LINCOLN-SUDBURY REGIONAL SCHOOL DISTRICT

REPORT ON EXAMINATION OF BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

LINCOLN-SUDBURY REGIONAL SCHOOL DISTRICT

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JUNE 30, 2017

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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, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Lincoln-Sudbury Regional School District, as of June 30, 2017, 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 July 20, 2018, 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.

Powers & Sullivan LLC

July 20, 2018

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, 2017 with comparisons to 2016 and, in some cases, 2015. 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.

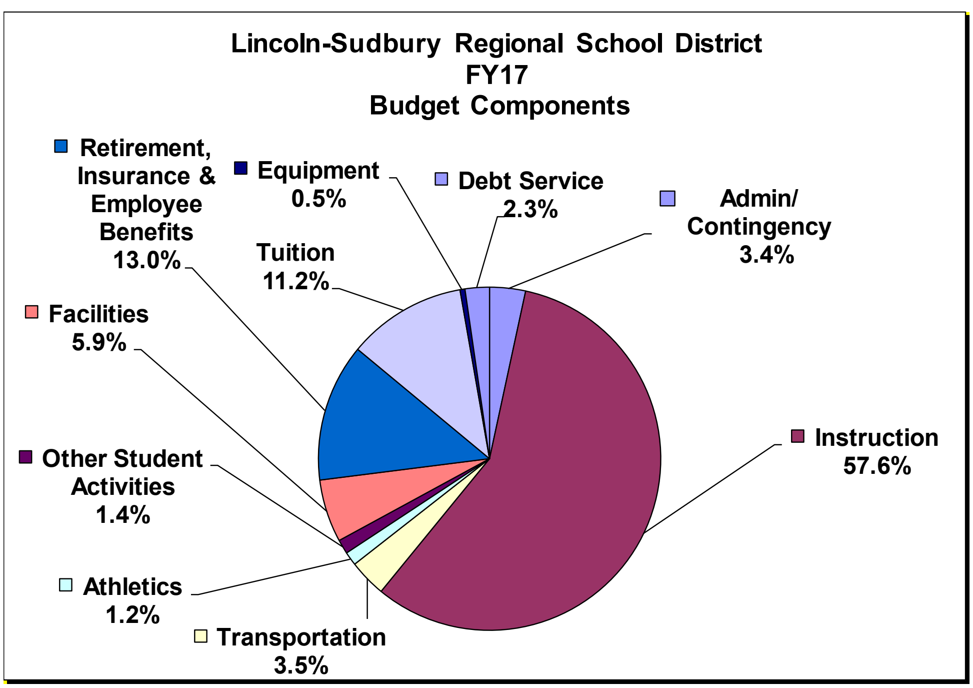
Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the District's budgetary basis of accounting as well as pension and other postemployment benefits.

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 14.6% of the total 2017 Budget of $30.1 million.

The following chart shows the components for the 2017 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:

	2017 Budget Ratios:	2016 Budget Ratios:	2015 Budget Ratios:
Lincoln:	13.83%	15.27%	14.62%
Sudbury:	86.17%	84.73%	85.38%

Entity-wide Financial Analysis

Net position of $45.3 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 $1.2 million in 2017. The decrease was primarily attributable to a $1.1 million increase in the liability for other postemployment benefits and a $300,000 increase in the net pension liability.

Financial Analysis of the Governmental Funds

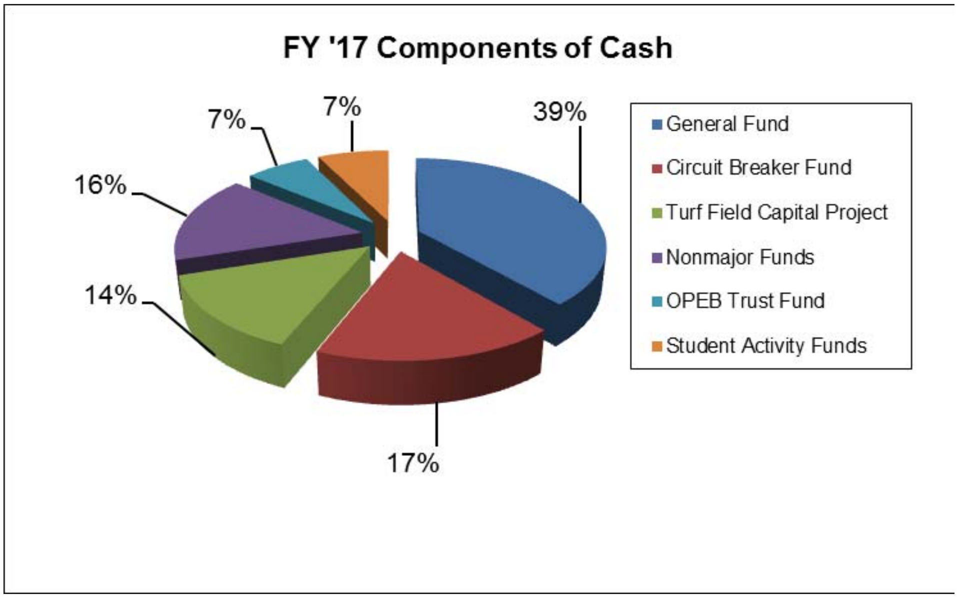
As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

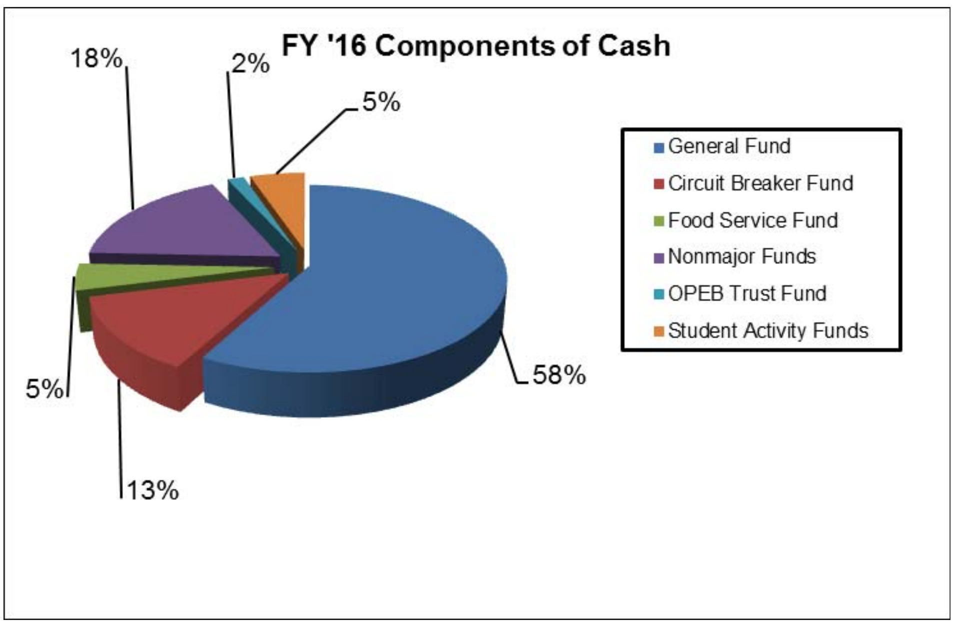
Governmental funds. The focus of governmental funds is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government’s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

As of June 30, 2017, the District’s cash and cash equivalents and investment position was $5.0 million which includes the following fund types:

GOVERNMENTAL FUND TYPES:	**FY '17**	**FY '16**	**FY '15**
General Fund..	$ 1,936,814	$ 2,766,480	2,034,330
Special Revenue Fund.............................	1,785,196	1,643,062	972,022
Capital Projects......................................	587,688	38,223	38,312
FIDUCIARY FUND TYPES:			
Agency Fund...	367,099	248,741	255,674
Other Postemployment Benefit Trust Fund....	331,775	75,984	-

This is an increase of $236,000 from the prior year.





As of the end of the current year, governmental funds reported combined ending fund balances of $4.3 million, an increase of $540,000 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 $1.6 million while total fund balance was $2.0 million. Restrictions for debt service totaled $6,047 and assignments of fund balance totaled $375,000 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 6.9**%** of total general fund budgetary expenditures, while total fund balance represents 5.6% 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 $875,000, an increase of $249,000 from the prior year.

The *Turf Field Capital Projects fund* is used to account for revenue sources collected to support capital project expenditures related to the installation of the school's turf field. At the end of the current year, the fund had an accumulated fund balance of $348,000. This was a new fund in 2017; therefore the total fund balance at the end of the year was a result of current year activity.

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, 2017, the fund balance equaled $317,000, 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 $30.1 million. No budget changes occurred during the year. General fund revenues exceeded budget by $96,000 while general fund expenditures plus encumbrances were less than budget by $282,000.

Capital Assets and Debt Administration

Capital Assets. The District's investment in capital assets for its activities as of June 30, 2017, amounts to $50.2 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 a new boiler, mower, and orchestra pit.

Debt Administration. At the end of the current year, the District had total bonded long-term debt outstanding of $5.0 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.

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, 2017

		Governmental Activities
ASSETS		
CURRENT:		
Cash and cash equivalents	$	4,309,698
Receivables, net of allowance for uncollectibles:		
Departmental and other		226,050
Intergovernmental		207,959
Prepaid expenses		605,786
NONCURRENT:		
Capital assets - nondepreciable		1,370,581
Capital assets, net of accumulated depreciation		48,868,010
TOTAL ASSETS		55,588,084
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pensions		821,049
LIABILITIES		
CURRENT:		
Warrants payable		962,569
Accrued liabilities		1,683
Accrued payroll		21,651
Accrued interest		34,725
Payroll withholdings		9,906
Abandoned property		38,712
Bonds payable		604,202
NONCURRENT:		
Other postemployment benefits		14,286,052
Net pension liability		8,168,982
Bonds payable		4,357,480
TOTAL LIABILITIES		28,485,962
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pension		456,759
NET POSITION		
Net investment in capital assets		45,276,909
Restricted for:		
Gifts and grants		77,363
Unrestricted		(17,887,860)
TOTAL NET POSITION	$	27,466,412

See notes to basic financial statements.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2017

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue
Primary Government:					
Governmental Activities:					
Administration	$ 999,428	$ -	$ -	$ -	$ (999,428)
Instruction	18,678,445	-	1,589,311	-	(17,089,134)
Transportation	1,058,428	-	-	-	(1,058,428)
Athletics	387,262	-	-	-	(387,262)
Other student activities	404,409	-	-	-	(404,409)
Facilities	3,612,166	60,781	-	-	(3,551,385)
Retirement	6,128,404	-	-	-	(6,128,404)
Insurance	2,322,682	-	-	-	(2,322,682)
Tuition	3,156,708	-	-	-	(3,156,708)
Federal and state grants	975,043	-	997,800	-	22,757
Athletic revolving	586,954	619,191	55,676	-	87,913
Cafeteria	385,636	416,017	230	-	30,611
Other special revenue	312,971	384,356	48,525	-	119,910
Building and equipment	41,736	-	-	143,081	101,345
Interest	94,795	-	-	-	(94,795)
Other postemployment benefits	1,293,605	-	-	-	(1,293,605)
Total Governmental Activities	$ 40,438,672	$ 1,480,345	$ 2,691,542	$ 143,081	$ **(36,123,704)**

See notes to basic financial statements.

(Continued)

STATEMENT OF ACTIVITIES (Continued)

YEAR ENDED JUNE 30, 2017

		Primary Government
		Governmental Activities
Changes in net position:		
Net (expense) revenue from previous page	$	**(36,123,704)**
General revenues:		
Member town assessments		26,551,182
Intergovernmental		8,315,905
Unrestricted investment income		15,051
Miscellaneous		85,615
Total general revenues and transfers		34,967,753
Change in net position		(1,155,951)
Net Position:		
Beginning of year		28,622,363
End of year	$	27,466,412

(Concluded)

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2017

ASSETS	General	Circuit Breaker	Turf Field Capital Project	Nonmajor Governmental Funds	Total Governmental Funds
Cash and cash equivalents	$ 1,936,814	$ 874,960	$ 695,544	$ 802,380	$ 4,309,698
Receivables, net of uncollectibles:					
Departmental and other	71,626	-	-	154,424	226,050
Intergovernmental	-	-	-	207,959	207,959
Prepaid expenses	605,786	-	-	-	605,786
TOTAL ASSETS	$ 2,614,226	$ 874,960	$ 695,544	$ 1,164,763	$ 5,349,493
LIABILITIES AND FUND BALANCES					
LIABILITIES:					
Warrants payable	$ 554,465	$ -	$ 347,348	$ 60,756	$ 962,569
Accrued liabilities	-	-	-	1,683	1,683
Accrued payroll	21,651	-	-	-	21,651
Payroll withholdings	9,906	-	-	-	9,906
Abandoned property	38,712	-	-	-	38,712
TOTAL LIABILITIES	624,734	-	347,348	62,439	1,034,521
FUND BALANCES:					
Restricted	6,047	874,960	348,196	1,102,324	2,331,527
Assigned	375,472	-	-	-	375,472
Unassigned	1,607,973	-	-	-	1,607,973
TOTAL FUND BALANCES	1,989,492	874,960	348,196	1,102,324	4,314,972
TOTAL LIABILITIES AND FUND BALANCES	$ 2,614,226	$ 874,960	$ 695,544	$ 1,164,763	$ 5,349,493

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2017

Total governmental fund balances		$ 4,314,972
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds		50,238,591
Certain changes in the net pension liabilityare 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		364,290
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due		(34,725)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds		
Bonds payable	(4,961,682)	
Other postemployment benefits	(14,286,052)	
Net pension liability	(8,168,982)	
Net effect of reporting long-term liabilities		(27,416,716)
Net position of governmental activities		$ 27,466,412

See notes to basic financial statements.

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

YEAR ENDED JUNE 30, 2017

	General	Circuit Breaker	Turf Field Capital Project	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:					
Member town assessments	$ 26,551,182	$ -	$ -	$ -	$ 26,551,182
Intergovernmental	8,367,379	1,589,311	-	997,800	10,954,490
Departmental and other	34,141	-	-	1,727,857	1,761,998
Investment income	14,839	-	-	212	15,051
TOTAL REVENUES	34,967,541	1,589,311	-	2,725,869	39,282,721
EXPENDITURES:					
Current:					
Administration	999,428	-	-	-	999,428
Instruction	17,267,433	1,339,999	-	71,013	18,678,445
Transportation	1,058,428	-	-	-	1,058,428
Athletics	387,262	-	-	-	387,262
Other student activities	404,359	-	-	-	404,359
Facilities	1,734,812	-	-	-	1,734,812
Retirement	5,929,800	-	-	-	5,929,800
Insurance	2,322,682	-	-	-	2,322,682
Tuition	3,156,708	-	-	50	3,156,758
Federal and state grants	-	-	-	975,043	975,043
Athletic revolving	-	-	-	702,704	702,704
Cafeteria	-	-	-	385,636	385,636
Other special revenue	-	-	-	312,971	312,971
Employee Benefits	238,114	-	-	-	238,114
Building and equipment	101,098	-	516,804	145,896	763,798
Debt service:					
Maturing debt	545,000	-	-	-	545,000
Interest	147,075	-	-	-	147,075
TOTAL EXPENDITURES	34,292,199	1,339,999	516,804	2,593,313	38,742,315
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	675,342	249,312	(516,804)	132,556	540,406
OTHER FINANCING SOURCES (USES):					
Transfers in	12,656	-	865,000	6,801	884,457
Transfers out	(764,301)	-	-	(120,156)	(884,457)
TOTAL OTHER FINANCING SOURCES (USES)	(751,645)	-	865,000	(113,355)	-
NET CHANGE IN FUND BALANCES	(76,303)	249,312	348,196	19,201	540,406
FUND BALANCES AT BEGINNING OF YEAR	2,065,795	625,648	-	1,083,123	3,774,566
FUND BALANCES AT END OF YEAR	$ 1,989,492	$ 874,960	$ 348,196	$ 1,102,324	$ 4,314,972

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2017

Net change in fund balances - total governmental funds		$ 540,406
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	894,127	
Depreciation expense	(1,933,669)	
Net effect of reporting capital assets		(1,039,542)
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.		
Amortization of premium from issuance of bonds	48,192	
Debt service principal payments	545,000	
Net effect of reporting long-term debt		593,192
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	4,088	
Net change in deferred outflow/(inflow) of resources related to pensions	56,546	
Net change in other postemployment benefits	(1,055,491)	
Net change in pension liability	(255,150)	
Net effect of recording long-term liabilities and amortizing bond premiums		(1,250,007)
Change in net position of governmental activities		$ (1,155,951)

See notes to basic financial statements.

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2017

		Other Postemployment Benefit Trust Fund		Agency Funds
ASSETS				
CURRENT:				
Cash and cash equivalents	$	-	$	367,099
Investments		331,775		-
TOTAL ASSETS		331,775		367,099
LIABILITIES				
Liabilities due depositors	$	-		367,099
NET POSITION				
Held in trust for OPEB and other purposes	$	331,775	$	-

See notes to basic financial statements.

FIDUCIARY FUNDS

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

YEAR ENDED JUNE 30, 2017

		Other Postemployment Benefit Trust Fund
ADDITIONS:		
Contributions:		
Employer	$	238,114
Employer Contributions for benefit payments		778,335
Total contributions		1,016,449
Net investment income (loss):		
Net change in fair value of investments		17,677
TOTAL ADDITIONS		1,034,126
DEDUCTIONS:		
Benefit Payments		(778,335)
CHANGE IN NET POSITION		255,791
NET POSITION AT BEGINNING OF YEAR		75,984
NET POSITION AT END OF YEAR	$	331,775

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 *Turf Field Capital Projects fund* is used to account for financial resources and expenditures related to the installation of the turf fields.

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:

Capital Asset Type	Estimated Useful Life (in years)
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 of 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 $4,635,613 and the bank balance totaled $6,109,102. Of the bank balance, $1,500,000 was covered by Federal Depository Insurance, $310,558 was covered by the Depositor's Insurance Fund and $4,298,544 was uninsured and uncollateralized.

Investments

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

	Fair Value
Investment Type	
Other Investments	
MMDT..........................	41,184
PRIT............................	331,775
Total Investments............	$ 372,959

The District participates in the MMDT Cash Portfolio. As of June 30, 2017, the District had a total of $41,814 invested in MMDT.

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, 2017, 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, 2017 is unrated.

Fair Market Value of Investments

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

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

Investment Type	June 30, 2017
Investments measured at the net asset value (NAV)	
PRIT	$ 331,775
Investments measured at amortized cost	
MMDT Cash Portfolio	41,184
Total investments	$ 372,959

PRIT investments are valued using the net asset value method. This investment pool was established by the Treasurer of the Commonwealth of Massachusetts, who serves as Trustee. PRIT is administered by the Pension Reserves Investment Management Board (PRIM). The fair values of the positions in each investment Pool are the same as the value of each Pool's shares. The District does not have the ability to control any of the investment decisions relative to its funds in PRIT.

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

NOTE 3 – RECEIVABLES

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

	Gross Amount	Allowance for Uncollectibles	Net Amount
Receivables:			
Departmental and other	$ 226,050	-	$ 226,050
Intergovernmental	207,959	$ -	207,959
Total	$ 434,009	$ -	$ 434,009

NOTE 4 – CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	$ 1,370,581	$ -	$ -	$ 1,370,581
Capital assets being depreciated:				
Buildings and improvements	70,381,478	-	-	70,381,478
Infrastructure	-	632,554	-	632,554
Vehicles and heavy equipment	563,679	118,492	-	682,171
Books, equipment and computers	7,479,855	143,081	(695,108)	6,927,828
Total capital assets being depreciated	78,425,012	894,127	(695,108)	78,624,031
Less accumulated depreciation for:				
Buildings and improvements	(20,573,770)	(1,857,163)	-	(22,430,933)
Infrastructure	-	(15,814)	-	(15,814)
Vehicles and heavy equipment	(463,835)	(53,538)	-	(517,373)
Books, equipment and computers	(7,479,855)	(7,154)	695,108	(6,791,901)
Total accumulated depreciation	(28,517,460)	(1,933,669)	695,108	(29,756,021)
Total capital assets being depreciated, net	49,907,552	(1,039,542)	-	48,868,010
Total governmental activities capital assets, net	$ 51,278,133	$ (1,039,542)	$ -	$ 50,238,591

Depreciation expense of $1,963,868 was charged to the facilities function.

NOTE 5 – TRANSFERS

Interfund transfers for the year ended June 30, 2017, are summarized as follows:

	Operating Transfers In:				
Operating Transfers Out:	General Fund	Turf Field Capital Project	Nonmajor Governmental Funds	Total	
General Fund…………………………..	$ -	$ 757,500	$ 6,801	$ 764,301	(1)
Nonmajor Governmental Funds………	12,656	107,500	-	120,156	(2)
Total………………………………………	$ 12,656	$ 865,000	$ 6,801	$ 884,457	

1) Budgeted transfer from the general fund to the Turf Capital Project fund and transfers from the general fund to various other non-major funds.
2) Transfers from non-major funds to the general fund and transfers from non-major funds to the Turf Capital Project fund.

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, 2017 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, 2017, and the debt service requirements are as on the following page.

Purpose	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2016	Issued	Redeemed	Outstanding at June 30, 2017
School Building Project Refunding Debt......	2026	5,175,000	3.00%	$ 5,175,000	$ -	$ (545,000)	$ 4,630,000
Total governmental bonds payable........				5,175,000	-	(545,000)	4,630,000
Unamortized bond premiums........				379,874	-	(48,192)	331,682
Total........				$ 5,554,874	$ -	$ (593,192)	$ 4,961,682

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

Year	Principal	Interest	2016
2018........	$ 540,000	$ 130,800	$ 670,800
2019........	535,000	114,675	649,675
2020........	530,000	98,700	379,874
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........	$ 4,630,000	$ 612,750	$ 4,993,924

The District is subject to various debt limits by statute and may issue additional general obligation debt under the normal debt limit. At June 30, 2017, the District did not have any authorized and unissued debt.

Changes in Long-term Liabilities

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

	Balance June 30, 2016	Additions	Deletions	Other Net Increase 2017	Balance June 30, 2017	Current Portion
Long-term bonds and notes........	$ 5,175,000	$ -	$ (545,000)	$ -	$ 4,630,000	$ 540,000
Add: unamortized premiums........	379,874	-	(48,192)	-	331,682	64,202
Total bonds payable........	5,554,874	-	(593,192)	-	4,961,682	604,202
Other postemployment benefits........	13,230,561	-	-	1,055,491	14,286,052	-
Net pension liability........	7,913,832		-	255,150	8,168,982	-
					-	
Total........	$ 26,699,267	$ -	$ (593,192)	$ 1,310,641	$ 27,416,716	$ 604,202

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	Turf Field Capital Project	Nonmajor Governmental Funds	Total Governmental Funds
FUND BALANCES					
Restricted for:					
Circuit Breaker	$ -	$ 874,960	$ -	$ -	$ 874,960
Turf Field Capital Project	-	-	348,196	-	348,196
Food Service	-	-	-	179,157	179,157
Federal and State Grant Funds	-	-	-	99,113	99,113
Other Special Revenue Funds	-	-	-	615,819	615,819
Athletic Revolving Fund	-	-	-	173,010	173,010
Capital Projects	-	-		35,225	35,225
Debt service	6,047	-	-	-	6,047
Assigned to:					
Administration	16,251	-	-	-	16,251
Instruction	55,109	-	-	-	55,109
Transportation	262,422	-	-	-	262,422
Other student activities	673	-	-	-	673
Facilities	24,834	-	-	-	24,834
Equipment	15,848	-	-	-	15,848
Unassigned	1,607,973	-	-	-	1,607,973
TOTAL FUND BALANCES	$ 1,989,157	$ 874,960	$ 348,196	$ 1,102,324	$ 4,314,637

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 $317,199 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, 2017, 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 Description*s

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, 2016. The District's portion of the collective pension expense, contributed by the Commonwealth, of $5,060,402 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 $49,608,591as of the measurement date.

Benefits Provided

Both Systems provide retirement, disability, survivor and death benefits to plan members and beneficiaries. Massachusetts Contributory Retirement System benefits are, with certain minor exceptions, uniform from system to system. The System provides for retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. For persons who became members on or after April 2, 2012, average salary is the average annual rate of regular compensation received during the five consecutive years that produce the highest average, or, if greater, during the last five years (whether or not consecutive) preceding retirement. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification. Members become vested after ten years of creditable service.

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

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

Contributions

Chapter 32 of the MGL governs the contributions of plan members and member units. Active plan members are required to contribute to the System at rates ranging from 5% to 9% of gross regular compensation with an additional 2% contribution required for compensation exceeding $30,000. The percentage rate is keyed to the date upon which an employee's membership commences. The member units are required to pay into the MCRS a legislatively mandated actuarial determined contribution that is apportioned among the employers based on active current payroll. The District's proportionate share of the required contribution equaled its actual contribution for the year ended December 31, 2016, was $586,204, 20.40% of covered payroll, actuarially determined as an amount that, when combined with plan member contributions, is expected to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability.

Pension Liabilities

At June 30, 2017, the District reported a liability of $8,168,982 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2016. Accordingly, update procedures were used to roll forward the total pension liability to the measurement date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At December 31, 2016, the District's proportion was .577%, which decreased slightly by .036% from its proportion measured at December 31, 2015.

Pension Expense

For the year ended June 30, 2017, the District recognized pension expense of $784,808. At June 30, 2017, the District reported deferred outflows and inflows of resources related to pensions of $821,049, and $456,759, respectively. The balances of deferred outflows and inflows at June 30, 2017 consist of the following:

Deferred category	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Differences between expected and actual experience...........	$ 36,791	$ -	$ 36,791
Net difference between projected and actual investment earnings on pension plan investments............	339,159		339,159
Changes of assumptions...	445,099	-	445,099
Changes in proportion and differences between employer contributions and proportionate share of contributions........	-	(456,759)	(456,759)
Total Deferred Outflows/(Inflows) of Resources..................	$ 821,049	$ (456,759)	$ 364,290

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

Year ended June 30:	
2018	110,615
2019	110,615
2020	104,772
2021	38,288
Total	$ 364,290

Actuarial Assumptions

The total pension liability in the January 1, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement that was updated to December 31, 2016:

Valuation Date	January 1, 2016
Actuarial Cost Method	Entry Age Normal Cost Method
Amortization Method	Prior year's total contribution increased by 6.5% for fiscal year 2018 through fiscal 2024, and thereafter the remaining unfunded liability will be amortized on a 4.0% annual increasing basis; ERI liability amortized in level payments.
Remaining Amortization Period	As of July 1, 2016, 3 years remaining for 2002 ERI liability; 4 years remaining for 2003 ERI liability, 6 years remaining for 2010 ERI liability and 19 years for remaining unfunded liability.
Asset Valuation Method	The difference between the expected return and the actual investment return on a market value basis is recognized over a five-year period. Asset value is adjusted as necessary to be within 20% of the market value.
Inflation Rate	3.50%
Projected Salary Increases	Varies by length of service
Cost of living adjustments	3.0% of the first $14,000 of retirement income.
Rates of retirement	Varies based upon age for general employees
Rates of disability	For general employees, it was assumed that 45% of all disabilities are ordinary (55% are service connected).
Mortatility Rates:	
Pre-Retirement	The RP-2000 Employee Mortality Table projected generationally from 2009 with Scale BB2D.
Post-Retirement	The RP-2000 Employee Mortality Tabl generationally from 2009 with Scale BB2D.
Disabled Retiree	The RP-2000 Healthy Annuitant Mortality Table projected generationally from 2015 with Scale BB2D.
Investment rate of return/Discount rate	7.75%, net of pension plan investment expense, including inflation, previously 7.875%

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, 2016, are summarized in the following table:

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

Rate of return

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

Discount rate

The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that contributions will be made at rates equal to the actuarially determined contribution rated. 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 information on the following page presents the net position liability, calculated using the discount rate of 7.75%, as well as what the net position liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate.

	1% Decrease (6.75%)	Current Discount (7.75%)	1% Increase (8.75%)
The District's proportionate share of the net pension liability	$ 9,864,794	$ 8,168,982	$ 6,735,799

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, 2017, regular day and special education transportation expenditures totaled approximately $418,000 and $611,000, 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, 2017, these programs are still subject to financial and compliance audits. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although it is expected such amounts, if any, to be immaterial.

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

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 2017, a total of $1 million was contributed to the plan.

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

Active members	216
Inactive employees or beneficiaries currently currently receving benefits	132
Total	216

Components of OPEB Liability – The following table represents the components of the Plan's OPEB liability as of June 30, 2017:

Total OPEB liability	$	31,643,971
Less: OPEB plan's fiducary net position		(331,775)
Net OPEB liability	$	31,312,196
The OPEB plan's fiducary net position as a percentage of the total OPEB liability		1.05%

Significant Actuarial Methods and Assumptions – The total OPEB liability in the July 1, 2015, actuarial valuation was determined by using the following actuarial assumptions, applied to all periods including the measurement date that was updated to June 30, 2017 to be in accordance with GASB #74.

Valuation Date	July 1, 2015
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Market Value
Nominal Investment rate of return	5 percent, net of OPEB plan investment expense, including inflation
Single equivalent disount rate	3.58%, compounded annually, for the measurment 30-Jun-17
Inflation	2.6 percent per year,based on the 2017 Social Security Trustees Report
Healthcare cost trend rate	7 percent initial, decreasing .05 percent per year to an ultimate rate of 5 percent
Pre-Retirement mortality	For General employees are based on the RP-2000 Employees Mortality Table, base year 2009, projected with generational mortality improvement using scale BB
Post-Retirement mortality	For General employees are based on the RP-2000 Employees Annuitant Mortality Table, base year 2009, projected with generational mortality improvement using scale BB

Investment Policy

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

The log-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future 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 weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The Plan's expected future real rate of return of 4.24% is added to the expected inflation of 2.60% to produce the long-term expected nominal rate of return of 6.84%. Best estimates of geometric real rates of return for each major asset class included in the OEPB plan's target asset allocation as of June 30, 2017 are summarized in the following table.

Asset Class	Long-Term Expected Asset Allocation	Long-Term Real Rate of Return
Global Equity……………………………………	40%	5.37%
Core Fixed Income……………………………	12%	1.25%
Value-Added Fixed Income……………………	10%	4.42%
Private Equity……………………………………	11%	6.90%
Real Estate………………………………………	10%	3.90%
Timerland………………………………………	4%	3.40%
Portfolio Completion Strategies………………	13%	3.88%
Total Asset Allocation…………………………	100%	

Sensitivity of the net OPEB liability to changes in the discount rate – The following table presents the net other postemployment benefit liability and service cost, calculated using the discount rate of 3.58%, as well as what the net other postemployment benefit liability and service cost would be if it were calculated using a discount rate that is 1-percentage-point lower (2.58%) or 1-percentage-point higher (4.58%) than the current rate.

	1 % Decrease (2.58%)	Current Discount Rate (3.58%)	1 % Increase (4.58%)
Net OPEB liability………………………………	$ 37,996,996	$ 31,312,196	$ 26,060,115

Sensitivity of the net OPEB liability to changes in the healthcare trend – The following table presents the net other postemployment benefit liability and service cost, calculated using the current healthcare rend rate of 7.0%, as well as what the net other postemployment benefit and service cost would be if it were calculated using a healthcare trend rate that is 1-percentage-point lower (6.0%) or 1-percentage point higher (8.0%).

	1% Decrease 6% Year 1 Decreasing to 4%	7% Year 1 Decreasing to 5%	1% Increase 8% Year 1 Decreasing to 6%
Net OPEB liability………………………………	$ 24,672,959	$ 31,312,196	$ 40,765,518

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	$	1,920,280
Interest on net OPEB obligation		661,528
Adjustment to annual required contribution		(509,848)
Annual OPEB cost (expense)		2,071,960
Contributions made		(1,016,469)
Increase in net OPEB obligation		1,055,491
Net OPEB obligation-beginning of year		13,230,561
Net OPEB obligation	$	14,286,052

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
6/30/2017	$	2,071,960	49%	$	14,286,052
6/30/2016		1,566,140	52%		13,230,561
6/30/2015		2,427,727	32%		12,474,776

Funded Status and Funding Progress – As of July 1, 2015, the latest actuarial valuation, 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 July 20, 2018, which is the date the financial statements were available to be issued.

NOTE 16 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

During 2017, the following GASB pronouncements were implemented:

- GASB Statement #74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The basic financial statements, related notes and required supplementary information were updated to be in compliance with this pronouncement.

- GASB Statement #77, *Tax Abatement Disclosures.* This pronouncement did not impact the basic financial statements.

- GASB Statement #78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans.* This pronouncement did not impact the basic financial statements.

- GASB Statement #80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement #14.* This pronouncement did not impact the basic financial statements.

- GASB Statement #82, *Pension Issues – an amendment of GASB Statements #67, #68, and #73.* 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 #75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* which is required to be implemented in 2018.
- The GASB issued Statement #81, *Irrevocable Split-Interest Agreements,* which is required to be implemented in 2018.
- The GASB issued Statement #83, *Certain Asset Retirement Obligations,* which is required to be implemented in 2019.
- The GASB issued Statement #84, *Fiduciary Activities,* which is required to be implemented in 2020.
- The GASB issued Statement #85, *Omnibus 2017,* which is required to be implemented in 2018.
- The GASB issued Statement #86, *Certain Debt Extinguishment Issues,* which is required to be implemented in 2018.
- The GASB issued Statement #87, *Leases,* which is required to be implemented in 2021.

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

Required Supplementary Information

General Fund Budgetary Comparison Schedule

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

GENERAL FUND

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

YEAR ENDED JUNE 30, 2017

	Amounts Carried forward From Prior Year	Current Year Initial Budget	Original Budget	Final Budget
	Budgeted Amounts			
REVENUES:				
Member town assessments	$ -	$ 26,551,082	$ 26,551,082	$ 26,551,082
Intergovernmental	-	3,230,600	3,230,600	3,230,600
Miscellaneous	-	22,500	22,500	22,500
Investment income	-	3,500	3,500	3,500
TOTAL REVENUES	-	29,807,682	29,807,682	29,807,682
EXPENDITURES:				
Current:				
Administration	42,601	974,449	1,017,050	1,017,050
Instruction	14,825	17,310,804	17,325,629	17,325,629
Transportation	-	1,059,455	1,059,455	1,059,455
Athletics	1,061	388,256	389,317	389,317
Other student activities	659	406,263	406,922	406,922
Facilities	126,852	1,651,679	1,778,531	1,778,531
Retirement	-	869,740	869,740	869,740
Insurance	-	2,804,579	2,804,579	2,804,579
Employee Benefits	-	238,114	238,114	238,114
Tuition	-	3,380,252	3,380,252	3,380,252
Equipment	109,928	32,016	141,944	141,944
Debt service:				
Maturing debt	-	545,000	545,000	545,000
Interest	-	147,075	147,075	147,075
TOTAL EXPENDITURES	295,926	29,807,682	30,103,608	30,103,608
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(295,926)	-	(295,926)	(295,926)
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers out	-	(757,500)	(757,500)	(757,500)
TOTAL OTHER FINANCING SOURCES (USES)	-	(757,500)	(757,500)	(757,500)
NET CHANGE IN FUND BALANCE	(295,926)	(757,500)	(1,053,426)	(1,053,426)
BUDGETARY FUND BALANCE, Beginning of year	-	1,752,429	1,752,429	1,752,429
BUDGETARY FUND BALANCE, End of year	$ (295,926)	$ 994,929	$ 699,003	$ 699,003

See notes to required supplementary information.

Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance to Final Budget
$ 26,551,182	$ -	$ 100
3,306,977	-	76,377
34,141	-	11,641
11,006	-	7,506
29,903,306	-	95,624
999,428	16,251	1,371
17,267,433	55,109	3,087
796,006	262,422	1,027
387,262	-	2,055
404,359	673	1,890
1,734,812	24,834	18,885
869,398	335	7
2,322,682	-	481,897
238,114	-	-
3,156,708	-	223,544
101,098	15,848	24,998
545,000	-	-
147,075	-	-
28,969,375	375,472	758,761
933,931	(375,472)	854,385
12,656	-	12,656
(764,301)	-	(6,801)
(751,645)	-	5,855
182,286	$ (375,472)	$ 860,240
1,752,429		
$ 1,934,715		

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	December 31, 2016
Town's proportion of the net pension liability (asset)…………………	0.618%	0.613%	0.577%
Town's proportionate share of the net pension liability (asset)……….	$ 7,467,292	$ 7,913,832	$ 8,168,982
Town's covered employee payroll………………………………………	$ 2,721,134	$ 2,829,979	$ 2,873,324
Net pension liability as a percentage of covered-employee payroll…………………………………………………………………	274.42%	279.64%	284.30%
Plan fiduciary net position as a percentage of the total pension liability…………………………………………………	47.65%	46.13%	45.49%

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

See notes to required supplementary information.

SCHEDULE OF CONTRIBUTIONS
MIDDLESEX CONTRIBUTORY RETIREMENT SYSTEM

	December 31, 2014	December 31, 2015	December 31, 2016
Actuarially determined contribution	$ 523,265	$ 548,534	$ 586,204
Contributions in relation to the actuarially determined contribution	523,265	548,534	586,204
Contribution deficiency (excess)	$ -	$ -	$ -
Covered-employee payroll	$ 2,721,134	$ 2,829,979	$ 2,873,324
Contributions as a percentage of covered-employee payroll	19.23%	19.38%	20.40%

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 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.

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
2017	$ 49,608,591	$ 5,060,402	52.73%
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 Changes in the District's Net Other Postemployment Benefit Liability and related ratios presents multi-year trend information on the Plan's net other postemployment benefit liability and related ratios.

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

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

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

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

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

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

		June 30, 2017
Total OPEB Liability		
Service Cost	$	1,659,777
Interest		1,018,918
Changes of benefit terms		-
Differences between expected and actual experience		-
Changes of assumptions		(4,737,318)
Benefit payments		(778,355)
Net change in total OPEB liability		(2,836,978)
Total OPEB liability- beginning		34,480,949
Total OPEB liability- ending (a)		31,643,971
Plan fiduciary net position		
Contributions- employer	$	1,016,469
Net investment income		17,343
Benefit payments		(778,355)
Administrative expense		-
Net change in plan fiduciary net position		255,457
Plan fiduciary net position- beginning		76,318
Plan fiduciary net position- ending (b)	$	331,775
Town's net OPEB liability- ending (a)-(b)	$	31,312,196
Plan fiduciary net position as a percentage of the total OPEB liability		1.05%
Covered-employee payroll		17,474,867
Town's net OPEB liability as a percentage of covered-employee payroll		179.18%

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

See notes to required supplementary information.

SCHEDULE OF DISTRICT CONTRIBUTIONS

OTHER POSTEMPLOYMENT BENEFIT PLAN

		June 30, 2017
Actuarially determined contribution……………………………………	$	1,920,266
Contributions in relation to the actuarially determined contribution……………………………………………		1,016,469
Contribution deficiency (excess)……………………………………….	$	903,797
Covered-employee payroll………………………………………………	$	17,474,867
Contributions as a percentage of covered-employee payroll………………………………………………………		5.82%

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

See notes to required supplementary information.

SCHEDULE OF INVESTMENT RETURNS
OTHER POSTEMPLOYMENT BENEFIT PLAN

	June 30, 2017
Annual money-weighted rate of return, net of investment expense...	6.84%

The annual money-weighted rate of return has been calculated by the Pension Reserves Investment Management Board (PRIM).

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

See notes to required supplementary information.

OTHER POSTEMPLOYMENT BENEFIT PLAN
SCHEDULE OF FUNDING PROGRESS 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
2017	$ 1,920,280	$ 1,016,469	53%
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	224
Total	393

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 2017 approved budget for the General Fund authorized $30.1 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, 2017, is presented below:

Net change in fund balance, budgetary basis………………	$	182,286
Perspective difference:		
Activity of the stabilization trust fund recorded in the general fund for GAAP………………………………………		3,833
Basis of accounting differences:		
Recognition of revenue for on-behalf payments………….		5,060,402
Recognition of expenditures for on-behalf payments…….		(5,060,402)
Net change in recording accrued expenditures…………..		(262,422)
Net change in fund balance, GAAP basis…………………..	$	(76,303)

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 Other Postemployment Benefit Plan

Schedule of Changes in the District's Net Other Postemployment Benefit Liability and Related Ratios

The Schedule of Changes in the District's Net Other Postemployment Benefit Liability and Related Ratios presents multi-year trend information on changes in the Plan's total OPEB liability, changes in the Plan's net position, and ending net OPEB liability. It also demonstrates he Plan's net position as a percentage of the total liability and the Plan's net other postemployment benefit liability as a percentage of covered employee payroll.

Schedule of the District's Contributions

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

Schedule of Investment Return

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

The District

The District currently finances its other postemployment benefits (OPEB) on a pay-as-you-go basis and contributions to a trust. As a result, the funded ratio (actuarial value of assets expressed as a percentage of the actuarial accrued liability) is 1.05%. 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.

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 Funding Progress

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

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.

The Schedule of Actuarial Methods

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