

***LINCOLN-SUDBURY REGIONAL SCHOOL DISTRICT***

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

***YEAR ENDED JUNE 30, 2016***

LINCOLN-SUDBURY REGIONAL SCHOOL DISTRICT

REPORT ON EXAMINATION OF BASIC FINANCIAL STATEMENTS

JUNE 30, 2016

**TABLE OF CONTENTS**

Independent Auditor's Report.....1

Management's Discussion and Analysis .....3

Basic Financial Statements .....10

    Statement of net position .....11

    Statement of activities.....12

    Governmental funds – balance sheet.....14

    Reconciliation of the governmental funds balance sheet total fund balances to the statement of net position .....15

    Governmental funds – statement of revenues, expenditures and changes in fund balances.....16

    Reconciliation of the statement of revenues, expenditures, and changes in fund balances of governmental funds to the statement of activities .....17

    Fiduciary funds – statement of fiduciary net position .....18

    Fiduciary funds – statement of changes in fiduciary net position .....19

    Notes to basic financial statements .....20

Required Supplementary Information.....41

    General fund budgetary comparison schedule.....42

        Schedule of revenues, expenditures and changes in fund balance – general fund – budget and actual .....44

    Pension Plan Schedules.....46

        Schedule of District's proportionate share of net pension liability .....47

        Schedule of District contributions .....48

        Schedule of special funding amounts .....49

    Other Postemployment Benefit Plan Schedules.....50

        Other postemployment benefit plan funding progress.....51

        Other postemployment benefit plan actuarial methods and assumptions.....52

    Notes to required supplementary information.....53



100 Quannapowitt Parkway  
Suite 101  
Wakefield, MA 01880  
T. 781-914-1700  
F. 781-914-1701  
[www.powersandsullivan.com](http://www.powersandsullivan.com)

## Independent Auditor's Report

To the Honorable School Committee  
Lincoln-Sudbury Regional School District  
Sudbury, 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 Lincoln-Sudbury Regional School District (District), as of and for the year ended June 30, 2016, 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 Lincoln-Sudbury Regional School District, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and 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 April 4, 2017, on our consideration of the Lincoln-Sudbury Regional School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Lincoln-Sudbury Regional School District's internal control over financial reporting and compliance.

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

April 4, 2017

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

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

This discussion and analysis of the Lincoln-Sudbury Regional School District's (District) financial performance provides an overall review of the District's financial activities for the year ending June 30, 2016, with comparisons to 2015 and, in some cases, 2014. The intent of this discussion and analysis is to look at the District's financial performance as a whole. We encourage readers to review the basic financial statements and notes to the basic financial statements in order to enhance their understanding of the District's financial performance.

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

This discussion and analysis are intended to serve as an introduction to the Lincoln-Sudbury 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 and liabilities, 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 government'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 fiscal periods (e.g., uncollected revenues and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions that are principally supported by member town assessment 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 governmental activities include providing pupil education at the one District school, facility maintenance, employee benefits, and central services. 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 three categories: governmental funds, proprietary 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 a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

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

**Proprietary funds.** The District does not maintain any proprietary funds.

**Fiduciary funds.** Fiduciary funds 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 statements because the resources of those funds are *not* available to support the District's own programs. The accounting used for fiduciary funds is much like that used for propriety funds.

**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.

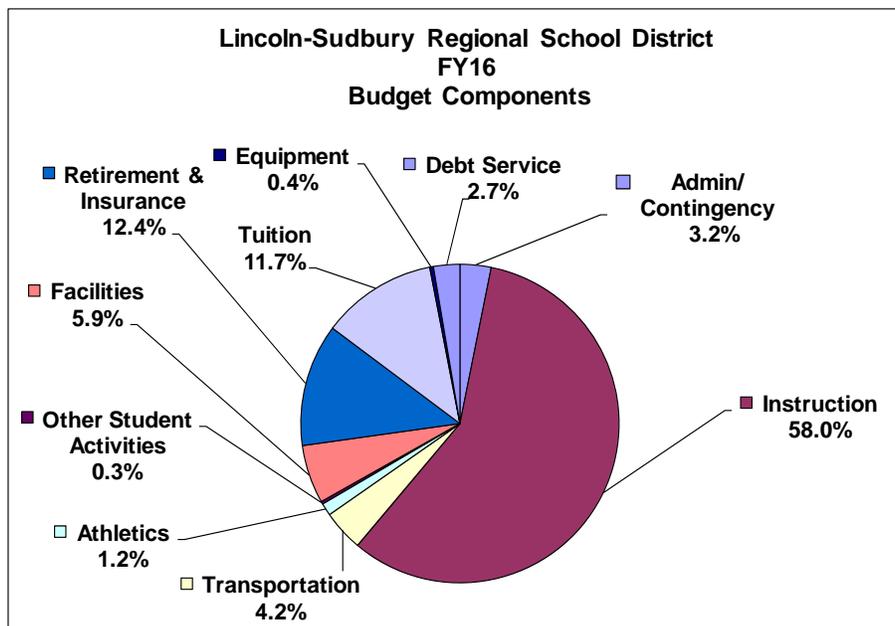
**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the District's budgetary basis of accounting as well as pension and other postemployment benefits.

### Government-wide Financial Analysis

Lincoln-Sudbury Regional High School is a grade 9-12 Regional School District established pursuant to Chapter 71 of the General Laws of Massachusetts and operates in accordance with the Lincoln-Sudbury Regional Agreement.

As a regional school, Lincoln-Sudbury must include in its budget "ALL" costs associated with the running of the school district. Such costs not commonly found in non-regional school budgets, e.g., health, life, workers' compensation, unemployment and property/casualty insurances; FICA; retirement; and debt service are included in the regional school budget. These costs, referred to as Retirement, Insurance and Debt Service, amount to 15.1% of the total 2016 Budget of \$29.3 million and 14.4% of total expenditures.

The following chart shows the components for the 2016 Budget:



Chapter 70 State Aid and Regional Transportation Aid offset the annual budget. Other offsets to the budget include estimated receipts, surpluses from the previous year's budget, investment income and the difference between what was anticipated in state aid in the previous year and what was actually received.

After taking these deductions, the net budget is apportioned to Lincoln and Sudbury in accordance with the October 1st student enrollment averaged over three years.

The following are the most recent budget ratios:

	<u>2016 Budget Ratios:</u>	<u>2015 Budget Ratios:</u>	<u>2014 Budget Ratios:</u>
Lincoln:	15.27%	14.62%	14.33%
Sudbury:	84.73%	85.38%	86.67%

**Entity-wide Financial Analysis**

Net position of \$45.7 million reflects investment in capital assets (e.g., land, buildings, machinery, 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 governmental activities decreased by \$1.1 million in 2016. The decrease was primarily attributable to a \$1.2 million increase in the liability for other postemployment benefits and pensions along with \$1.9 million of depreciation.

**Financial Analysis of the Governmental Funds**

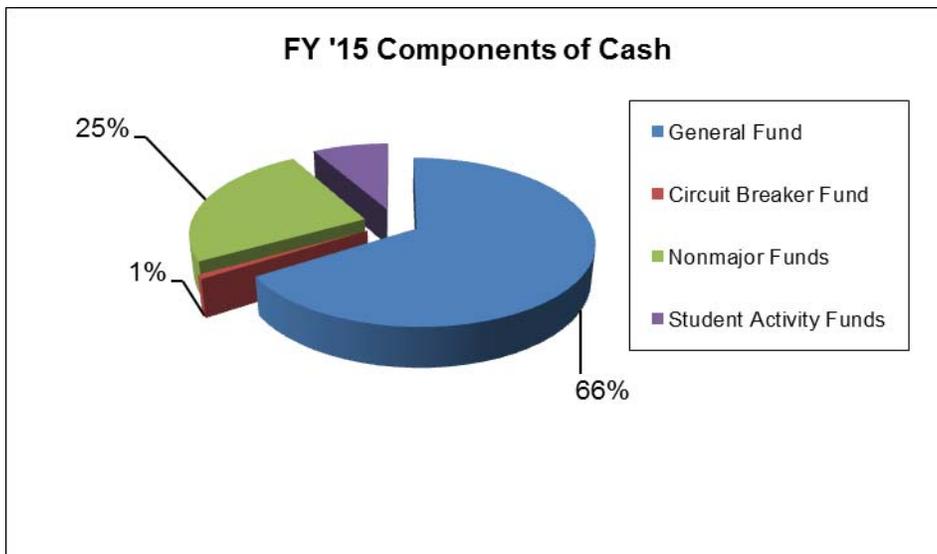
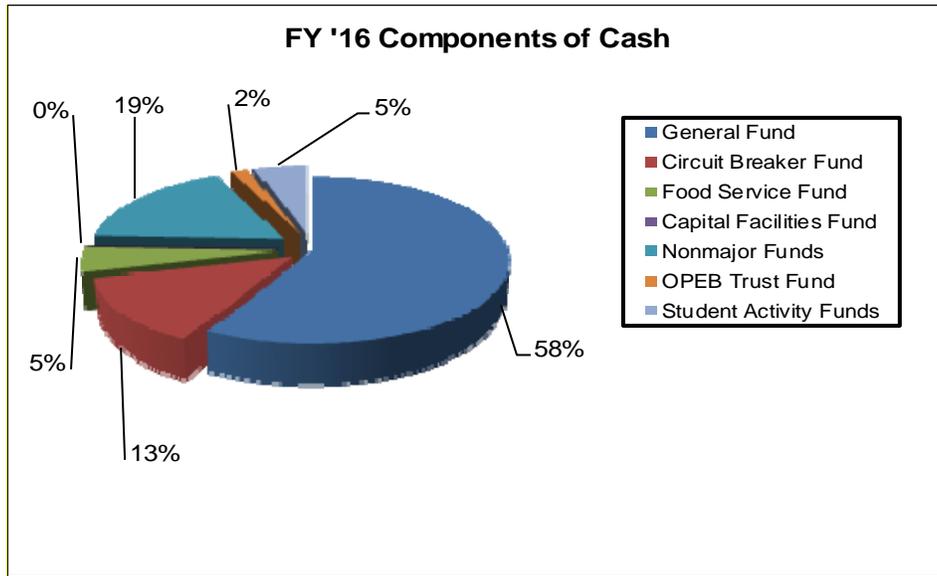
As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

As of June 30, 2016, the District's cash and cash equivalents position was \$4.8 million which includes the following fund types:

<b>GOVERNMENTAL FUND TYPES:</b>	<u>FY '16</u>	<u>FY '15</u>	<u>FY '14</u>
General Fund.....	\$ 2,766,480	2,034,330	2,011,556
Special Revenue Fund.....	1,643,062	972,022	474,985
Capital Projects.....	38,223	38,312	28,703
 <b>FIDUCIARY FUND TYPES:</b>			
Agency Fund.....	248,741	255,674	248,741
Other Postemployment Benefit Trust Fund.....	75,984	-	-

This is an increase of \$1.5 million from the prior year's cash position.



As of the end of the current year, governmental funds reported combined ending fund balances of \$3.8 million, an increase of \$1.2 million in comparison with the prior year. The increase is primarily attributable to better than anticipated receipts, turn backs of appropriations and positive results in the circuit breaker fund.

The general fund is the chief operating fund. At the end of the current year, unassigned fund balance of the general fund was \$1.8 million while total fund balance was \$2.1 million. Restrictions for debt service totaled \$6,047 and assignments of fund balance totaled \$296,000 for encumbrances. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total budgetary expenditures. Unassigned fund balance represents 5.4% of total general fund budgetary expenditures, while total fund balance represents 6.3% of that same amount.

The *circuit breaker fund* is used to account for financial resources generated by funding from the state to offset the costs of special education. At the end of the current year, the fund had an accumulated fund balance of \$626,000, an increase of \$382,000 from the prior year.

The *food service fund* is used to account for financial resources generated by cafeteria fees collected to offset the costs of cafeteria operations. At the end of the current year, the fund had an accumulated fund balance of \$149,000, a decrease of \$124,000.

### **Excess & Deficiency Fund**

State law allows regional school districts to save surplus funds up to five percent of their operating budget in an account known as an Excess and Deficiency Fund. The LS Regional Agreement further restricts funding such an account by requiring permission from both the Lincoln and Sudbury Finance Committees. In addition, the regional agreement restricts the use of funds from this account to extraordinary, nonrecurring expenses. Once funded, the school committee is authorized to make expenditures from this fund without further appropriation.

It is important to note here that, unlike town departments, the regional school district cannot request a transfer from the towns' (Lincoln and/or Sudbury's) reserve accounts. A town meeting vote is required in order to appropriate funds to the district. Therefore, it is critical to establish an excess and deficiency fund, which actually works as the District's own reserve fund.

### **Stabilization Fund**

State law allows regional school districts to set aside funds for capital improvements (statute specifies funds may be used for any purpose for which a regional school district may also borrow funds). The stabilization fund is funded through the budget process and may be spent by vote of two-thirds of all the members of the school committee. At June 30, 2016, the fund balance equaled \$313,000, which is reported in the General Fund as unassigned fund balance.

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

The initial budget and the encumbrances and continuing appropriations (original budget) totaled \$29.3 million. No budget changes occurred during the year. General fund revenues exceeded budget by \$112,000 while general fund expenditures plus encumbrances were less than budget by \$228,000.

### ***Capital Assets and Debt Administration***

**Capital Assets.** The District's investment in capital assets for its activities as of June 30, 2016, amounts to \$51.3 million (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings and improvements, vehicles, equipment, books, and computers. Current year additions included sporting equipment and fire alarm equipment.

**Debt Administration.** At the end of the current year, the District had total bonded long-term debt outstanding of \$5.6 million. The entire amount relates to school construction and renovation.

The District maintains a AAA Bond Rating with Standard & Poor's. This designation denotes superior credit quality. Analysts for Standard & Poor's attribute several factors in this rating which include the strong financial support of the towns of Lincoln and Sudbury, the district's affluent tax base with proximity to the metropolitan Boston economy, very high wealth and income levels, below-average unemployment, a stable financial position with consistent general fund surpluses, and a manageable debt position.

In order to take advantage of favorable interest rates, the District issued \$5,175,000 of general obligation refunding bonds on July 15, 2015. The proceeds of the refunding bonds were used to complete a current refunding of existing debt. The refunded bonds totaled \$6,050,000 and became callable on October 1, 2015. As a result of the transaction, the refunded bonds were paid down on the call date and the liability has been removed from the statement of net position. The transaction resulted in an economic gain of \$614,000 and a reduction of future debt service payments by \$681,000.

Please refer to Notes 4, 6, and 7 for further discussion of the major capital and debt activity.

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

This financial report is designed to provide a general overview of the Lincoln-Sudbury Regional School District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Business Administrator, Lincoln-Sudbury Regional School District, 390 Lincoln Road, Sudbury, MA 01776.

# ***Basic Financial Statements***

**STATEMENT OF NET POSITION**

JUNE 30, 2016

	Governmental Activities
<b>ASSETS</b>	
CURRENT:	
Cash and cash equivalents.....	\$ 4,447,765
Receivables, net of allowance for uncollectibles:	
Departmental and other.....	194,597
Intergovernmental.....	141,869
NONCURRENT:	
Capital assets - nondepreciable.....	1,370,581
Capital assets, net of accumulated depreciation.....	49,907,552
TOTAL ASSETS.....	56,062,364
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows related to pensions.....	403,544
<b>LIABILITIES</b>	
CURRENT:	
Warrants payable.....	382,253
Accrued interest.....	38,813
Payroll withholdings.....	139,416
Other liabilities.....	446,191
Abandoned property.....	41,805
Bonds payable.....	593,192
NONCURRENT:	
Other postemployment benefits.....	13,230,561
Net pension liability.....	7,913,832
Bonds payable.....	4,961,682
TOTAL LIABILITIES.....	27,747,745
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows related to pension.....	95,800
<b>NET POSITION</b>	
Net investment in capital assets.....	45,723,259
Restricted for:	
Gifts and grants.....	136,341
Unrestricted.....	(17,237,237)
TOTAL NET POSITION.....	\$ 28,622,363

See notes to basic financial statements.

**STATEMENT OF ACTIVITIES**

YEAR ENDED JUNE 30, 2016

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
<b>Primary Government:</b>					
<i>Governmental Activities:</i>					
Administration .....	\$ 1,016,210	\$ -	\$ -	\$ -	\$ (1,016,210)
Instruction.....	17,480,170	-	1,281,525	-	(16,198,645)
Health services.....	-	-	-	-	-
Transportation.....	1,081,062	-	-	-	(1,081,062)
Athletics.....	407,760	-	-	-	(407,760)
Other student activities.....	147,715	-	-	-	(147,715)
Facilities.....	3,526,442	56,256	-	-	(3,470,186)
Retirement.....	4,765,274	-	-	-	(4,765,274)
Insurance.....	2,520,370	-	-	-	(2,520,370)
Tuition.....	3,749,048	-	-	-	(3,749,048)
Federal and state grants.....	994,289	-	1,052,314	-	58,025
Athletic revolving.....	514,563	558,779	110,025	-	154,241
Cafeteria.....	528,955	403,788	922	-	(124,245)
Other special revenue.....	292,263	373,955	83,127	-	164,819
Building and equipment.....	215,131	500	-	125,000	(89,631)
Interest.....	240,775	-	-	-	(240,775)
Other postemployment benefits.....	755,785	-	-	-	(755,785)
<b>Total Governmental Activities.....</b>	<b>\$ 38,235,812</b>	<b>\$ 1,393,278</b>	<b>\$ 2,527,913</b>	<b>\$ 125,000</b>	<b>\$ (34,189,621)</b>

See notes to basic financial statements.

(Continued)

**STATEMENT OF ACTIVITIES (Continued)**

YEAR ENDED JUNE 30, 2016

		Primary Government
		Governmental Activities
<b>Changes in net position:</b>		
Net (expense) revenue from previous page.....	\$	<b>(34,189,621)</b>
<i>General revenues:</i>		
Member town assessments.....		26,049,053
Intergovernmental.....		7,014,573
Unrestricted investment income.....		12,654
Miscellaneous.....		47,497
Total general revenues and transfers.....		33,123,777
Change in net position.....		(1,065,844)
<i>Net Position:</i>		
Beginning of year.....		29,688,207
End of year.....	\$	<b>28,622,363</b>

(Concluded)

**GOVERNMENTAL FUNDS  
BALANCE SHEET**

JUNE 30, 2016

<b>ASSETS</b>	General	Circuit Breaker	Food Service	Nonmajor Governmental Funds	Total Governmental Funds
Cash and cash equivalents.....	\$ 2,766,480	\$ 625,648	\$ 218,923	\$ 836,714	\$ 4,447,765
Receivables, net of uncollectibles:					
Departmental and other.....	194,597	-	-	-	194,597
Intergovernmental.....	-	-	-	141,869	141,869
<b>TOTAL ASSETS.....</b>	<b><u>2,961,077</u></b>	<b><u>625,648</u></b>	<b><u>218,923</u></b>	<b><u>978,583</u></b>	<b><u>4,784,231</u></b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES:</b>					
Warrants payable.....	\$ 267,870	\$ -	\$ 70,147	\$ 44,236	\$ 382,253
Payroll withholdings.....	139,416	-	-	-	139,416
Abandoned property.....	41,805	-	-	-	41,805
Other liabilities.....	446,191	-	-	-	446,191
<b>TOTAL LIABILITIES.....</b>	<b><u>895,282</u></b>	<b><u>-</u></b>	<b><u>70,147</u></b>	<b><u>44,236</u></b>	<b><u>1,009,665</u></b>
<b>FUND BALANCES:</b>					
Restricted.....	6,047	625,648	148,776	934,347	1,714,818
Assigned.....	295,926	-	-	-	295,926
Unassigned.....	1,763,822	-	-	-	1,763,822
<b>TOTAL FUND BALANCES.....</b>	<b><u>2,065,795</u></b>	<b><u>625,648</u></b>	<b><u>148,776</u></b>	<b><u>934,347</u></b>	<b><u>3,774,566</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES..</b>	<b><u>\$ 2,961,077</u></b>	<b><u>\$ 625,648</u></b>	<b><u>\$ 218,923</u></b>	<b><u>\$ 978,583</u></b>	<b><u>\$ 4,784,231</u></b>

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2016

Total governmental fund balances.....	\$	3,774,566
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....		51,278,133
Certain changes in the net pension liability are required to be included in pension expense over future period. These changes are reported as deferred outflows of resources or deferred inflows of resources related to pensions.....		307,744
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.....		(38,813)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds		
Bonds payable.....	(5,554,874)	
Other postemployment benefits.....	(13,230,561)	
Net pension liability.....	<u>(7,913,832)</u>	
Net effect of reporting long-term liabilities.....		<u>(26,699,267)</u>
Net position of governmental activities.....	\$	<u><u>28,622,363</u></u>

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2016

	General	Circuit Breaker	Food Service	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>					
Member town assessments.....	\$ 26,049,053	\$ -	\$ -	\$ -	\$ 26,049,053
Intergovernmental.....	7,036,073	1,281,525	-	1,052,314	9,369,912
Departmental and other.....	25,997	-	403,788	1,308,564	1,738,349
Investment income.....	12,596	-	-	58	12,654
<b>TOTAL REVENUES.....</b>	<b>33,123,719</b>	<b>1,281,525</b>	<b>403,788</b>	<b>2,360,936</b>	<b>37,169,968</b>
<b>EXPENDITURES:</b>					
Current:					
Administration .....	1,016,210	-	-	-	1,016,210
Instruction.....	16,531,283	900,000	-	48,887	17,480,170
Health services.....	-	-	-	-	-
Transportation.....	1,081,062	-	-	-	1,081,062
Athletics.....	407,760	-	-	-	407,760
Other student activities.....	147,432	-	-	-	147,432
Facilities.....	1,610,204	-	-	-	1,610,204
Retirement.....	4,601,394	-	-	-	4,601,394
Insurance.....	2,520,370	-	-	-	2,520,370
Tuition.....	3,749,048	-	-	283	3,749,331
Federal and state grants.....	-	-	-	994,289	994,289
Athletic revolving.....	-	-	-	514,563	514,563
Cafeteria.....	-	-	528,055	900	528,955
Other special revenue.....	-	-	-	310,672	310,672
Building and equipment.....	110,668	-	-	125,589	236,257
Debt service:					
Maturing debt.....	550,000	-	-	-	550,000
Interest.....	262,600	-	-	-	262,600
<b>TOTAL EXPENDITURES.....</b>	<b>32,588,031</b>	<b>900,000</b>	<b>528,055</b>	<b>1,995,183</b>	<b>36,011,269</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....</b>	<b>535,688</b>	<b>381,525</b>	<b>(124,267)</b>	<b>365,753</b>	<b>1,158,699</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Proceeds from refunding bonds.....	5,175,000	-	-	-	5,175,000
Premium from issuance of bonds.....	393,898	-	-	-	393,898
Payments to refunded bond escrow agent.....	(5,568,898)	-	-	-	(5,568,898)
Transfers in.....	2,574	-	-	78,000	80,574
Transfers out.....	(78,000)	-	-	(2,574)	(80,574)
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>(75,426)</b>	<b>-</b>	<b>-</b>	<b>75,426</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>460,262</b>	<b>381,525</b>	<b>(124,267)</b>	<b>441,179</b>	<b>1,158,699</b>
<b>FUND BALANCES AT BEGINNING OF YEAR.....</b>	<b>1,605,533</b>	<b>244,123</b>	<b>273,043</b>	<b>493,168</b>	<b>2,615,867</b>
<b>FUND BALANCES AT END OF YEAR.....</b>	<b>\$ 2,065,795</b>	<b>\$ 625,648</b>	<b>\$ 148,776</b>	<b>\$ 934,347</b>	<b>\$ 3,774,566</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, 2016

Net change in fund balances - total governmental funds..... \$ 1,158,699

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.

Capital outlay.....	94,409	
Depreciation expense.....	<u>(1,916,238)</u>	
Net effect of reporting capital assets.....		(1,821,829)

The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.

Net proceeds from issuance of refunding bonds.....	325,000	
Premium from issuance of refunding bonds.....	(379,874)	
Debt service principal payments.....	<u>550,000</u>	
Net effect of reporting long-term debt.....		495,126

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.

Net change in accrued interest on long-term debt.....	21,825	
Net change in deferred outflow/(inflow) of resources related to pensions.....	282,660	
Net change in other postemployment benefits.....	(755,785)	
Net change in pension liability.....	<u>(446,540)</u>	
Net effect of recording long-term liabilities and amortizing bond premiums.....		<u>(897,840)</u>

Change in net position of governmental activities..... \$ (1,065,844)

See notes to basic financial statements.

**FIDUCIARY FUNDS**  
STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2016

	Other Postemployment Benefit Trust Fund	Agency Funds
<b>ASSETS</b>		
CURRENT:		
Cash and cash equivalents.....	\$ 75,984	\$ 248,741
<b>LIABILITIES</b>		
Liabilities due depositors.....	\$ -	248,741
<b>NET POSITION</b>		
Held in trust for OPEB and other purposes.....	\$ 75,984	\$ -

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2016

	Other Postemployment Benefit Trust Fund
<u>ADDITIONS:</u>	
Contributions:	
Employer.....	\$ 75,984
NET POSITION AT BEGINNING OF YEAR.....	-
NET POSITION AT END OF YEAR.....	\$ 75,984

See notes to basic financial statements.

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

The accompanying financial statements of the Lincoln-Sudbury 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 accounting policies are described herein.

**A. Reporting Entity**

The District was formed under Chapter 71 of the Massachusetts General Laws that, by agreement, serves the Towns of Lincoln and Sudbury (Member Towns) and provides public education for pupils from member towns in grades nine through twelve. A six-member School Committee governs the District, which consists of elected members from the member towns for a term of 3 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. District-Wide and Fund Financial Statements***District-Wide Financial Statements*

The district-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 town assessments taxes and intergovernmental revenues.

*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 following criteria are met:

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

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

Fiduciary funds are reported by fund type.

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

#### *District-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 patrons 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 *circuit breaker fund* is used to account for financial resources generated by funding from the state to offset the costs of special education.

The *food service fund* is used to account for financial resources generated by cafeteria fees collected to offset the costs of cafeteria operations.

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 District has two fiduciary fund types. The *agency fund*, which is used to account for student activity assets held in a purely custodial capacity and the *other postemployment benefits trust* which is used to set aside funds for future retiree benefits.

#### 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 1, 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. For more information on the fair value of the District's financial instruments, see Note 2 – Fair Value Measurements.

#### 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

##### *District-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**

*District-Wide Financial Statements*

Capital assets, which include land, buildings and improvements, vehicles, equipment, books, and computers, 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 with costs greater than \$10,000 and expected useful lives of greater than one year are capitalized at the date of acquisition or construction.

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 and improvements.....	40
Machinery and equipment.....	10
Vehicles.....	5
Books and computers.....	5

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) until then. The District has reported deferred outflows of resources related to pensions in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has reported deferred inflows of resources related to pensions 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.

#### *District-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 positions. Any residual balances outstanding between the governmental activities are reported in the statement of net positions as "internal balances".

#### *Fund Financial Statements*

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

### K. Interfund Transfers

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

#### *Government-Wide Financial Statements*

Operating transfers between and within governmental funds are eliminated from the governmental activities in the statement of net positions.

#### *Fund Financial Statements*

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

### L. Net positions and Fund Equity

#### *Government-Wide Financial Statements (Net positions)*

Net positions reported as "net investment in capital assets" include 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.

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

Net positions have been "restricted for" the following:

"Gifts and grants" represents restrictions placed on assets from outside parties and consist primarily of gifts and federal and state grants.

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. School Committee is the highest level of decision making authority that can, by vote, 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.

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

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

#### M. Long-term debt

##### *District-Wide Financial Statements*

Long-term debt is reported as liabilities in the government-wide statement of net positions. 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 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 and sick leave in varying amounts based on collective bargaining agreements, state laws and executive policies.

*District-Wide Financial Statements*

Vested or accumulated vacation and sick leave are 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*District-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

### *District-Wide Financial Statements*

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

### *Fund Financial Statements*

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

## **NOTE 2 – CASH AND INVESTMENTS**

A cash and investment pool is maintained that is available for use by all funds. Each fund type's portion of this pool is displayed on the balance sheet as "Cash and Cash Equivalents". The deposits and investments 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

Custodial credit risk for deposits is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District has not formally adopted a policy for custodial credit risk of deposits. At year-end, the carrying amount of deposits totaled \$4,772,490 and the bank balance totaled \$5,528,431. Of the bank balance, \$1,248,287 was covered by Federal Depository Insurance, \$62,789 was covered by the Depositor's Insurance Fund and \$4,217,355 was uninsured and uncollateralized.

### Investments

The District participates in the MMDT Cash Portfolio. As of June 30, 2016, the District had a total of \$65,224 invested in MMDT. The fair value of MMDT is measured at amortized cost.

### 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 possession of the outside party. The District does not have a formal policy for custodial credit risk for its investments. At June 30, 2016, the District does not have any custodial credit risk exposure for its investments since MMDT deposits are not subject to custodial credit risk because they are not evidenced by securities that exist in physical or book-entry form.

Interest Rate Risk - Investments

The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

The District participates in MMDT, which maintains a cash portfolio and a short-term bond fund with combined average maturities of approximately 2 months. The District's investment in MMDT is unrated.

Credit Risk - Investments

The District has not adopted a formal policy related to credit risk. The District's investment in MMDT at June 30, 2016 is unrated.

**NOTE 3 – RECEIVABLES**

At June 30, 2016, receivables for the individual governmental funds including the applicable allowances for uncollectible accounts are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Departmental and other.....	\$ 194,597	-	\$ 194,597
Intergovernmental.....	141,869	-	141,869
Total.....	<u>\$ 336,466</u>	<u>\$ -</u>	<u>\$ 336,466</u>

**NOTE 4 – CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2016, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 1,370,581	-	-	\$ 1,370,581
<u>Capital assets being depreciated:</u>				
Buildings and improvements.....	70,381,478	-	-	70,381,478
Vehicles and heavy equipment.....	469,270	94,409	-	563,679
Books, equipment and computers.....	7,479,855	-	-	7,479,855
Total capital assets being depreciated.....	<u>78,330,603</u>	<u>94,409</u>	<u>-</u>	<u>78,425,012</u>
<u>Less accumulated depreciation for:</u>				
Buildings and improvements.....	(18,716,607)	(1,857,163)	-	(20,573,770)
Vehicles and heavy equipment.....	(404,760)	(59,075)	-	(463,835)
Books, equipment and computers.....	(7,479,855)	-	-	(7,479,855)
Total accumulated depreciation.....	<u>(26,601,222)</u>	<u>(1,916,238)</u>	<u>-</u>	<u>(28,517,460)</u>
Total capital assets being depreciated, net.....	<u>51,729,381</u>	<u>(1,821,829)</u>	<u>-</u>	<u>49,907,552</u>
Total governmental activities capital assets, net.....	<u>\$ 53,099,962</u>	<u>\$ (1,821,829)</u>	<u>\$ -</u>	<u>\$ 51,278,133</u>

Depreciation expense of \$1,916,238 was charged to the facilities function.

**NOTE 5 – TRANSFERS**

Interfund transfers for the year ended June 30, 2016, are summarized as follows:

<u>Operating Transfers Out:</u>	<u>Operating Transfers In:</u>		
	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
General Fund.....	\$ -	\$ 78,000	\$ 78,000
Nonmajor Governmental Funds.....	2,574	-	2,574
Total.....	<u>\$ 2,574</u>	<u>\$ 78,000</u>	<u>\$ 80,574</u>

**NOTE 6 – SHORT-TERM FINANCING**

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

- Current operating costs prior to the collection of revenues through issuance of revenue or tax anticipation notes (RANS or TANS).
- 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.

As of June 30, 2016 the District did not have any short-term debt outstanding.

**NOTE 7 – LONG-TERM DEBT**

*General 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 member town’s comprising the District.

Details related to the outstanding indebtedness at June 30, 2016, and the debt service requirements are as follows:

Purpose	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2015	Issued	Redeemed	Outstanding at June 30, 2016
School Building Project.....	2026	11,000,000	3.89%	\$ 6,050,000	\$ -	\$ (6,050,000)	\$ -
School Building Project Refunding Debt.....	2026	5,175,000	3.00%	-	5,175,000	-	5,175,000
Total governmental bonds payable.....				6,050,000	5,175,000	(6,050,000)	5,175,000
Unamortized bond premiums.....				-	379,874	-	379,874
Total.....				\$ 6,050,000	\$ 5,554,874	\$ (6,050,000)	\$ 5,554,874

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

2017.....	545,000	147,075	692,075
2018.....	540,000	130,800	670,800
2019.....	535,000	114,675	649,675
2020.....	530,000	98,700	628,700
2021.....	520,000	82,950	602,950
2022.....	515,000	67,425	582,425
2023.....	510,000	52,050	562,050
2024.....	500,000	36,900	536,900
2025.....	495,000	21,975	516,975
2026.....	485,000	7,275	492,275
Totals.....	\$ 5,175,000	\$ 759,825	\$ 5,934,825

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, 2016, the District did not have any authorized and unissued debt.

In order to take advantage of favorable interest rates, the District issued \$5,175,000 of general obligation refunding bonds on July 15, 2015. The proceeds of the refunding bonds were used to complete a current refunding of existing debt. The refunded bonds totaled \$6,050,000 and became callable on October 1, 2015. As a result of the transaction, the refunded bonds were paid down on the call date and the liability has been removed from the statement of net position. The transaction resulted in an economic gain of \$614,146 and a reduction of \$680,863 in future debt service payments.

Changes in Long-term Liabilities

During the year ended June 30, 2016, the following changes occurred in long-term liabilities:

	Balance June 30, 2015	Additions	Deletions	Other Net Increase (Decrease)	Balance June 30, 2016	Current Portion
Long-term bonds and notes.....	\$ 6,050,000	\$ 5,175,000	\$ (6,050,000)	\$ -	\$ 5,175,000	\$ 545,000
Add: unamortized premiums.....	-	379,874	-	-	379,874	48,192
Total bonds payable.....	6,050,000	5,554,874	(6,050,000)	-	5,554,874	593,192
Other postemployment benefits.....	12,474,776	-	-	755,785	13,230,561	-
Net pension liability.....	7,467,292	-	-	446,540	7,913,832	-
Total.....	\$ 25,992,068	\$ 5,554,874	\$ (6,050,000)	\$ 1,202,325	\$ 26,699,267	\$ 593,192

**NOTE 8 – GOVERNMENTAL FUND BALANCE CLASSIFICATIONS**

The District classifies fund balance according to the constraints imposed on the use of the resources.

There are 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. The District has no nonspendable funds.

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 decision making authority.
- Assigned: fund balances that contain self-imposed constraints of the government to be used for a particular purpose.
- Unassigned: fund balance of the general fund that is not constrained for any particular purpose

The District has classified its fund balances with the following hierarchy:

	General	Circuit Breaker	Food Service	Nonmajor Governmental Funds	Total Governmental Funds
<b>FUND BALANCES</b>					
Restricted for:					
Circuit Breaker.....	\$ -	\$ 625,648	\$ -	\$ -	\$ 625,648
Food Service.....	-	-	148,776	-	148,776
Capital Facilities.....	-	-	-	9,082	9,082
Federal and State Grant Funds.....	-	-	-	45,482	45,482
Other Special Revenue Funds.....	-	-	-	614,152	614,152
Athletic Revolving Fund.....	-	-	-	236,490	236,490
Capital Projects.....	-	-	-	29,141	29,141
Debt service.....	6,047	-	-	-	6,047
Assigned to:					
Administration .....	12,309	-	-	-	12,309
Instruction.....	45,117	-	-	-	45,117
Athletics.....	1,061	-	-	-	1,061
Other student activities.....	659	-	-	-	659
Facilities.....	126,852	-	-	-	126,852
Equipment.....	109,928	-	-	-	109,928
Unassigned.....	1,763,822	-	-	-	1,763,822
<b>TOTAL FUND BALANCES.....</b>	<b>\$ 2,065,795</b>	<b>\$ 625,648</b>	<b>\$ 148,776</b>	<b>\$ 934,347</b>	<b>\$ 3,774,566</b>

Massachusetts General Law Ch.40 §5B allows for the establishment of Stabilization funds for one or more different purposes. The creation of a fund requires a two-thirds vote of the legislative body and must clearly define the purpose of the fund. Any changes to the purpose of the fund along with any additions to or appropriations from the fund required a two-thirds vote of the legislative body. At year end the balance of the General Stabilization fund is \$313,366 and is reported as unassigned fund balance in the General Fund.

**NOTE 9 – RISK FINANCING**

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance. The District participates in both premium-based health care plans and self-funded plans for its active employees and a portion of its retirees'. Workers' compensation is insured through the Massachusetts Interlocal Insurance Association. These activities are accounted for in the general fund where revenues are recorded when earned and expenses are recorded when the liability is incurred. As of June 30, 2016, there were no employees receiving workers' compensation benefits and the liability for incurred but-not-reported health claims is immaterial and therefore not reported.

**NOTE 10 – PENSION PLAN***Plan Descriptions*

The District is a member of the Middlesex County Retirement System (MCRS), a cost-sharing multiple-employer defined benefit pension plan covering eligible employees of the 76 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, 2014. The District's portion of the collective pension expense, contributed by the Commonwealth, of \$3,775,535 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 \$46,548,957 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, 2015, was \$548,534, 19.38% of covered payroll, actuarially determined as an amount that, when combined with plan member contributions, is expected to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability.

*Pension Liabilities*

At June 30, 2016, the District reported a liability of \$7,913,832 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2014. 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, 2015, the District’s proportion was 0.613%, which decreased slightly by .005% from its proportion measured at December 31, 2014.

*Pension Expense*

For the year ended June 30, 2016, the District recognized pension expense of \$752,008. At June 30, 2016, the District reported deferred outflows and inflows of resources related to pensions of \$403,544, and \$95,800, respectively, from the net difference between projected and actual investment earnings on pension plan investments. The balances of deferred outflows and inflows at June 30, 2016 consist of the following:

Deferred category	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Difference between projected and actual earnings.....	\$ 403,544	\$ -	\$ 403,544
Changes in proportionate share of contributions.....	-	(95,800)	(95,800)
Total Deferred Outflows/(Inflows) of Resources.....	<u>\$ 403,544</u>	<u>\$ (95,800)</u>	<u>\$ 307,744</u>

The deferred outflows net of deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30:</u>	
2016.....	\$ 78,491
2017.....	78,491
2018.....	78,491
2019.....	<u>72,271</u>
 Total.....	 <u>\$ 307,744</u>

*Actuarial Assumptions*

The total pension liability in the January 1, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement that was updated to December 31, 2015:

Valuation Date.....	January 1, 2014
Actuarial Cost Method.....	Entry Age Normal Cost Method
Amortization Method.....	Prior year's total contribution increased by 6.5% for fiscal year 2016 through fiscal 2022, and thereafter the remaining unfunded liability will be amortized on a 4.0% annual increasing basis; ERI liability amortized in level payments.
Remaining Amortization Period.....	As of July 1, 2014, 5 years remaining for 2002 ERI liability; 6 years remaining for 2003 ERI liability, 8 years remaining for 2010 ERI liability and 21 years for remaining unfunded liability.
Asset Valuation Method.....	The difference between the expected return and the actual investment return on a market value basis is recognized over a five-year period. Asset value is adjusted as necessary to be within 20% of the market value.

<b>Actuarial Assumptions:</b>	
Investment rate of return.....	7.875%
Projected salary increases.....	4.25% for Group 1, 4.5% for Group 2, and 4.75% for Group 4
Cost of living adjustments.....	3.00% on first \$14,000 of retirement income

<b>Plan Membership:</b>	
Active participants.....	10,306
Inactive members.....	1,748
Disabled members.....	429
Retirees and beneficiaries currently receiving benefits.....	<u>4,859</u>
 Total.....	 <u><u>17,342</u></u>

*Investment policy*

The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the Board. Plan 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 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, 2014, are summarized in the following table:

Asset Class	Long-Term Expected Rate Real of Return	Long-Term Expected Asset Allocation
Domestic equity.....	6.49%	19.60%
International developed markets equity.....	7.16%	15.60%
International emerging markets equity.....	9.46%	6.50%
Core fixed income.....	1.68%	15.30%
High-yield fixed income.....	4.76%	8.30%
Real estate.....	4.37%	9.90%
Commodities.....	4.13%	3.90%
Short-term government money market.....	1.11%	0.00%
Hedge fund, GTAA, Risk parity.....	3.60%	9.80%
Private equity.....	11.04%	11.10%

*Rate of return*

For the year ended December 31, 2015, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was .61%. 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 7.875%. 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 7.875%, as well as what the net position liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.875%) or 1-percentage-point higher (8.875%) than the current rate:

	1% Decrease (6.875%)	Current Discount (7.875%)	1% Increase (8.875%)
The District's proportionate share of the net pension liability.....	\$ 9,503,014	\$ 7,913,832	\$ 6,560,525

*Pension plan fiduciary net position* - Detailed information about the pension plan's fiduciary net position is available in the separately issued Middlesex County Retirement System financial report.

#### **NOTE 11 – COMMITMENTS**

The District appropriates annually those amounts necessary for transportation of its students. For the year ended June 30, 2016, regular day and special education transportation expenditures totaled approximately \$466,000 and \$609,000, respectively.

#### **NOTE 12 – CONTINGENCIES**

The District participates in a number of federal award programs. Although the grant programs have been audited in accordance with the provisions of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* through June 30, 2016, 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, 2016, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2016.

#### **NOTE 13 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS**

*Plan Description* – The District administers a single-employer defined benefit healthcare plan (the “Plan”). The Plan provides lifetime healthcare insurance and life insurance benefits 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 also negotiated between the District and union representatives. The required contribution is based on a pay-as-you-go financing requirement. The District contributes 50% percent of the cost of current-year premiums for eligible retired plan members and their spouses. Plan members receiving benefits contribute the remaining 50% percent of their premium costs. For 2016, a total of \$810,000 was contributed to the plan.

*Annual OPEB Cost and Net OPEB Obligation* – The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

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

Annual required contribution.....	\$	1,807,869
Interest on net OPEB obligation.....		436,617
Adjustment to annual required contribution.....		<u>(678,346)</u>
Annual OPEB cost (expense).....		1,566,140
Contributions made.....		<u>(810,355)</u>
Increase in net OPEB obligation.....		755,785
Net OPEB obligation-beginning of year.....		<u>12,474,776</u>
Net OPEB obligation.....	\$	<u><u>13,230,561</u></u>

The District’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the past three years is as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2015	\$ 1,566,140	52%	\$ 13,230,561
6/30/2014	2,349,271	34%	10,829,588
6/30/2013	4,555,525	26%	9,223,026

*Funded Status and Funding Progress* – As of June 30, 2016, the actuarial accrued liability for benefits was \$24.7 million, all of which was unfunded.

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

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

In the July 1, 2015, actuarial valuation, actuarial liabilities were determined using the projected unit credit cost method. The actuarial assumptions included a 3.5% investment return assumption, which is based on the expected yield on the assets of the District, calculated based on the funded level of the plan at the valuation date, and an annual health care trend rate of 7% initially, graded to 5% over 5 years. The UAAL is being amortized increasing at 4% per year over 30 years on a closed amortization basis for partial pre-funding and increasing at 4% per year over 30 years on a closed amortization basis for full pre-funding. The remaining amortization period at June 30, 2016, is 30 years.

#### **NOTE 14 – GROUP HEALTH INSURANCE**

The District offers its employees group health plans through the multi-town Minuteman-Nashoba Health Group (MNHG), a municipal health insurance purchase group established in December 1990. Fiscal operations for the group are handled by the Town of Concord Treasurer's office.

The primary health care networks offered are the Harvard Pilgrim Health Plan (HP), the Tufts Total Health Plan, and the Fallon Health Plan. These plans, the Group's plans for supplemental Medicare coverage for retirees (administered by Tufts), and an out-of-area plan administered by Harvard Pilgrim are self-funded.

The MNHG group establishes the prices for the various plans annually based on actual claims experience and the protection of a stop-loss reinsurance program. Additionally, senior plans for Medicare-eligible subscribers are offered on a premium basis through Harvard Pilgrim, Tufts and Fallon Health Plans.

#### **NOTE 15 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through April 4, 2017, which is the date the financial statements were available to be issued.

#### **NOTE 16 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS**

During 2016, the following GASB pronouncements were implemented:

- GASB Statement #72, *Fair Value Measurement and Application*. Notes to the basic financial statements were changed to provide additional disclosure on fair value measurement.
- GASB Statement #73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This pronouncement did not impact the basic financial statements.
- 
- GASB Statement #76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This pronouncement did not impact the basic financial statements.
- GASB Statement #79, *Certain External Investment Pools and Pool Participants*. The basic financial statements and related notes were updated to be in compliance with this pronouncement.

The following GASB pronouncements will be implemented in the future:

- The GASB issued Statement #74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which is required to be implemented in 2017.

- The GASB issued Statement #75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which is required to be implemented in 2018.
- The GASB issued Statement #77, *Tax Abatement Disclosures*, which is required to be implemented in 2017.
- The GASB issued Statement #78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, which is required to be implemented in 2017.
- The GASB issued Statement #80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement #14*, which is required to be implemented in 2017.
- The GASB issued Statement #81, *Irrevocable Split-Interest Agreements*, which is required to be implemented in 2018.
- The GASB issued Statement #82, *Pension Issues – an amendment of GASB Statements #67, #68, and #73*, which is required to be implemented in 2018.

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.

This page intentionally left blank.

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

YEAR ENDED JUNE 30, 2016

	Budgeted Amounts			
	Amounts Carried forward From Prior Year	Current Year Initial Budget	Original Budget	Final Budget
<b>REVENUES:</b>				
Member town assessments.....	\$ -	\$ 26,049,053	\$ 26,049,053	\$ 26,049,053
Intergovernmental.....	-	3,160,100	3,160,100	3,160,100
Miscellaneous.....	-	22,500	22,500	22,500
Investment income.....	-	3,500	3,500	3,500
<b>TOTAL REVENUES.....</b>	<b>-</b>	<b>29,235,153</b>	<b>29,235,153</b>	<b>29,235,153</b>
<b>EXPENDITURES:</b>				
Current:				
Administration .....	-	926,444	926,444	926,444
Instruction.....	-	17,008,046	17,008,046	17,008,046
Transportation.....	100,778	1,124,729	1,225,507	1,225,507
Athletics.....	-	369,236	369,236	369,236
Other student activities.....	-	83,018	83,018	83,018
Facilities.....	-	1,741,226	1,741,226	1,741,226
Retirement.....	-	820,020	820,020	820,020
Insurance.....	-	2,827,100	2,827,100	2,827,100
Tuition.....	-	3,440,721	3,440,721	3,440,721
Equipment.....	-	113,063	113,063	113,063
Debt service:				
Maturing debt.....	-	550,000	550,000	550,000
Interest.....	-	231,550	231,550	231,550
<b>TOTAL EXPENDITURES.....</b>	<b>100,778</b>	<b>29,235,153</b>	<b>29,335,931</b>	<b>29,335,931</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....</b>	<b>(100,778)</b>	<b>-</b>	<b>(100,778)</b>	<b>(100,778)</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in.....	-	-	-	-
Transfers out.....	-	-	-	-
<b>NET CHANGE IN FUND BALANCE.....</b>	<b>(100,778)</b>	<b>-</b>	<b>(100,778)</b>	<b>(100,778)</b>
<b>BUDGETARY FUND BALANCE,</b> Beginning of year.....	<b>-</b>	<b>1,293,459</b>	<b>1,293,459</b>	<b>1,293,459</b>
<b>BUDGETARY FUND BALANCE, End of year.....</b>	<b>\$ (100,778)</b>	<b>\$ 1,293,459</b>	<b>\$ 1,192,681</b>	<b>\$ 1,192,681</b>

See notes to required supplementary information.

	Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance to Final Budget
\$	26,049,053	\$ -	\$ -
	3,260,538	-	100,438
	25,997	-	3,497
	11,304	-	7,804
	<u>29,346,892</u>	<u>-</u>	<u>111,739</u>
	1,016,210	12,309	(102,075)
	16,531,283	45,117	431,646
	1,081,062	-	144,445
	407,760	1,061	(39,585)
	147,432	659	(65,073)
	1,610,204	126,852	4,170
	825,859	-	(5,839)
	2,520,370	-	306,730
	3,749,048	-	(308,327)
	110,668	109,928	(107,533)
	550,000	-	-
	262,600	-	(31,050)
	<u>28,812,496</u>	<u>295,926</u>	<u>227,509</u>
	<u>534,396</u>	<u>(295,926)</u>	<u>339,248</u>
	<u>2,574</u>	<u>-</u>	<u>2,574</u>
	<u>(78,000)</u>	<u>-</u>	<u>(78,000)</u>
	<u>458,970</u>	<u>\$ (295,926)</u>	<u>\$ 263,822</u>
	<u>1,293,459</u>		
\$	<u><u>1,752,429</u></u>		

# ***Pension Plan Schedules***

The Schedule of Proportionate Share of the Net Pension Liability presents multiyear trend information relating to the District's proportion of the net pension liability and related ratios.

The Schedule of the Contributions presents multiyear trend information on the District's required and actual to the pension plan and related ratios.

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 DISTRICTS PROPORTIONATE SHARE  
OF THE NET PENSION LIABILITY  
MIDDLESEX CONTRIBUTORY RETIREMENT SYSTEM**

	December 31, 2014	December 31, 2015
Town's proportion of the net pension liability (asset).....	0.618%	0.613%
Town's proportionate share of the net pension liability (asset)..... \$	7,467,292	\$ 7,913,832
Town's covered employee payroll..... \$	2,721,134	\$ 2,829,979
Net pension liability as a percentage of covered-employee payroll.....	274.42%	279.64%
Plan fiduciary net position as a percentage of the total pension liability.....	47.65%	46.13%

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

See notes to required supplementary information.

**SCHEDULE OF CONTRIBUTIONS  
MIDDLESEX CONTRIBUTORY RETIREMENT SYSTEM**

	December 31, 2014	December 31, 2015
Actuarially determined contribution.....	\$ 523,265	\$ 548,534
Contributions in relation to the actuarially determined contribution.....	<u>523,265</u>	<u>548,534</u>
Contribution deficiency (excess).....	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll.....	\$ 2,721,134	\$ 2,829,979
Contributions as a percentage of covered- employee payroll.....	19.23%	19.38%

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.

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

---

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 Town; 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.

Fiscal Year	Commonwealth's 100% Share of the Net Pension Liability Associated with the District	District's Expense and Revenue Recognized for the Commonwealth's Support	Plan Fiduciary Net Position as a Percentage of the Total Liability
2016	\$ 46,548,957	\$ 3,775,535	55.38%
2015	36,021,609	2,502,594	61.64%

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

See notes to required supplementary information.

## ***Other Postemployment Benefit Plan Schedules***

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

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

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

**OTHER POSTEMPLOYMENT BENEFIT PLAN**  
**SCHEDULE OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS**

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Projected Unit Credit (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
7/1/2015	\$ -	\$ 24,669,372	\$ 24,669,372	0%	\$ 17,146,502	143.9%
7/1/2013	-	27,234,223	27,234,223	0%	15,208,353	179.1%
7/1/2011	-	46,124,163	46,124,163	0%	15,479,452	298.0%
6/30/2009	-	29,430,886	29,430,886	0%	N/A	N/A

Schedule of Employer Contributions

Year Ended	Annual Required Contribution	Actual Contributions Made	Percentage Contributed
2016	\$ 1,807,869	\$ 810,355	45%
2015	2,637,576	782,539	30%
2014	2,527,989	742,709	29%
2013	4,555,525	1,175,178	26%
2012	4,457,705	1,098,665	25%
2011	2,141,133	1,095,282	51%
2010	1,825,052	1,120,215	61%

See notes to required supplementary information.

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

---

Actuarial Methods:

Valuation date.....	July 1, 2015
Actuarial cost method.....	Projected Unit Credit
Amortization method.....	Increasing at 4% per year over 30 years on a closed amortization basis for partial pre-funding.
	Increasing at 4% per year over 30 years on a closed amortization basis for full pre-funding.
Remaining amortization period.....	30 years closed

Actuarial Assumptions:

Investment rate of return.....	3.5%, pay-as-you-go scenario
Discount rate.....	5% per annum, compounded annually
Health care cost trend rate.....	7.0% decreasing by 0.50% for 5 years to an ultimate level of 5.0% per year.

Plan Membership:

Current retirees, beneficiaries, and dependents.....	169
Current active members.....	<u>224</u>
Total.....	<u><u>393</u></u>

See notes to required supplementary information.

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

A. Budgetary Information

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

The majority of the District’s appropriations are non-continuing which lapse at the end of the year.

The District adopts an annual budget for the General Fund in conformity with the guidelines described above. The original 2016 approved budget for the General Fund authorized \$29.2 million in appropriations. There were no changes between the original and final budget.

The District’s accounting office has the responsibility to ensure that budgetary control is maintained on a bottom line, total budget basis. 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, 2016, is presented below:

Net change in fund balance, budgetary basis.....	\$ 458,970
<u>Perspective difference:</u>	
Activity of the stabilization trust fund recorded in the general fund for GAAP.....	1,292
<u>Basis of accounting differences:</u>	
Recognition of revenue for on-behalf payments.....	3,775,535
Recognition of expenditures for on-behalf payments.....	<u>(3,775,535)</u>
Net change in fund balance, GAAP basis.....	<u>\$ 460,262</u>

**NOTE B – PENSION PLAN**

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

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

Schedule of District's Contributions

Governmental employers are required to pay an annual appropriation as established by PERAC. The appropriation includes the amounts to pay the pension portion of each member's retirement allowance, an amount to amortize the actuarially determined unfunded liability to zero in accordance with the system's funding schedule, and additional appropriations in accordance with adopted early retirement incentive programs. The appropriations are payable on July 1 and January 1. The District may choose to pay the entire appropriation in July at a discounted rate. Accordingly, actual contributions may be less than the "total appropriation". The pension fund appropriation is allocated to the District based on covered payroll.

Schedule of the Special Funding Amounts of the Net Pension Liabilities

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

Changes in Assumptions - None

Changes in Plan Provisions - None

**NOTE C – OTHER POSTEMPLOYMENT BENEFITS**

The 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

The District currently finances its other postemployment benefits (OPEB) on a pay-as-you-go basis. As a result, the funded ratio (actuarial value of assets expressed as a percentage of the actuarial accrued liability) is 0%. In accordance with Governmental Accounting Standards, the District has recorded its OPEB cost equal to the actuarial determined annual required contribution (ARC) which includes the normal cost of providing benefits for the year and a component for the amortization of the total unfunded actuarial accrued liability of the plan.

The Schedule of Funding Progress presents multi-year trend information which compares, over time, the actuarial accrued liability for benefits with the actuarial value of accumulated Plan assets.

The Schedule of Employer Contributions presents multi-year trend information which compares, over time, the ratio of the actual annual employer contributions to the annual required contributions.

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

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