

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

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

***YEAR ENDED JUNE 30, 2020***

ACTON-BOXBOROUGH REGIONAL SCHOOL DISTRICT  
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JUNE 30, 2020

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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, 2020, 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, 2020, 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 financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 7, 2020, 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.



October 7, 2020

# ***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, 2020. 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 funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

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 and other major funds as applicable. 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 schedule has been provided as required supplementary information for the general fund to demonstrate compliance with this budget.

**Fiduciary funds.** Fiduciary funds, which include the other postemployment 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 basis 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.

	2020		2019
<b>Assets:</b>			
Current assets.....	\$ 96,081,598	\$	16,101,196
Capital assets, nondepreciable.....	7,340,059		404,440
Capital assets, net of accumulated depreciation....	70,441,082		72,082,867
<b>Total assets.....</b>	<b>173,862,739</b>		<b>88,588,503</b>
<b>Deferred outflows of resources.....</b>	<b>4,083,066</b>		<b>4,206,826</b>
<b>Liabilities:</b>			
Current liabilities (excluding debt).....	8,666,898		4,725,591
Noncurrent liabilities (excluding debt).....	71,417,545		76,209,962
Current debt.....	4,642,533		2,352,573
Noncurrent debt.....	90,534,289		12,188,064
<b>Total liabilities.....</b>	<b>175,261,265</b>		<b>95,476,190</b>
<b>Deferred inflows of resources.....</b>	<b>8,299,306</b>		<b>1,053,729</b>
<b>Net position:</b>			
Net investment in capital assets.....	60,054,286		60,054,137
Unrestricted.....	(65,669,052)		(63,788,727)
<b>Total net position.....</b>	<b>\$ (5,614,766)</b>	\$	<b>(3,734,590)</b>

	2020	2019
<b>Program Revenues:</b>		
Charges for services..... \$	3,241,703	\$ 4,085,999
Operating grants and contributions.....	24,956,759	21,526,239
Capital grants and contributions.....	2,768,557	282,724
<b>General Revenues:</b>		
Member town assessments.....	72,757,539	71,333,313
Grants and contributions not restricted to specific programs.....	18,452,838	17,908,590
Unrestricted investment income.....	409,627	369,397
Miscellaneous.....	60,417	39,270
<b>Total revenues.....</b>	<b>122,647,440</b>	<b>115,545,532</b>
<b>Expenses:</b>		
District administration.....	3,323,071	3,074,439
Instructional leadership.....	4,943,362	5,317,057
Classroom and specialist teachers.....	46,270,497	43,927,366
Professional development.....	261,830	345,093
Instructional materials.....	1,816,239	2,284,710
Pupil transportation services.....	4,891,319	4,864,248
Operations and maintenance.....	5,909,713	6,028,917
Guidance, counseling and testing.....	3,636,075	3,266,171
Other school services.....	4,663,798	4,168,838
Food services.....	1,653,256	1,782,379
Out of district tuition.....	6,239,783	6,109,226
Community education.....	1,470,689	1,946,291
Employee benefits.....	34,328,186	30,450,551
Insurance.....	217,963	215,704
Interest.....	1,148,741	414,934
Depreciation.....	3,753,094	3,713,195
<b>Total expenses.....</b>	<b>124,527,616</b>	<b>117,909,119</b>
<b>Change in net position.....</b>	<b>(1,880,176)</b>	<b>(2,363,587)</b>
<b>Net position, beginning of year, as restated.....</b>	<b>(3,734,590)</b>	<b>(1,371,003)</b>
<b>Net position, end of year..... \$</b>	<b>(5,614,766)</b>	<b>(3,734,590)</b>

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

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. Liabilities and deferred inflows or resources exceeded assets and deferred outflows of resources by \$5.6 million at the close of 2020.

One component of net position, \$60.1 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 balance of \$65.7 million. The deficit balance is primarily due to the impact of reporting a \$39.5 million other postemployment benefit liability and a \$31.4 million net pension liability on the Districts Statement of Net Position.

The governmental activities net position decreased by \$1.9 million in 2020. This decrease is primarily due to a \$2.4 million increase in the net pension liability, net of deferred outflows and inflows of resources related to pensions.

On March 27, 2020, the United States Federal Government established the Coronavirus Aid, Relief and Economic Security (CARES) Act in response to the economic downfall caused by the COVID-19 pandemic. This Act requires that the payment from these funds be used only to cover expenses that; are necessary due to the public health emergency with respect COVID-19; were not accounted for in the budget most recently approved as of March 27, 2020; and were incurred during the period that begins on March 1, 2020, and ends on December 30, 2020. As of June 30, 2020, the District incurred COVID-19 related expenses totaling \$137,000, the majority of which relate to teacher stipends and other instructional costs. The District anticipates being reimbursed for these costs through the Coronavirus Relief Fund and the Federal Emergency Management Agency and has recorded receivables related to the anticipated reimbursements.

### ***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 \$90.6 million, an increase of \$77.1 from the prior year; which was mainly due to the issuance of \$75.0 million of long-term debt.

The general fund is the chief operating fund. At the end of the current year, unassigned fund balance of the general fund was \$3.6 million while total fund balance equaled \$6.4 million. Restricted fund balance totaled \$1 million and relates to the capital stabilization fund. Assignments of fund balance for encumbrances and subsequent years' expenditures totaled \$558,000 and \$1.1 million, respectively. 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 3.4% of total general fund expenditures.

The Douglas/Gates School Construction fund is used to account for the construction of the new Douglas/Gates elementary school. Current year activity includes \$2.4 million in capital grants from the Massachusetts School Building Authority (MSBA), which has committed to funding 49.70% of eligible construction costs. Capital expenditures totaled \$4.9 million during 2020 and the District permanently financed \$75.0 million of anticipated construction costs through the issuance of long-term debt. The proceeds from the long-term debt included \$70.0 million of bond proceeds and a \$5.0 million premium from the issuance of the bonds.

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

Member communities are apportioned an assessment to fund the District's budgeted operating, transportation, construction, capital, and debt service 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 2020 approved budget for the General Fund authorized \$91.0 million in appropriations including \$555,000 of encumbrances carried over from the prior year.

Actual revenues exceeded the budget by \$484,000, which was principally due to state aid for transportation and charter school reimbursements coming in higher than budgeted; as well as investment income.

Actual expenditures plus encumbrances were \$432,000 under budget. This was due to the net effect of various line-items being over/under budget. The most significant line-item that were over/under budget were operations and maintenance which was \$868,000 under budget and programs with other district's which was \$862,000 over budget, mainly due to special education services.

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

At June 30, 2020, the District had \$92.0 million of outstanding long term debt, bearing interest rates of 2% to 5%, maturing through 2050. During 2020, the District issued \$76.2 million of long-term debt and received \$6.3 million in premiums on the debt to finance the construction of the new Douglas/Gates elementary school as well as other District capital projects.

During the year, there was a total of \$9.6 million in purchases that qualified for capitalization. This included construction costs related to the new Douglas/Gates elementary school, paving, new athletic field lighting, auditorium lighting, several new school busses, and other capital improvements.

The District has been approved for a \$36.8 million capital grant from the Commonwealth's school building assistance program for the Douglas/Gates elementary school construction project. Under this program, assistance is paid to support construction costs and reduce the total debt service of the District. The MSBA has approved a 49.70% reimbursement rate for approved construction costs. The District anticipates receiving \$2,416,351 of grant proceeds in 2021 associated with costs incurred in 2020, which has been recognized as a receivable at June 30, 2020.

Please refer to Notes 4, through 7 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, 15 Charter Rd, Acton, MA 01720.

# ***Basic Financial Statements***

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**STATEMENT OF NET POSITION**

JUNE 30, 2020

	<u>Primary Government</u>	
		<u>Governmental Activities</u>
<b>ASSETS</b>		
<b>CURRENT:</b>		
Cash and cash equivalents.....	\$	91,986,845
Receivables, net of allowance for uncollectibles:		
Departmental and other.....		18,834
Intergovernmental.....		4,023,658
Other assets.....		<u>52,261</u>
Total current assets.....		<u>96,081,598</u>
<b>NONCURRENT:</b>		
Capital assets, nondepreciable.....		7,340,059
Capital assets, net of accumulated depreciation.....		<u>70,441,082</u>
Total noncurrent assets.....		<u>77,781,141</u>
<b>TOTAL ASSETS.....</b>		<u><b>173,862,739</b></u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred outflows related to other postemployment benefits....		136,309
Deferred outflows related to pensions.....		<u>3,946,757</u>
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES.....</b>		<u><b>4,083,066</b></u>
<b>LIABILITIES</b>		
<b>CURRENT:</b>		
Warrants payable.....		3,554,183
Accrued payroll.....		540,444
Accrued interest.....		926,801
Other liabilities.....		795,157
Compensated absences.....		2,850,313
Due to other governments.....		183,333
Capital lease obligations.....		537,654
Bonds payable.....		<u>3,921,546</u>
Total current liabilities.....		<u>13,309,431</u>
<b>NONCURRENT:</b>		
Compensated absences.....		550,637
Net pension liability.....		31,360,065
Net other postemployment benefits liability.....		39,506,843
Due to other governments.....		1,740,801
Capital lease obligations.....		1,698,066
Bonds payable.....		<u>87,095,422</u>
Total noncurrent liabilities.....		<u>161,951,834</u>
<b>TOTAL LIABILITIES.....</b>		<u><b>175,261,265</b></u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Unavailable revenue.....		552,412
Deferred inflows related to pensions.....		1,026,726
Deferred inflows related to other postemployment benefits.....		<u>6,720,168</u>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES.....</b>		<u><b>8,299,306</b></u>
<b>NET POSITION</b>		
Net investment in capital assets.....		60,054,286
Unrestricted.....		<u>(65,669,052)</u>
<b>TOTAL NET POSITION.....</b>	<b>\$</b>	<u><b>(5,614,766)</b></u>

See notes to basic financial statements.

**STATEMENT OF ACTIVITIES**

YEAR ENDED JUNE 30, 2020

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>					
District administration.....	\$ 3,323,071	\$ -	\$ -	\$ -	(3,323,071)
Instructional leadership.....	4,943,362	-	79,934	-	(4,863,428)
Classroom and specialist teachers...	46,270,497	-	4,775,508	-	(41,494,989)
Professional development.....	261,830	-	-	-	(261,830)
Instructional materials.....	1,816,239	-	186	-	(1,816,053)
Pupil transportation services.....	4,891,319	-	-	-	(4,891,319)
Operations and maintenance.....	5,909,713	-	237,389	-	(5,672,324)
Guidance, counseling and testing.....	3,636,075	-	365	-	(3,635,710)
Other school services.....	4,663,798	1,250,272	1,755,050	-	(1,658,476)
Food services.....	1,653,256	1,003,005	239,435	-	(410,816)
Out of district tuition.....	6,239,783	-	-	-	(6,239,783)
Community education.....	1,470,689	988,426	-	-	(482,263)
Employee benefits.....	34,328,186	-	17,868,892	-	(16,459,294)
Insurance.....	217,963	-	-	-	(217,963)
School Construction Assistance.....	-	-	-	2,768,557	2,768,557
Interest.....	1,148,741	-	-	-	(1,148,741)
Depreciation.....	3,753,094	-	-	-	(3,753,094)
<b>Total Governmental Activities.....</b>	<b>\$ 124,527,616</b>	<b>\$ 3,241,703</b>	<b>\$ 24,956,759</b>	<b>\$ 2,768,557</b>	<b>\$ (93,560,597)</b>

See notes to basic financial statements.

(Continued)

**STATEMENT OF ACTIVITIES (continued)**

YEAR ENDED JUNE 30, 2020

		<u>Primary Government</u>
		<u>Governmental Activities</u>
<b>Changes in net position:</b>		
Net (expense) revenue from previous page.....	\$	<b><u>(93,560,597)</u></b>
<i>General revenues:</i>		
Member town assessments.....		72,757,539
Grants and contributions not restricted to specific programs.....		18,452,838
Unrestricted investment income.....		409,627
Miscellaneous revenue.....		<u>60,417</u>
Total general revenues.....		<u>91,680,421</u>
Change in net position.....		(1,880,176)
<i>Net position:</i>		
Beginning of year, as restated.....		<u>(3,734,590)</u>
End of year.....	\$	<u><u>(5,614,766)</u></u>
		(Concluded)

See notes to basic financial statements.

**GOVERNMENTAL FUNDS  
BALANCE SHEET**

JUNE 30, 2020

	General	Douglas/Gates School Construction	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents.....	\$ 8,073,724	\$ 71,629,214	\$ 12,283,907	\$ 91,986,845
Receivables, net of uncollectibles:				
Departmental and other.....	-	-	18,834	18,834
Intergovernmental.....	1,280,773	2,416,351	326,534	4,023,658
Other assets.....	52,261	-	-	52,261
<b>TOTAL ASSETS.....</b>	<b>\$ 9,406,758</b>	<b>\$ 74,045,565</b>	<b>\$ 12,629,275</b>	<b>\$ 96,081,598</b>
<b>LIABILITIES</b>				
Warrants payable.....	\$ 1,705,407	\$ 1,513,767	\$ 335,009	\$ 3,554,183
Accrued payroll.....	540,444	-	-	540,444
Other liabilities.....	794,778	-	379	795,157
<b>TOTAL LIABILITIES.....</b>	<b>3,040,629</b>	<b>1,513,767</b>	<b>335,388</b>	<b>4,889,784</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue.....	-	-	552,412	552,412
<b>TOTAL DEFERRED INFLOWS OF RESOURCES.....</b>	<b>-</b>	<b>-</b>	<b>552,412</b>	<b>552,412</b>
<b>FUND BALANCES</b>				
Restricted.....	1,018,724	72,531,798	11,741,475	85,291,997
Assigned.....	1,702,984	-	-	1,702,984
Unassigned.....	3,644,421	-	-	3,644,421
<b>TOTAL FUND BALANCES.....</b>	<b>6,366,129</b>	<b>72,531,798</b>	<b>11,741,475</b>	<b>90,639,402</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES.....</b>	<b>\$ 9,406,758</b>	<b>\$ 74,045,565</b>	<b>\$ 12,629,275</b>	<b>\$ 96,081,598</b>

See notes to basic financial statements.



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

JUNE 30, 2020

Total governmental fund balances.....		\$ 90,639,402
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....		77,781,141
The statement of net position includes certain deferred inflows of resources and deferred outflows of resources that will be amortized over future periods. In governmental funds, these amounts are not deferred.....		(3,663,828)
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.....		(926,801)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:		
Bonds payable.....	(91,016,968)	
Net pension liability.....	(31,360,065)	
Net other postemployment benefits liability.....	(39,506,843)	
Due to other governments.....	(1,924,134)	
Capital lease obligations.....	(2,235,720)	
Compensated absences.....	<u>(3,400,950)</u>	
Net effect of reporting long-term liabilities.....		<u>(169,444,680)</u>
Net position of governmental activities.....		\$ <u><u>(5,614,766)</u></u>

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2020

	General	Douglas/Gates School Construction	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>				
Member town assessments.....	\$ 72,757,539	\$ -	\$ -	\$ 72,757,539
Intergovernmental.....	17,603,699	2,416,351	5,203,275	25,223,325
Departmental and other.....	-	-	4,982,292	4,982,292
Contributions and donations.....	-	-	278,003	278,003
Food services.....	-	-	1,067,345	1,067,345
Intergovernmental - Teachers Retirement.....	17,868,892	-	-	17,868,892
Investment income.....	408,377	-	1,250	409,627
Miscellaneous revenue.....	23,220	-	37,197	60,417
<b>TOTAL REVENUES.....</b>	<b>108,661,727</b>	<b>2,416,351</b>	<b>11,569,362</b>	<b>122,647,440</b>
<b>EXPENDITURES:</b>				
Current:				
District administration.....	3,322,713	-	358	3,323,071
Instructional leadership.....	5,728,154	-	4,637	5,732,791
Classroom and specialist teachers.....	40,358,239	-	5,912,975	46,271,214
Professional development.....	243,495	-	18,335	261,830
Instructional materials, equipment and technology.....	1,560,430	-	255,809	1,816,239
Pupil transportation services.....	4,878,513	-	12,806	4,891,319
Operations and maintenance.....	5,256,185	-	267,144	5,523,329
Guidance, counseling and testing.....	3,493,815	-	142,260	3,636,075
Other school services.....	2,351,943	-	2,311,138	4,663,081
Food services.....	-	-	1,653,256	1,653,256
Out of district tuition.....	6,239,783	-	-	6,239,783
Community education.....	-	-	1,470,689	1,470,689
Employee benefits.....	13,503,639	-	85,388	13,589,027
Pension benefits - teachers' retirement.....	17,868,892	-	-	17,868,892
Insurance.....	188,585	-	29,378	217,963
Capital outlay.....	1,863,860	4,885,214	2,867,571	9,616,645
Debt service:				
Principal.....	1,505,000	-	-	1,505,000
Interest.....	381,218	-	-	381,218
<b>TOTAL EXPENDITURES.....</b>	<b>108,744,464</b>	<b>4,885,214</b>	<b>15,031,744</b>	<b>128,661,422</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....</b>	<b>(82,737)</b>	<b>(2,468,863)</b>	<b>(3,462,382)</b>	<b>(6,013,982)</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Capital lease financing.....	611,979	-	-	611,979
Issuance of bonds.....	-	69,955,000	6,220,000	76,175,000
Premium from issuance of bonds.....	-	5,045,661	1,281,307	6,326,968
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>327,979</b>	<b>75,000,661</b>	<b>7,785,307</b>	<b>83,113,947</b>
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>245,242</b>	<b>72,531,798</b>	<b>4,322,925</b>	<b>77,099,965</b>
<b>FUND BALANCES AT BEGINNING OF YEAR, AS RESTATED.....</b>	<b>6,120,887</b>	<b>-</b>	<b>7,418,550</b>	<b>13,539,437</b>
<b>FUND BALANCES AT END OF YEAR.....</b>	<b>\$ 6,366,129</b>	<b>\$ 72,531,798</b>	<b>\$ 11,741,475</b>	<b>\$ 90,639,402</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, 2020

Net change in fund balances - total governmental funds.....		\$ 77,099,965
<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.....	9,604,038	
Capital asset deletions.....	(557,110)	
Depreciation expense.....	<u>(3,753,094)</u>	
Net effect of reporting capital assets.....		5,293,834
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are unavailable and amortized in the Statement of Activities.</p>		
Principal payments on capital leases.....	789,429	
Capital lease financing.....	(611,979)	
Due to other governments.....	183,333	
Issuance of bonds.....	(76,175,000)	
Premium from issuance of bonds.....	(6,326,968)	
Debt service principal payments.....	<u>1,505,000</u>	
Net effect of reporting long-term debt.....		(80,636,185)
<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.....	(311,240)	
Net change in accrued interest on long-term debt.....	(767,523)	
Net change in deferred outflow/(inflow) of resources related to pensions.....	(969,510)	
Net change in net pension liability.....	(1,402,891)	
Net change in deferred outflow/(inflow) of resources related to other postemployment benefits.....	(6,448,121)	
Net change in net other postemployment benefits liability.....	<u>6,261,495</u>	
Net effect of recording long-term liabilities.....		<u>(3,637,790)</u>
Change in net position of governmental activities.....		\$ <u>(1,880,176)</u>

See notes to basic financial statements.

**FIDUCIARY FUNDS**  
STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2020

	Other Postemployment Benefit Trust Fund	Private Purpose Trust Funds	Agency Funds
<b>ASSETS</b>			
Cash and cash equivalents.....	\$ 32,453	\$ 88,840	\$ 250,367
Investments:			
Government sponsored enterprises.....	-	53,123	-
Corporate bonds.....	-	118,131	-
Municipal bonds.....	-	10,041	-
Bond mutual funds.....	1,686,812	13,314	-
Equity mutual funds.....	4,460,582	-	-
<b>TOTAL ASSETS.....</b>	<b>6,179,847</b>	<b>283,449</b>	<b>250,367</b>
<b>LIABILITIES</b>			
Liabilities due depositors.....	-	-	250,367
<b>NET POSITION</b>			
Restricted for other postemployment benefits.....	6,179,847	-	-
Held in trust for other purposes.....	-	283,449	-
<b>TOTAL NET POSITION.....</b>	<b>\$ 6,179,847</b>	<b>\$ 283,449</b>	<b>\$ -</b>

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2020

	Other Postemployment Benefit Trust Fund	Private Purpose Trust Funds
<u>ADDITIONS:</u>		
Contributions:		
Employer contributions.....	\$ 900,000	\$ -
Employer contributions for other postemployment benefit payments....	1,588,350	-
Private donations.....	-	23,684
Total contributions.....	2,488,350	23,684
Net investment income.....	349,948	6,124
TOTAL ADDITIONS.....	2,838,298	29,808
<u>DEDUCTIONS:</u>		
Other postemployment benefit payments.....	1,588,350	-
Educational scholarships.....	-	28,250
TOTAL DEDUCTIONS.....	1,588,350	28,250
NET INCREASE (DECREASE) IN NET POSITION.....	1,249,948	1,558
NET POSITION AT BEGINNING OF YEAR.....	4,929,899	281,891
NET POSITION AT END OF YEAR.....	\$ 6,179,847	\$ 283,449

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 and intergovernmental sources.

*Fund Financial Statements*

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

*Major Fund Criteria*

Major funds must be reported if the total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, or expenditures/expenses of an individual governmental 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.

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 *Douglas/Gates School Construction fund* is used to account for the construction of the new Douglas/Gates elementary school.

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 postemployment benefit 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.

#### 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 deferred outflows of resources for pensions and OPEB 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 reports deferred inflows of resources for unavailable revenue, pensions and OPEB 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 reports a deferred inflow of resources for unavailable revenue 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 are eliminated from the governmental activities in the statement of net position.

*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 transfers in and transfers out.

*Government-Wide Financial Statements*

Transfers between and within governmental funds are eliminated from the governmental activities in the statement of activities.

*Fund Financial Statements*

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

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

Net position 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 procedure is to spend restricted fund balance first, with the exception of the capital stabilization; which is appropriated on an as-needed basis, 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 fifteen years, and who leave the district prior to age 66. The incentive is 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. The teachers' early retirement incentive expires June 30, 2021. There is a similar, smaller early retirement incentive for administrators who were hired prior to July 1, 2009.

### *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*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 fair value of the position in the Pool is the same as the value of the Pool shares.

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 \$6,771,698 and the bank balance totaled \$7,945,264. Of the bank balance, \$906,124 was covered by Federal Depository Insurance, \$809,460 was covered by the Depositors Insurance Fund, \$2,964,396 was collateralized, and \$3,265,284 was uncollateralized.

Investments

As of June 30, 2020, the District had the following investments:

<u>Investment Type</u>	<u>Fair value</u>	<u>Maturities</u>			
		<u>Under 1 Year</u>	<u>1-5 Years</u>	<u>6-10 Years</u>	<u>Over 10 Years</u>
<u>Debt securities:</u>					
Government sponsored enterprises....	\$ 53,123	\$ -	\$ 48,115	\$ 5,008	\$ -
Corporate bonds.....	118,131	15,097	103,034	-	-
Municipal bonds.....	10,041	-	-	-	10,041
Bond mutual funds.....	1,700,126	-	289,006	1,411,120	-
Total debt securities.....	1,881,421	\$ 15,097	\$ 440,155	\$ 1,416,128	\$ 10,041
<u>Other investments:</u>					
Equity mutual funds.....	4,460,582				
MMDT - Cash portfolio.....	85,586,810				
Total investments.....	\$ 91,928,813				

<u>Quality Rating</u>	<u>Government Sponsored Enterprises</u>	<u>Corporate Bonds</u>	<u>Municipal Bonds</u>	<u>Bond Mutual Funds</u>
AAA.....	\$ -	\$ 10,076	\$ -	\$ -
AA+.....	53,123	-	-	-
AA.....	-	-	10,041	13,316
AA-.....	-	20,002	-	-
A+.....	-	15,217	-	-
A.....	-	-	-	209,250
A-.....	-	23,765	-	-
BBB+.....	-	28,632	-	-
BBB.....	-	20,439	-	896,694
BB.....	-	-	-	422,396
B.....	-	-	-	158,470
Total.....	\$ 53,123	\$ 118,131	\$ 10,041	\$ 1,700,126

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 District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The District has the following recurring fair value measurements as of June 30, 2020:

District Investments	June 30, 2020	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Investments measured at fair value:</b>				
<u>Debt securities:</u>				
Government sponsored enterprises.....	\$ 53,123	\$ 53,123	\$ -	-
Corporate bonds.....	118,131	-	118,131	-
Municipal bonds.....	10,041	10,041	-	-
Bond mutual funds.....	1,700,126	1,700,126	-	-
Total debt securities.....	1,881,421	1,763,290	118,131	-
<u>Other investments:</u>				
Equity mutual funds.....	4,460,582	4,460,582	-	-
Total investments measured at fair value.....	6,342,003	6,223,872	118,131	-
<b>Investments measured at amortized cost:</b>				
MMDT - Cash portfolio.....	85,586,810			
Total investments.....	\$ 91,928,813			

Government sponsored enterprises, municipal bonds, bond mutual funds and equity mutual funds classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Corporate bonds classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities’ relationship to benchmark quoted prices.



MMDT investments are valued at amortized cost. Under the amortized cost method, an investment is valued initially at its cost and adjusted for the amount of interest income accrued each day over the term of the investment to account for any difference between the initial cost and the amount payable at its maturity. If amortized cost is determined not to approximate fair value, the value of the portfolio securities will be determined under procedures established by the Advisor.

**NOTE 3 - RECEIVABLES**

At June 30, 2020, receivables for the individual major governmental funds and nonmajor governmental funds in the aggregate including the applicable allowances for uncollectible accounts are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
Departmental and other.....	\$ 18,834	\$ -	\$ 18,834
Intergovernmental.....	4,023,658	-	4,023,658
<b>Total.....</b>	<b>\$ 4,042,492</b>	<b>\$ -</b>	<b>\$ 4,042,492</b>

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 was \$552,412 of such receivables at the end of the current fiscal year, consisting of amounts due to grants and revolving accounts.

**NOTE 4 - CAPITAL ASSETS**

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

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 404,440	\$ -	\$ -	\$ 404,440
Construction in progress.....	849,781	6,085,838	-	6,935,619
<b>Total capital assets not being depreciated....</b>	<b>1,254,221</b>	<b>6,085,838</b>	<b>-</b>	<b>7,340,059</b>
<u>Capital assets being depreciated:</u>				
Buildings.....	97,909,632	-	-	97,909,632
Machinery and equipment.....	3,043,459	435,237	(24,751)	3,453,945
Vehicles.....	3,760,556	714,353	(33,414)	4,441,495
Improvements.....	6,852,812	2,368,610	-	9,221,422
<b>Total capital assets being depreciated.....</b>	<b>111,566,459</b>	<b>3,518,200</b>	<b>(58,165)</b>	<b>115,026,494</b>
<u>Less accumulated depreciation for:</u>				
Buildings.....	(36,208,544)	(2,578,300)	-	(38,786,844)
Machinery and equipment.....	(1,710,347)	(221,777)	18,959	(1,913,165)
Vehicles.....	(771,741)	(464,713)	33,414	(1,203,040)
Improvements.....	(2,194,059)	(488,304)	-	(2,682,363)
<b>Total accumulated depreciation.....</b>	<b>(40,884,691)</b>	<b>(3,753,094)</b>	<b>52,373</b>	<b>(44,585,412)</b>
<b>Total capital assets being depreciated, net.....</b>	<b>70,681,768</b>	<b>(234,894)</b>	<b>(5,792)</b>	<b>70,441,082</b>
<b>Total governmental activities capital assets, net.....</b>	<b>\$ 71,935,989</b>	<b>\$ 5,850,944</b>	<b>\$ (5,792)</b>	<b>\$ 77,781,141</b>

Depreciation expense is unallocated.

**NOTE 5 - CAPITAL LEASES**

The District is obligated under several leases for school busses that are accounted for as capital leases. The lease obligations are accounted for as a liability in the government-wide financial statements. The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2019, were as follows:

Years ending June 30:	Governmental Activities
2021.....	\$ 580,896
2022.....	580,896
2023.....	926,282
2024.....	95,226
2025.....	210,000
Total minimum lease payments.....	2,393,300
Less: amounts representing interest.....	(157,580)
Present value of minimum lease payments... \$	2,235,720

The assets acquired through capital lease are as follows:

	Governmental Activities
Vehicles.....	\$ 3,681,129
Less: accumulated depreciation...	(1,805,226)
Total.....	\$ 1,875,903

**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, 2020, 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, 2020, and the debt service requirements are as follows:

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2020
GOB Refunding 2014, Original 2005 (SHS)...	2025	\$ 10,330,900	4.00	\$ 6,032,000
GOB Refunding 2014, Original 2004 (JHS)...	2025	3,064,100	4.00	1,643,000
GOB Tax exempt Bonds Series B .....	2028	1,050,000	2.00	840,000
GOB Capital Improvements.....	2050	6,220,000	5.00	6,220,000
GOB Elementary/Early Childhood.....	2050	69,955,000	2.70	69,955,000
Total Bonds Payable.....				84,690,000
Add: Unamortized premium on bonds.....				6,326,968
Total Bonds Payable, net.....				<u>\$ 91,016,968</u>

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

Year	Principal	Interest	Total
2021.....	\$ 3,480,000	\$ 2,775,606	\$ 6,255,606
2022.....	3,540,000	2,696,605	6,236,605
2023.....	3,665,000	2,537,906	6,202,906
2024.....	3,720,000	2,373,555	6,093,555
2025.....	3,785,000	2,206,356	5,991,356
2026.....	2,295,000	2,035,905	4,330,905
2027.....	2,375,000	1,924,253	4,299,253
2028.....	2,455,000	1,808,468	4,263,468
2029.....	2,440,000	1,689,788	4,129,788
2030.....	2,530,000	1,567,787	4,097,787
2031.....	2,005,000	1,441,288	3,446,288
2032.....	2,105,000	1,341,037	3,446,037
2033.....	2,210,000	1,235,788	3,445,788
2034.....	2,320,000	1,125,287	3,445,287
2035.....	2,390,000	1,055,688	3,445,688
2036.....	2,465,000	983,987	3,448,987
2037.....	2,510,000	934,688	3,444,688
2038.....	2,560,000	884,487	3,444,487
2039.....	2,615,000	833,288	3,448,288
2040.....	2,665,000	780,987	3,445,987
2041.....	2,745,000	701,038	3,446,038
2042.....	2,830,000	618,687	3,448,687
2043.....	2,890,000	558,550	3,448,550
2044.....	2,950,000	497,138	3,447,138
2045.....	3,015,000	430,762	3,445,762
2046.....	3,085,000	362,925	3,447,925
2047.....	3,155,000	293,513	3,448,513
2048.....	3,225,000	222,526	3,447,526
2049.....	3,295,000	149,962	3,444,962
2050.....	3,370,000	75,825	3,445,825
Total.....	<u>\$ 84,690,000</u>	<u>\$ 36,143,680</u>	<u>\$ 120,833,680</u>

The District has been approved for a \$36.8 million capital grant from the Commonwealth’s school building assistance program for the Douglas/Gates elementary school construction project. Under this program, assistance is paid to support construction costs and reduce the total debt service of the District. The MSBA has approved a 49.70% reimbursement rate for approved construction costs. The District anticipates receiving \$2,416,351 of grant proceeds in 2021 associated with costs incurred in 2020, which has been recognized as a receivable at June 30, 2020.

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, 2020, the District had no authorized or unissued debt.

**Changes in Long-term Liabilities**

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

	Beginning Balance as Restated	Bonds and Notes Issued	Bonds and Notes Redeemed	Other Increases	Other Decreases	Ending Balance	Due Within One Year
Long-term bonds payable.. \$	10,020,000	\$ 76,175,000	\$ (1,505,000)	\$ -	\$ -	\$ 84,690,000	\$ 3,480,000
Add: Unamortized premium on bonds.....	-	6,326,968	-	-	-	6,326,968	441,546
Total bonds payable.....	10,020,000	82,501,968	(1,505,000)	-	-	91,016,968	3,921,546
Capital lease obligations...	2,413,170	-	-	486,790	(664,240)	2,235,720	537,654
Due to other governments..	2,107,467	-	-	-	(183,333)	1,924,134	183,333
Compensated absences...	3,089,710	-	-	2,916,500	(2,605,260)	3,400,950	2,850,313
Net pension liability.....	29,957,174	-	-	4,018,267	(2,615,376)	31,360,065	-
Other postemployment benefits.....	45,768,338	-	-	-	(6,261,495)	39,506,843	-
Total long-term liabilities... \$	<u>93,355,859</u>	<u>\$ 82,501,968</u>	<u>\$ (1,505,000)</u>	<u>\$ 7,421,557</u>	<u>\$ (12,329,704)</u>	<u>\$ 169,444,680</u>	<u>\$ 7,492,846</u>

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 – DUE TO OTHER GOVERNMENTS**

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 through July 1, 2029 with a final payment of \$90,800 on July 1, 2030. At June 30, 2020 the remaining balance was \$1,924,134.

**NOTE 9 - GOVERNMENTAL FUND BALANCE CLASSIFICATIONS**

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, establishes a hierarchy for fund balance classifications and the constraints imposed on the uses of those resources. GASB 54 provides for two major types of fund balances, which are nonspendable and spendable. Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. Examples of this classification are prepaid items, inventories, and principal (corpus) of an endowment fund.

In addition to the nonspendable fund balance, GASB 54 has provided a hierarchy of spendable fund balances, based on a hierarchy of spending constraints.

- Restricted: fund balances that are constrained by external parties, constitutional provisions, or enabling legislation.
- Committed: fund balances that contain self-imposed constraints of the 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.

Massachusetts General Law Ch. 71 §16G½ allows for the establishment of a Stabilization fund for any purpose for which regional school districts may borrow money or for such other district purpose as the commissioner of elementary and secondary education may approve. The stabilization fund may be appropriated by vote of two-thirds of all of the members of the regional district school committee. At year-end, the balance of the stabilization fund totaled \$1,018,724 and is reported as restricted fund balance within the General Fund.

As of June 30, 2020, the governmental fund balances consisted of the following:

	General	Douglas/Gates School Construction	Nonmajor Governmental Funds	Total Governmental Funds
Fund Balances:				
Restricted for:				
Douglas/Gates elementary school construction fund... \$	-	\$ 72,531,798	\$ -	\$ 72,531,798
Capital stabilization fund.....	1,018,724	-	-	1,018,724
Federal and State Grants.....	-	-	2,689,099	2,689,099
Gifts and Private Grants.....	-	-	272,216	272,216
Food Services.....	-	-	257,635	257,635
School Choice.....	-	-	28,376	28,376
Other school services.....	-	-	1,550,762	1,550,762
Revolving funds.....	-	-	1,046,246	1,046,246
Community Education.....	-	-	430,167	430,167
School feasibility study.....	-	-	56,588	56,588
Other capital projects fund.....	-	-	5,410,386	5,410,386
Assigned to:				
Encumbrances:				
District administration.....	32,207	-	-	32,207
Instructional leadership.....	2,393	-	-	2,393
Professional development.....	40	-	-	40
Instructional materials, equipment and technology.....	17,789	-	-	17,789
Pupil transportation services.....	6,108	-	-	6,108
Operations and maintenance.....	85,481	-	-	85,481
Guidance, counseling and testing.....	153	-	-	153
Other school services.....	2,456	-	-	2,456
Programs with other school districts (tuitions).....	127,810	-	-	127,810
Employee benefits.....	58,000	-	-	58,000
Capital outlay.....	225,547	-	-	225,547
Excess and deficiency used for subsequent year's budget.....	1,145,000	-	-	1,145,000
Unassigned.....	3,644,421	-	-	3,644,421
Total Fund Balances..... \$	<u>6,366,129</u>	<u>\$ 72,531,798</u>	<u>\$ 11,741,475</u>	<u>\$ 90,639,402</u>

**NOTE 10 - RISK FINANCING**

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

The District participates with the Town of Acton 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 11 - 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, 2019. The District's portion of the collective pension expense, contributed by the Commonwealth, of \$17,868,892 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 \$147,351,210 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, 2019, was \$2,615,376, 17.61% 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, 2020, the District reported a liability of \$31,360,065 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2020. 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, 2019, the District's proportion was 1.96%, an increase from its proportion of 1.92% measured at December 31, 2018.

#### *Pension Expense*

For the year ended June 30, 2020, the District recognized pension expense of \$4,987,777 and reported deferred outflows of resources and deferred inflows related to pensions of \$3,946,757 and \$1,026,726, respectively.

The changes in deferred outflows of resources and inflows of resources related to pensions is as follows:

Deferred Category	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Differences between expected and actual experience.....	\$ 763,058	\$ (71,023)	\$ 692,035
Difference between projected and actual earnings, net.....	-	(813,791)	(813,791)
Changes in assumptions.....	2,159,645	-	2,159,645
Changes in proportion and proportionate share of contributions...	1,024,054	(141,912)	882,142
Total deferred outflows/(inflows) of resources.....	\$ 3,946,757	\$ (1,026,726)	\$ 2,920,031

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

Year ended June 30:	
2021.....	\$ 1,390,012
2022.....	651,181
2023.....	735,506
2024.....	143,332
Total.....	\$ 2,920,031

*Actuarial Assumptions* - The total pension liability in the January 1, 2020, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement that was rolled back to December 31, 2019:

- Valuation date..... January 1, 2020
- Actuarial cost method..... Entry Age Normal Cost Method
- Amortization method..... Prior year's total contribution increased by 6.50% for fiscal 2020 through fiscal 2027, and thereafter the remaining unfunded liability will be amortized on a 4.00% annual increasing basis; ERI liability amortized in level payments.
- Remaining amortization period..... 17 years from July 1, 2018 for non-ERI liability, 1 year from July 1, 2018 for 2002 ERI, 2 years from July 1, 2018 for 2033 ERI, and 4 years from July 1, 2018 for 2010 ERI.
- 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 20.00% of the market value.
- Investment rate of return/Discount rate..... 7.30%, net of pension plan investment expense, including inflation, previously 7.50%.
- Inflation rate..... 3.25%
- Projected salary increases..... Varies by length of service with ultimate rates of 4.00% for Group 1, 4.25% for Group 2 and 4.50% for Group 4.



Cost of living adjustments..... 3.00% of the first \$16,000 of retirement income, as of July 1, 2019.

Mortality rates:

- Pre-retirement..... The RP-2014 Blue Collar Healthy Annuitant Mortality Table projected generationally with Scale MP-2017.
- Healthy retiree..... The RP-2014 Blue Collar Healthy Annuitant Mortality Table projected generationally with Scale MP-2017.
- Disabled retiree..... The RP-2014 Blue Collar Healthy Annuitant Mortality Table set forward one year and projected generationally with Scale MP-2017.

*Investment policy*

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan’s target asset allocation as of January 1, 2020, are summarized in the following table:

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

*Rate of return*

For the year ended December 31, 2019, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 16.21%. 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 7.30%, previously 7.50%. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that contributions will be made at rates equal to the actuarially determined contribution rate. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the net position liability, calculated using the discount rate of 7.3%, as well as what the net position liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.3%) or 1-percentage-point higher (8.3%) than the current rate:

	December 31, 2019, Measurement Date		
	1% Decrease (6.3%)	Current Discount (7.3%)	1% Increase (8.3%)
The District's proportionate share of the net pension liability.....	\$ 38,539,036	\$ 31,360,065	\$ 25,319,145

*Changes of Assumptions*

The net investment return assumption was lowered from 7.50% to 7.30%.

*Changes in Plan Provisions*

As permitted by Section 19 of Chapter 188 of the Acts of 2010, the Cost of Living Adjustment base was increased from \$14,000 to \$16,000 as of July 1, 2019.

**NOTE 12 - 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 required contribution is based on a pay-as-you-go financing requirement. The current health insurance contribution rates of Plan members and the District are 25% and 75%, respectively, except for certain plans which are 50%/50%. The Plan members and District each contribute 50% towards a \$15,000 term life insurance premium.

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 who are authorized to manage the Trust in accordance with the Trust Agreement.

During 2020, the District pre-funded future OPEB liabilities \$900,000 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, 2020, the balance of this fund totaled \$6.0 million.

The annual money-weighted rate of return on OPEB plan investments was 1.89%. 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, 2020:

Active members.....	841
Inactive members currently receiving benefits.....	<u>380</u>
Total.....	<u><u>1,221</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.....	\$ 45,686,690
Less: OPEB plan’s fiduciary net position.....	<u>(6,179,847)</u>
Net OPEB liability.....	<u><u>\$ 39,506,843</u></u>
The OPEB plan’s fiduciary net position	
as a percentage of the total OPEB liability.....	13.5%

*Significant Actuarial Assumption* – The total other postemployment benefit liability in the July 1, 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all periods in the measurement that was rolled forward to June 30, 2020:

Valuation date.....	July 1, 2019
Actuarial cost method.....	Individual Entry Age Normal
Asset valuation method.....	Market value of assets as of reporting date, June 30, 2020.
Investment rate of return.....	6.72%, net of OPEB plan investment expense, including inflation.
Municipal bond rate.....	2.66% as of June 30, 2020 (source: S&P Municipal Bond 20-Year High Grade Index - SAPIHG).
Single equivalent index rate.....	6.50% net of OPEB plan investment expense, including inflation, previously 5.50%.
Inflation rate.....	2.50% as of June 30, 2020, and for future periods.
Projected salary increases.....	3.00% annually as of June 30, 2020, and for future periods.
Cost of living adjustment.....	Not Applicable.

Pre-retirement mortality.....	General: RP-2014 Mortality Table for Blue Collar Employees projected generationally with scale MP-2016 for males and females. Teachers: RP-2014 Mortality Table for White Collar Employees projected generationally with scale MP-2016 for males and females.
Post-retirement mortality.....	General: RP-2014 Mortality Table for Blue Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females. Teachers: RP-2014 Mortality Table for White Collar Employees projected generationally with scale MP-2016 for males and females.
Disabled mortality.....	General: RP-2014 Mortality Table for Blue Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females. Teachers: RP-2014 Mortality Table for White Collar Healthy Annuitants projected generationally with scale MP-2016 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 District’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 4.22% is added to the expected inflation of 2.50% to produce the long-term expected nominal rate of return of 6.72%. 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, 2020 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.....	20.00%	4.80%
Domestic equity - small/mid cap.....	10.00%	5.29%
International equities - developed market....	10.00%	5.45%
International equities - emerging market....	5.00%	6.42%
Domestic fixed income.....	25.00%	2.05%
International fixed income.....	10.00%	3.00%
Alternatives.....	20.00%	6.50%
Real estate.....	0.00%	6.25%
 Total.....	 <u>100.00%</u>	

*Discount rate* - The discount rate used to measure the total OPEB liability was 6.50% as of June 30, 2020, and 5.50% as of June 30, 2019. The projection of cash flows used to determine the discount rate assumed that contributions will be made in accordance with the District’s funding policy. Based on these assumptions, the OPEB Plan’s Fiduciary Net Position is projected to be sufficient to make all projected benefit payments to current plan members. Therefore, the long-term expected rate of return on the OPEB Plan assets was applied to all projected future benefits payments.

*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 6.5%, 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 (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
Net OPEB liability.....	\$ 45,748,830	\$ 39,506,843	\$ 33,929,402

*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 4.50%, 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 (3.50%)	Current Trend (4.50%)	1% Increase (5.50%)
Net OPEB liability.....	\$ 33,656,999	\$ 39,506,843	\$ 46,703,080

*Changes in the Net OPEB Liability*

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2019.....	\$ 50,942,895	\$ 5,174,557	\$ 45,768,338
Changes for the year:			
Service cost.....	1,386,040	-	1,386,040
Interest.....	2,834,996	105,290	2,729,706
Differences between expected and actual experience...	(2,445,112)	-	(2,445,112)
Changes in assumptions and other inputs.....	(5,443,779)	-	(5,443,779)
Contributions.....	-	2,488,350	(2,488,350)
Benefit payments.....	(1,588,350)	(1,588,350)	-
Net change.....	(5,256,205)	1,005,290	(6,261,495)
Balances at June 30, 2020.....	\$ 45,686,690	\$ 6,179,847	\$ 39,506,843

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB – For the year ended June 30, 2020, the District recognized OPEB expense of \$2,702,124. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Deferred Category	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Differences between expected and actual experience.... \$	-	\$ (2,082,874)	\$ (2,082,874)
Difference between projected and actual earnings, net...	136,309	-	136,309
Changes in assumptions.....	-	(4,637,294)	(4,637,294)
Total deferred outflows/(inflows) of resources..... \$	<u>136,309</u>	<u>\$ (6,720,168)</u>	<u>\$ (6,583,859)</u>

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

Year ended June 30:	
2021.....	\$ (1,141,433)
2022.....	(1,141,433)
2023.....	(1,141,431)
2024.....	(1,114,286)
2025.....	(1,168,723)
Thereafter.....	(876,553)
	\$ (6,583,859)

*Changes of Assumptions*

- Due to the GASB Statement #75 standards, the discount rate has been changed from 5.50% to 6.50%.
- Based on the recommendations of PERAC, the mortality table has been updated from the RP-2000 Employees Mortality Table projected generationally with scale BB and a base year 2009 to the RP-2014 Mortality Table projected generationally with scale MP-2016 for males and females.
- The expected long-term medical trend has been updated from 5.50% to 4.50%.
- Based on recent research by the Society of Actuaries, we have updated the assumption of morbidity or age-related costs of medical care.

*Changes in Plan Provisions – None.*

**NOTE 13 - COMMITMENTS AND 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, 2019, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2020.

**NOTE 14 - SUBSEQUENT EVENTS**

Management has evaluated subsequent events through October 7, 2020, which is the date the financial statements were available to be issued.

**NOTE 15 - COVID-19**

On March 10, 2020, the Massachusetts Governor declared a state of emergency in response to the coronavirus outbreak. The World Health Organization officially declared the novel Coronavirus (COVID-19) a pandemic the following day. In an attempt to slow the spread of COVID-19, governments issued various stay at home orders that caused global economic shutdowns and substantial financial market impact. Starting in March 2020, the Governor continued to issue orders allowing governments to operate and carry out essential functions safely. These included modifying the state's Open Meeting Law, issuing a stay-at-home order, and introducing a phased approach to reopening State businesses. Although the School was closed to students for a period of time, most employees continued to perform their daily duties and maintain the School's operations.

On March 27, 2020, the United States Federal Government established the Coronavirus Aid, Relief and Economic Security (CARES) Act in response to the economic downfall caused by the COVID-19 pandemic. This Act requires that the payment from these funds be used only to cover expenses that; are necessary due to the public health emergency with respect COVID-19; were not accounted for in the budget most recently approved as of March 27, 2020; and were incurred during the period that begins on March 1, 2020, and ends on December 30, 2020. The Commonwealth and communities throughout the Commonwealth were awarded a portion of this federal funding. In addition to funding from the CARES Act, there are several other federal and state grants available.

The School has incurred unanticipated costs specifically related to the pandemic; however, the full extent of the financial impact cannot be determined as of the date of the financial statements.

**NOTE 16 - RESTATEMENT OF BEGINNING BALANCES PREVIOUSLY REPORTED**

Beginning fund balance of the general fund has been restated to reflect the reclassification of the debt stabilization fund to the general fund. Accordingly, previously reported fund balance of \$5,119,004 increased by \$1,001,883 and totals \$6,120,887.

Beginning net position of the governmental activities has been restated to reflect the recognition of the sewer assessment obligation as a long-term liability due to other governments. Accordingly, previously reported position which was a deficit of \$1,627,123, decreased by \$2,107,467 and totals a deficit of \$3,734,590.

**NOTE 17 - IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS**

During 2020, the following GASB pronouncement was implemented:

- GASB Statement #95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. This pronouncement postponed the effective dates of certain provisions in GASB Statements and Implementation Guides that first became effective or are scheduled to be effective for periods beginning after June 15, 2018 or later.

The following GASB pronouncements will be implemented in the future:

- The GASB issued Statement #84, *Fiduciary Activities*, which is required to be implemented in 2021.
- The GASB issued Statement #87, *Leases*, which is required to be implemented in 2022.
- The GASB issued Statement #89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which is required to be implemented in 2022.
- The GASB issued Statement #90, *Majority Equity Interests – an amendment of GASB Statements #14 and #61*, which is required to be implemented in 2021.
- The GASB issued Statement #91, *Conduit Debt Obligations*, which is required to be implemented in 2023.
- The GASB issued Statement #92, *Omnibus 2020*, which is required to be implemented in 2022.
- The GASB issued Statement #93, *Replacement of Interbank Offered Rates*, which is required to be implemented in 2022.
- The GASB issued Statement #94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, which is required to be implemented in 2023.
- The GASB issued Statement #96, *Subscription-Based Information Technology Arrangements*, which is required to be implemented in 2023.
- The GASB issued Statement #97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*, in which certain paragraphs are required to be implemented in 2021 and 2022.

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



# ***Required Supplementary Information***

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

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

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

YEAR ENDED JUNE 30, 2020

	Budgeted Amounts			
	Amounts Carried Forward From Prior Year	Current Year Initial Budget	Original Budget	Final Budget
<b>REVENUES:</b>				
Member town assessments.....	\$ -	\$ 72,757,539	\$ 72,757,539	\$ 72,757,539
Intergovernmental.....	-	17,324,572	17,324,572	17,324,572
Investment income.....	-	200,000	200,000	200,000
Miscellaneous revenue.....	-	10,000	10,000	10,000
<b>TOTAL REVENUES.....</b>	<b>-</b>	<b>90,292,111</b>	<b>90,292,111</b>	<b>90,292,111</b>
<b>EXPENDITURES:</b>				
Current:				
District administration.....	56,961	3,258,654	3,315,615	3,318,115
Instructional leadership.....	585	5,575,862	5,576,447	5,576,447
Classroom and specialist teachers.....	13,424	40,592,096	40,605,520	40,579,020
Professional development.....	385	282,420	282,805	281,215
Instructional materials, equipment and technology.....	72,020	1,710,648	1,782,668	1,793,353
Pupil transportation services.....	2,759	5,265,536	5,268,295	5,258,295
Operations and maintenance.....	150,209	5,818,324	5,968,533	6,209,533
Guidance, counseling and testing.....	1,807	3,357,196	3,359,003	3,359,003
Other school services.....	4,287	2,434,773	2,439,060	2,459,365
Programs with other school districts (tuitions).....	13,487	5,492,466	5,505,953	5,505,953
Employee benefits.....	2,280	13,593,735	13,596,015	13,541,015
Insurance.....	-	173,750	173,750	238,750
Capital outlay.....	236,809	1,231,433	1,468,242	1,221,842
Debt service:				
Debt service principal.....	-	1,480,000	1,480,000	1,480,000
Interest.....	-	431,218	431,218	431,218
<b>TOTAL EXPENDITURES.....</b>	<b>555,013</b>	<b>90,698,111</b>	<b>91,253,124</b>	<b>91,253,124</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....</b>	<b>(555,013)</b>	<b>(406,000)</b>	<b>(961,013)</b>	<b>(961,013)</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers out.....	-	(284,000)	(284,000)	(284,000)
<b>NET CHANGE IN FUND BALANCE.....</b>	<b>(555,013)</b>	<b>(690,000)</b>	<b>(1,245,013)</b>	<b>(1,245,013)</b>
<b>FUND BALANCES AT BEGINNING OF YEAR.....</b>	<b>-</b>	<b>5,119,004</b>	<b>5,119,004</b>	<b>5,119,004</b>
<b>FUND BALANCES AT END OF YEAR.....</b>	<b>\$ (555,013)</b>	<b>\$ 4,429,004</b>	<b>\$ 3,873,991</b>	<b>\$ 3,873,991</b>

See notes to required supplementary information.

Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance to Final Budget
72,757,539	\$ -	\$ -
17,603,699	-	279,127
391,536	-	191,536
23,220	-	13,220
<u>90,775,994</u>	<u>-</u>	<u>483,883</u>
3,322,713	32,207	(36,805)
5,728,154	2,393	(154,100)
40,358,239	-	220,781
243,495	40	37,680
1,560,430	17,789	215,134
4,878,513	6,108	373,674
5,256,185	85,481	867,867
3,493,815	153	(134,965)
2,351,943	2,456	104,966
6,239,783	127,810	(861,640)
13,503,639	58,000	(20,624)
188,585	-	50,165
1,251,881	225,547	(255,586)
1,505,000	-	(25,000)
381,218	-	50,000
<u>90,263,593</u>	<u>557,984</u>	<u>431,547</u>
<u>512,401</u>	<u>(557,984)</u>	<u>915,430</u>
<u>(284,000)</u>	<u>-</u>	<u>-</u>
228,401	(557,984)	915,430
<u>5,119,004</u>	<u>-</u>	<u>-</u>
<u>5,347,405</u>	<u>\$ (557,984)</u>	<u>\$ 915,430</u>

# Pension 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 District along with related ratios.

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

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

Year	Proportion of the net pension liability (asset)	Proportionate share of the net pension liability (asset)	Covered- employee payroll	Net pension liability as a percentage of covered- employee payroll	Plan fiduciary net position as a percentage of the total pension liability
December 31, 2019.....	1.96%	\$ 31,360,065	\$ 14,855,796	211.10%	49.45%
December 31, 2018.....	1.92%	29,957,174	13,431,428	223.04%	46.40%
December 31, 2017.....	1.91%	27,084,083	12,887,573	210.16%	49.27%
December 31, 2016.....	1.94%	27,434,445	12,732,786	215.46%	45.49%
December 31, 2015.....	1.82%	23,515,180	12,897,778	182.32%	46.13%
December 31, 2014.....	1.82%	21,781,913	12,401,710	175.64%	47.65%

Note: this schedule is intended to present information for 10 years.

Until a 10-year trend is compiled, information is presented for those years for which information is available.

See notes to required supplementary information.

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

Year	Actuarially determined contribution	Contributions in relation to the actuarially determined contribution	Contribution deficiency (excess)	Covered- employee payroll	Contributions as a percentage of covered- employee payroll
December 31, 2019.....	\$ 2,615,376	\$ (2,615,376)	-	\$ 14,855,796	17.61%
December 31, 2018.....	2,467,453	(2,467,453)	-	13,431,428	18.37%
December 31, 2017.....	2,318,753	(2,318,753)	-	12,887,573	17.99%
December 31, 2016.....	2,086,065	(2,086,065)	-	12,732,786	16.38%
December 31, 2015.....	1,961,424	(1,961,424)	-	12,897,778	15.21%
December 31, 2014.....	1,756,208	(1,756,208)	-	12,401,710	14.16%

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

See notes to required supplementary information.



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

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

Year	Commonwealth's 100% Share of the Associated Net Pension Liability	Expense and Revenue Recognized for the Commonwealth's Support	Plan Fiduciary Net Position as a Percentage of the Total Liability
2019.....	\$ 147,351,210	\$ 17,868,892	53.95%
2018.....	136,192,824	13,801,171	54.84%
2017.....	131,012,265	13,674,131	54.25%
2016.....	126,992,148	12,954,032	52.73%
2015.....	118,499,343	9,611,351	55.38%

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.

See notes to required supplementary information.

# ***Other Postemployment Benefit 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 District'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.

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

	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020
<b>Total OPEB Liability</b>				
Service Cost.....	\$ 1,587,326	\$ 1,638,860	\$ 1,744,862	\$ 1,386,040
Interest.....	2,408,061	2,598,396	2,693,466	2,834,996
Differences between expected and actual experience....	-	-	-	(2,445,112)
Changes of assumptions.....	-	(458,279)	-	(5,443,779)
Benefit payments.....	<u>(1,209,591)</u>	<u>(1,426,261)</u>	<u>(1,426,261)</u>	<u>(1,588,350)</u>
Net change in total OPEB liability.....	2,785,796	2,352,716	3,012,067	(5,256,205)
Total OPEB liability - beginning.....	<u>42,792,316</u>	<u>45,578,112</u>	<u>47,930,828</u>	<u>50,942,895</u>
Total OPEB liability - ending (a).....	<u>\$ 45,578,112</u>	<u>\$ 47,930,828</u>	<u>\$ 50,942,895</u>	<u>\$ 45,686,690</u>
<b>Plan fiduciary net position</b>				
Employer contributions.....	\$ 862,066	\$ 811,755	\$ 900,000	\$ 900,000
Employer contributions for OPEB payments.....	1,209,591	1,426,261	1,426,261	1,588,350
Net investment income.....	178,628	157,890	360,276	105,290
Benefit payments.....	(1,209,591)	(1,426,261)	(1,426,261)	(1,588,350)
Other.....	<u>(62,066)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in plan fiduciary net position.....	978,628	969,645	1,260,276	1,005,290
Plan fiduciary net position - beginning of year.....	<u>1,966,008</u>	<u>2,944,636</u>	<u>3,914,281</u>	<u>5,174,557</u>
Plan fiduciary net position - end of year (b).....	<u>\$ 2,944,636</u>	<u>\$ 3,914,281</u>	<u>\$ 5,174,557</u>	<u>\$ 6,179,847</u>
<b>Net OPEB liability - ending (a)-(b).....</b>	<u>\$ 42,633,476</u>	<u>\$ 44,016,547</u>	<u>\$ 45,768,338</u>	<u>\$ 39,506,843</u>
Plan fiduciary net position as a percentage of the total OPEB liability.....	6.46%	8.17%	10.16%	13.53%
Covered-employee payroll.....	\$ 48,838,493	\$ 48,838,493	\$ 50,303,648	\$ 55,778,193
Net OPEB liability as a percentage of covered-employee payroll.....	87.29%	90.13%	90.98%	70.83%

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

See notes to required supplementary information.

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

Year	Actuarially determined contribution	Contributions in relation to the actuarially determined contribution	Contribution deficiency (excess)	Covered- employee payroll	Contributions as a percentage of covered- employee payroll
June 30, 2020.....	\$ 2,488,350	\$ (2,488,350)	\$ -	\$ 55,778,193	4.46%
June 30, 2019.....	1,426,261	(1,426,261)	-	50,303,648	2.84%
June 30, 2018.....	1,271,657	(1,271,657)	-	48,838,493	2.60%
June 30, 2017.....	1,209,591	(1,209,591)	-	48,838,493	2.48%

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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<u>Year</u>	<u>Annual money-weighted rate of return, net of investment expense</u>
June 30, 2020.....	1.89%
June 30, 2019.....	10.09%
June 30, 2018.....	8.20%
June 30, 2017.....	9.09%

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

See notes to required supplementary information.

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

A. Budgetary Information

The District adopts a balanced budget that is approved by the 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 a two-thirds vote and ratification by both member communities' Town Meetings, as required by MGL. Increases to the budget subsequent to the approval of the annual budget also require a two-thirds vote of School Committee and Town Meeting ratification.

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 initial 2020 approved budget for the General Fund authorized \$91.0 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, 2020, is presented below:

Net change in fund balance - budgetary basis.....	\$ 228,401
<u>Perspective differences:</u>	
Activity of the stabilization fund recorded in the general fund for GAAP.....	16,841
<u>Basis of accounting differences:</u>	
Recognition of revenue for on-behalf payments.....	17,868,892
Recognition of expenditures for on-behalf payments.....	<u>(17,868,892)</u>
Net change in fund balance - GAAP basis.....	<u>\$ 245,242</u>

**NOTE B - PENSION PLAN**

A. 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.

**B. 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.

**C. 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.

**D. Changes in Assumptions**

The net investment return assumption was lowered from 7.50% to 7.30%.

**E. Changes in Plan Provisions**

As permitted by Section 19 of Chapter 188 of the Acts of 2010, the Cost of Living Adjustment base was increased from \$14,000 to \$16,000 as of July 1, 2019.

**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 the Group Insurance Commission covers its retired members.

**A. Schedule of the District's Proportionate Share of the Net Other Postemployment Benefit Liability**

The Schedule of the District's Proportionate Share of the Net Other Postemployment Benefit Liability details the Plan's net other postemployment benefit liability (asset) and the covered employee payroll. It also demonstrates the Plan's net position as a percentage of the total liability and the Plan's net other postemployment benefit liability as a percentage of covered payroll.

**B. Schedule of the District's Contributions**

The Schedule of the District's Contributions includes the District's annual required contribution to the Plan, along with the contribution made in relation to the actuarially determined contribution and the covered employee payroll. The District is not required to fully fund this contribution. It also demonstrates the contributions as a percentage of covered payroll.

C. Schedule of Investment Returns

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

D. Changes in Assumptions

- Due to the GASB Statement #75 standards, the discount rate has been changed from 5.50% to 6.50%.
- Based on the recommendations of PERAC, the mortality table has been updated from the RP-2000 Employees Mortality Table projected generationally with scale BB and a base year 2009 to the RP-2014 Mortality Table projected generationally with scale MP-2016 for males and females.
- The expected long-term medical trend has been updated from 5.50% to 4.50%.
- Based on recent research by the Society of Actuaries, we have updated the assumption of morbidity or age-related costs of medical care.

E. Changes in Plan Provisions – None