assets	26,476,621	28,607,819
Deferred outflows	2,136,443	977,893
Current liabilities	3,068,653	3,883,766
Noncurrent liabilities	<u>45,843,603</u>	<u>41,810,225</u>
Total liabilities	48,912,256	45,693,991
Deferred inflows	1,055,855	1,238,387
Net position:		
Net investment in capital assets	13,471,804	13,681,193
Restricted	3,192,812	100,300
Unrestricted	<u>(38,019,663)</u>	<u>(31,128,159)</u>
Total net position	<u>\$ (21,355,047)</u>	<u>\$ (17,346,666)</u>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. At the close of the most recent fiscal year, total net position was \$(21,355,047), a change of \$(4,008,381) from the prior year.

The largest portion of net position, \$13,471,804, reflects our investment in capital assets (e.g., land, land improvements, buildings, machinery and equipment, infrastructure, and vehicles), less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens; 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, \$3,192,812, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position is a deficit of \$(38,019,663) and is primarily a result of the unfunded net OPEB obligation (see Note 10) and unfunded net pension liability related to the Worcester Regional Retirement System (see Note 11).

CHANGE IN NET POSITION

	<u>Governmental Activities</u>	
	<u>2017</u>	<u>2016</u>
Revenues:		
Program revenues:		
Charges for services	\$ 2,844,876	\$ 2,694,653
Operating grants and contributions	11,999,205	9,698,112
General revenues:		
Assessments to members	41,363,899	39,674,392
Grants and contributions not restricted to specific programs	7,995,701	7,887,611
Investment income	55,283	28,961
Miscellaneous	19,134	185,628
Total revenues	<u>64,278,098</u>	<u>60,169,357</u>
Expenses:		
Administration	1,380,855	1,184,485
Instruction	35,868,334	34,285,035
Other school services	4,776,805	4,935,146
Operations and maintenance	3,679,697	3,779,063
Insurance and benefits	19,605,946	15,872,856
Other expenditures	2,093,840	2,815,176
Interest	102,229	101,018
Depreciation	778,773	768,721
Total expenses	<u>68,286,479</u>	<u>63,741,500</u>
Change in net position	(4,008,381)	(3,572,143)
Net position - beginning of year	<u>(17,346,666)</u>	<u>(13,774,523)</u>
Net position - end of year	<u><u>\$ (21,355,047)</u></u>	<u><u>\$ (17,346,666)</u></u>

Governmental activities. Governmental activities for the year resulted in a change in net position of \$(4,008,381). Key elements of this change are as follows:

Operating Results:	
General Fund	\$ (191,009)
Circuit Breaker	(24,752)
Nonmajor Governmental Funds	<u>(386,065)</u>
Subtotal operating results	(601,826)
Capital asset purchases	30,607
Depreciation expense in excess of principal debt service	(239,995)
Change in accrued interest	5,471
Change in compensated absence liability	9,439
Change in net OPEB obligation	(2,618,998)
Change in pension related amounts	<u>(593,079)</u>
Total	\$ <u><u>(4,008,381)</u></u>

D. FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements.

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

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$6,209,637, a change of \$(601,826) in comparison to the prior year. Key elements of this change are as follows:

Operating Results:	
General Fund	\$ (191,009)
Circuit Breaker	(24,752)
Nonmajor Governmental Funds	<u>(386,065)</u>
Total	\$ <u><u>(601,826)</u></u>

The General Fund is the chief operating fund. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$1,485,332, while total fund balance was \$3,016,825. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total General Fund expenditures. Refer to the table below.

<u>General Fund</u>	<u>6/30/17</u>	<u>6/30/16</u>	<u>Change</u>	<u>% of Total General Fund Expenditures</u>
Unassigned fund balance	\$ 1,485,332	\$ 1,740,946	\$ (255,614)	2.5%
Total fund balance	\$ 3,016,825	\$ 3,207,834	\$ (191,009)	5.1%

The total fund balance of the General Fund changed by \$(191,009) during the current fiscal year. Key factors in this change are as follows:

Use of fund balance as a funding source	\$ (1,000,000)
Revenues in excess of budget	329,768
Expenditures less than budget	447,603
Expenditures of prior year encumbrances	(316,888)
Current year encumbrances	348,508
Total	\$ (191,009)

E. GENERAL FUND BUDGETARY HIGHLIGHTS

The original General Fund budget was increased by \$50,000 as a result of a School Committee voted transfer from the Athletics Fund. In addition, the final budget reflects line item changes approved by the School Committee.

F. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. Total investment in capital assets at year-end amounted to \$17,811,804 (net of accumulated depreciation), a change of \$(748,166) from the prior year, which primarily relates to depreciation expense.

Long-term debt. At the end of the current fiscal year, total bonded debt outstanding was \$4,340,000, 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, 2017

	<u>Governmental Activities</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	
Current:	
Cash and short-term investments	\$ 8,570,449
Receivables	61,383
Prepaid expenses	<u>32,985</u>
Total current assets	8,664,817
Noncurrent:	
Capital assets:	
Land	37,913
Capital assets, net of accumulated depreciation	<u>17,773,891</u>
Total noncurrent assets	17,811,804
Deferred outflows of resources - pension related	<u>2,136,443</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	28,613,064
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	
Current:	
Accrued payroll and related liabilities	2,455,180
Accrued interest payable	34,312
Current portion of long-term liabilities:	
Compensated absences	79,161
Bonds payable	<u>500,000</u>
Total current liabilities	3,068,653
Noncurrent:	
Bonds payable	3,840,000
Net OPEB obligation	28,745,107
Net pension liability	<u>13,258,496</u>
Total noncurrent liabilities	45,843,603
Deferred inflows of resources - pension related	<u>1,055,855</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	49,968,111
NET POSITION	
Net investment in capital assets	13,471,804
Restricted	3,192,812
Unrestricted	<u>(38,019,663)</u>
TOTAL NET POSITION	\$ <u>(21,355,047)</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, 2017

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expenses) Revenues and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Governmental Activities:				
Administration	\$ 1,380,855	\$ 1,922,663	\$ 2,786,082	\$ 3,327,890
Instruction	35,868,334	922,213	262,714	(34,683,407)
Other school services	4,776,805	-	-	(4,776,805)
Operations and maintenance	3,679,697	-	-	(3,679,697)
Insurance and benefits	19,605,946	-	8,950,409	(10,655,537)
Other expenditures	2,093,840	-	-	(2,093,840)
Interest	102,229	-	-	(102,229)
Depreciation	778,773	-	-	(778,773)
Total	<u>\$ 68,286,479</u>	<u>\$ 2,844,876</u>	<u>\$ 11,999,205</u>	(53,442,398)
General Revenues:				
				41,363,899
				7,995,701
				55,283
				19,134
				<u>49,434,017</u>
				(4,008,381)
Net Position:				
				<u>(17,346,666)</u>
				<u>\$ (21,355,047)</u>

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

NASHOBA REGIONAL SCHOOL DISTRICT

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2017

	General Fund	Circuit Breaker	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and short-term investments	\$ 5,351,922	\$ 859,748	\$ 2,358,779	\$ 8,570,449
Receivables	61,383	-	-	61,383
Prepaid expenses	32,985	-	-	32,985
TOTAL ASSETS	\$ 5,446,290	\$ 859,748	\$ 2,358,779	\$ 8,664,817
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accrued payroll and related liabilities	\$ 2,429,465	\$ -	\$ 25,715	\$ 2,455,180
TOTAL LIABILITIES	2,429,465	-	25,715	2,455,180
Fund Balances:				
Nonspendable	32,985	-	-	32,985
Restricted	-	859,748	2,402,421	3,262,169
Committed	150,000	-	-	150,000
Assigned	1,348,508	-	-	1,348,508
Unassigned	1,485,332	-	(69,357)	1,415,975
TOTAL FUND BALANCES	3,016,825	859,748	2,333,064	6,209,637
TOTAL LIABILITIES AND FUND BALANCES	\$ 5,446,290	\$ 859,748	\$ 2,358,779	\$ 8,664,817

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, 2017

Total governmental fund balances	\$ 6,209,637
• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	17,811,804
• In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.	(34,312)
• Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:	
Bonds payable	(4,340,000)
Compensated absences	(79,161)
• Total OPEB liability and related deferred outflows/inflows of resources are not due and payable in the current period nor require the use of current financial resources and, therefore, are not reported in the governmental funds.	(28,745,107)
• Net pension liability and related deferred outflows/inflows of resources are not due and payable in the current period nor require the use of current financial resources and, therefore, are not reported in the governmental funds.	<u>(12,177,908)</u>
Net position of governmental activities	<u>\$ (21,355,047)</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, 2017

	General Fund	Circuit Breaker	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
Assessments to members	\$ 41,363,899	\$ -	\$ -	\$ 41,363,899
Intergovernmental	16,946,110	859,748	2,189,048	19,994,906
Charges for services	-	-	2,844,876	2,844,876
Investment income	55,283	-	-	55,283
Miscellaneous	19,134	-	-	19,134
	<u>58,384,426</u>	<u>859,748</u>	<u>5,033,924</u>	<u>64,278,098</u>
Total Revenues				
Expenditures:				
Current:				
Administration	1,333,490	-	47,365	1,380,855
Instruction	31,119,693	884,500	3,873,581	35,877,774
Other school services	3,543,581	-	1,233,224	4,776,805
Operations and maintenance	3,737,251	-	6,830	3,744,081
Insurance and benefits	16,393,869	-	-	16,393,869
Other expenditures	2,093,840	-	-	2,093,840
Debt service:				
Principal	505,000	-	-	505,000
Interest	107,700	-	-	107,700
	<u>58,834,424</u>	<u>884,500</u>	<u>5,161,000</u>	<u>64,879,924</u>
Total Expenditures				
Excess (deficiency) of revenues over expenditures	(449,998)	(24,752)	(127,076)	(601,826)
Other Financing Sources (Uses):				
Transfers in	265,000	-	6,011	271,011
Transfers out	<u>(6,011)</u>	<u>-</u>	<u>(265,000)</u>	<u>(271,011)</u>
Total Other Financing Sources (Uses)	258,989	-	(258,989)	-
Change in fund balance	(191,009)	(24,752)	(386,065)	(601,826)
Fund Equity, at Beginning of Year, as restated	<u>3,207,834</u>	<u>884,500</u>	<u>2,719,129</u>	<u>6,811,463</u>
Fund Equity, at End of Year	\$ <u>3,016,825</u>	\$ <u>859,748</u>	\$ <u>2,333,064</u>	\$ <u>6,209,637</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, 2017

Net changes in fund balances - Total governmental funds	\$	(601,826)																								
<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: 40px;"> <tr> <td style="width: 70%;">Capital asset purchases</td> <td style="width: 10%;"></td> <td style="width: 20%; text-align: right;">30,607</td> </tr> <tr> <td>Depreciation</td> <td></td> <td style="text-align: right;">(778,773)</td> </tr> </table> • The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position: <table style="width: 100%; margin-left: 40px;"> <tr> <td style="width: 70%;">Repayments of bonds payable</td> <td style="width: 10%;"></td> <td style="width: 20%; text-align: right;">505,000</td> </tr> <tr> <td>Repayments of notes payable</td> <td></td> <td style="text-align: right;">33,778</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. <table style="width: 100%; margin-left: 40px;"> <tr> <td style="width: 70%;"></td> <td style="width: 10%;"></td> <td style="width: 20%; text-align: right;">5,471</td> </tr> </table> • 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: 40px;"> <tr> <td style="width: 70%;">Compensated absences</td> <td style="width: 10%;"></td> <td style="width: 20%; text-align: right;">9,439</td> </tr> <tr> <td>Total OPEB liability and related deferred outflows and inflows of resources</td> <td></td> <td style="text-align: right;">(2,618,998)</td> </tr> <tr> <td>Net pension liability and related deferred outflows and inflows of resources</td> <td></td> <td style="text-align: right;">(593,079)</td> </tr> </table> 			Capital asset purchases		30,607	Depreciation		(778,773)	Repayments of bonds payable		505,000	Repayments of notes payable		33,778			5,471	Compensated absences		9,439	Total OPEB liability and related deferred outflows and inflows of resources		(2,618,998)	Net pension liability and related deferred outflows and inflows of resources		(593,079)
Capital asset purchases		30,607																								
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Total OPEB liability and related deferred outflows and inflows of resources		(2,618,998)																								
Net pension liability and related deferred outflows and inflows of resources		(593,079)																								
Change in net position of governmental activities	\$	<u>(4,008,381)</u>																								

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

NASHOBA REGIONAL SCHOOL DISTRICT
GENERAL FUND
STATEMENT OF REVENUES AND OTHER SOURCES,
AND EXPENDITURES AND OTHER USES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	
Revenues and Other Sources:				
Assessments to members	\$ 41,363,899	\$ 41,363,899	\$ 41,363,899	\$ -
Intergovernmental	7,720,350	7,720,350	7,995,701	275,351
Investment income	20,000	20,000	55,283	35,283
Departmental and other	-	-	19,134	19,134
Use of fund balance	1,000,000	1,000,000	1,000,000	-
Transfer from Athletics Fund	-	50,000	50,000	-
Transfer from Extended Day Revolving Fund	215,000	215,000	215,000	-
Total Revenues and Other Sources	<u>50,319,249</u>	<u>50,369,249</u>	<u>50,699,017</u>	<u>329,768</u>
Expenditures and Other Uses:				
Administration	1,165,717	1,165,717	1,327,519	(161,802)
Instruction	31,159,321	31,159,321	30,908,209	251,112
Other school services	3,665,036	3,665,036	3,551,990	113,046
Operations and maintenance	3,939,162	3,939,162	3,784,055	155,107
Insurance and benefits	7,486,904	7,486,904	7,435,910	50,994
Other expenditures	2,340,409	2,340,409	2,295,252	45,157
Debt service:				
Principal	505,000	505,000	505,000	-
Interest	57,700	107,700	107,700	-
Other financing uses:				
Transfer to special revenue fund	-	-	6,011	(6,011)
Total Expenditures and Other Uses	<u>50,319,249</u>	<u>50,369,249</u>	<u>49,921,646</u>	<u>447,603</u>
Excess of revenues and other sources over expenditures and other uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 777,371</u>	<u>\$ 777,371</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, 2017

	<u>Agency Funds</u>
<u>ASSETS</u>	
Due from other funds	\$ <u>291,496</u>
Total Assets	291,496
 <u>LIABILITIES</u>	
Due to student organizations	<u>291,496</u>
Total Liabilities	\$ <u><u>291,496</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, 2017

	Private Purpose Trust <u>Funds</u>
Additions:	
Contributions	\$ <u>-</u>
Total additions	-
Deductions:	
Other school services	<u>687</u>
Total deductions	<u>687</u>
Net increase	(687)
Net position:	
Beginning of year	<u>687</u>
End of year	\$ <u><u>-</u></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 Nashoba Regional School District (the District) conform to generally accepted accounting principles (GAAP) as applicable to governmental units. The following is a summary of the more significant policies:

A. 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 2017, it was determined that no entities met the required GASB 14 (as amended) criteria of component units.

B. 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. For the most part, 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.

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

Government-wide Financial Statements

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, 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.

Amounts reported as *program revenues* include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include member assessments.

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, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded 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 *Circuit Breaker Fund* accounts for state funding received to help defray 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:

- *Private-Purpose Trust Funds* are used to account for trust arrangements under which principal and investment income exclusively benefit individuals, private organizations, or other governments.
- *Agency Funds* are used to account for money held by the District on behalf of others (e.g., student activity funds).

D. Cash and Short-Term 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. 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".

E. Capital Assets

Capital assets, which include land, land improvements, buildings, machinery and equipment, infrastructure, and vehicles 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

F. 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.

G. Long-Term Obligations

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.

H. 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 current liabilities. 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 their use either through the 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.

1. 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

A. 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 the 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.

B. Budgetary Basis

The General Fund final appropriation appearing on the "Budget and Actual" page of the fund financial statements represents the final amended budget after all fund transfers and supplemental appropriations.

C. 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 and other sources, and expenditures and other uses, to conform to the budgetary basis of accounting.

<u>General Fund</u>	<u>Revenues and Other Financing Sources</u>	<u>Expenditures and Other Financing Uses</u>
Revenues/Expenditures (GAAP Basis)	\$ 58,384,426	\$ 58,834,424
Other financing sources/uses (GAAP Basis)	<u>265,000</u>	<u>6,011</u>
Subtotal (GAAP Basis)	58,649,426	58,840,435
To record E&D used from prior year	1,000,000	-
Reverse beginning of year appropriation carryforwards from expenditures	-	(316,888)
Add end-of-year appropriation carryforwards from expenditures	-	348,508
To reverse the effect of non-budgeted State contributions for teachers' retirement	<u>(8,950,409)</u>	<u>(8,950,409)</u>
Budgetary Basis	<u>\$ 50,699,017</u>	<u>\$ 49,921,646</u>

D. Deficit Fund Balances

The following funds had deficit balances at June 30, 2017:

<u>Fund Name</u>	<u>Deficit</u>
FY16 Special Education	\$ (287)
FY14 SPED EC	(1)
FY17 SPED Program Improvement	(133)
FY15 Enhanced Health	(507)
Full Day Kindergarten	(67,511)
School Store	(641)
EMT CPR Marathon	<u>(277)</u>
	<u>\$ (69,357)</u>

The deficit fund balances will be eliminated through future departmental revenues and transfer from other funds.

3. Cash and Short-Term Investments

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned. Massachusetts General Law Chapter 44, Section 55, limits the District's deposits "in a bank or trust company or banking company to an amount not exceeding sixty percent of the capital and surplus of such bank or trust company or banking company, unless satisfactory security is given to it by such bank or trust company or banking company for such excess." The District does not have a deposit policy for custodial credit risk.

As of June 30, 2017, \$544,774 of the District's bank balance was exposed to custodial credit risk as uninsured or uncollateralized.

4. Interfund Fund Accounts

The District reports interfund transfers between various funds. Most transfers result from budgetary or statutory actions, whereby funds are moved to accomplish various expenditures purposes. The following is an analysis of major interfund transfers.

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 265,000	\$ 6,011
Special Revenue Funds:		
Athletics Fund	-	50,000
Cafeteria Fund	6,011	-
Extended Day Revolving Fund	-	215,000
Total	<u>\$ 271,011</u>	<u>271,011</u>

5. Capital Assets

Capital asset activity for the year ended June 30, 2017 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, being depreciated:				
Land improvements	\$ 2,491,438	\$ -	\$ -	\$ 2,491,438
Buildings	29,273,703	-	-	29,273,703
Machinery and equipment	719,591	-	-	719,591
Infrastructure	178,175	-	-	178,175
Vehicles	247,016	30,607	-	277,623
Total capital assets, being depreciated	32,909,923	30,607	-	32,940,530
Less accumulated depreciation for:				
Land improvements	(544,774)	(117,222)	-	(661,996)
Buildings	(12,873,259)	(612,231)	-	(13,485,490)
Machinery and equipment	(568,695)	(39,699)	-	(608,394)
Infrastructure	(178,175)	-	-	(178,175)
Vehicles	(222,963)	(9,621)	-	(232,584)
Total accumulated depreciation	(14,387,866)	(778,773)	-	(15,166,639)
Total capital assets, being depreciated, net	18,522,057	(748,166)	-	17,773,891
Capital assets, not being depreciated:				
Land	37,913	-	-	37,913
Total capital assets, not being depreciated	37,913	-	-	37,913
Governmental activities capital assets, net	\$ 18,559,970	\$ (748,166)	\$ -	\$ 17,811,804

6. 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, in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, are more fully discussed in Note 11.

7. Long-Term Debt

A. General Obligation Bonds

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

<u>Governmental Activities:</u>	<u>Serial Maturities Through</u>	<u>Interest Rate(s) %</u>	<u>Amount Outstanding as of 6/30/17</u>
Athletics Field Renovations	06/30/28	2.00%	\$ 1,610,000
GOB Refunding Bonds	06/30/25	2.00-3.00%	<u>2,730,000</u>
Total			<u>\$ 4,340,000</u>

B. Future Debt Service

The annual payments to retire all general obligation long-term debt outstanding as of June 30, 2017 are as follows:

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 500,000	\$ 94,050	\$ 594,050
2019	500,000	80,550	580,550
2020	500,000	67,050	567,050
2021	495,000	56,225	551,225
2022	490,000	45,450	535,450
2023 - 2027	1,710,000	89,850	1,799,850
2028	<u>145,000</u>	<u>1,450</u>	<u>146,450</u>
Total	<u>\$ 4,340,000</u>	<u>\$ 434,625</u>	<u>\$ 4,774,625</u>

The General Fund has been designated as the source to repay the governmental-type general obligation long-term debt outstanding as of June 30, 2017.

C. Changes in General Long-Term Liabilities

During the year ended June 30, 2017, the following changes occurred in long-term liabilities (in thousands):

	<u>Total Balance 7/1/16</u>	<u>Additions</u>	<u>Reductions</u>	<u>Total Balance 6/30/17</u>	<u>Less Current Portion</u>	<u>Equals Long-Term Portion 6/30/17</u>
<u>Governmental Activities</u>						
Bonds payable	\$ 4,845	\$ -	\$ (505)	\$ 4,340	\$ (500)	\$ 3,840
Notes payable	34	-	(34)	-	-	-
Compensated absences	88	-	(9)	79	(79)	-
Net OPEB obligation	26,126	3,665	(1,046)	28,745	-	28,745
Net pension liability	<u>11,324</u>	<u>1,934</u>	<u>-</u>	<u>13,258</u>	<u>-</u>	<u>13,258</u>
Totals	<u>\$ 42,417</u>	<u>\$ 5,599</u>	<u>\$ (1,594)</u>	<u>\$ 46,422</u>	<u>\$ (579)</u>	<u>\$ 45,843</u>

8. 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 pension will be recognized in pension expense in future years and are more fully described in Note 11.

9. Governmental Funds - 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, 2017:

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 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.

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 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, general stabilization funds, and deficit funds.

The following types of fund balances are reported at June 30, 2017:

	General Fund	Circuit Breaker	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:				
Prepaid expenditures	\$ 32,985	\$ -	\$ -	\$ 32,985
Total Nonexpendable	32,985	-	-	32,985
Restricted:				
Grants and revolving funds	-	859,748	2,393,192	3,252,940
Capital projects	-	-	9,229	9,229
Total Restricted	-	859,748	2,402,421	3,262,169
Committed:				
Other postemployment benefits	150,000	-	-	150,000
Total Committed	150,000	-	-	150,000
Assigned:				
2018 budget	1,000,000	-	-	1,000,000
Encumbrances	348,508	-	-	348,508
Total Assigned	1,348,508	-	-	1,348,508
Unassigned:				
Funds in deficit	-	-	(69,357)	(69,357)
Remaining fund balance	1,485,332	-	-	1,485,332
Total Unassigned	1,485,332	-	(69,357)	1,415,975
Total Fund Balances	\$ 3,016,825	\$ 859,748	\$ 2,333,064	\$ 6,209,637

10. Post-Employment Healthcare Benefits

Other Post-Employment Benefits

GASB Statement 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*, requires governments to account for other post-employment benefits (OPEB), primarily healthcare, on an accrual basis rather than on a pay-as-you-go basis. The effect is the recognition of an actuarially required contribution as an expense on the Statement of Activities when a future retiree earns their post-employment benefits, rather than when they use their post-employment benefit. To the extent that an entity does not fund their actuarially required contribution, a post-employment benefit liability is recognized on the Statement of Net Position over time.

A. Plan Description

The District provides post-employment healthcare benefits for retired employees through the District's plan. As of December 31, 2015, the actuarial valuation date, 262 retirees and 357 active employees meet the eligibility requirements. The plan does not issue a separate financial report.

B. Benefits Provided

The District provides healthcare insurance to both active members and retirees and their spouses. All active employees who retire from the District and meet the eligibility criteria will receive these benefits.

C. Funding Policy

Plan members contribute 50% of the cost of premiums for eligible retired plan members and their spouses, as determined by the District. The District contributes the remainder of the costs on a pay-as-you-go basis.

D. Annual OPEB Costs and Net OPEB Obligation

The District's fiscal 2017 annual OPEB expense is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost per year and amortize the unfunded actuarial liability over a period of thirty years. The following table shows the components of the District's annual OPEB cost for the year ending June 30, 2017, the amount actually contributed to the plan, and the change in the District's net OPEB obligation based on an actuarial valuation as of December 31, 2015.

Annual Required Contribution (ARC)	\$ 3,380,038
Interest on net OPEB obligation	1,175,675
Adjustment to ARC	<u>(890,249)</u>
Annual OPEB cost	3,665,464
Contributions made	<u>(1,046,466)</u>
Increase in net OPEB obligation	2,618,998
Net OPEB obligation - beginning of year	<u>26,126,109</u>
Net OPEB obligation - end of year	<u>\$ 28,745,107</u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2017	\$ 3,665,464	28.5%	\$ 28,745,107
2016	\$ 3,451,504	27.5%	\$ 26,126,109
2015	\$ 4,212,116	26.7%	\$ 23,622,390

E. Funded Status and Funding Progress

The funded status of the plan as of December 31, 2015, the date of the most recent actuarial valuation, was as follows:

Actuarial accrued liability (AAL)	\$ 38,627,189
Actuarial value of plan assets	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 38,627,189</u>
Funded ratio (actuarial value of plan assets/AAL)	<u>0%</u>
Covered payroll (active plan members)	<u>\$ N/A</u>
UAAL as a percentage of covered payroll	<u>N/A</u>

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

F. Actuarial Methods and Assumptions

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

In the December 31, 2015 actuarial valuation, the projected unit credit cost method was used. The actuarial value of assets was not determined, as the District has not advanced its obligation. The actuarial assumptions included a 4.5% investment rate of return and an initial annual healthcare cost trend rate of 7%, decreasing by 0.5% for four years to an ultimate level of 5%. The amortization costs for the initial UAAL is a level percentage of payroll for a period of 30 years, on an open basis, with amortization payments increasing at a 4.5% assumption.

11. 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.

A. Plan Description

Substantially all employees of the District (except teachers and administrators under contract employed by the School Department) 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 23 Midstate Drive, Suite 106, Midstate Office Park, Auburn, Massachusetts 01501.

Participant Retirement Benefits

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 Massachusetts 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.

If a participant was a member prior to February 2012, 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 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 Town/City 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.

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.

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%.

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.

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, 2017 was \$768,904, which was equal to its annual required contribution.

B. 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.

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

At June 30, 2017, the District reported a liability of \$13,258,496 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2016, rolled forward to the measurement date of December 31, 2016. 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 December 31, 2016, the District's proportion was 1.582927 percent.

For the year ended June 30, 2017, the District recognized pension expense of \$1,361,984. 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	\$ 460,076	\$ -
Changes in proportion and differences between pension contributions and proportionate share of contributions	-	1,055,855
Net differences between expected and actual experience	108,112	-
Changes in assumptions	<u>1,568,255</u>	<u>-</u>
Total	<u>\$ 2,136,443</u>	<u>\$ 1,055,855</u>

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

Year ended June 30:

2018	\$ 247,089
2019	247,089
2020	245,673
2021	114,666
2022	<u>226,071</u>
Total	<u>\$ 1,080,588</u>

D. Actuarial Assumptions

The total pension liability in the January 1, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Cost of living adjustment	3% of the first \$16,000
Salary increases	Group 1: 4.25-6.00%, based on service Group 4: 4.75-7.00%, based on service
Inflation	3% per year
Investment rate of return	7.75%, net of pension plan investment expense, including inflation

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.

The actuarial assumptions used in the January 1, 2016 valuation were based on the results of the most recent actuarial experience study, which was for the period January 1, 2015 through December 31, 2015.

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. The target allocation and best estimates of arithmetic real rates of return for each major class 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	40.00%	4.97%
Fixed income	22.00%	2.29%
Private equity	11.00%	6.50%
Real estate	10.00%	3.50%
Timber/natural resources	4.00%	3.00%
Hedge funds	<u>13.00%</u>	3.48%
Total	<u>100.00%</u>	

E. Discount Rate

The discount rate used to measure the total pension liability was 7.75%. 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.

F. 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 7.75 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 (6.75%) or one percentage-point higher (8.75%) than the current rate:

<u>Fiscal Year Ended</u>	<u>1% Decrease to 6.75%</u>	<u>Current Discount Rate 7.75%</u>	<u>1% Increase to 8.75%</u>
June 30, 2017	\$ 15,970,014	\$ 13,258,496	\$ 10,969,525

G. Pension Plan Fiduciary Net Position

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

12. Massachusetts Teachers’ Retirement System (MTRS)

A. 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 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 stand-alone 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.

B. Benefits Provided

MTRS provides retirement, disability, survivor, and death benefits to members and their beneficiaries. Massachusetts General Laws (MGL) establishes 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.

The 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.

C. Contributions

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

<u>Hire Date</u>	<u>% of Compensation</u>
Prior to 1975	5% of regular compensation
1975 - 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

D. Actuarial Assumptions

The total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of January 1, 2016 rolled forward to June 30, 2016. This valuation used the following assumptions:

- (a) 7.50% 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 4.0% to 7.5% depending on length of service.
- Experience study is dated July 21, 2014 and encompasses the period January 1, 2006 to December 31, 2011.
- Mortality rates were as follows:
 - Pre-retirement - reflects RP-2014 Employees table projected generationally with Scale BB and a base year of 2014 (gender distinct).
 - Post-retirement - reflects RP-2014 Healthy Annuitant table projected generationally with Scale BB and a base year of 2014 (gender distinct).
 - Disability – assumed to be in accordance with the RP-2014 Healthy Annuitant table projected generationally with Scale BB and a base year of 2014 set forward 4 years.

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, 2016 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	40.0%	6.9%
Core fixed income	13.0%	2.4%
Private equity	10.0%	8.5%
Real estate	10.0%	6.5%
Value added fixed income	10.0%	5.8%
Hedge funds	9.0%	5.8%
Portfolio completion strategies	4.0%	5.5%
Timber/natural resources	4.0%	6.5%
Total	<u>100.0%</u>	

E. Discount Rate

The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed 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.

F. Sensitivity Analysis

The following illustrates the sensitivity of the collective net pension liability to changes in the discount rate as of June 30, 2016. 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):

<u>1% Decrease to 6.50%</u>	<u>Current Discount Rate 7.50%</u>	<u>1% Increase to 8.50%</u>
\$ 27,464,000	\$ 22,357,928	\$ 18,022,000

G. Special Funding Situation

The Commonwealth is a nonemployer contributor and is required by statute to make all actuarially determined employer contributions on behalf of the member employers. Therefore, those 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.

H. District Proportions

In fiscal year 2016 (the most recent measurement period), the District's proportionate share of the MTRS' collective net pension liability and pension expense was \$87,743,467 and \$8,950,409, respectively, based on a proportionate share of 0.392449%. As required by GASB 68, the District has recognized its portion of the collective pension expense as both a revenue and expense in the fund level and government-wide statements.

13. Commitments and Contingencies

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.

14. Implementation of New GASB Standard

The Governmental Accounting Standards Board (GASB) has issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, replacing requirements of Statements No. 45 and 57, effective for the District beginning with its year ending June 30, 2018. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specific criteria and for employers whose employees are provided with defined contribution OPEB.

15. Beginning Balance Restatement

The beginning (July 1, 2016) net position of the District has been restated as follows:

Fund Basis Financial Statements:

	<u>General Fund</u>	<u>Circuit Breaker</u>	<u>Nonmajor Governmental Funds</u>
As previously reported	\$ 3,424,766	\$ -	\$ 3,386,697
Reclassification of transportation fund	(216,932)	-	216,932
Reclassification of major governmental fund	<u>-</u>	<u>884,500</u>	<u>(884,500)</u>
As restated	<u>\$ 3,207,834</u>	<u>\$ 884,500</u>	<u>\$ 2,719,129</u>

NASHOBA REGIONAL SCHOOL DISTRICT

SCHEDULE OF OPEB FUNDING PROGRESS (GASB 45)

REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2017

(Unaudited)

Other Post-Employment Benefits

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent- age of Covered Payroll [(b-a)/c]
12/31/15	\$ -	\$ 38,627,189	\$ 38,627,189	0.0%	N/A	N/A
12/31/13	\$ -	\$ 45,407,088	\$ 45,407,088	0.0%	N/A	N/A
12/31/11	\$ -	\$ 40,702,993	\$ 40,702,993	0.0%	N/A	N/A

See Independent Auditors' Report.

NASHOBA REGIONAL SCHOOL DISTRICT

SCHEDULE OF PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY (GASB 68)

REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2017

(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, 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, 2017	June 30, 2016	0.392449%	\$ -	\$ 87,743,467	\$ 8,950,409	\$ 26,866,603	0%	52.7%
June 30, 2016	June 30, 2015	0.391548%	\$ -	\$ 80,226,884	\$ 6,507,114	\$ 25,806,831	0%	55.4%
June 30, 2015	June 30, 2014	0.388253%	\$ -	\$ 61,718,049	\$ 4,287,849	\$ 24,818,459	0%	61.6%

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

SCHEDULE OF PENSION CONTRIBUTIONS (GASB 68)

REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2017

(Unaudited)

Worcester Regional Retirement System

Fiscal Year	Contractually Required Contribution	Contributions in Relation to the			Contributions as a Percentage of Covered Payroll
		Contractually Required Contribution	Contribution Deficiency (Excess)	Covered Payroll	
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%

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

See Independent Auditors' Report.