

***ACTON-BOXBOROUGH REGIONAL SCHOOL DISTRICT***

***MANAGEMENT LETTER***

***JUNE 30, 2017***

# Powers & Sullivan, LLC

Certified Public Accountants



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The Honorable School Committee  
Acton-Boxborough Regional School District  
Acton, Massachusetts

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Acton-Boxborough Regional School District (District) as of and for the year ended June 30, 2017, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

However, during our audit we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with various District personnel, and will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

The District's written responses to the matters identified in our audit have not been subjected to the audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

This communication is intended solely for the information and use of management of the Acton-Boxborough Regional School District, and is not intended to be and should not be used by anyone other than these specified parties.

September 20, 2017

ACTON-BOXBOROUGH REGIONAL SCHOOL DISTRICT

MANAGEMENT LETTER

JUNE 30, 2017

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## ***Prior Year Comments***

## **Payroll Process and Systems**

Last year we noted Human Resources and Payroll use two different systems to manage and monitor personnel. Human Resources uses File Maker and Payroll uses MUNIS. We also noted that there was significant effort needed by both groups to process payroll.

We recommend that there be consideration to somehow making the two systems work in sync with each other. The overall objective would be to eliminate some of the manual effort now needed to perform rudimentary payroll functions.

*Status* – Efficiencies have been implemented for one of the more labor intensive aspects of payroll – the payment of part time employees such as substitute teachers. This information is now uploaded into MUNI via a excel spreadsheet prepared by Human Resources. There is also an ongoing consideration towards implementing an automated time card system, linked to payroll, for most hourly workers.

## **Capital Assets**

Last year we noted that, overall, capital asset accounting by the District is done well. We did, however, make a recommendation that the District increase its capitalization threshold and apply it to individual purchases i.e. no longer capitalize, for example, a purchase of several iPads because individually each of these is several thousand dollars below the capitalization threshold.

*Status* – The District implemented both of these recommendations in FY2017.

## **Fraud Risk Assessment**

### Comment

We previously noted that the COSO 2013 framework for the design, implementation and conduct of systems of internal controls and the assessment of their effectiveness places emphasis on fraud risks and compliance and is the new standard for assessing the effectiveness of internal controls. Fraud risks are considered in the context that individuals or entities may act outside of the organization's expected standards of ethical conduct; i.e. the opportunity for errors or misappropriation of assets exists when there are inadequate controls to prevent or detect these types of transactions.

To address this risk, we recommended that the District perform a risk assessment to identify, analyze, and manage the risk of asset misappropriation. Risk assessment is a key element of internal control that minimizes the possibility of misappropriation.

The risk assessment should be performed and documented by a consultant or management-level individual who has extensive knowledge of the District. This outside consultant or management member would conduct interviews or lead group discussion with personnel who have knowledge of the District, its environment, and its processes. The risk assessment process should consider the District's vulnerability to misappropriation of assets.

We recommend that management develop and implement a fraud risk assessment program to identify, analyze, and manage the risk of asset misappropriation.

*Status* – Management is still in the process of developing this document.

## **Old Outstanding Checks**

Overall, the audit of cash went very well, with the reconciliations being accurate and documented.

However, we noted that the bank reconciliation for the vendor and payroll accounts reported outstanding checks greater than three months old, some going back to 2010, as reconciling items. As part of internal controls over cash disbursements and expenditures, the aging of outstanding checks should be monitored to ensure they are true outstanding checks.

We recommended that a formal policy be developed concerning uncashed checks based and that the policy specify aging milestones with required actions. For example, this policy might specify that when checks are past 60 days old, the payee should be contacted. After 90 days, the checks should be moved to the tailings account or written off.

*Status* – This comment has been resolved. All checks from 2010 – 2015 and there is annual analysis of the prior year of the outstanding check list.

# ***Current Year Comments***

## **Future Government Accounting Standards Board (GASB) Statements for Pensions and OPEB**

### Comment

The GASB has issued new pronouncements that will significantly affect the accounting and reporting requirements for Other Postemployment Benefits (OPEB). This new standard will substantially impact the District's financial statements and will also affect the requirements for accumulating the necessary data to meet the reporting requirements.

The new standard that has been issued and its effective date is as follows:

- The GASB issued Statement #75, Accounting and Financial Postemployment Benefits Other Than Pensions, which is required to be implemented in 2018.

See below for a brief summary of these new standards:

- GASB #75 will substantially change the reporting for other postemployment benefit liabilities and expenses. Changes in other postemployment benefit liability will be immediately recognized as other postemployment benefit expense or reported as deferred outflows/inflows of resources depending on the nature of the changes. Substantial changes to methods and assumptions used to determine actuarial information for GAAP reporting purposes will be required. Employers will report in their financial statements a net other postemployment benefit liability (asset) determined annually as of the measurement date. Net other postemployment benefit liability (asset) equals the total other postemployment benefit liability for the plan net of the plan net position. The other postemployment benefit liability is the actuarial present value of projected benefits attributed to past service. The plan net position is the accumulated plan assets net of any financial statement liabilities of the plan.

The District should expect to record significant OPEB liabilities in the future. While this GASB's does not go into effect until 2018, we wanted to make the District aware of the impact that the new standard will have on financial statement reporting and disclosures. This amount will significantly reduce your net position.

## **Consider Adopting a Cash And Investment Policy**

### Comment

The District does not have an investment policy to address the types of credit risk disclosures required in the Note 2 of the financial statements. Accounting standards have highlighted the need for governmental entities to consider adopting cash and investment policies that take into account custodial, credit and interest rate risk. Such policies establish guidelines for matters such as 1) the types of banks the District should have deposits with; 2) the maximum period that an investment can be held and; 3) the highest concentration the District can have in any one investment type or issuer.

### Recommendation

We recommend that the District adopt a deposit and investment policy with consideration to the specific types of risks required for disclosure.



## Documentation of Internal Controls

### Comment

In December 2013, the U.S. Office of Management and Budget (OMB) issued *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) in an effort to (1) streamline guidance for federal awards while easing the administrative burden and (2) to strengthen oversight over the expenditure of federal funds and to reduce the risks of waste, fraud and abuse.

In conformance with Uniform Guidance, the non-Federal entity must: (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States (the Green Book) and the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

The COSO internal control framework is generally accepted as a best practice within the industry including the best practices prescribed by the Government Finance Officers Association (GFOA). COSO is a joint initiative of 5 private sector organizations dedicated to providing thought leadership through the development of frameworks and guidance on enterprise risk management, internal control and fraud deterrence. The original COSO framework was published in 1992 and has been revised several times for changes in operations, technology, and audit risk. The most recent updates to the COSO Internal Control - Integrated Framework were issued in 2013 and are available at [www.coso.org](http://www.coso.org).

Management is responsible for internal control and to see that the entity is doing what needs to be done to meet its objectives. Governments have limited resources and constraints on how much can be spent on designing, implementing, and conducting systems of internal control. The COSO Framework can help management consider alternative approaches and decide what action it needs to take to meet its objectives. Depending on circumstances, these approaches and decisions can contribute to efficiencies in the design, implementation, and conduct of internal control. With the COSO Framework, management can more successfully diagnose issues and assert effectiveness regarding their internal controls and, for external financial reporting, help avoid material weaknesses or significant deficiencies.

The COSO internal control framework incorporates 5 major components of internal control, which are supported by 17 principles of internal control as follows:

#### 1. CONTROL ENVIRONMENT

- 1) Demonstrates commitment to integrity and ethical values
- 2) Exercises oversight responsibility
- 3) Establishes structure, authority, and responsibility
- 4) Demonstrates commitment to competence
- 5) Enforces accountability

2. RISK ASSESSMENT
  - 6) Specifies suitable objectives
  - 7) Identifies and analyzes risk
  - 8) Assesses fraud risk
  - 9) Identifies and analyzes significant change
3. CONTROL ACTIVITIES
  - 10) Selects and develops control activities
  - 11) Selects and develops general controls over technology
  - 12) Deploys through policies and procedures
4. INFORMATION & COMMUNICATION
  - 13) Uses relevant information
  - 14) Communicates internally
  - 15) Communicates externally
5. MONITORING
  - 16) Conducts ongoing and/or separate evaluations
  - 17) Evaluates and communicates deficiencies

Management should evaluate and assess the government's internal control system to determine whether each of the five essential elements of a comprehensive framework of internal control is present throughout the organization; whether each element addresses all of the associated principles; and whether all five elements effectively function together.

We recommended management follow the best practice for establishing and documenting their internal control system using the COSO Internal Control Framework.

*Status* - Management is in the process of developing this document based on the new Federal grant requirements is incorporating these into our procedures manual as applicable. The District recognizes, and we concur, that the internal control over federal grants is sufficient. Now this just has to be documented.

**ACTON-BOXBOROUGH  
REGIONAL SCHOOL DISTRICT**

**REPORTS ON FEDERAL AWARD PROGRAMS**

**YEAR ENDED JUNE 30, 2017**

**ACTON-BOXBOROUGH REGIONAL SCHOOL DISTRICT**  
**REPORTS ON FEDERAL AWARD PROGRAMS**  
**YEAR ENDED JUNE 30, 2017**

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS**

**Independent Auditor's Report**

To the Honorable School Committee  
Acton-Boxborough Regional School District

We have audited, in accordance with the 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Acton-Boxborough Regional School District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Acton-Boxborough Regional School District's basic financial statements, and have issued our report thereon dated September 20, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Acton-Boxborough Regional School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Acton-Boxborough Regional School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Acton-Boxborough Regional School District's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Acton-Boxborough Regional School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

September 20, 2017



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**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE**

**Independent Auditor's Report**

To the Honorable School Committee  
Acton-Boxborough Regional School District

**Report on Compliance for Each Major Federal Program**

We have audited the Acton-Boxborough Regional School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Acton-Boxborough Regional Schools District's major federal programs for the year ended June 30, 2017. The Acton-Boxborough Regional School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the Acton-Boxborough Regional School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Acton-Boxborough Regional School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on the Acton-Boxborough Regional school District's compliance.

**Opinion on Each Major Federal Program**

In our opinion, the Acton-Boxborough Regional School District's complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

**Report on Internal Control Over Compliance**

Management of the Acton-Boxborough Regional School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In

planning and performing our audit of compliance, we considered the Acton-Boxborough Regional School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Acton-Boxborough Regional School District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of THE Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

#### **Report on Schedule of Expenditures of Federal Awards Required by Uniform Guidance**

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Acton-Boxborough Regional School District as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Acton-Boxborough Regional School District, Massachusetts' basic financial statements. We issued our report thereon dated November 2, 2017, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



September 20, 2017



**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

FOR THE YEAR ENDED JUNE 30, 2017

Federal Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Amounts Passed Through to Sub-Recipients	Expenditures
<b>CHILD NUTRITION CLUSTER</b>				
U.S. DEPARTMENT OF AGRICULTURE:				
<u>Passed through Massachusetts Department of Elementary and Secondary Education</u>				
Non-Cash Assistance (Commodities):				
National School Lunch Program.....	10.555	09-002	\$ -	\$ 127,317
Cash Assistance:				
National School Lunch Program.....	10.555	09-002	-	274,541
Total National School Lunch Program.....			-	401,858
Cash Assistance:				
School Breakfast Program.....	10.553	09-002	-	14,150
TOTAL NUTRITION CLUSTER.....			-	416,008
<b>SPECIAL EDUCATION CLUSTER</b>				
U.S. DEPARTMENT OF EDUCATION:				
<u>Passed through Massachusetts Department of Elementary and Secondary Education</u>				
Special Education Grants to States (IDEA, Part B).....	84.027	240-236-7-0600	-	1,232,975
Special Education Grants to States (IDEA, Part B).....	84.027	274-121-7-0600	-	27,950
Special Education Grants to States (IDEA, Part B).....	84.027	274-121-6-0600	-	23,769
Total Special Education Grants to States (IDEA, Part B).....			-	1,284,694
<u>Passed through Massachusetts Department of Elementary and Secondary Education</u>				
Special Education Grants to States (IDEA, Preschool).....	84.173	298-697-7-0600	-	2,250
<u>Passed through Massachusetts Department of Early Education and Care</u>				
Special Education Grants to States (IDEA, Preschool).....	84.173	26217ACTONBOXBOROUGH	-	31,914
Total Special Education Grants to States (IDEA, Preschool).....			-	34,164
TOTAL SPECIAL EDUCATION CLUSTER.....			-	1,318,858
<b>PASS-THROUGH PROGRAMS</b>				
<u>Passed through Massachusetts Department of Elementary and Secondary Education</u>				
Title I Grants to Local Educational Agencies.....	84.010	305-062828-2017-0600	-	142,047
Title I Grants to Local Educational Agencies.....	84.010	305-062828-2016-0600	-	1,402
ED Improving Teacher Quality State Grants.....	84.367	140-073303-2017-0600	-	59,786
ED Improving Teacher Quality State Grants.....	84.367	140-073303-2016-0600	-	198
English Language Acquisition State Grant.....	84.365	180-123-7-0600	-	10,356
English Language Acquisition State Grant.....	84.365	180-123-6-0600	-	25,514
TOTAL PASS-THROUGH.....			-	239,303
TOTAL			\$ -	\$ 1,974,169

See notes to schedule of expenditures of federal awards.

**Note 1 - Definition of Reporting Entity**

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of the Acton-Boxborough Regional School District under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Acton-Boxborough Regional School District, it is not intended to and does not present the financial position or changes in net position of the Acton-Boxborough Regional School District.

**Note 2 - Significant Accounting Policies**

The accounting and reporting policies of the Acton-Boxborough Regional School District are set forth below:

- (a) Basis of Presentation – The accompanying Schedule of Expenditures of Federal Awards is presented on the modified accrual basis of accounting. Accordingly, expenditures are recognized when the liability is incurred. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- (b) Cash Assistance - School Breakfast and Lunch Program - Program expenditures represent federal reimbursement for meals provided during the year.
- (c) Non-Cash Assistance (Commodities) – School Lunch Program – Program expenditures represent the value of donated foods received during the year.
- (d) The Acton-Boxborough Regional School District has not elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**A. Summary of Auditor’s Results**

1. The auditor’s report expresses an unmodified opinion on the financial statements of Acton-Boxborough Regional School District.
2. No significant deficiencies relating to the audit of the basic financial statements are reported in the Report on Internal Control over Financial Reporting and On Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of Acton-Boxborough Regional School District were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by Uniform Guidance.
5. The auditor’s report on compliance for the major federal award programs for Acton-Boxborough Regional School District expresses an unmodified opinion.
6. There were no current year audit findings relative to the major federal award programs for the Acton-Boxborough Regional School District.
7. The programs tested as major grant is the special education cluster.
8. The threshold for distinguishing Types A and B programs was \$750,000.
9. The Acton-Boxborough Regional School District was determined to be a low-risk auditee.

**B. Findings-Basic Financial Statements Audit**

None

**C. Findings and Questioned Costs-Major Federal Award Programs Audit**

None

**D. Summary Schedule of Prior Audit Findings**

None

***ACTON-BOXBOROUGH REGIONAL SCHOOL DISTRICT***

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

***YEAR ENDED JUNE 30, 2017***

ACTON-BOXBOROUGH REGIONAL SCHOOL DISTRICT  
REPORT ON EXAMINATION OF BASIC FINANCIAL STATEMENTS

JUNE 30, 2017

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## Independent Auditor's Report

To the Honorable School Committee  
Acton-Boxborough Regional School District  
Acton, Massachusetts

## Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Acton-Boxborough Regional School District as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

## Management's Responsibility for the Financial Statements

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

## Auditor's Responsibility

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

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

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

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2017, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

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

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2017, on our consideration of the Acton-Boxborough Regional School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

September 20, 2017

# ***Management's Discussion and Analysis***



## ***Management's Discussion and Analysis***

As management of the Acton-Boxborough Regional School District (the "District"), we offer readers of these financial statements this narrative overview and analysis of the financial activities for the year ended June 30, 2017. We encourage readers to consider the information presented in this report.

### ***Overview of the Financial Statements***

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

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

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

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

Both of the government-wide financial statements distinguish functions that are principally supported by member town assessments and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The District had no business type activities.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. All of the funds can be divided into 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 statements focus on *near-term inflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the year. Such information may be useful in evaluating 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 activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund. Data for certain governmental funds are combined into a single aggregated presentation under the caption *nonmajor governmental funds*.

The District adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

**Fiduciary funds.** Fiduciary funds, which include the other post-employment benefits trust, scholarships and student activities, are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the District's own programs. The accounting used for fiduciary funds is full accrual.

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

**Financial Highlights.** The following tables provide a comparative analysis of the District's government-wide financial statements.

	<u>2017</u>	<u>2016</u>
<b>Assets:</b>		
Current assets.....	\$ 13,171,728	\$ 9,708,907
Capital assets.....	<u>73,559,631</u>	<u>76,474,861</u>
<b>Total assets.....</b>	<b>86,731,359</b>	<b>86,183,768</b>
<b>Deferred Outflows of Resources</b>		
Deferred outflows related to pensions.....	<b>4,041,655</b>	<b>1,409,862</b>
<b>Liabilities:</b>		
Current liabilities (excluding debt).....	2,741,498	2,742,602
Noncurrent liabilities (excluding debt).....	49,646,267	43,106,528
Current debt.....	2,323,062	1,807,518
Noncurrent debt.....	<u>11,774,062</u>	<u>14,097,124</u>
<b>Total liabilities.....</b>	<b>66,484,889</b>	<b>61,753,772</b>
<b>Net Position:</b>		
Net investment in capital assets.....	59,462,507	60,570,219
Unrestricted.....	<u>(35,174,382)</u>	<u>(34,730,361)</u>
<b>Total net position.....</b>	<b>\$ <u>24,288,125</u></b>	<b>\$ <u>25,839,858</u></b>

Included within current assets are \$13.2 million in cash and cash equivalents at June 30, 2017, an increase of \$3.5 million over the prior year. The largest portion of the District's total assets, \$73.6 million, reflects its net investment in land, buildings, furniture and equipment and vehicles. The District uses capital assets to provide services to students; therefore these assets are not available for future spending. Total net position decreased \$1.5 million, primarily due to an increase in both the pension and OPEB liability. Capital assets declined \$2.9 million reflecting depreciation expense in excess of new additions. Total liabilities increased \$4.7 million, principally due to growth of \$3.9 million in the pension liability and \$1.8 million in other postemployment benefits.

The District repaid \$ 1.4 million in bonds payable, and achieved a net reduction in capital lease obligations of \$397,000.

	<u>2017</u>	<u>2016</u>
<b>Program revenues:</b>		
Charges for services.....	\$ 6,893,910	\$ 7,091,177
Operating grants and contributions.....	17,869,202	14,251,404
Capital grants and contributions.....	383,463	603,905
<b>General Revenues:</b>		
Member town assessments.....	67,050,245	64,291,248
Intergovernmental.....	17,382,415	16,241,199
Unrestricted investment income.....	94,403	30,000
Miscellaneous.....	111,017	112,173
<b>Total revenues.....</b>	<b><u>109,784,655</u></b>	<b><u>102,621,106</u></b>
<b>Expenses:</b>		
Administration.....	2,815,976	2,623,535
Instructional leadership.....	4,878,388	4,618,064
Regular instruction.....	30,382,883	29,364,846
Other teaching services.....	6,916,060	6,952,389
Professional development.....	491,106	527,937
Instructional materials, equipment and technology.....	1,886,712	1,520,698
Pupil transportation services.....	4,216,168	4,167,248
Operations and maintenance.....	5,591,565	5,157,092
Guidance, counseling and testing.....	2,862,899	2,857,722
Pupil services.....	4,660,262	4,249,639
Food service.....	1,727,164	1,441,958
Out of district tuition.....	7,945,755	8,309,207
Community education.....	2,316,554	2,967,001
Employee benefits.....	30,081,902	25,573,586
Insurances.....	127,018	234,581
Capital outlay.....	473,889	109,035
Depreciation not allocated.....	3,435,994	2,363,269
Interest.....	526,093	647,975
<b>Total expenses.....</b>	<b><u>111,336,388</u></b>	<b><u>103,685,782</u></b>
<b>Change in net position.....</b>	<b>(1,551,733)</b>	<b>(1,064,676)</b>
<b>Net position at beginning of year.....</b>	<b><u>25,839,858</u></b>	<b><u>26,904,534</u></b>
<b>Net position at end of year.....</b>	<b><u>\$ 24,288,125</u></b>	<b><u>\$ 25,839,858</u></b>

### **Entity-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. Assets and deferred outflows exceeded liabilities and deferred inflows by \$24.3 million at the close of 2017.

One component of net position, \$59.5 million, reflects the District's investment in capital assets (e.g., land, buildings, vehicles, and equipment); less any related debt used to acquire those assets that are still outstanding. The District uses these capital assets to provide services to pupils; consequently, these assets are *not* available for future spending. Although the investment in its capital assets is reported net of its related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The other component of net position, unrestricted net position, reports a deficit of \$35.2 million. This is due to the impact of the \$19.1 million other postemployment benefit liability and the net pension liability of \$27.4 million.

The governmental activities net position decreased by \$1.5 million in 2017. The main reason behind the decrease was the fact that the District recognizing an additional accrual of \$1.8 million for postemployment benefits (OPEB) liability that was not paid and an increase in the net pension liability of \$3.9 million. These amounts were offset by positive results in both the general fund and nonmajor funds of \$3.2 million and an increase of \$2.6 million in deferred outflows related to pensions.

### ***Financial Analysis of the Governmental Funds***

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

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

As of the end of the current year, governmental funds reported combined ending fund balances of \$11.2 million, an increase of \$3.2 million from the prior year.

The general fund is the chief operating fund. At the end of the current year, unassigned fund balance of the general fund was \$4.0 million while total fund balance equaled \$5.1 million. Assignments of fund balance for encumbrances totaled \$1.1 million. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 4.23% of total general fund expenditures as compared to 3.1% at June 30, 2016. Please refer to Note 8 for further information.

### ***General Fund Budgetary Highlights***

The District's total general fund balance increased \$1.7 million to \$5.1 million in Fiscal 2017 from \$3.4 million in Fiscal 2016.

Member communities are apportioned an assessment based upon costs in three categories: construction costs, capital costs, and operating costs. The method of determining a community's assessment is based on the regional agreement and uses a three year average of pupil enrollment, unless otherwise defined in the regional agreement. The District's budget is not approved until both member communities vote on it favorably.

The District adopts an annual budget for the General Fund in conformity with the guidelines described above. The original 2017 approved budget for the General Fund authorized \$83.1 million in appropriations.

Actual revenues exceeded budget by \$787,000, principally due to state aid for transportation coming in higher than budgeted and increased reimbursements for Medicaid; as well as field rentals..

Actual expenditures plus encumbrances were \$896,000 below budget.

### ***Capital Asset and Debt Administration***

At June 30, 2017 the District had \$12.9 million outstanding in long term bonds and notes, bearing interest rates of 2.0% to 4.0%, maturing through 2028. There were no new borrowings in fiscal 2017.

During the year there was a total of \$535,000 in purchases that qualified for capitalization. This included the concrete project at the high school, new boilers, the purchase of a truck, a security system upgrade and a new air conditioner.

Please refer to Notes 4, 5 and 6 for further discussion of the capital asset and debt activity.

### ***Requests for Information***

This financial report is designed to provide a general overview of the Acton-Boxborough Regional School District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Finance, Acton-Boxborough Regional School District, 16 Charter Rd, Acton, MA 01720.

# ***Basic Financial Statements***

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**STATEMENT OF NET POSITION**

JUNE 30, 2017

	<b>Primary Government</b>
	Governmental Activities
<b>ASSETS</b>	
CURRENT:	
Cash and cash equivalents.....	\$ 13,163,038
Receivables, net of allowance for uncollectibles:	
Departmental and other.....	2,890
Prepaid expenses.....	5,800
Capital assets, nondepreciable.....	404,440
Capital assets, net of accumulated depreciation.....	73,155,191
TOTAL ASSETS.....	86,731,359
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows related to pensions.....	4,041,655
<b>LIABILITIES</b>	
CURRENT:	
Warrants payable.....	646,741
Accrued payroll.....	873,246
Accrued interest.....	205,153
Payroll withholdings.....	498,238
Capital lease obligations.....	888,062
Compensated absences.....	518,120
Bonds payable.....	1,435,000
NONCURRENT:	
Capital lease obligations.....	294,062
Compensated absences.....	3,083,396
Net pension liability.....	27,434,455
Other postemployment benefits.....	19,128,416
Bonds payable.....	11,480,000
TOTAL LIABILITIES.....	66,484,889
<b>NET POSITION</b>	
Net investment in capital assets.....	59,462,507
Unrestricted.....	(35,174,382)
TOTAL NET POSITION.....	\$ 24,288,125

See notes to basic financial statements.



**STATEMENT OF ACTIVITIES**

YEAR ENDED JUNE 30, 2017

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Primary Government:</b>					
<i>Governmental Activities:</i>					
Administration.....	\$ 2,815,976	\$ -	\$ -	\$ -	\$ (2,815,976)
Instructional leadership.....	4,878,388	-	4,548,586	-	(329,802)
Classroom and specialist teachers.....	30,382,883	-	-	-	(30,382,883)
Other teaching services.....	6,916,060	-	-	-	(6,916,060)
Professional development.....	491,106	-	28,634	-	(462,472)
Instructional materials, equipment and technology.....	1,886,712	-	-	-	(1,886,712)
Pupil transportation services.....	4,216,168	-	-	-	(4,216,168)
Operations and maintenance.....	5,591,565	-	-	-	(5,591,565)
Guidance, counseling and testing.....	2,862,899	-	-	-	(2,862,899)
Other school services.....	4,660,262	2,468,410	700	383,463	(1,807,689)
Food services.....	1,727,164	1,465,490	315,886	-	54,212
Out of district tuition.....	7,945,755	-	21,364	-	(7,924,391)
Community education.....	2,316,554	2,960,010	-	-	643,456
Employee benefits.....	30,081,902	-	12,954,032	-	(17,127,870)
Insurances.....	127,018	-	-	-	(127,018)
Capital Outlay.....	473,889	-	-	-	(473,889)
Depreciation not allocated.....	3,435,994	-	-	-	(3,435,994)
Interest.....	526,093	-	-	-	(526,093)
<b>Total governmental activities.....</b>	<b>\$ 111,336,388</b>	<b>\$ 6,893,910</b>	<b>\$ 17,869,202</b>	<b>\$ 383,463</b>	<b>\$ (86,189,813)</b>

See notes to basic financial statements.

(Continued)

**STATEMENT OF ACTIVITIES (Continued)**

YEAR ENDED JUNE 30, 2017

	Governmental Activities
<b>Changes in net position:</b>	
Net (expense) revenue from previous page.....	\$ <b>(86,189,813)</b>
<i>General revenues:</i>	
Member town assessments (operating).....	67,050,245
Intergovernmental.....	17,382,415
Unrestricted investment income.....	94,403
Miscellaneous.....	<u>111,017</u>
Total general revenues.....	<u>84,638,080</u>
Change in net position.....	(1,551,733)
<i>Net Position:</i>	
Beginning of year.....	<u>25,839,858</u>
End of year.....	\$ <u><u>24,288,125</u></u>
	(Concluded)

**GOVERNMENTAL FUNDS  
BALANCE SHEET**

JUNE 30, 2017

<b>ASSETS</b>	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash and cash equivalents.....	\$ 6,989,939	\$ 6,173,099	\$ 13,163,038
Receivables, net of uncollectibles:			
Departmental and other.....	2,890	-	2,890
Prepaid expenses.....	<u>5,800</u>	<u>-</u>	<u>5,800</u>
<b>TOTAL ASSETS.....</b>	<b>\$ <u>6,998,629</u></b>	<b>\$ <u>6,173,099</u></b>	<b>\$ <u>13,171,728</u></b>
<b>LIABILITIES:</b>			
Warrants payable.....	\$ 547,777	\$ 98,964	\$ 646,741
Accrued payroll.....	873,246	-	873,246
Payroll withholdings.....	<u>498,238</u>	<u>-</u>	<u>498,238</u>
<b>TOTAL LIABILITIES.....</b>	<b><u>1,919,261</u></b>	<b><u>98,964</u></b>	<b><u>2,018,225</u></b>
<b>FUND BALANCES:</b>			
Restricted.....	-	6,074,135	6,074,135
Assigned.....	1,067,271	-	1,067,271
Unassigned.....	<u>4,012,097</u>	<u>-</u>	<u>4,012,097</u>
<b>TOTAL FUND BALANCES.....</b>	<b><u>5,079,368</u></b>	<b><u>6,074,135</u></b>	<b><u>11,153,503</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES.....</b>	<b>\$ <u>6,998,629</u></b>	<b>\$ <u>6,173,099</u></b>	<b>\$ <u>13,171,728</u></b>

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2017

Total governmental fund balances.....		\$ 11,153,503
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....		73,559,631
Deferred outflows of resources related to pensions.....		4,041,655
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.....		(205,153)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds		
Bonds and notes payable.....	(12,915,000)	
Capital lease obligations.....	(1,182,124)	
Other postemployment benefits.....	(19,128,416)	
Pension liability.....	(27,434,455)	
Compensated absences.....	<u>(3,601,516)</u>	
Net effect of reporting long-term liabilities.....		<u>(64,261,511)</u>
Net position of governmental activities.....		<u>\$ 24,288,125</u>

See notes to basic financial statements.

**GOVERNMENTAL FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**YEAR ENDED JUNE 30, 2017**

	General	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>			
Member town assessments (operating).....	\$ 67,050,245	\$ -	\$ 67,050,245
Intergovernmental.....	29,370,198	4,552,120	33,922,318
Departmental and other.....	-	6,383,452	6,383,452
Contributions and donations.....	-	451,964	451,964
Food Services.....	-	1,781,376	1,781,376
Investment income.....	93,344	1,059	94,403
Miscellaneous.....	100,897	-	100,897
<b>TOTAL REVENUES.....</b>	<b>96,614,684</b>	<b>13,169,971</b>	<b>109,784,655</b>
<b>EXPENDITURES:</b>			
<b>Current:</b>			
Administration .....	2,815,976	-	2,815,976
Instructional leadership.....	5,248,234	13,050	5,261,284
Classroom and specialist teachers.....	29,938,056	444,827	30,382,883
Other teaching services.....	5,396,608	1,519,452	6,916,060
Professional development.....	426,176	64,930	491,106
Instructional materials, equipment and technology.....	1,693,293	193,419	1,886,712
Pupil transportation services.....	4,211,322	4,846	4,216,168
Operations and maintenance.....	5,271,495	320,070	5,591,565
Guidance, counselling and testing.....	2,747,566	115,333	2,862,899
Other school services.....	1,886,019	2,774,243	4,660,262
Food services.....	-	1,727,164	1,727,164
Out of district tuition.....	5,856,755	2,089,000	7,945,755
Community education.....	-	2,316,554	2,316,554
Employee benefits.....	26,393,504	450	26,393,954
Insurances.....	118,185	8,833	127,018
Capital outlay.....	990,672	18,603	1,009,275
<b>Debt service:</b>			
Maturing debt.....	1,410,000	-	1,410,000
Interest.....	549,218	-	549,218
<b>TOTAL EXPENDITURES.....</b>	<b>94,953,079</b>	<b>11,610,774</b>	<b>106,563,853</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....</b>	<b>1,661,605</b>	<b>1,559,197</b>	<b>3,220,802</b>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers in.....	25,000	-	25,000
Transfers out.....	-	(25,000)	(25,000)
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>25,000</b>	<b>(25,000)</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>1,686,605</b>	<b>1,534,197</b>	<b>3,220,802</b>
<b>FUND BALANCES AT BEGINNING OF YEAR.....</b>	<b>3,392,763</b>	<b>4,539,938</b>	<b>7,932,701</b>
<b>FUND BALANCES AT END OF YEAR.....</b>	<b>\$ 5,079,368</b>	<b>\$ 6,074,135</b>	<b>\$ 11,153,503</b>

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2017

Net change in fund balances - total governmental funds.....		\$	3,220,802
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>			
Capital outlay.....			535,386
Depreciation expense.....			<u>(3,435,994)</u>
Net effect of reporting capital assets.....			(2,900,608)
<p>The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.</p>			
Debt service principal payments.....			1,410,000
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.</p>			
Net change in compensated absences accrual.....			(557,872)
Net change in accrued interest on long-term debt.....			23,125
Net change in other postemployment benefits.....			(1,842,594)
Net change in pension liability.....			(3,919,275)
Net change in capital lease obligations.....			397,518
Net change in deferred outflows of resources.....			<u>2,617,171</u>
Net effect of recording long-term liabilities and amortizing deferred losses.....			<u>(3,281,927)</u>
Change in net position of governmental activities.....		\$	<u><u>(1,551,733)</u></u>

See notes to basic financial statements.

**FIDUCIARY FUNDS**  
STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2017

	Other Postemployment Benefits Trust	Private Purpose Trust Funds	Agency Funds
<b>ASSETS</b>			
CURRENT:			
Cash and cash equivalents.....	\$ 14,823	\$ 63,514	\$ 208,437
Investments.....	<u>2,929,813</u>	<u>227,978</u>	<u>-</u>
TOTAL ASSETS.....	<u><u>2,944,636</u></u>	<u><u>291,492</u></u>	<u><u>208,437</u></u>
<b>LIABILITIES</b>			
Liabilities due depositors.....	<u>-</u>	<u>-</u>	<u>208,437</u>
<b>NET POSITION</b>			
Held in trust for education scholarships.....	<u><u>\$ 2,944,636</u></u>	<u><u>\$ 291,492</u></u>	<u><u>\$ -</u></u>

See notes to basic financial statements.

**FIDUCIARY FUNDS**  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

YEAR ENDED JUNE 30, 2017

	Other Postemployment Benefits Trust	Private Purpose Trust Funds
<b>ADDITIONS:</b>		
Contributions:		
Employer.....	\$ 2,076,118	\$ -
Private donations.....	-	20,789
Total contributions.....	<u>2,076,118</u>	<u>20,789</u>
Net investment income (loss):		
Interest.....	194,437	\$ 4,370
Less: investment expense.....	<u>(15,809)</u>	<u>-</u>
Net investment income (loss).....	<u>178,628</u>	<u>4,370</u>
TOTAL ADDITIONS.....	<u>2,254,746</u>	<u>25,159</u>
<b>DEDUCTIONS:</b>		
Educational scholarships.....	-	22,450
Retirement benefits and refunds.....	<u>1,276,118</u>	<u>-</u>
TOTAL DEDUCTIONS.....	<u>1,276,118</u>	<u>22,450</u>
CHANGE IN NET POSITION.....	978,628	2,709
NET POSITION AT BEGINNING OF YEAR.....	<u>1,966,008</u>	<u>288,783</u>
NET POSITION AT END OF YEAR.....	<u>\$ 2,944,636</u>	<u>\$ 291,492</u>

See notes to basic financial statements.



**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

The District was formed in 1955 pursuant to Chapter 71 of the Massachusetts General Laws (MGL). The District consists of the Towns of Acton and Boxborough, Massachusetts. An eleven-member School Committee (Committee) governs the District, which consists of elected members from the District for a term of three years.

For financial reporting purposes, the District has included all funds, organizations, account groups, agencies, boards, commissions and institutions. The District has also considered all potential component units for which it is financially accountable as well as other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the basic financial statements to be misleading or incomplete. As required by GAAP, these basic financial statements present the District (the primary government) and its component units. The District has no component units that require inclusion in these basic financial statements.

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

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

*Fund Financial Statements*

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

*Major Fund Criteria*

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

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

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

Fiduciary funds are reported by fund type.

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

#### *Government-Wide Financial Statements*

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

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

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

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

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

#### *Fund Financial Statements*

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

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

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

The following major governmental funds are reported:

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

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

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

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

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

The following fiduciary fund types are reported:

The *other post employment trust fund (OPEB)* is used to account for funds to offset the anticipated cost of premium payments for, or direct payments made to, retired employees of the District, and to any eligible surviving spouse of or dependents of deceased employees of the District.

The *private-purpose trust fund* is used to account for trust arrangements under which principal and investment income exclusively benefit individuals, private organizations, or other governments.

The *agency fund* is used to account for assets held in a purely custodial capacity.

#### *Government-Wide and Fund Financial Statements*

For the government-wide financial statements and fiduciary fund accounting, all applicable Financial Accounting Standards Board (FASB) pronouncements issued on or prior to November 30, 1989, are applied, unless those pronouncements conflict with or contradict GASB pronouncements.

#### D. Cash and Investments

##### *Government-Wide and Fund Financial Statements*

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

#### E. Fair Value Measurements

The District reports required types of financial instruments in accordance with the fair value standards. These standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or valuation techniques) to determine fair value. Fair value standards also require the government to classify these financial instruments into a three-level hierarchy, based on the priority of inputs to the valuation technique or in accordance with net asset value

practical expedient rules, which allow for either Level 2 or Level 3 depending on lock up and notice periods associated with the underlying funds.

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

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

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

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

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

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

#### F. Accounts Receivable

##### *Government-Wide and Fund Financial Statements*

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

##### ***Intergovernmental***

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

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

#### G. Inventories

##### *Government-Wide and Fund Financial Statements*

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

**H. Capital Assets**

*Government-Wide Financial Statements*

Capital assets, which include land, land improvements, buildings, machinery and equipment, are reported in the government-wide financial statements. Capital assets are recorded at historical cost, or at estimated historical cost, if actual historical cost is not available. Donated capital assets are recorded at the estimated fair market value at the date of donation. Except for the capital assets of the governmental activities column in the government-wide financial statements, construction period interest is capitalized on constructed capital assets.

All purchases and construction costs in excess of \$25,000 are capitalized at the date of acquisition or construction, respectively, with expected useful lives of greater than one year.

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

<u>Capital Asset Type</u>	<u>Estimated Useful Life (in years)</u>
Buildings.....	40
Machinery and equipment.....	5 - 10
Improvements.....	15

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

*Governmental Fund Financial Statements*

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

**I. Deferred Outflows/Inflows of Resources**

*Government-Wide Financial Statements (Net Position)*

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

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

*Governmental Fund Financial Statements*

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

J. Interfund Receivables and Payables

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

*Government-Wide Financial Statements*

Transactions of a buyer/seller nature between and within governmental funds and internal service funds are eliminated from the governmental activities in the statement of net position. Any residual balances outstanding between the governmental activities and business-type activities are reported in the statement of net position as "internal balances".

*Fund Financial Statements*

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

K. Interfund Transfers

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

*Government-Wide Financial Statements*

Operating transfers between and within governmental funds and internal service funds are eliminated from the governmental activities in the statement of net position. Any residual balances outstanding between the governmental activities and business-type activities are reported in the statement of activities as "Transfers, net".

*Fund Financial Statements*

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

L. Net Position and Fund Equity*Government-Wide Financial Statements (Net Position)*

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

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

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

#### *Fund Financial Statements (Fund Balances)*

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

The governmental fund balance classifications are as follows:

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

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

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

“Assigned” fund balance includes amounts that are constrained by the District’s intent to be used for specific purposes, but are neither restricted nor committed. The school committee or school district official delegated that authority by the regional school district agreement has the authority to assign fund balance. Funds are assigned when the District has an obligation to purchase goods or services from the current years’ appropriation.

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

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

### M. Long-term Debt

#### *Government-Wide and Proprietary Fund Financial Statements*

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

#### *Governmental Fund Financial Statements*

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

### N. Pensions

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

### O. Investment Income

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

### P. Compensated Absences

Employees are granted vacation leave in varying amounts based on collective bargaining agreements, state laws and executive policies. Administrative, support personnel and custodians are allowed to carryover a maximum of one year's allotment of vacation leave.

As a possible incentive for employment longevity, a sum of money will be paid to teachers having taught in the School District for at least ten years, calculated by multiplying the difference between the teacher's last annual Schedule A salary and that for a Step One on the bachelor's level for that same year and the relevant multiplication factor. A similar incentive exists for certain administrators. This benefit expires June 30, 2021.

#### *Government-Wide and Proprietary Fund Financial Statements*

Vested or accumulated vacation is reported as liabilities and expensed as incurred.

#### *Governmental Fund Financial Statements*

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



## Q. Use of Estimates

### *Government-Wide and Fund Financial Statements*

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

## R. Total Column

### *Government-Wide Financial Statements*

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

### *Fund Financial Statements*

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

## **NOTE 2 - CASH AND INVESTMENTS**

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

Statutes authorize the investment in obligations of the U.S. Treasury, agencies, and instrumentalities, certificates of deposit, repurchase agreements, money market accounts, bank deposits, and the State Treasurer's Investment Pool (Pool). The Treasurer may also invest trust funds in securities, other than mortgages or collateral loans, which are legal for the investment of funds of savings banks under the laws of the Commonwealth.

The Pool meets the criteria of an external investment pool. The Pool is administered by the Massachusetts Municipal Depository Trust (MMDT), which was established by the Treasurer of the Commonwealth who serves as Trustee. The investments of the Pool are measured at amortized cost.

### Custodial Credit Risk- Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk.

At year-end, the carrying amount of the District's deposits totaled \$11,043,208 and the bank balance totaled \$12,870,357. Of the bank balance, \$822,557 was covered by Federal Depository Insurance, \$710,610 was covered by Share Insurance Fund, \$4,229,799 was collateralized and \$7,107,391 was uncollateralized.

Investments

As of June 30, 2017, the District had the following investments:

Investment Type	Fair Value	Maturity			Rating
		Under 1 Year	1-5 Years	Over 10 Years	
<u>Debt Securities</u>					
U.S. Government Agencies.....	\$ 128,759	\$ -	\$ 128,759	-	AAA
U.S. Treasury Notes.....	14,855	-	14,855	-	AAA
Municipal Bonds	10,808	-	-	10,808	AA
Corporate Bonds.....	65,006	44,998	20,008	-	A-BBB+
Total Debt Securities.....	219,428	44,998	163,622	10,808	
<u>Other Investments</u>					
Fixed Income Mutual Funds.....	8,550				
MMDT.....	2,406,604				
Total Investments.....	\$ 2,634,582				

As of June 30, 2017, the District’s OPEB Trust had the following investments:

Investment Type	Fair Value
<u>Other Investments</u>	
Fixed Income Mutual Funds.....	\$ 1,015,495
Equity Mutual Funds.....	1,914,318
Total Investments.....	\$ 2,929,813

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of a failure by the counterparty, the District will not be able to recover the value of its investments or collateral security that are in the possession of an outside party.

The District does not have an investment policy for custodial credit risk.

Interest Rate Risk

For an investment this is the risk that changes in interest rates of debt securities will adversely affect the fair value of an investment. The District does not have a policy for interest rate risk.

Credit Risk

Credit risk is the risk than an issuer or other counterparty to a debt security will not fulfill its obligation. The District does not have a policy for credit risk.

Concentration of Credit Risk

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

Fair Market Value of Investments

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

The following table presents financial assets at June 30, 2017, that the District measures fair value on a recurring basis, by level, within the fair value hierarchy:

District Investments	Fair Value Measurements Using			
	June 30, 2017	Quoted Prices in Markets for Active Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Investments by fair value level</b>				
<u>Investment Type</u>				
<u>Debt Securities:</u>				
U.S. Government Agencies.....	\$ 128,759	\$ 128,759	\$ -	-
U.S. Treasury Notes.....	14,855	14,855	-	-
Municipal Bonds.....	10,808	10,808	-	-
Corporate Bonds.....	65,006	-	65,006	-
Total debt securities.....	219,428	\$ 154,422	\$ 65,006	\$ -
<b>Investments measured at amortized cost</b>				
MMDT.....	2,406,604			
Total investments.....	\$ 2,626,032			
<b>OPEB Trust Investments</b>				
<u>Investment Type</u>				
<u>Other investments:</u>				
Fixed Income Mutual Funds.....	\$ 1,015,495	\$ 1,015,495	\$ -	-
Equity mutual funds.....	1,914,318	1,914,318	-	-
Total investments measured at fair value.....	\$ 2,929,813	\$ 2,929,813	\$ -	\$ -

**NOTE 3 - RECEIVABLES**

At June 30, 2017, receivables for the individual major governmental funds and nonmajor governmental funds in the aggregate including the applicable allowances for uncollectible accounts are as follows:

	<u>Gross Amount</u>	<u>Allowance for Uncollectibles</u>	<u>Net Amount</u>
<u>Receivables:</u>			
Departmental and other.....	\$ 2,890	\$ -	\$ 2,890

Governmental funds report *deferred inflows of resources* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. There were no such receivables at the end of the current fiscal year.

**NOTE 4 - CAPITAL ASSETS**

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 404,440	\$ -	\$ -	\$ 404,440
<u>Capital assets being depreciated:</u>				
Buildings.....	\$ 96,947,132	\$ -	\$ -	\$ 96,947,132
Machinery and equipment.....	5,240,560	108,608	-	5,349,168
Vehicles.....	2,081,739	32,778	(41,632)	2,072,885
Improvements.....	5,194,169	394,000	-	5,588,169
Total capital assets being depreciated.....	<u>109,463,600</u>	<u>535,386</u>	<u>(41,632)</u>	<u>109,957,354</u>
<u>Less accumulated depreciation for:</u>				
Buildings.....	(27,469,204)	(2,620,241)	-	(30,089,445)
Machinery and equipment.....	(3,920,443)	(283,002)	-	(4,203,445)
Vehicles.....	(759,342)	(205,676)	(27,010)	(938,008)
Improvements.....	(1,244,190)	(327,075)	-	(1,571,265)
Total accumulated depreciation.....	<u>(33,393,179)</u>	<u>(3,435,994)</u>	<u>(27,010)</u>	<u>(36,802,163)</u>
Total capital assets being depreciated, net.....	<u>76,070,421</u>	<u>(2,900,608)</u>	<u>(68,642)</u>	<u>73,155,191</u>
Total capital assets.....	<u>\$ 76,474,861</u>	<u>(2,900,608)</u>	<u>(68,642)</u>	<u>73,559,631</u>

**NOTE 5 – CAPITAL LEASES**

The District is obligated under several leases for motor vehicles and equipment accounted for as a capital lease. The lease obligations are accounted for as a liability in the government-wide financial statements. The assets acquired through capital lease are as follows:

<u>Asset:</u>	<u>Governmental Activities</u>
Machinery and equipment.....	\$ 3,042,320
Less: accumulated depreciation.....	<u>(2,183,988)</u>
Total.....	<u>\$ 858,332</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2017, were as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2018.....	\$ 921,092
2019.....	86,334
2020.....	<u>222,401</u>
Total minimum lease payments.....	1,229,827
Less: amounts representing interest.....	<u>(47,703)</u>
Present value of minimum lease payments.....	<u>\$ 1,182,124</u>

**NOTE 6 - SHORT-TERM FINANCING**

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

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

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

At June 30, 2017, the District had no short-term debt outstanding.

**NOTE 7 - LONG-TERM DEBT**

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

Details related to the District's outstanding indebtedness at June 30, 2017, and the debt service requirements are as follows:

Project	Original Issuance	Interest Rate (%)	Maturities Through	Outstanding at June 30, 2016	Issued	Redeemed	Outstanding at June 30, 2017
GOB Refunding 2014, Original 2005 (SHS)	10,330,900	4.00%	2025	10,300,900	-	1,043,900	9,257,000
GOB Refunding 2014, Original 2004 (JHS)	3,064,100	4.00%	2025	2,794,100	-	276,100	2,518,000
GOB Tax exempt Bonds Series B	1,050,000	2.00%	2028	1,050,000	-	-	1,050,000
GOB Taxable School Bonds Series A	450,000	3.00%	2018	180,000	-	90,000	90,000
Total.....				\$ 14,325,000	\$ -	\$ 1,410,000	\$ 12,915,000

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

Year	Principal	Interest	Total
2018.....	\$ 1,435,000	\$ 493,718	\$ 1,928,718
2019.....	1,460,000	437,518	1,897,518
2020.....	1,505,000	381,218	1,886,218
2021.....	1,560,000	323,118	1,883,118
2022.....	1,620,000	262,818	1,882,818
2023.....	1,680,000	200,118	1,880,118
2024.....	1,670,000	135,018	1,805,018
2025.....	1,670,000	70,318	1,740,318
2026.....	105,000	5,618	110,618
2027.....	105,000	3,465	108,465
2028.....	105,000	1,181	106,181
.....	\$ 12,915,000	\$ 2,314,108	\$ 15,229,108

The District is subject to various debt limits by statute and may issue additional general obligation debt under the normal debt limit. At June 30, 2017, the District had no authorized and unissued debt.

Changes in Long-term Liabilities

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

	Balance June 30, 2016	Bonds and Notes Redeemed	Other Net Increase (Decrease)	Balance June 30, 2017	Amounts Due in 1 Year
Long-term bonds.....	\$ 14,325,000	\$ (1,410,000)	\$ -	\$ 12,915,000	\$ 1,435,000
Other postemployment benefits.....	17,285,822	-	1,842,594	19,128,416	-
Capital leases.....	1,579,642	(397,518)	-	1,182,124	888,062
Compensated Absences.....	3,043,644	-	557,872	3,601,516	518,120
Net pension liability.....	23,515,180	-	3,919,275	27,434,455	-
Total.....	\$ 59,749,288	\$ (1,807,518)	\$ 6,319,741	\$ 51,346,511	\$ 1,406,182

Compensated absences and other postemployment liabilities related to governmental activities are normally paid from the funds reporting payroll and related expenditures, which consist of the general fund accounts.

**NOTE 8 – GOVERNMENTAL FUND BALANCE CLASSIFICATIONS**

GASB #54 has provided a hierarchy of spendable fund balances, based on a hierarchy of spending constraints.

- Restricted: fund balances that are constrained by external parties, constitutional provisions, or enabling legislation.
- Committed: fund balances that contain self-imposed constraints of the government from its highest level of design making authority.
- Assigned: fund balances that contain self-imposed constraints of the government to be used for a particular purpose.
- Unassigned: fund balances of the general fund that is not constrained for any particular purpose.

The District’s spending policy is to spend restricted fund balance first, followed by committed, assigned and unassigned fund balance. Most governmental funds are designated for one purpose at the time of their creation. Therefore, any expenditure from the fund will be allocated to the applicable fund balance classifications in the order of the aforementioned spending policy. The general fund and certain other funds may have more than one purpose. As of June 30, 2017, the governmental fund balances consisted of the following:

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>FUND BALANCES</b>			
Restricted for:			
Federal and State Grants.....	\$ -	\$ 1,663,216	\$ 1,663,216
Gifts and Private Grants.....	-	306,928	306,928
Food Services.....	-	860,964	860,964
School Choice.....	-	125,195	125,195
Other school services.....	-	75,523	75,523
Revolving funds.....	-	1,690,718	1,690,718
Community Education.....	-	1,351,591	1,351,591
Assigned to:			
Administration .....	18,070	-	18,070
Instructional leadership... ..	1,010	-	1,010
Instructional materials, equipment and technology.....	58,054	-	58,054
Pupil transportation services.....	6,835	-	6,835
Operations and maintenance.....	197,699	-	197,699
Guidance, counseling and testing.....	2,560	-	2,560
Other school services.....	1,460	-	1,460
Capital outlay.....	331,584	-	331,584
E&D used to balance the subsequent year’s budget.....	450,000	-	450,000
Unassigned.....	<u>4,012,096</u>	<u>-</u>	<u>4,012,096</u>
<b>TOTAL FUND BALANCES.....</b>	<b><u>\$ 5,079,368</u></b>	<b><u>\$ 6,074,135</u></b>	<b><u>\$ 11,153,503</u></b>

**NOTE 9 - RISK FINANCING**

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

The District participates in a health insurance risk pool trust administered by Acton Health Insurance Trust (Trust), a two member organization established pursuant to Chapter 32B, Section 12 and chapter 40, section 3A of the Massachusetts General Laws to obtain health insurance for member governments at costs eligible for larger groups. The Trust offers a variety of premium based plans to its members with each participating governmental unit being charged a premium for coverage based on rates established by the Trust. The District is obligated to pay the group its required premiums and, in the event the Trust is terminated, its pro-rata share of a deficit should one exist.

**NOTE 10 - PENSION PLAN***Plan Description*

The District is a member of the Middlesex County Regional Retirement System (MCRS), a cost-sharing multiple-employer defined benefit pension plan covering eligible employees of the 71 member units. The MCRS is administered by five board members (Board) on behalf of all current employees and retirees except for current teachers and retired teachers. Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan.

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

*Special Funding Situation*

The Commonwealth is a nonemployer contributor and is required by statute to make 100% of all actuarially determined employer contributions on behalf of the District to the MTRS. Therefore, the District is considered to be in a special funding situation as defined by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and the Commonwealth is a nonemployer contributor in MTRS. Since the District does not contribute directly to MTRS, there is no net pension liability to recognize. The total of the Commonwealth provided contributions have been allocated based on each employer's covered payroll to the total covered payroll of employers in MTRS as of the measurement date of June 30, 2016. The District's portion of the collective pension expense, contributed by the Commonwealth, of \$12,954,032 is reported in the general fund as intergovernmental revenue and pension expense in the current fiscal year. The portion of the Commonwealth's collective net pension liability associated with the District is \$126,992,148 as of the measurement date.

*Benefits Provided*

Both Systems provide retirement, disability, survivor and death benefits to plan members and beneficiaries. Massachusetts Contributory Retirement System benefits are, with certain minor exceptions, uniform from system to system. The System provides for retirement allowance benefits up to a maximum of 80% of a member's



highest three-year average annual rate of regular compensation. For persons who became members on or after April 2, 2012, average salary is the average annual rate of regular compensation received during the five consecutive years that produce the highest average, or, if greater, during the last five years (whether or not consecutive) preceding retirement. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification. Members become vested after ten years of creditable service.

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

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

#### *Contributions*

Chapter 32 of the MGL governs the contributions of plan members and member units. Active plan members are required to contribute to the System at rates ranging from 5% to 9% of gross regular compensation with an additional 2% contribution required for compensation exceeding \$30,000. The percentage rate is keyed to the date upon which an employee's membership commences. The member units are required to pay into the MCRS a legislatively mandated actuarial determined contribution that is apportioned among the employers based on active current payroll. The District's proportionate share of the required contribution equaled its actual contribution for the year ended December 31, 2016 was \$2,086,065, 16.38% of covered payroll, actuarially determined as an amount that, when combined with plan member contributions, is expected to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability.

#### *Pension Liabilities*

At June 30, 2017, the District reported a liability of \$27,434,445 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2016. Accordingly, update procedures were used to roll forward the total pension liability to the measurement date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At December 31, 2016, the District's proportion was 1.94%, an increase from its proportion measured at December 31, 2015.

#### *Pension Expense*

For the year ended June 30, 2017, the District recognized pension expense of \$3,373,537. At June 30, 2017, the District reported deferred outflows of resources related to pensions of \$4,041,655. The change in deferred outflows is detailed below on the following page.

Deferred category	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Differences between expected and actual experience.....	\$ 123,556	\$ -	\$ 123,556
Difference between projected and actual earnings.....	1,139,020	-	1,139,020
Changes of assumptions.....	1,494,806	-	1,494,806
Changes in proportionate share of contributions.....	1,284,273	-	1,284,273
Total Deferred Outflows/(Inflows) of Resources.....	\$ 4,041,655	\$ -	\$ 4,041,655

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

Year ended June 30:

2018.....	\$ 1,109,330
2019.....	1,109,330
2020.....	1,089,689
2021.....	733,306
Total.....	\$ 4,041,655

*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 that was updated to December 31, 2016:

Valuation date.....	January 1, 2016
Actuarial cost method.....	Entry Age Normal Cost Method.
Amortization method.....	Prior year's total contribution increased by 6.5% for fiscal 2018 through fiscal 2024, and thereafter the remaining unfunded liability will be amortized on a 4.0% annual increasing basis; ERI liability amortized in level payments.
Remaining amortization period.....	As of July 1, 2016, 3 years remaining for 2002 ERI liability, 4 years remaining for 2003 ERI liability, 6 years remaining for 2010 ERI liability and 19 years for remaining unfunded liability.
Asset valuation method.....	The difference between the expected return and the actual investment return on a market value basis is recognized over a five-year period. Asset value is adjusted as necessary to be within 20% of the market value.
Inflation rate.....	3.50%
Projected salary increases.....	Varies by length of service with ultimate rates of 4.25% for Group 1, 4.50% for Group 2, and 4.75% for Group 4.
Cost of living adjustments.....	3.0% of first \$14,000 of retirement income.
Rates of retirement.....	Varies based upon age for general employees, police and fire employees.

Rates of disability.....	For general employees, it was assumed that 45% of all disabilities are ordinary (55% are service connected). For police and fire employees, 10% of all disabilities are assumed to be ordinary (90% are service connected).
Pre-Retirement.....	RP-2000 Employee Mortality Table projected generationally from 2009 with Scale BB
Healthy Retiree.....	RP-2000 Employee Annuitant Mortality Table projected generationally from 2009 with Scale BB
Disabled Retiree.....	RP-2000 Employee Annuitant Mortality Table projected generationally from 2015 with Scale BB

*Investment policy*

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan’s target asset allocation as of January 1, 2016, are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Long-Term Expected Asset Allocation</u>
Domestic equity.....	7.50%	19.50%
International equity.....	7.83%	16.80%
Emerging markets equity.....	9.61%	6.90%
Core fixed income.....	3.75%	12.30%
Value added fixed income.....	7.26%	8.30%
Private equity.....	9.50%	11.10%
Real estate.....	6.50%	10.00%
Timber/natural resources.....	6.00%	3.60%
Hedge funds.....	6.48%	9.00%
Liquidating portfolios.....	6.48%	0.40%
Portfolio completion strategies.....	6.48%	1.10%
Overlay.....	6.48%	1.00%
		<u>100.00%</u>

*Rate of return*

For the year ended December 31, 2016, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 7.35%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

*Discount rate*

The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that contributions will be made at rates equal to the actuarially determined contribution rate. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the net position liability to changes in the discount rate*

The following presents the net position liability, calculated using the discount rate of 7.75%, as well as what the net position liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	<u>1% Decrease (6.75%)</u>	<u>Current Discount (7.75%)</u>	<u>1% Increase (8.75%)</u>
District's proportionate share of net pension liability.....	\$ 33,129,579	\$ 27,434,445	\$ 22,621,272

**NOTE 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS**

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

*Funding Policy* – Contribution requirements are established, and may be amended, by the District. The current health insurance contribution rates of Plan members and the District 25% and 75%, respectively, except for certain plans which are 50%/50%. Retirees contribute 50%. The Plan members and District each contributes 50% towards a \$15,000 term life insurance premium. Plan contributions are based on a pay-as-you-go basis.

The Commonwealth of Massachusetts passed special legislation that has allowed the District to establish a postemployment benefit trust fund and to enable the District to begin pre-funding its OPEB liabilities. The Trust is managed by a 5 member Board of Trustees whose are authorized to manage the Trust in accordance with the Trust Agreement.

During 2017, the District pre-funded future OPEB liabilities \$800,000 by contributing funds to the Other Postemployment Benefit Fund in excess of the pay-as-you-go required contribution. These funds are reported within the Fiduciary Funds financial statements. As of June 30, 2017, the balance of this fund totaled \$2.9 million.

The annual money-weighted rate of return on OPEB plan investments was 12.72%. The money-weighted rate of return expresses investment performance, net of OPEB plan investment expense, adjusted for the changing amounts actually invested.

Plan Membership – The following table represents the Plan’s membership at June 30, 2017:

Active members.....	760
Inactive members currently receiving benefits.....	<u>336</u>
Total.....	<u><u>1,096</u></u>

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

Total OPEB liability.....	\$ 42,633,476
Less: OPEB plan's fiduciary net position.....	<u>(2,944,336)</u>
Net OPEB liability.....	<u><u>\$ 39,689,140</u></u>
The OPEB plan's fiduciary net position	
as a percentage of the total OPEB liability.....	6.91%

Significant Actuarial Assumption – The total other postemployment benefit liability in the June 30, 2017, actuarial valuation was determined using the following actuarial assumptions:

Valuation date.....	December 31, 2016
Actuarial cost method.....	Individual Entry Age Normal
Investment rate of return.....	5.0% net of investment expenses
Healthcare cost trend rate.....	5.0%
Participation.....	80% of future retirees are assumed to participate in the retiree medical plan. 80% of future retirees are assumed to elect life insurance.
Marital status.....	80% of male District employees and 70% of female District employees are assumed to have a covered spouse at retirement. Wives are assumed to be three years younger than their husbands.
Termination benefit.....	80% of current actives over age 50 with at least 10 years of service are expected to elect medical coverage starting at age 65.
Medical plan costs.....	The District provides comprehensive medical insurance through Blue Cross Blue Shield of Massachusetts. Retirees pay 50% of the premium.

- Amortization period..... 30-year level percent of pay assuming 3.0% aggregate annual payroll growth, open basis for Partial Prefunding. The amortization period is 30 years for all future valuations. Under Full Prefunding, a 30-year closed basis was used for the amortization. The amortization period is a specific number of years that is counted from one date, declining to zero with the passage of time.
- Mortality..... It is assumed that both pre-retirement mortality and beneficiary mortality is represented by the RP-2000 Mortality projected generationally with scale BB and a base year 2009 for males and females. Mortality for retired members is represented by the RP-2000 Healthy Annuitant Mortality Table generationally with scale BB and a base year 2009 for males and females. Mortality for retired members is represented by the RP-2000 Healthy Annuitant Mortality Table generationally with scale BB and a base year 2012 for males and females.

*Investment policy*

The OPEB plan’s assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the OPEB plan. The long-term real rate of return on OPEB investments was determined using the Town’s investment policy.

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 of returns (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return of by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The District’s expected future real rate of return of 4.49% is added to the expected inflation of 2.75% to produce the long-term expected nominal rate of return of 7.24%. Best estimates of geometric real rates of return for each major asset class included in the OPEB plan’s target asset allocation as of June 30, 2017 are summarized in the following table.

<u>Asset Class</u>	<u>Long-Term Expected Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity - Large Cap.....	19.25%	4.00%
Domestic Equity - Samll/Mid Cap.....	14.25%	6.00%
International Equity -Developed Market.....	6.00%	4.50%
International Equity -Emerging Market.....	10.75%	7.00%
Domestic Fixed Income.....	25.25%	2.00%
International Fixed Income.....	6.50%	3.00%
Alternatives.....	17.50%	6.50%
Real Estate.....	0.00%	6.25%
Cash.....	0.50%	0.00%
Total Asset Allocation.....	<u>100.00%</u>	

*Sensitivity of the net position liability to changes in the discount rate* – The following table presents the net other postemployment benefit liability and service cost, calculated using the discount rate of 4.5%, as well as what the net other postemployment benefit liability and service cost would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate.

	1% Decrease (4.5%)	Current Discount (5.5%)	1% Increase (6.5%)
Net OPEB liability.....	\$ 53,176,688	\$ 42,633,476	\$ 39,534,984
Less: Plan fiduciary net position.....	<u>(2,944,636)</u>	<u>(2,944,636)</u>	<u>(2,944,636)</u>
Net OPEB liability.....	<u>\$ 50,232,052</u>	<u>\$ 39,688,840</u>	<u>\$ 36,590,348</u>

*Sensitivity of the net position liability to changes in the healthcare trend* – The following table presents the net other postemployment benefit liability and service cost, calculated using the current healthcare trend rate of 6.00%, as well as what the net other postemployment benefit liability and service cost would be if it were calculated using a healthcare trend rate that is 1-percentage-point lower or 1-percentage-point higher.

	1% Decrease (5%)	Current Trend (6%)	1% Increase (7%)
Total OPEB liability.....	\$ 33,406,526	\$ 42,633,476	\$ 60,783,398
Less: Plan fiduciary net position.....	<u>(2,944,636)</u>	<u>(2,944,636)</u>	<u>(2,944,636)</u>
Net OPEB liability.....	<u>\$ 30,461,890</u>	<u>\$ 39,688,840</u>	<u>\$ 57,838,762</u>

*Annual OPEB Cost and Net OPEB Obligation* – The District’s annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement #45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The components of the District’s annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District’s net OPEB obligation are summarized in the following table.

Annual Required Contribution (ARC).....	\$ 3,758,273
Interest on net OPEB obligation.....	950,718
Adjustment to annual required contribution.....	(1,127,354)
Amortization of actuarial (gains)/losses.....	<u>337,075</u>
Annual OPEB cost (expense).....	3,918,712
Expected contributions made.....	<u>(2,076,118)</u>
Increase in net OPEB obligation.....	1,842,594
Net OPEB obligation--beginning of year.....	<u>17,285,822</u>
Net OPEB obligation--end of year.....	<u>\$ 19,128,416</u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2017 and the previous two years was as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2017	\$ 3,918,712	53.0%	\$ 19,128,416
6/30/2016	4,423,411	43.5%	17,285,822
6/30/2015	4,151,855	37.1%	14,784,634

*Funded Status and Funding Progress* – As of December 31, 2016, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$44,287,881, of which \$2,944,336 was funded. The District's net OPEB liability as a percentage of covered payroll equaled 86.2%.

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

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

In the December 31, 2016, actuarial valuation, actuarial liabilities were determined using the entry age normal cost method. The actuarial assumptions included a 5.5% investment return assumption, which is based on the expected yield on the assets of the District, calculated based on the funded level of the plan at the valuation date, an inflation rate of 3.5% and an annual medical/drug cost trend rate of 8.0% initially. The UAAL is being amortized over an open level 30 year period.

## **NOTE 12 - COMMITMENTS**

The District appropriates annually those amounts necessary for capital leases it has for its busses. Currently, these leases extend through 2020.

In August, 2017, the District took delivery of 30 new school buses for use in the upcoming school year, executing a five-year lease. The lease calls for five equal annual payments of \$356,670, which will be funded in the District's operating budgets of fiscal years 2018 through 2022, and a fixed payment buyout upon lease expiration.



**NOTE 13 - CONTINGENCIES**

The District participates in a number of federal award programs. Although the grant programs have been audited in accordance with the provisions of the Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, these programs are still subject to financial and compliance audits. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although it is expected such amounts, if any, to be immaterial.

Various legal actions and claims are pending. Litigation is subject to many uncertainties, and the outcome of individual litigated matters is not always predictable. Although the amount of liability, if any, at June 30, 2017, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2017.

The District has an annual obligation to the Town of Acton for costs avoided in the construction of the Middle Fort Pond Brook Sewer District. The amount owed represents the total projected costs to construct an on-site facility and sewage collection system for the school campus located on Charter and Hayward roads. The annual payment is \$183,333 and is payable through July 1, 2030. At June 30, 2017 the remaining balance owed was \$2,474,133.

**NOTE 14 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through September 20, 2017, which is the date the financial statements were available to be issued.

**NOTE 15 - IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS**

During 2017, the following GASB pronouncements were implemented:

- The GASB issued Statement #74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. Notes and RSI to the basic financial statements were changed to provide additional disclosure.
- The GASB issued Statement #77, *Tax Abatement Disclosures*. This did not impact the basic financial statements.
- The GASB issued Statement #78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. This did not impact the basic financial statements.
- The GASB issued Statement #80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement #14*. This did not impact the basic financial statements.
- The GASB issued Statement #82, *Pension Issues – an amendment of GASB Statements #67, #68, and #73*. The footnotes were updated to reflect the impact of this statement.

The following GASB pronouncements will be implemented in the future:

- The GASB issued Statement #75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which is required to be implemented in 2018.
- The GASB issued Statement #81, *Irrevocable Split-Interest Agreements*, which is required to be implemented in 2018.
- The GASB issued Statement #83, *Certain Asset Retirement Obligations*, which is required to be implemented in 2019.
- The GASB issued Statement #84, *Fiduciary Activities*, which is required to be implemented in 2020.
- The GASB issued Statement #85, *Omnibus 2017*, which is required to be implemented in 2018.
- The GASB issued Statement #86, *Certain Debt Extinguishment Issues*, which is required to be implemented in 2018.
- The GASB issued Statement #87, *Leases*, which is required to be implemented in 2021.

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

# ***Required Supplementary Information***

# ***General Fund Budgetary Comparison Schedule***

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

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

YEAR ENDED JUNE 30, 2017

	Budgeted Amounts			
	Amounts Carried forward From Prior Year	Current Year Initial Budget	Original Budget	Final Budget
<b>REVENUES:</b>				
Member town assessments.....	\$ -	\$ 67,050,245	\$ 67,050,245	\$ 67,050,245
Intergovernmental.....	-	15,822,959	15,822,959	15,822,959
Investment income.....	-	-	-	-
Miscellaneous.....	-	-	-	-
<b>TOTAL REVENUES.....</b>	<b>-</b>	<b>82,873,204</b>	<b>82,873,204</b>	<b>82,873,204</b>
<b>EXPENDITURES:</b>				
Current:				
Administration.....	6,531	2,842,846	2,849,377	2,849,377
Instructional leadership.....	3,368	5,208,743	5,212,111	5,212,111
Classroom and specialist teachers.....	-	30,265,816	30,265,816	30,265,816
Other teaching services.....	4,717	5,184,241	5,188,958	5,188,958
Professional development.....	810	490,653	491,463	491,463
Instructional materials, equipment and technology....	90,003	1,576,212	1,666,215	1,666,215
Pupil transportation services.....	-	4,632,216	4,632,216	4,632,216
Operations and maintenance.....	155,531	5,352,412	5,507,943	5,507,943
Guidance, counselling and testing.....	4,662	2,880,196	2,884,858	2,884,858
Pupil services.....	2,531	2,034,058	2,036,589	2,036,589
Out of district tuition.....	23,757	6,151,936	6,175,693	6,175,693
Employee benefits.....	-	13,705,487	13,705,487	13,705,487
Insurances.....	3,463	113,200	116,663	116,663
Capital outlay.....	144,374	700,970	845,344	845,344
Debt service:				
Maturing debt.....	-	1,385,000	1,385,000	1,385,000
Interest.....	-	549,218	549,218	549,218
<b>TOTAL EXPENDITURES.....</b>	<b>439,747</b>	<b>83,073,204</b>	<b>83,512,951</b>	<b>83,512,951</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....</b>	<b>(439,747)</b>	<b>(200,000)</b>	<b>(639,747)</b>	<b>(639,747)</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in.....	-	-	-	-
<b>NET CHANGE IN FUND BALANCE.....</b>	<b>(439,747)</b>	<b>(200,000)</b>	<b>(639,747)</b>	<b>(639,747)</b>
<b>BUDGETARY FUND BALANCE, Beginning of year.....</b>	<b>-</b>	<b>3,392,763</b>	<b>3,392,763</b>	<b>3,392,763</b>
<b>BUDGETARY FUND BALANCE, End of year.....</b>	<b>\$ (439,747)</b>	<b>\$ 3,192,763</b>	<b>\$ 2,753,016</b>	<b>\$ 2,753,016</b>

See notes to basic financial statements.

Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance to Final Budget
\$ 67,050,245	\$ -	\$ -
16,416,166	-	593,207
93,344	-	93,344
100,897	-	100,897
<u>83,660,652</u>	<u>-</u>	<u>787,448</u>
2,815,976	18,070	15,331
5,248,234	1,010	(37,133)
29,938,056	-	327,760
5,396,608	-	(207,650)
426,176	-	65,287
1,693,293	58,054	(85,132)
4,211,322	6,835	414,059
5,271,495	197,699	38,749
2,747,566	2,560	134,732
1,886,019	1,460	149,110
5,856,755	-	318,938
13,439,472	-	266,015
118,185	-	(1,522)
990,672	331,584	(476,912)
1,410,000	-	(25,000)
549,218	-	-
<u>81,999,047</u>	<u>617,272</u>	<u>896,632</u>
1,661,605	(617,272)	1,684,080
25,000	-	25,000
1,686,605	(617,272)	1,709,080
3,392,763	-	-
<u>\$ 5,079,368</u>	<u>\$ (617,272)</u>	<u>\$ 1,709,080</u>

# ***Pensions Plan Schedules***

The Schedule of Funding Progress presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

The Schedule of Employer Contributions presents multiyear trend information for required and actual contributions relating to the cost-sharing plan as a whole, of which the District is one participating employer, as well as the District's proportionate share of the plan's annual contributions.

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

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

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE  
OF THE NET PENSION LIABILITY  
MIDDLESEX COUNTY RETIREMENT SYSTEM**

	December 31, 2014	December 31, 2015	December 31, 2016
District's proportion of the net pension liability (asset).....	1.822%	1.822%	1.940%
District's proportionate share of the net pension liability (asset)..... \$	21,781,913	\$ 23,515,180	27,434,445
District's covered employee payroll..... \$	12,401,710	\$ 12,897,778	12,732,786
Net pension liability as a percentage of covered-employee payroll.....	175.64%	182.32%	215.46%
Plan fiduciary net position as a percentage of the total pension liability.....	47.65%	46.13%	45.49%

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

See notes to required supplementary information.



**SCHEDULE OF CONTRIBUTIONS  
MIDDLESEX COUNTY RETIREMENT SYSTEM**

	June 30, 2014	June 30, 2015	June 30, 2016
Actuarially determined contribution (a).....	\$ 1,756,208	\$ 1,961,424	\$ 2,086,065
Contributions in relation to the actuarially determined contribution.....	<u>(1,756,208)</u>	<u>(1,961,424)</u>	<u>(2,086,065)</u>
Contribution deficiency (excess).....	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll (*).....	\$ 12,401,710	\$ 12,897,778	\$ 12,732,786
Contributions as a percentage of covered- employee payroll.....	14.16%	15.21%	16.38%

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

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

\*Covered employee payroll as reported in the January 1, 2014  
funding valuation report.

See notes to required supplementary information.

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

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

<u>Year</u>	<u>Commonwealth's 100% Share of the Net Pension Liability Associated with the District</u>	<u>District's Expense and Revenue Recognized for the Commonwealth's Support</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Liability</u>
2016.....	\$ 126,992,148	\$ 12,954,032	52.73%
2015.....	118,499,343	9,611,351	55.38%
2014.....	47,551,083	3,303,602	61.64%

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

See notes to required supplementary information.

# ***Other Postemployment Benefits Plan Schedules***

The Schedule of Changes in the District's Net Other Postemployment Benefit Liability presents multi-year trend information on the Plan's net other postemployment benefit liability and related ratios.

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

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

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

The Schedule of Employer Contributions presents, over time, the ratio of the actual annual employer contributions to the annual required contribution.

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

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

June 30, 2017

**Total OPEB Liability**

Service Cost.....	\$	2,967,994
Interest.....		950,718
Changes of benefit terms.....		-
Differences between expected and actual experience.....		-
Changes of assumptions.....		-
Benefit payments.....		<u>(2,076,118)</u>
Net change in total OPEB liability.....		1,842,594
Total OPEB liability- beginning.....		<u>17,285,822</u>
Total OPEB liability- ending (a).....		<u><u>19,128,416</u></u>

**Plan fiduciary net position**

Contributions- employer .....	\$	2,076,118
Net investment income.....		178,628
Benefit payments.....		<u>(1,276,118)</u>
Net change in plan fiduciary net position.....		978,628
Plan fiduciary net position- beginning.....		<u>1,966,008</u>
Plan fiduciary net position- ending (b).....	\$	<u><u>2,944,636</u></u>

**District's net OPEB liability- ending (a)-(b).....** \$ 16,183,780

Plan fiduciary net position as a percentage of the  
total OPEB liability..... 15.39%

Covered-employee payroll..... 48,838,493

District's net OPEB liability as a percentage of  
covered-employee payroll..... 33.14%

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

See notes to required supplementary information.

**SCHEDULE OF DISTRICT CONTRIBUTIONS  
OTHER POSTEMPLOYMENT BENEFIT PLAN**

	June 30, 2017
Actuarially determined contribution.....	\$ 1,276,118
Contributions in relation to the actuarially determined contribution.....	(1,276,118)
Contribution deficiency (excess).....	\$ -
Covered-employee payroll.....	\$ 48,838,493
Contributions as a percentage of covered- employee payroll.....	2.61%

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

See notes to required supplementary information.

**SCHEDULE OF INVESTMENT RETURNS**  
**OTHER POSTEMPLOYMENT BENEFIT PLAN**

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June 30, 2017

Annual money-weighted rate of return, net of investment expense.....	9.09%
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Note: This schedule is intended to present information for 10 years.  
Until a 10-year trend is compiled, information is presented for those  
years for which information is available.

See notes to required supplementary information.

**OTHER POSTEMPLOYMENT BENEFIT PLAN**  
**SCHEDULE OF FUNDING PROGRESS**

JUNE 30, 2017

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 Percentage of Covered Payroll ((B-A)/C)
12/31/2016	\$ 2,196,276	\$ 44,287,881	\$ 42,091,605	4.96%	\$ 48,388,493	86.2%
12/31/2014	1,177,370	41,447,171	40,269,801	2.84%	N/A	N/A
12/31/2012	239,760	23,165,854	22,926,094	1.03%	N/A	N/A
12/31/2010	-	43,598,411	43,598,411	0%	N/A	N/A
12/31/2007	-	35,757,233	35,757,233	0%	N/A	N/A

The District implemented GASB Statement No. 45 for the fiscal year ended June 30, 2009. Information for prior years is not available.

See notes to required supplementary information.

**OTHER POSTEMPLOYMENT BENEFIT PLAN**  
**ACTUARIAL METHODS AND ASSUMPTIONS**

YEAR ENDED JUNE 30, 2017

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Actuarial Methods:

Valuation date.....	December 31, 2016
Actuarial cost method.....	Individual Entry Age Normal
Amortization method.....	Individual Entry Age Normal
Remaining amortization period.....	30 years, Open

Actuarial Assumptions:

Investment rate of return.....	5.50%
Healthcare trend rate.....	5.00%

Plan Membership:

Current retirees, beneficiaries, and dependents.....	336
Current active members.....	<u>760</u>
Total.....	<u><u>1,096</u></u>

See notes to required supplementary information.



**NOTE A - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

A. Budgetary Information

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

The majority of appropriations are non-continuing which lapse at the end of each year.

The District adopts an annual budget for the General Fund in conformity with the guidelines described above. The original 2017 approved budget for the General Fund authorized \$83.0 million in appropriations.

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

B. Budgetary - GAAP Reconciliation

For budgetary financial reporting purposes, the Uniform Municipal Accounting System basis of accounting (established by the Commonwealth) is followed, which differs from the GAAP basis of accounting. A reconciliation of budgetary-basis to GAAP-basis results for the general fund for the year ended June 30, 2017, is presented below:

Net change in fund balance, budgetary basis.....	\$ 1,686,605
<u>Basis of accounting differences:</u>	
Recognition of revenue for on-behalf payments.....	9,611,351
Recognition of expenditures for on-behalf payments.....	<u>(9,611,351)</u>
Net change in fund balance, GAAP basis.....	<u>\$ 1,686,605</u>

**NOTE B – PENSION PLAN**

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

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

Schedule of District’s Contributions

Governmental employers are required to pay an annual appropriation as established by PERAC. The appropriation includes the amounts to pay the pension portion of each member’s retirement allowance, an amount to amortize the actuarially determined unfunded liability to zero in accordance with the system’s funding schedule, and additional appropriations in accordance with adopted early retirement incentive programs. The appropriations are payable on July 1 and January 1. The District may choose to pay the entire appropriation in

July at a discounted rate. Accordingly, actual contributions may be less than the “total appropriation”. The pension fund appropriation is allocated to the District based on covered payroll.

#### Schedule of the Special Funding Amounts of the Net Pension Liabilities

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

Changes in Assumptions - None

Changes in Plan Provisions - None

#### **NOTE C – OTHER POST-RETIREMENT BENEFITS**

The District administers a single-employer defined benefit healthcare plan (the “Plan”). The Plan provides lifetime healthcare insurance for eligible retirees and their spouses through two separate plans. The District's group health insurance plan covers its active members and its retired members.

The District currently finances its other postemployment benefits (OPEB) on a pay-as-you-go basis. As a result, the funded ratio (actual value of assets expressed as a percentage of the actuarial accrued liability) is 15.39%. In accordance with *Governmental Accounting Standards*, the District has recorded its OPEB cost equal to the actuarial determined annual required contribution (ARC) which includes the normal cost of providing benefits for the year and a component for the amortization of the total unfunded actuarial accrued liability of the Plan. The Schedule of Funding Progress presents multi-year trend information which compares, over time, the actuarial accrued liability for benefits with the actuarial value of accumulated plan assets.

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

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