



NASHOBA

Regional School District

NASHOBA REGIONAL SCHOOL DISTRICT

Financial Statements
For the Year Ended June 30, 2019

(With Independent Auditors' Report Thereon)

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Additional Offices:

Nashua, NH
Manchester, NH
Greenfield, MA
Ellsworth, ME

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, the major fund, and the aggregate remaining fund information of Nashoba Regional School District (the District), as of and for the year ended June 30, 2019, 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, the major fund, and the aggregate remaining fund information of Nashoba Regional School District, as of June 30, 2019, 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.

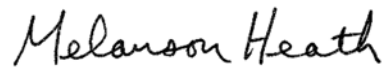
Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis 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 March 24, 2020 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.

A handwritten signature in black ink that reads "Melanson Heath". The signature is written in a cursive, flowing style.

March 24, 2020

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, 2019.

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 four components: (1) government-wide financial statements, (2) fund financial statements, (3) notes to financial statements, and (4) required supplementary information.

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.

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.

Required supplementary 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.

FINANCIAL HIGHLIGHTS

- As of the close of the current fiscal year, total liabilities and deferred inflows exceeded assets and deferred outflows by \$(42,647,008) (i.e., net position), a change of \$(4,043,996) in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$5,556,865, a change of \$(243,136) in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$2,299,695, a change of \$826,283 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>2019</u>	<u>2018</u>
Current assets	\$ 8,467,491	\$ 8,430,730
Noncurrent assets	<u>16,466,706</u>	<u>17,097,496</u>
Total assets	24,934,197	25,528,226
Deferred outflows of resources	4,191,161	1,776,186
Current liabilities	3,548,256	3,250,299
Noncurrent liabilities	<u>66,757,667</u>	<u>60,524,984</u>
Total liabilities	70,305,923	63,775,283
Deferred inflows of resources	1,466,443	2,132,141
Net position:		
Net investment in capital assets	13,126,706	13,257,496
Restricted	2,162,259	2,521,589
Unrestricted	<u>(57,935,973)</u>	<u>(54,382,097)</u>
Total net position	\$ <u>(42,647,008)</u>	\$ <u>(38,603,012)</u>

CHANGE IN NET POSITION

	Governmental Activities	
	<u>2019</u>	<u>2018</u>
Revenues:		
Program revenues:		
Charges for services	\$ 3,178,492	\$ 2,817,245
Operating grants and contributions	12,128,135	12,193,886
General revenues:		
Assessments to members	45,198,734	43,106,266
Grants and contributions not restricted to specific programs	8,245,950	8,079,855
Investment income	181,002	110,953
Miscellaneous	6,308	36,504
Total revenues	<u>68,938,621</u>	<u>66,344,709</u>
Expenses:		
Administration	1,321,303	1,071,774
Instruction	36,608,664	35,563,492
Other school services	5,677,310	5,989,094
Operations and maintenance	3,954,861	3,503,905
Insurance and benefits	21,871,933	20,664,106
Other expenditures	2,678,032	2,272,360
Interest	75,246	88,745
Depreciation	795,268	784,798
Total expenses	<u>72,982,617</u>	<u>69,938,274</u>
Change in net position	(4,043,996)	(3,593,565)
Net position - beginning of year	<u>(38,603,012)</u>	<u>(35,009,447)</u>
Net position - end of year	<u>\$ (42,647,008)</u>	<u>\$ (38,603,012)</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 \$(42,647,008), a change of \$(4,043,996) from the prior year.

The largest portion of net position, \$13,126,706, 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, \$2,162,259, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position is in a deficit, primarily a result of the implementation of GASB 68 and GASB 75, related to the net pension liability and the net OPEB liability, respectively.

Governmental activities for the year resulted in a change in net position of \$(4,043,996). Key elements of this change are as follows:

Operating Results:	
General Fund	\$ 116,194
Nonmajor Governmental Funds	<u>(359,330)</u>
Subtotal operating results	(243,136)
Capital asset purchases	164,478
Depreciation expense in excess of principal debt service	(295,268)
Change in accrued interest	5,304
Change in compensated absence liability	(23,364)
Change in pension liability and related deferrals	(1,023,932)
Change in net OPEB liability and related deferrals	<u>(2,628,078)</u>
Total	<u>\$ (4,043,996)</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.

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$5,556,865, a change of \$(243,136) in comparison to the prior year. Key elements of this change are as follows:

Operating Results:

General Fund	\$	116,194
Nonmajor Governmental Funds		<u>(359,330)</u>
Total	\$	<u><u>(243,136)</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 \$2,299,695, while total fund balance was \$3,394,606. 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>6/30/19</u>	<u>6/30/18</u>	<u>Change</u>	<u>% of Total General Fund Expenditures</u>
Unassigned fund balance	\$ 2,299,695	\$ 1,473,412	\$ 826,283	3.9%
Total fund balance	\$ 3,394,606	\$ 3,278,412	\$ 116,194	5.7%

Included in the total fund balance of the General Fund are the District’s stabilization funds totaling \$50,000 at June 30, 2019.

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.

The total fund balance of the General Fund changed by \$116,194 during the current fiscal year. Key factors in this change are as follows:

Use of fund balance as a funding source	\$	(800,000)
Revenues in excess of budget		317,890
Expenditures less than budget		882,096
Expenditures of prior year encumbrances		(876,028)
Current year encumbrances		292,236
Transfers		<u>300,000</u>
Total	\$	<u><u>116,194</u></u>

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. Total investment in capital assets at year-end amounted to \$16,466,706 (net of accumulated depreciation).

Long-term debt. At the end of the current fiscal year, total bonded debt outstanding was \$3,340,000, 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, 2019

	Governmental <u>Activities</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	
Current:	
Cash and short-term investments	\$ 8,447,816
Receivables	17,000
Prepaid expenses	<u>2,675</u>
Total current assets	8,467,491
Noncurrent:	
Capital assets:	
Land	81,138
Capital assets, net of accumulated depreciation	<u>16,385,568</u>
Total noncurrent assets	<u>16,466,706</u>
TOTAL ASSETS	24,934,197
DEFERRED OUTFLOWS OF RESOURCES:	
Related to pension	1,925,949
Related to OPEB	<u>2,265,212</u>
Total deferred outflows of resources	<u>4,191,161</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	29,125,358
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	
Current:	
Accrued payroll and related liabilities	2,910,626
Accrued interest payable	23,704
Current portion of long-term liabilities:	
Bonds payable	500,000
Compensated absences	<u>113,926</u>
Total current liabilities	3,548,256
Noncurrent:	
Bonds payable	2,840,000
Net pension liability	15,947,398
Net OPEB liability	<u>47,970,269</u>
Total noncurrent liabilities	<u>66,757,667</u>
TOTAL LIABILITIES	70,305,923
DEFERRED INFLOWS OF RESOURCES:	
Related to pension	118,220
Related to OPEB	<u>1,348,223</u>
Total deferred inflows of resources	<u>1,466,443</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	71,772,366
NET POSITION	
Net investment in capital assets	13,126,706
Restricted	2,162,259
Unrestricted	<u>(57,935,973)</u>
TOTAL NET POSITION	\$ <u>(42,647,008)</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, 2019

		<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	\$ 1,321,303	\$ 2,128,688	\$ 2,379,046	\$ 3,186,431
Instruction	36,608,664	1,049,804	168,751	(35,390,109)
Other school services	5,677,310	-	-	(5,677,310)
Operations and maintenance	3,954,861	-	-	(3,954,861)
Insurance and benefits	21,871,933	-	9,580,338	(12,291,595)
Other expenditures	2,678,032	-	-	(2,678,032)
Interest	75,246	-	-	(75,246)
Depreciation	795,268	-	-	(795,268)
Total	<u>\$ 72,982,617</u>	<u>\$ 3,178,492</u>	<u>\$ 12,128,135</u>	<u>(57,675,990)</u>
		General Revenues:		
		Assessments to members		45,198,734
		Grants and contributions not restricted to specific programs		8,245,950
		Investment income		181,002
		Miscellaneous		6,308
		Total general revenues		<u>53,631,994</u>
		Change in Net Position		<u>(4,043,996)</u>
		Net Position:		
		Beginning of year		<u>(38,603,012)</u>
		End of year		<u>\$ (42,647,008)</u>

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

NASHOBA REGIONAL SCHOOL DISTRICT

GOVERNMENTAL FUNDS

BALANCE SHEET

June 30, 2019

	General <u>Fund</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
ASSETS			
Cash and short-term investments	\$ 6,259,592	\$ 2,188,224	\$ 8,447,816
Receivables	17,000	-	17,000
Prepaid expenses	<u>2,675</u>	<u>-</u>	<u>2,675</u>
TOTAL ASSETS	<u>\$ 6,279,267</u>	<u>\$ 2,188,224</u>	<u>\$ 8,467,491</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accrued payroll and related liabilities	<u>\$ 2,884,661</u>	<u>\$ 25,965</u>	<u>\$ 2,910,626</u>
TOTAL LIABILITIES	2,884,661	25,965	2,910,626
Fund Balances:			
Nonspendable	2,675	-	2,675
Restricted	-	2,360,226	2,360,226
Committed	50,000	-	50,000
Assigned	1,042,236	-	1,042,236
Unassigned	<u>2,299,695</u>	<u>(197,967)</u>	<u>2,101,728</u>
TOTAL FUND BALANCES	<u>3,394,606</u>	<u>2,162,259</u>	<u>5,556,865</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 6,279,267</u>	<u>\$ 2,188,224</u>	<u>\$ 8,467,491</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, 2019

Governmental fund balances	\$	5,556,865
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.		16,466,706
In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.		(23,704)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in governmental funds:		
Bonds payable		(3,340,000)
Compensated absences		(113,926)
Net pension liability and related deferred outflows/inflows of resources		(14,139,669)
Net OPEB liability and related deferred outflows/inflows of resources		<u>(47,053,280)</u>
Net position of governmental activities	\$	<u><u>(42,647,008)</u></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, 2019

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:			
Assessments to members	\$ 45,198,734	\$ -	\$ 45,198,734
Intergovernmental	13,488,204	2,547,797	16,036,001
Charges for services	-	3,178,492	3,178,492
Investment income	181,002	-	181,002
Miscellaneous	6,308	-	6,308
Total Revenues	<u>58,874,248</u>	<u>5,726,289</u>	<u>64,600,537</u>
Expenditures:			
Current:			
Administration	1,254,968	66,335	1,321,303
Instruction	33,224,708	3,367,789	36,592,497
Other school services	3,777,929	1,899,381	5,677,310
Operations and maintenance	4,011,842	100,300	4,112,142
Insurance and benefits	13,673,305	208,534	13,881,839
Other expenditures	2,659,752	18,280	2,678,032
Debt service:			
Principal	375,000	125,000	500,000
Interest	80,550	-	80,550
Total Expenditures	<u>59,058,054</u>	<u>5,785,619</u>	<u>64,843,673</u>
Excess (deficiency) of revenues over expenditures	(183,806)	(59,330)	(243,136)
Other Financing Sources (Uses):			
Transfers in*	300,000	-	300,000
Transfers out*	-	(300,000)	(300,000)
Total Other Financing Sources (Uses)	<u>300,000</u>	<u>(300,000)</u>	<u>-</u>
Change in fund balance	116,194	(359,330)	(243,136)
Fund Equity, at Beginning of Year	<u>3,278,412</u>	<u>2,521,589</u>	<u>5,800,001</u>
Fund Equity, at End of Year	<u>\$ 3,394,606</u>	<u>\$ 2,162,259</u>	<u>\$ 5,556,865</u>

* Transfer from revolving funds.

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, 2019

Net changes in fund balances of governmental funds	\$	(243,136)
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:</p>		
Capital asset purchases		164,478
Depreciation		(795,268)
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position:</p>		
Repayments of bonds payable		500,000
<p>In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.</p>		
		5,304
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources, and therefore, are not reported as expenditures in governmental funds:</p>		
Compensated absences		(23,364)
Net pension liability and related deferred outflows/inflows of resources		(1,023,932)
Total OPEB liability and related deferred outflows/inflows of resources		<u>(2,628,078)</u>
Change in net position of governmental activities	\$	<u>(4,043,996)</u>

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

NASHOBA REGIONAL SCHOOL DISTRICT

**STATEMENT OF REVENUES AND OTHER SOURCES,
AND EXPENDITURES AND OTHER USES – BUDGET AND ACTUAL**

For the Year Ended June 30, 2019

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
	<u>Budget</u>	<u>Budget</u>	<u>Amounts</u>	Positive <u>(Negative)</u>
Revenues and Other Sources:				
Assessments to members	\$ 45,198,734	\$ 45,198,734	\$ 45,198,734	\$ -
Intergovernmental	8,035,370	8,035,370	8,245,950	210,580
Investment income	60,000	60,000	181,002	121,002
Miscellaneous	20,000	20,000	6,308	(13,692)
Use of fund balance	<u>800,000</u>	<u>800,000</u>	<u>800,000</u>	<u>-</u>
Total Revenues and Other Sources	54,114,104	54,114,104	54,431,994	317,890
Expenditures and Other Uses:				
Administration	1,150,519	1,098,319	1,221,448	(123,129)
Instruction	33,426,486	33,424,344	33,304,528	119,816
Other school services	3,484,114	3,538,456	3,619,279	(80,823)
Operations and maintenance	3,741,034	3,741,034	3,874,491	(133,457)
Insurance and benefits	9,326,622	9,326,622	8,431,051	895,571
Other expenditures	2,529,779	2,529,779	2,325,661	204,118
Debt service:				
Principal	375,000	375,000	375,000	-
Interest	<u>80,550</u>	<u>80,550</u>	<u>80,550</u>	<u>-</u>
Total Expenditures and Other Uses	<u>54,114,104</u>	<u>54,114,104</u>	<u>53,232,008</u>	<u>882,096</u>
Excess of revenues and other sources over expenditures and other uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,199,986</u>	<u>\$ 1,199,986</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, 2019

	Other Post- Employment Benefits <u>Trust Fund</u>	Agency <u>Funds</u>
ASSETS		
Cash and short-term investments	\$ <u>341,778</u>	\$ <u>272,502</u>
Total Assets	341,778	272,502
LIABILITIES		
Due to student organizations	-	272,502
Due to other funds	<u>-</u>	<u>-</u>
Total Liabilities	<u>-</u>	<u>272,502</u>
NET POSITION		
Total net position held in trust	\$ <u><u>341,778</u></u>	\$ <u><u>-</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, 2019

	<u>Other Post- Employment Benefits Trust Fund</u>
Additions:	
Contributions	\$ 1,238,197
Investment income	<u>15,267</u>
Total additions	1,253,464
Deductions:	
Benefit payments	<u>1,161,686</u>
Total deductions	<u>1,161,686</u>
Net increase	91,778
Net position:	
Beginning of year	<u>250,000</u>
End of year	<u><u>\$ 341,778</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 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 2019, 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.

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 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.

Agency Funds are used to account for money held by the District on behalf of others (e.g., student activity funds).

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”.

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.

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.

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)	\$ 58,874,248	\$ 59,058,054
To record use of fund balance	800,000	-
Reverse beginning of year appropriation carryforwards from expenditures	-	(876,028)
Add end-of-year appropriation carryforwards from expenditures	-	292,236
Transfer to stabilization	-	
To reverse the effect of non-budgeted State contributions for teachers' retirement	<u>(5,242,254)</u>	<u>(5,242,254)</u>
Budgetary Basis	<u>\$ 54,431,994</u>	<u>\$ 53,232,008</u>

Deficit Fund Equity

At June 30, 2019, there were deficit fund balances totaling \$(197,967) relating to various special revenue funds. 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, 2019, \$341,777 of the District's bank balance was exposed to custodial credit risk as uninsured or uncollateralized.

4. Capital Assets

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

	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
Governmental Activities:				
Capital assets, being depreciated:				
Land improvements	\$ 2,491,438	\$ -	\$ -	\$ 2,491,438
Buildings	29,344,193	-	-	29,344,193
Machinery and equipment	719,591	93,511	(5,573)	807,529
Infrastructure	178,175	-	-	178,175
Vehicles	<u>277,623</u>	<u>27,742</u>	<u>-</u>	<u>305,365</u>
Total capital assets, being depreciated	33,011,020	121,253	(5,573)	33,126,700
Less accumulated depreciation for:				
Land improvements	(779,218)	(117,222)	-	(896,440)
Buildings	(14,099,114)	(613,993)	-	(14,713,107)
Machinery and equipment	(646,603)	(48,034)	5,573	(689,064)
Infrastructure	(178,175)	-	-	(178,175)
Vehicles	<u>(248,327)</u>	<u>(16,019)</u>	<u>-</u>	<u>(264,346)</u>
Total accumulated depreciation	<u>(15,951,437)</u>	<u>(795,268)</u>	<u>5,573</u>	<u>(16,741,132)</u>
Total capital assets, being depreciated, net	17,059,583	(674,015)	-	16,385,568
Capital assets, not being depreciated:				
Land	37,913	-	-	37,913
Construction in progress	<u>-</u>	<u>43,225</u>	<u>-</u>	<u>43,225</u>
Total capital assets, not being depreciated	<u>37,913</u>	<u>43,225</u>	<u>-</u>	<u>81,138</u>
Governmental activities capital assets, net	<u>\$ 17,097,496</u>	<u>\$ (630,790)</u>	<u>\$ -</u>	<u>\$ 16,466,706</u>

5. 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, respectively, are more fully discussed in the corresponding pension and OPEB notes.

6. Long-Term Liabilities

General Obligation Bonds

The District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds outstanding at June 30, 2019 are as follows:

	Serial Maturities <u>Through</u>	Interest Rate(s) %	Amount
Athletics Field Renovations	06/30/28	2.00%	\$ 1,310,000
GOB Refunding Bonds	06/30/25	2.00-3.00%	<u>2,030,000</u>
Total			\$ <u><u>3,340,000</u></u>

Future Debt Service

The annual payments to retire all general obligation bonds outstanding as of June 30, 2019 are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 500,000	\$ 67,050	\$ 567,050
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 - 2029	<u>900,000</u>	<u>29,600</u>	<u>929,600</u>
Total	\$ <u><u>3,340,000</u></u>	\$ <u><u>260,025</u></u>	\$ <u><u>3,600,025</u></u>

The General Fund has been designated as the source to repay the general obligation long-term bonds outstanding as of June 30, 2019.

Changes in Long-Term Liabilities

During the year ended June 30, 2019, 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
<u>Governmental Activities</u>						
Bonds payable	\$ 3,840	\$ -	\$ (500)	\$ 3,340	\$ (500)	\$ 2,840
Compensated absences	91	23	-	114	(114)	-
Net pension liability	14,442	1,505	-	15,947	-	15,947
Net OPEB liability	<u>42,743</u>	<u>6,389</u>	<u>(1,162)</u>	<u>47,970</u>	<u>-</u>	<u>47,970</u>
Totals	\$ <u><u>61,116</u></u>	\$ <u><u>7,917</u></u>	\$ <u><u>(1,662)</u></u>	\$ <u><u>67,371</u></u>	\$ <u><u>(614)</u></u>	\$ <u><u>66,757</u></u>

7. 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.

8. 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, 2019:

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, 2019:

	General <u>Fund</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Nonspendable:			
Prepaid expenses	\$ <u>2,675</u>	\$ <u>-</u>	\$ <u>2,675</u>
Total Nonexpendable	2,675	-	2,675
Restricted:			
Grants and revolving funds	-	2,350,997	2,350,997
Capital projects	<u>-</u>	<u>9,229</u>	<u>9,229</u>
Total Restricted	-	2,360,226	2,360,226
Committed:			
Stabilization - turf and track	<u>50,000</u>	<u>-</u>	<u>50,000</u>
Total Committed	50,000	-	50,000
Assigned:			
Subsequent year budget	750,000	-	750,000
Encumbrances	<u>292,236</u>	<u>-</u>	<u>292,236</u>
Total Assigned	1,042,236	-	1,042,236
Unassigned:			
Funds in deficit	-	(197,967)	(197,967)
Remaining fund balance	<u>2,299,695</u>	<u>-</u>	<u>2,299,695</u>
Total Unassigned	<u>2,299,695</u>	<u>(197,967)</u>	<u>2,101,728</u>
Total Fund Balances	\$ <u>3,394,606</u>	\$ <u>2,162,259</u>	\$ <u>5,556,865</u>

9. 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.

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 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 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 or are under the age of 55 are entitled to request a refund of their accumulated total deductions. In addition, depending upon the number of years of creditable service, such employees are entitled to receive zero, fifty, or one hundred percent of the regular interest which has accrued upon those deductions. However, effective July 1, 2010, members voluntarily withdrawing with less than 10 years of service get credited interest each year at a rate of 3% and do not forfeit any interest previously earned on contributions.

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, 2019 was \$979,158, 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, 2019, the District reported a liability of \$15,947,398 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2018. 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, 2018, the District's proportion was 1.758719 percent.

For the year ended June 30, 2019, the District recognized pension expense of \$2,057,014. 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	\$ 599,989	\$ -
Changes in proportion and differences between pension contributions and proportionate share of contributions	264,365	-
Net differences between expected and actual experience	70,687	118,220
Changes in assumptions	<u>990,908</u>	<u>-</u>
Total	\$ <u>1,925,949</u>	\$ <u>118,220</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>Fiscal Year</u>	<u>Amount</u>
2020	\$ 543,496
2021	396,833
2022	493,776
2023	407,580
2024	<u>(33,956)</u>
Total	\$ <u>1,807,729</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	3% per year
Salary increases	Group 1: 6% - 4.25%, based on service Group 4: 7% - 4.75%, based on service
Investment rate of return	7.75%

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 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, 2018 are summarized in the following table:

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Expected Real Rate of Return</u>
Global equity	39.00%	4.75%
Fixed income	23.00%	2.28%
Private equity	13.00%	8.15%
Real estate	10.00%	3.43%
Timber/natural resources	4.00%	4.00%
Hedge funds	11.00%	3.76%
Total	<u>100.00%</u>	

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.

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 1 percentage-point lower (6.75%) or 1 percentage-point higher (8.75%) than the current rate:

<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
\$ 19,209,635	\$ 15,947,398	\$ 13,191,474

Pension Plan Fiduciary Net Position

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

10. 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 - 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, 2018 measurement date was determined by an actuarial valuation as of January 1, 2018 rolled forward to June 30, 2018. This valuation used the following assumptions:

- 7.35% investment rate of return.
- 3.50% interest rate credited to the annuity savings fund.
 - 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.
 - 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, 2018 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%	5.0%
Portfolio completion strategies	13.0%	3.7%
Core fixed income	12.0%	0.9%
Private equity	12.0%	6.6%
Real estate	10.0%	3.8%
Value added fixed income	10.0%	3.8%
Timber/natural resources	4.0%	3.4%
Total	<u>100.0%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.35%. 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):

<u>1% Decrease to 6.35%</u>	<u>Current Discount Rate 7.35%</u>	<u>1% Increase to 8.35%</u>
\$ 29,482,300	\$ 23,711,289	\$ 18,771,300

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 2018 (the most recent measurement period), the District's proportionate share of the MTRS' collective net pension liability was \$94,540,768 based on a proportionate share of 0.398716%. As required by GASB 68, the District has recognized its portion of the Commonwealth's contribution of \$5,242,254 as both a revenue and expenditure in the General Fund, and its portion of the collective pension expense of \$9,580,338 as both a revenue and expense in government-wide financial statements.

11. 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.

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.

General Information about the OPEB Plan

Plan Description

The District provides post-employment benefits for retired employees through the District's plan. 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.

Plan Membership

At June 30, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	285
Active employees	<u>380</u>
Total	<u><u>665</u></u>

Investments

The OPEB trust fund assets consist of cash as of June 30, 2019.

Actuarial Assumptions and Other Inputs

The net OPEB liability was determined by an actuarial valuation as of December 31, 2017, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Wage 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	7.25%
Healthcare cost trend rates	7.0% then decreasing by 0.5% down to 4.50% for medical. 0.0% then 3.5% for dental.

The discount rate used to measure the net OPEB liability was based on the 20-year municipal bond rate at December 31, 2018. 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.

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.

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, 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>
Domestic Equity	21.00%	6.16%
International developed markets equity	13.00%	6.69%
International emerging markets equity	5.00%	9.47%
Core fixed income	15.00%	1.89%
High-yield fixed income	8.00%	4.00%
Real estate	10.00%	4.58%
Commodities	4.00%	4.77%
Hedge fund, GTAA, Risk parity	11.00%	3.68%
Private equity	<u>13.00%</u>	10.00%
Total	<u>100.00%</u>	

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, 2019, were as follows:

Total OPEB liability	\$ 48,312,047
Plan fiduciary net position	<u>341,778</u>
Net OPEB liability	<u>\$ 47,970,269</u>
Plan fiduciary net positions as a percentage of the total OPEB liability	0.58%

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances, beginning of year	\$ 42,993,355	\$ 250,000	\$ 42,743,355
Changes for the year:			
Service cost	2,041,539	-	2,041,539
Interest	1,720,586	15,267	1,705,319
Contributions - employer	-	1,238,197	(1,238,197)
Change of benefit terms	-	-	-
Differences between expected and actual experience	-	-	-
Changes in assumptions	2,718,253	(1,161,686)	3,879,939
Benefit payments, including refunds of member contributions	(1,161,686)	-	(1,161,686)
Net Changes	<u>5,318,692</u>	<u>91,778</u>	<u>5,226,914</u>
Balances, end of year	\$ <u>48,312,047</u>	\$ <u>341,778</u>	\$ <u>47,970,269</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	Current Discount Rate	1% Increase
\$ 56,612,991	\$ 47,970,269	\$ 41,116,312

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	Current Healthcare Cost Trend Rates	1% Increase
\$ 40,257,487	\$ 47,970,269	\$ 58,011,130

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

For the year ended June 30, 2019, the District recognized an OPEB expense of \$3,866,276. At June 30, 2019, the District reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Changes of assumptions	\$ -	\$ 1,345,478
Net difference between projected and actual OPEB investment earnings	<u>2,265,212</u>	<u>2,745</u>
Total	<u>\$ 2,265,212</u>	<u>\$ 1,348,223</u>

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

<u>Fiscal Year</u>	<u>Amount</u>
2020	\$ 115,987
2021	115,987
2022	115,987
2023	115,984
2024	<u>453,044</u>
Total	<u>\$ 916,989</u>

12. 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.

Encumbrances – At year-end the District’s general fund has \$292,236 in encumbrances that will be honored in the next fiscal year.

13. Beginning Fund Balance Restatement

The beginning (July 1, 2018) balance of the District have been restated as follows:

	Circuit Breaker Fund	Nonmajor Governmental Funds
As previously reported	\$ 856,368	\$ 1,665,221
Reclassify major funds	<u>(856,368)</u>	<u>856,368</u>
As restated	<u>\$ -</u>	<u>\$ 2,521,589</u>

14. Subsequent Events

The COVID-19 outbreak in the United States (and across the globe) has resulted in economic uncertainties. The disruption is expected to be temporary, but there is considerable uncertainty around the duration and scope. 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 our students 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.

NASHOBA REGIONAL SCHOOL DISTRICT

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

REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2019

(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, 2019	December 31, 2018	1.758719%	\$ 15,947,398	\$ 6,016,656	265.1%	43.05%		
June 30, 2018	December 31, 2017	1.771049%	\$ 14,441,629	\$ 6,360,163	227.1%	46.40%		
June 30, 2017	December 31, 2016	1.582927%	\$ 13,258,496	\$ 6,915,075	191.7%	42.00%		
June 30, 2016	December 31, 2015	1.595410%	\$ 11,324,325	\$ 6,391,445	177.2%	44.52%		
June 30, 2015	December 31, 2014	1.845627%	\$ 10,982,732	\$ 6,145,620	178.7%	47.90%		

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, 2019	June 30, 2018	0.398716%	\$ -	\$ 94,540,768	\$ 9,580,338	\$ 28,638,763	0%	54.84%
June 30, 2018	June 30, 2017	0.395613%	\$ -	\$ 90,537,669	\$ 9,449,680	\$ 28,003,212	0%	54.25%
June 30, 2017	June 30, 2016	0.392449%	\$ -	\$ 87,743,467	\$ 8,950,409	\$ 26,866,603	0%	52.73%
June 30, 2016	June 30, 2015	0.391548%	\$ -	\$ 80,226,884	\$ 6,507,114	\$ 25,806,831	0%	55.38%
June 30, 2015	June 30, 2014	0.388253%	\$ -	\$ 61,718,049	\$ 4,287,849	\$ 24,818,459	0%	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

SCHEDULE OF NET PENSION CONTRIBUTIONS (GASB 68)

REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2019

(Unaudited)

Worcester Regional Retirement System

Fiscal Year	Contractually Required Contribution	Contributions in Relation to the		Covered Payroll	Contributions as a Percentage of Covered Payroll
		Contractually Required Contribution	Contribution Deficiency (Excess)		
June 30, 2019	\$ 979,158	\$ 979,158	\$ -	\$ 6,419,278	15.3%
June 30, 2018	\$ 896,139	\$ 896,139	\$ -	\$ 6,217,810	14.4%
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

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

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

SCHEDULES OF CHANGES IN THE NET OPEB LIABILITY (GASB 74 AND 75)

REQUIRED SUPPLEMENTARY INFORMATION

(Unaudited)

	<u>2019</u>	<u>2018</u>
Total OPEB liability		
Service cost	\$ 2,041,539	\$ 2,131,226
Interest on unfunded liability - time value of money	1,720,586	1,574,792
Changes of benefit terms	-	-
Differences between expected and actual experience	-	-
Changes of assumptions	2,718,253	(2,018,216)
Benefit payments, including refunds of member contributions	<u>(1,161,686)</u>	<u>(1,093,953)</u>
Net change in total OPEB liability	5,318,692	593,849
Total OPEB liability - beginning	<u>42,993,355</u>	<u>42,399,506</u>
Total OPEB liability - ending (a)	48,312,047	42,993,355
Plan fiduciary net position		
Contributions - employer	1,238,197	1,193,953
Net investment income	15,267	-
Benefit payments, including refunds of member contributions	(1,161,686)	(1,093,953)
Administrative expense	-	-
Other	<u>-</u>	<u>-</u>
Net change in plan fiduciary net position	91,778	100,000
Plan fiduciary net position - beginning	<u>250,000</u>	<u>150,000</u>
Plan fiduciary net position - ending (b)	<u>341,778</u>	<u>250,000</u>
Net OPEB liability (asset) - ending (a-b)	\$ <u>47,970,269</u>	\$ <u>42,743,355</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

**SCHEDULES OF CHANGES IN NET OPEB LIABILITY, CONTRIBUTIONS,
AND INVESTMENT RETURNS (GASB 74 AND 75)**

REQUIRED SUPPLEMENTARY INFORMATION

(Unaudited)

Schedule of Net OPEB Liability

	<u>2019</u>	<u>2018</u>
Total OPEB liability	\$ 48,312,047	\$ 42,993,355
Plan fiduciary net position	<u>341,778</u>	<u>250,000</u>
Net OPEB liability (asset)	47,970,269	42,743,355
Plan fiduciary net position as a percentage of the total OPEB liability	0.71%	0.58%

Schedule of Contributions

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

Schedule of Investment Returns

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

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.