

**MINUTEMAN REGIONAL VOCATIONAL
TECHNICAL SCHOOL DISTRICT**

Annual Financial Statements

For the Year Ended June 30, 2016

MINUTEMAN REGIONAL VOCATIONAL TECHNICAL SCHOOL DISTRICT

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Additional Offices:

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

INDEPENDENT AUDITORS' REPORT

To the School Committee
Minuteman Regional Vocational
Technical School District

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 Minuteman Regional Vocational Technical School District, as of and for the year ended June 30, 2016, (except for the Minuteman Regional School District Contributory Retirement System, which is as of and for the year ended December 31, 2015) 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

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Minuteman Regional Vocational Technical School District, as of June 30, 2016 (and the Minuteman Regional School District Contributory Retirement System as of December 31, 2015), and the respective changes in financial position thereof, and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, the Schedule of OPEB Funding Progress, the Schedule of Proportionate Share of the Net Pension Liability, the Schedule of Pension Contributions, the Schedule of Changes in Net Pension Liability, and the Schedule of Net Pension Liability, Contributions, and Investment Returns be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the *Governmental Accounting Standards Board*, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during

our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2016 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Melanson Heath

December 9, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Minuteman Regional Vocational Technical School District (the District), we offer readers this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2016.

A. OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the basic financial statements. The basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

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

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

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. All of the funds can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. 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.

An annual appropriated budget is adopted for the general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs.

Notes to the 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 which is required to be disclosed by accounting principles generally accepted in the United States of America.

B. FINANCIAL HIGHLIGHTS

- As of the close of the current fiscal year, the total of liabilities exceeded assets by \$(1,537,844) (i.e., net position), a change of \$(584,395) in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$7,819,582, a change of \$(26,858) in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$752,774, a change of \$(304,524) in comparison to the prior year.
- Total long-term debt (i.e. capital leases payables) at the close of the current fiscal year was \$3,665,900 a change of \$(255,855) in comparison to the prior year.

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following is a summary of condensed government-wide financial data for the current and prior fiscal years.

NET POSITION

	Governmental Activities	
	<u>2016</u>	<u>2015</u>
Current assets	\$ 9,609,692	\$ 9,823,257
Noncurrent assets	7,943,015	7,300,601
Deferred outflows	<u>1,569,000</u>	<u>176,000</u>
Total assets and deferred outflows	19,121,707	17,299,858
Current liabilities	2,071,033	2,232,674
Noncurrent liabilities	<u>18,588,518</u>	<u>15,651,579</u>
Total liabilities	20,659,551	17,884,253
Net position:		
Net investment in capital assets	3,915,228	3,141,318
Restricted	1,337,644	1,110,453
Unrestricted	<u>(6,790,716)</u>	<u>(4,836,166)</u>
Total net position	\$ <u>(1,537,844)</u>	\$ <u>(584,395)</u>

CHANGE IN NET POSITION

	Governmental Activities	
	<u>2016</u>	<u>2015</u>
Revenues:		
Program revenues:		
Charges for services	\$ 6,028,664	\$ 7,260,347
Operating grants and contributions	3,369,344	2,520,835
General revenues:		
Assessments to members	11,538,951	10,878,707
Grants and contributions not restricted to specific programs	3,173,651	3,111,786
Investment income	21,664	8,314
Miscellaneous	<u>399,635</u>	<u>378,489</u>
Total revenues	24,531,909	24,158,478

(continued)

(continued)

CHANGE IN NET POSITION

	Governmental Activities	
	<u>2016</u>	<u>2015</u>
Expenses:		
Administration	1,805,205	1,686,398
Instruction	10,726,231	11,564,628
Other school services	2,619,973	2,573,936
Operation and maintenance	1,975,763	2,204,525
Fixed charges	7,151,718	5,538,072
Community services	619,044	17,665
Miscellaneous	177,924	78,405
Interest	201,696	214,567
Depreciation	<u>207,804</u>	<u>929,410</u>
Total expenses	<u>25,485,358</u>	<u>24,807,606</u>
Change in net position before transfers	(953,449)	(649,128)
Transfers to trust and agency funds	<u>-</u>	<u>(24,131)</u>
Change in net position	(953,449)	(673,259)
Net position - beginning of year	<u>(584,395)</u>	<u>88,864</u>
Net position - end of year	<u>\$ (1,537,844)</u>	<u>\$ (584,395)</u>

As noted earlier, net position may serve over time as a useful indicator of a District's financial position. At the close of the most recent fiscal year, total net position was \$(1,537,844), a change of \$(953,449) from the prior year.

The largest portion of net position, \$3,915,228, reflects our investment in capital assets (e.g., land, buildings and improvements, furniture and equipment, and construction in progress); less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net position, \$1,337,644, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position is in a deficit of \$(6,790,716), primarily resulting from the unfunded net OPEB obligation (see Note 15) and unfunded pension liability (see Note 16).

Governmental activities. Governmental activities for the year resulted in a change in net position of \$(953,449). Key elements of this change are as follows:

<u>Operating Results:</u>	
General fund revenues in excess of expenditures and transfers out	\$ 10,804
Capital projects fund expenditures in excess of revenues and transfers in	(124,358)
Nonmajor governmental funds revenues in excess of expenditures	<u>86,696</u>
Subtotal operating results	(26,858)
Purchase of fixed assets	850,218
Depreciation	(207,804)
Repayments of capital lease	255,855
Change in compensated absence liability	12,837
Change in net OPEB obligation	(1,173,697)
Change related to net pension liability	<u>(664,000)</u>
Total	<u>\$ (953,449)</u>

D. FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements.

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

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$7,819,582 a change of \$(26,858) in comparison to the prior year. Key elements of this change are as follows:

General fund revenues in excess of expenditures and transfers out	\$ 10,804
Capital projects fund expenditures in excess of revenues and transfers in	(124,358)
Nonmajor governmental funds revenues in excess of expenditures	<u>86,696</u>
Total	<u>\$ (26,858)</u>

The general fund is the chief operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was \$752,774, while total fund balance was \$7,001,502. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Refer to the table below.

<u>General Fund</u>	<u>06/30/16</u>	<u>06/30/15</u>	<u>Change</u>	<u>% of Total General Fund Expenditures</u>
Unassigned fund balance	\$ 752,774	\$ 1,057,298	\$ (304,524)	4%
Total fund balance	\$ 7,001,502	\$ 6,990,698	\$ 10,804	37%

The total fund balance of the general fund changed by \$10,804 during the current fiscal year. Key factors in this change are as follows:

Revenues in excess of budget	\$ 295,509
Expenditures less than budget	207,775
Use of fund balance - prior year tuition	(5,418,352)
Use of fund balance - operations	(145,000)
Current year tuition received - assigned to 2017 budget	4,449,602
Expenditures of prior year encumbrances	(93,508)
Current year encumbrances	613,509
Stabilization fund activity	<u>101,269</u>
Total	<u>\$ 10,804</u>

Included in the total general fund balance is the District's stabilization fund with the following balance:

	<u>6/30/16</u>	<u>6/30/15</u>	<u>Change</u>
Stabilization	\$ <u>349,073</u>	\$ <u>247,804</u>	\$ <u>101,269</u>

E. GENERAL FUND BUDGETARY HIGHLIGHTS

During fiscal year 2016, there was no overall change to the original budget; however, there were line item transfers voted by the School Committee.

F. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. Total investment in capital assets at year-end amounted to \$7,943,015 (net of accumulated depreciation), a change of \$642,414 from the prior year. This investment in capital assets includes land, construction in progress, buildings and improvements, and furniture and equipment.

Long-term debt. At the end of the current fiscal year, total long-term debt outstanding (capital leases) was \$3,665,900, all of which was backed by the full faith and credit of the District.

Additional information on capital assets and long-term debt can be found in the notes to the financial statements.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Minuteman Regional Vocational Technical 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:

Assistant Superintendent of Finance
Minuteman Regional Vocational
Technical School District
758 Marrett Road
Lexington, MA 02713

MINUTEMAN REGIONAL VOCATIONAL TECHNICAL SCHOOL DISTRICT

STATEMENT OF NET POSITION

JUNE 30, 2016

	<u>Governmental Activities</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	
Current:	
Cash and short-term investments	\$ 9,229,185
Receivables:	
Intergovernmental	<u>380,507</u>
Total current assets	9,609,692
Noncurrent:	
Land	668,673
Construction in progress	771,465
Capital assets, net of accumulated depreciation	<u>6,502,877</u>
Total noncurrent assets	<u>7,943,015</u>
Deferred outflows of resources	<u>1,569,000</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	19,121,707
LIABILITIES	
Current:	
Accounts payable	31,090
Accrued payroll and withholdings	1,346,361
Other current liabilities	38,259
Bond anticipation notes payable	374,400
Capital lease payable	<u>280,923</u>
Total current liabilities	2,071,033
Noncurrent:	
Capital lease payable	3,384,977
Compensated absence liability	237,069
Net OPEB obligation	12,599,472
Net pension liability	<u>2,367,000</u>
Total noncurrent liabilities	<u>18,588,518</u>
TOTAL LIABILITIES	20,659,551
NET POSITION	
Net investment in capital assets	3,915,228
Restricted for:	
Grants and other statutory restrictions	1,337,644
Unrestricted	<u>(6,790,716)</u>
TOTAL NET POSITION	\$ <u>(1,537,844)</u>

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

MINUTEMAN REGIONAL VOCATIONAL TECHNICAL SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2016

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expenses) Revenues and Change in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental Activities:				
Administration	\$ 1,805,205	\$ -	\$ -	\$ (1,805,205)
Instruction	10,726,231	5,725,298	582,733	(4,418,200)
Other school services	2,619,973	199,314	123,608	(2,297,051)
Operation and maintenance	1,975,763	104,052	-	(1,871,711)
Fixed charges	7,151,718	-	2,514,512	(4,637,206)
Community services	619,044	-	-	(619,044)
Other	177,924	-	-	(177,924)
Interest	201,696	-	148,491	(53,205)
Depreciation	207,804	-	-	(207,804)
Total	<u>\$ 25,485,358</u>	<u>\$ 6,028,664</u>	<u>\$ 3,369,344</u>	(16,087,350)
General Revenues:				
Assessments to members				11,538,951
Grants and contributions not restricted to specific programs				3,173,651
Investment income				21,664
Miscellaneous				<u>399,635</u>
Total general revenues				<u>15,133,901</u>
Change in Net Position				(953,449)
Net Position:				
Beginning of year				<u>(584,395)</u>
End of year				<u>\$ (1,537,844)</u>

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

MINUTEMAN REGIONAL VOCATIONAL TECHNICAL SCHOOL DISTRICT

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2016

	<u>General</u>	<u>Capital Projects Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and short-term investments	\$ 8,038,303	\$ 12,514	\$ 1,178,368	\$ 9,229,185
Receivables:				
Intergovernmental	<u>270,972</u>	<u>-</u>	<u>109,535</u>	<u>380,507</u>
TOTAL ASSETS	<u>\$ 8,309,275</u>	<u>\$ 12,514</u>	<u>\$ 1,287,903</u>	<u>\$ 9,609,692</u>
LIABILITIES				
Accounts payable	\$ 16,174	\$ -	\$ 14,916	\$ 31,090
Accrued payroll and withholdings	1,266,443	-	79,918	1,346,361
Other current liabilities	25,156	-	13,103	38,259
Bond anticipation notes payable	<u>-</u>	<u>374,400</u>	<u>-</u>	<u>374,400</u>
TOTAL LIABILITIES	1,307,773	374,400	107,937	1,790,110
FUND BALANCES				
Restricted	15,478	-	1,322,166	1,337,644
Committed	349,073	-	-	349,073
Assigned	5,884,177	-	-	5,884,177
Unassigned	<u>752,774</u>	<u>(361,886) *</u>	<u>(142,200)</u>	<u>248,688</u>
TOTAL FUND BALANCES	<u>7,001,502</u>	<u>(361,886)</u>	<u>1,179,966</u>	<u>7,819,582</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 8,309,275</u>	<u>\$ 12,514</u>	<u>\$ 1,287,903</u>	<u>\$ 9,609,692</u>

* See Note 2.E.

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

MINUTEMAN REGIONAL VOCATIONAL TECHNICAL SCHOOL DISTRICT

RECONCILIATION OF TOTAL GOVERNMENTAL FUND
BALANCES TO NET POSITION OF GOVERNMENTAL
ACTIVITIES IN THE STATEMENT OF NET POSITION

JUNE 30, 2016

Total governmental fund balances	\$ 7,819,582
• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	7,943,015
• Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.	
Capital lease payable	(3,665,900)
Compensated absence liability	(237,069)
Net OPEB obligation	(12,599,472)
Net pension liability	(2,367,000)
• Deferred outflows of resources from net pension liability	<u>1,569,000</u>
Net position of governmental activities	\$ <u><u>(1,537,844)</u></u>

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

MINUTEMAN REGIONAL VOCATIONAL TECHNICAL SCHOOL DISTRICT

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2016

	<u>General</u>	<u>Capital Projects Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Assessments to members	\$ 10,889,497	\$ -	\$ 649,454	\$ 11,538,951
Intergovernmental revenues	3,173,651	148,491	706,341	4,028,483
Charges for services	4,849,602	-	1,179,062	6,028,664
Investment income	21,193	-	471	21,664
Miscellaneous	78,819	-	320,816	399,635
	<u>19,012,762</u>	<u>148,491</u>	<u>2,856,144</u>	<u>22,017,397</u>
Expenditures:				
Current:				
Administration	1,812,375	-	-	1,812,375
Instruction	9,533,709	-	1,458,762	10,992,471
Other school services	2,186,297	-	462,657	2,648,954
Operation and maintenance	1,801,940	-	54,367	1,856,307
Fixed charges	2,664,485	-	135,023	2,799,508
Community services	87,255	-	531,789	619,044
Capital acquisitions	347,272	332,849	-	680,121
Other	51,074	-	126,850	177,924
Debt service	457,551	-	-	457,551
	<u>18,941,958</u>	<u>332,849</u>	<u>2,769,448</u>	<u>22,044,255</u>
Excess (deficiency) of revenues over expenditures	70,804	(184,358)	86,696	(26,858)
Other Financing Sources (Uses):				
Transfers in	100,000	60,000	-	160,000
Transfers out	(160,000)	-	-	(160,000)
	<u>(60,000)</u>	<u>60,000</u>	<u>-</u>	<u>-</u>
Change in fund balance	10,804	(124,358)	86,696	(26,858)
Fund Equity, at Beginning of Year	<u>6,990,698</u>	<u>(237,528)</u>	<u>1,093,270</u>	<u>7,846,440</u>
Fund Equity, at End of Year	<u>\$ 7,001,502</u>	<u>\$ (361,886)</u>	<u>\$ 1,179,966</u>	<u>\$ 7,819,582</u>

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

MINUTEMAN REGIONAL VOCATIONAL TECHNICAL SCHOOL DISTRICT

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

FOR THE YEAR ENDED JUNE 30, 2016

Net changes in fund balances - total governmental funds	\$ (26,858)
<ul style="list-style-type: none"> 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 acquisitions	850,218
Depreciation	(207,804)
<ul style="list-style-type: none"> The issuance of long-term debt (e.g., capital lease) 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: 	
Repayments of capital lease	255,855
<ul style="list-style-type: none"> Some expenses reported in the Statement of Activities, do not require the use of current financial resources and therefore, are not reported as expenditures in governmental funds: 	
Change in compensated absence liability	12,837
Change in net OPEB obligation	(1,173,697)
GASB 68 changes:	
Net pension liability	(2,057,000)
Deferred outflows of resources	<u>1,393,000</u>
Change in net position of governmental activities	\$ <u><u>(953,449)</u></u>

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

MINUTEMAN REGIONAL VOCATIONAL TECHNICAL SCHOOL DISTRICT

GENERAL FUND

STATEMENT OF REVENUES AND OTHER SOURCES,
AND EXPENDITURES AND OTHER USES - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2016

	Original <u>Budget</u>	Final <u>Budget</u>	Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
Revenues and Other Sources:				
Assessments to members	\$ 10,889,497	\$ 10,889,497	\$ 10,889,497	\$ -
Intergovernmental revenues	2,978,154	2,978,154	3,173,651	195,497
Charges for services	400,000	400,000	400,000	-
Investment income	-	-	21,193	21,193
Miscellaneous	-	-	78,819	78,819
Use of fund balance - prior year tuition	5,418,352	5,418,352	5,418,352	-
Use of fund balance - operations	<u>145,000</u>	<u>145,000</u>	<u>145,000</u>	<u>-</u>
Total Revenues and Other Sources	19,831,003	19,831,003	20,126,512	295,509
Expenditures and Other Uses:				
Administration	1,745,339	1,817,508	1,810,209	7,299
Instruction	10,000,498	9,606,497	9,511,386	95,111
Other school services	2,124,081	2,264,081	2,186,450	77,631
Operation and maintenance	1,833,095	1,807,809	1,799,164	8,645
Fixed charges	2,886,935	2,692,935	2,713,344	(20,409)
Community services	100,000	100,000	87,255	12,745
Capital acquisitions	490,973	917,591	847,320	70,271
Other	30,000	4,500	50,549	(46,049)
Debt service	460,082	460,082	457,551	2,531
Transfers out	<u>160,000</u>	<u>160,000</u>	<u>160,000</u>	<u>-</u>
Total Expenditures and Other Uses	<u>19,831,003</u>	<u>19,831,003</u>	<u>19,623,228</u>	<u>207,775</u>
Excess of revenues and other sources over expenditures and other uses	\$ <u>-</u>	\$ <u>-</u>	\$ <u>503,284</u>	\$ <u>503,284</u>

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

MINUTEMAN REGIONAL VOCATIONAL TECHNICAL SCHOOL DISTRICT

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2016

	Retirement Trust Fund (As of <u>December 31, 2015</u>)	Private Purpose Trust Funds	Agency Funds
ASSETS			
Cash and short-term investments	\$ 461,764	\$ 185,252	\$ 55,070
Investments, at fair value	12,225,002	-	-
Receivables	<u>18,783</u>	<u>-</u>	<u>-</u>
Total Assets	12,705,549	185,252	55,070
LIABILITIES			
Due to student groups	<u>-</u>	<u>-</u>	<u>55,070</u>
Total Liabilities	<u>-</u>	<u>-</u>	<u>55,070</u>
NET POSITION			
Total net position held in trust	<u>\$ 12,705,549</u>	<u>\$ 185,252</u>	<u>\$ -</u>

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

MINUTEMAN REGIONAL VOCATIONAL TECHNICAL SCHOOL DISTRICT

FIDUCIARY FUNDS

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FOR THE YEAR ENDED JUNE 30, 2016

	Retirement Trust Fund (Year ended <u>December 31, 2015</u>)	Private Purpose <u>Trust Funds</u>
Additions:		
Contributions:		
Employer	\$ 170,000	\$ -
Plan members	220,363	-
Other systems and Commonwealth of Massachusetts	163,245	-
Other	<u>-</u>	<u>35,619</u>
Total contributions	553,608	35,619
Investment income	<u>88,174</u>	<u>1,341</u>
Total investment income	<u>88,174</u>	<u>1,341</u>
Total additions	641,782	36,960
Deductions:		
Benefit payments to plan members and beneficiaries	1,009,138	-
Refunds to plan members	34,463	-
Transfers to other systems	26,720	-
Administrative expenses	40,101	-
Scholarships and other	<u>-</u>	<u>18,570</u>
Total deductions	<u>1,110,422</u>	<u>18,570</u>
Net increase (decrease)	(468,640)	18,390
Net position:		
Beginning of year	<u>13,174,189</u>	<u>166,862</u>
End of year	<u>\$ 12,705,549</u>	<u>\$ 185,252</u>

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

MINUTEMAN REGIONAL VOCATIONAL TECHNICAL SCHOOL DISTRICT

Notes to the Financial Statements

1. Summary of Significant Accounting Policies

The accounting policies of the Minuteman Regional Vocational Technical School District (the District) conform to generally accepted accounting principles (GAAP) as applicable to governmental units. The following is a summary of the more significant policies:

A. Reporting Entity

The District is a municipal corporation governed by an elected School Committee. As required by generally accepted accounting principles, these financial statements present the District and applicable component units for which the District is considered to be financially accountable. In fiscal year 2016, it was determined that no entities met the required GASB 14 (as amended) criteria of component units.

The Minuteman Regional School District Contributory Retirement System (the System), which was established to provide retirement benefits primarily to employees and their beneficiaries, is presented using the accrual basis of accounting and is reported as a pension trust fund in the fiduciary fund financial statements. Additional financial information of the System can be obtained by contacting the System located at 758 Marrett Road, Lexington, Massachusetts.

B. Government-wide and Fund Financial Statements

Government-wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary District. For the most part, the effect of interfund activity has been removed from these statements.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Member assessments and other items not properly included among program revenues are reported instead as *general revenues*.

Fund Financial Statements

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

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

Government-wide Financial Statements

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include member assessments.

Fund Financial Statements

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Typically, revenue items are considered to be measurable and available only when cash is received by the District. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The District reports the following major governmental funds:

- The *General Fund* is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The *Capital Projects Fund* is used to segregate activities related to the District's capital projects.

The *Retirement Trust Fund* accounts for the activities of the Minuteman Regional School District Contributory Retirement System, which accumulates resources for pension benefit payments to qualified employees.

Private Purpose Trust Funds are used to account for trust arrangements, under which principal and investment income exclusively benefit individuals.

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

D. Cash and Short-Term Investments

Cash balances from all funds, except those required to be segregated by law, are combined to form a consolidation of cash. Cash balances are invested to the extent available, and interest earnings are recognized in the general fund. Certain special revenue and fiduciary funds segregate cash, and investment earnings become a part of those funds.

Deposits with financial institutions consist primarily of demand deposits, certificates of deposits, and savings accounts. A cash and investment pool is maintained that is available for use by all funds. Each fund's portion of this pool is reflected on the combined financial statements under the caption "cash and short-term investments". The interest earnings attributable to each fund type are included under investment income.

E. Investments

State and local statutes place certain limitations on the nature of deposits and investments available. Deposits in any financial institution may not exceed certain levels within the financial institution. Non-fiduciary fund investments can be made in securities issued by or unconditionally guaranteed by the U.S. Government or agencies that have a maturity of one year or less from the date of purchase and repurchase agreements guaranteed by such securities with maturity dates of no more than 90 days from the date of purchase.

F. Capital Assets

Capital assets, which include land, buildings and improvements, furniture and equipment, and construction in progress, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed.

Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	20 - 40
Furniture and equipment	3 - 20

G. Compensated Absences

It is the District's policy to permit employees to accumulate earned but unused vacation benefits. All vested vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

H. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities Statement of Net Position.

I. Fund Equity

Fund equity at the governmental fund financial reporting level is classified as "fund balance". Fund equity for all other reporting is classified as "net position".

Fund Balance - Generally, fund balance represents the difference between the current assets/deferred outflows and current liabilities/deferred inflows. The District reserves those portions of fund balance that are legally segregated for a specific future use or which do not represent available, spendable resources and, therefore, are not available for appropriation or expenditure. Unassigned fund balance indicates that portion of fund balance that is available for appropriation in future periods.

The District's fund balance classification policies and procedures are as follows:

- 1) Nonspendable funds are either unspendable in the current form (i.e., inventory or prepaid items) or can never be spent.
- 2) Restricted funds are used solely for the purpose in which the fund was established. In the case of special revenue funds, these funds are created by statute or otherwise have external constraints on how the funds can be expended.
- 3) Committed funds are reported and expended as a result of motions passed by the highest decision making authority in the District. (i.e., the School Committee).
- 4) Assigned funds are used for specific purposes as established by management. These funds, which include encumbrances, have been assigned for specific goods and services ordered but not yet paid for. This account also includes fund balance voted to be used in subsequent fiscal year.
- 5) Unassigned funds are available to be spent in future periods.

When an expenditure is incurred that would qualify for payment from multiple fund balance types, the District uses the following order to liquidate liabilities: restricted, committed, assigned, and unassigned.

Net Position - Net position represents the difference between assets/deferred outflows and liabilities/deferred inflows. Net investment in capital assets consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The remaining net position is reported as unrestricted.

J. Use of Estimates

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

2. Stewardship, Compliance, and Accountability

A. Budgetary Information

The Regional School Committee annually determines the amount to be raised (after deducting the amount of anticipated revenue the District expects to receive) to maintain and operate the District during the next fiscal year. The District then calculates the assessments to each member community based on its approved budget and seeks an appropriation in the amount of that assessment from each community. After assessments are appropriated by each member community that are consistent with the School Committee's budget (either its initial budget or a budget revised to be consistent with the member's appropriations), the District Treasurer certifies the assessments to the treasurers of the member communities.

Formal budgetary integration is employed as a management control device during the year for the General Fund. Effective budgetary control is achieved for all other funds through provisions of the Massachusetts General Laws.

At year-end, appropriation balances lapse, except for certain unexpended capital items and encumbrances which will be honored during the subsequent year.

B. Budgetary Basis

The General Fund final appropriation appearing on the "Budget and Actual" page of the fund financial statements represents the final amended budget after all reserve fund transfers and supplemental appropriations.

C. Budget/GAAP Reconciliation

The budgetary data for the General Fund is based upon accounting principles that differ from generally accepted accounting principles (GAAP). Therefore, in addition to the GAAP basis financial statements, the results of operations of the General Fund are presented in accordance with budgetary accounting principles to provide a meaningful comparison to budgetary data.

The following is a summary of adjustments made to the actual revenues and other sources, and expenditures and other uses, to conform to the budgetary basis of accounting.

<u>General Fund</u>	<u>Revenues and Other Financing Sources</u>	<u>Expenditures and Other Financing Uses</u>
Revenues/Expenditures (GAAP Basis)	\$ 19,012,762	\$ 18,941,958
Other financing sources/uses (GAAP Basis)	<u>100,000</u>	<u>160,000</u>
Subtotal (GAAP Basis)	19,112,762	19,101,958
Reverse beginning of year appropriation carryforwards from expenditures	-	(92,239)
Add end-of-year appropriation carryforwards to expenditures	-	613,509
Recognize use of fund balance as funding source - prior year tuition	5,418,352	-
Current year tuition received - assigned to 2017 budget	(4,449,602)	-
Recognize use of fund balance as funding source - operations	145,000	-
To reverse stabilization fund activity	<u>(100,000)</u>	<u>-</u>
Budgetary Basis	<u>\$ 20,126,512</u>	<u>\$ 19,623,228</u>

D. Assessments of Member Communities

Most capital and operating costs of the District in excess of each town's net minimum contribution are apportioned to the member towns on the basis of their respective pupil enrollments in the District on October 1 of the preceding year. Certain costs, such as transportation and debt service, are outside of the net school spending requirements established by the Commonwealth of Massachusetts. These costs are apportioned to the member towns based on either a percentage or on a member-specific basis.

	<u>Minimum Contribution</u>	<u>Total Assessment</u>
Town of Acton	\$ 925,545	\$ 925,545
Town of Arlington	4,010,950	4,010,950
Town of Belmont	831,520	831,520
Town of Bolton	428,949	428,949
Town of Boxborough	165,340	165,340
Town of Carlisle	226,285	226,285
Town of Concord	407,041	407,041
Town of Dover	91,149	91,149
Town of Lancaster	964,836	964,836
Town of Lexington	1,172,736	1,172,736
Town of Lincoln	150,972	150,972
Town of Needham	650,010	650,010
Town of Stow	618,680	618,680
Town of Sudbury	694,384	694,384
Town of Wayland	109,056	109,056
Town of Weston	<u>91,498</u>	<u>91,498</u>
Total	<u>\$ 11,538,951</u>	<u>\$ 11,538,951</u>

E. Deficit Fund Equity

The following funds had deficits as of June 30, 2016:

<u>Fund Name</u>	<u>Fund Number</u>	
HVAC	1420500	\$ (20)
School store	1421700	(5,391)
Food Service	2000000	(2,150)
SPED FY15	4024015	(1)
Title I FY16	4030516	(14,044)
Perkins FY14	4040014	(285)
Perkins FY16	4040016	(33,550)
Mass Skill Capital Grant	5520916	(10,231)
MPA Grant FY15	6000115	(3,508)
Mass Life Science	6000616	(67,394)
Mass Clean Energy	<u>6020515</u>	<u>(5,626)</u>
Subtotal grants and revolving funds		(142,200)
Capital projects **		<u>(361,886)</u>
Total		<u>\$ (504,086)</u>

The deficits in the grants and revolving funds will be eliminated through future departmental revenues and transfers from other funds.

** The deficit in the capital projects will be eliminated by the receipt of future bond proceeds. In fiscal year 2016, the District issued BANs to meet the cash flow needs for capital projects.

3. Cash and Short-Term Investments

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the District's and System's deposits may not be returned.

Massachusetts General Law Chapter 44, Section 55, limits the District's deposits "in a bank or trust company or banking company to an amount not exceeding sixty percent of the capital and surplus of such bank or trust company or banking company, unless satisfactory security is given to it by such bank or trust company or banking company for such excess."

Massachusetts General Law Chapter 32, Section 23, limits the Minuteman Regional School District Contributory Retirement System's deposits, "in a bank or trust company to an amount not exceeding ten percent of the capital and surplus of such bank or trust company."

The District and the Minuteman Regional School District Contributory Retirement System do not have a deposit policy for custodial credit risk.

As of June 30, 2016, approximately \$3.5 million of the District's bank balance was uninsured or uncollateralized. At December 31, 2015, \$220,352 of the Minuteman Regional School District Contributory Retirement System's bank balances was uninsured or uncollateralized.

4. Investments

A. Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. Massachusetts General Law, Chapter 32, Section 23, limits the investment of Minuteman Regional School District Contributory Retirement System funds, to the extent not required for current disbursements, in the PRIT Fund or in securities, other than mortgages or collateral loans, which are legal for the investment of funds in savings banks under the laws of the Commonwealth of Massachusetts, provided that no more than the established percentage of assets is invested in any one security.

At December 31, 2015, the Minuteman Regional School District Contributory Retirement System had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>
State Investment Pool*	\$ <u>12,225,002</u>

**Fair value is the same as the value of the pool share. The Pension Reserves Investment Trust was created under Massachusetts general law, chapter 32, section 22, in December 1983. The Pension Reserves Investment Trust is operated under contract with a private investment advisor, approved by the Pension Reserves Investment Management Board. The Pension Reserves Investment Management Board shall choose an investment advisor by requesting proposals from advisors and reviewing such proposals based on criteria adopted under Massachusetts general law, chapter 30B.*

B. Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Minuteman Regional School District Contributory Retirement System does not have policies for custodial credit risk.

The Minuteman Regional School District Contributory Retirement System's investments of \$12,225,002 were exposed to custodial credit risk as uninsured or uncollateralized. However, the investments were held in the State Investment Pool.

C. Concentration of Credit Risk

Massachusetts General Law Chapter 32, Section 23 limits the amount the Minuteman Regional School District Contributory Retirement System may invest in any one issuer or security type, with the exception of the PRIT Fund.

The Minuteman Regional School District Contributory Retirement System does not have an investment in one issuer greater than 5% of total investments.

D. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Minuteman Regional School District Contributory Retirement System 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 Minuteman Regional School District Contributory Retirement System does not maintain investments that are sensitive to market interest rate fluctuations.

E. Foreign Currency Risk

Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair value of an investment. The Minuteman Regional School District Contributory Retirement System does not have policies for foreign currency risk.

F. Fair Value

The Minuteman Regional School District Contributory Retirement System categorizes its fair value measurements within the fair value hierarchy established by Governmental Accounting Standards Board Statement No. 72 *Fair Value Measurement and Application* (GASB 72). The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The System has the following fair value measurements as of December 31, 2015:

<u>Description</u>	<u>Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency (If currently eligible)</u>	<u>Redemption Notice Period</u>
External investment pool	\$ 12,225,002	\$ -	Monthly	30 days

5. Intergovernmental Receivables

This balance represents reimbursements requested from federal, state, and local agencies for expenditures incurred in fiscal year 2016.

6. Interfund Fund Accounts

Transfers

The District reports interfund transfers between various funds. Most transfers result from budgetary or statutory actions, whereby funds are moved to accomplish various expenditures purposes. The sum of all transfers presented in the table agrees with the sum of interfund transfers presented in the governmental fund financial statements. The following is an analysis of interfund transfers:

Governmental Funds:	<u>Transfers In</u>	<u>Transfer Out</u>
General Fund	\$ -	\$ 160,000
Stabilization Fund	100,000	-
Capital Projects Fund	<u>60,000</u>	<u>-</u>
Total	\$ <u>160,000</u>	\$ <u>160,000</u>

7. Capital Assets

Capital asset activity for the year ended June 30, 2016 was as follows (in thousands):

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 22,709	\$ 101	\$ -	\$ 22,810
Furniture and equipment	<u>2,705</u>	<u>392</u>	<u>-</u>	<u>3,097</u>
Total capital assets, being depreciated	25,414	493	-	25,907
Less accumulated depreciation for:				
Buildings and improvements	(16,932)	(101)	-	(17,033)
Furniture and equipment	<u>(2,264)</u>	<u>(107)</u>	<u>-</u>	<u>(2,371)</u>
Total accumulated depreciation	<u>(19,196)</u>	<u>(208)</u>	<u>-</u>	<u>(19,404)</u>
Total capital assets, being depreciated, net	6,218	285	-	6,503
Capital assets, not being depreciated:				
Land	669	-	-	669
Construction in progress	<u>415</u>	<u>356</u>	<u>-</u>	<u>771</u>
Total capital assets, not being depreciated	<u>1,084</u>	<u>356</u>	<u>-</u>	<u>1,440</u>
Governmental activities capital assets, net	\$ <u>7,302</u>	\$ <u>641</u>	\$ <u>-</u>	\$ <u>7,943</u>

8. Deferred Outflows of Resources

Deferred outflows of resources represent the consumption of net assets by the District in future reporting periods. Deferred outflows of resources have a positive effect on net position, similar to assets.

The following is a summary of deferred outflows of resources as of June 30, 2016:

	<u>Governmental Activities</u>
Pension related:	
Difference between expected and actual experience	\$ 298,000
Net difference between projected and actual investment earnings	723,000
Changes in assumptions	<u>548,000</u>
Total	<u>\$ 1,569,000</u>

9. Accounts Payable

Accounts payable represent 2016 expenditures paid after July 15, 2016.

10. Bond Anticipation Notes Payable

The following summarizes notes payable activity during fiscal year 2016:

<u>Issue Amount</u>	<u>Issue Date</u>	<u>Interest Rate</u>	<u>Balance Beginning of Year</u>	<u>Advances</u>	<u>Repayments</u>	<u>Balance End of Year</u>
\$ 254,400	11/21/14	0.55%	\$ 254,400	\$ -	\$ (254,400)	\$ -
\$ 180,000	06/26/15	0.60%	180,000	-	(180,000)	-
\$ 254,400	11/20/15	0.75%	-	254,400	-	254,400
\$ 180,000	06/24/16	0.85%	-	120,000	-	120,000
Totals			<u>\$ 434,400</u>	<u>\$ 374,400</u>	<u>\$ (434,400)</u>	<u>\$ 374,400</u>

11. Long-Term Debt

A. Capital Lease Obligation

The District is the lessee of certain equipment under capital leases expiring in various years through 2025. Future minimum lease payments under the capital leases consisted of the following as of June 30, 2016:

<u>Fiscal</u> <u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 280,923	\$ 186,228	\$ 467,151
2018	307,746	171,957	479,703
2019	336,434	156,323	492,757
2020	367,101	139,233	506,334
2021	399,869	120,584	520,453
2021 - 2025	<u>1,973,827</u>	<u>260,815</u>	<u>2,234,642</u>
Total	\$ <u>3,665,900</u>	\$ <u>1,035,140</u>	\$ <u>4,701,040</u>

The general fund has been designated as the source to repay the capital leases outstanding.

B. Changes in General Long-Term Liabilities

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

	Total Balance 7/1/15	Additions	Reductions	Total Balance 6/30/16	Less Current Portion	Equals Long-Term Portion 6/30/16
<u>Governmental Activities</u>						
Capital leases	\$ 3,921,755	\$ -	\$ (255,855)	\$ 3,665,900	\$ (280,923)	\$ 3,384,977
Compensated absences	249,906	-	(12,837)	237,069	-	237,069
Net OPEB obligation	11,425,775	1,708,691	(534,994)	12,599,472	-	12,599,472
Net pension liability	<u>310,000</u>	<u>2,057,000</u>	<u>-</u>	<u>2,367,000</u>	<u>-</u>	<u>2,367,000</u>
Totals	\$ <u>15,907,436</u>	\$ <u>3,765,691</u>	\$ <u>(803,686)</u>	\$ <u>18,869,441</u>	\$ <u>(280,923)</u>	\$ <u>18,588,518</u>

12. Restricted Net Position

The accompanying entity-wide financial statements report restricted net position when external constraints from grantors or contributors are placed on net position.

13. Fund Balances

The following is a summary of the District's fund balances at June 30, 2016:

	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Restricted:				
Grants and revolving funds	\$ -	\$ -	\$ 1,322,166	\$ 1,322,166
Retirement plan	<u>15,478</u>	<u>-</u>	<u>-</u>	<u>15,478</u>
Total Restricted	15,478	-	1,322,166	1,337,644
Committed:				
Stabilization fund	<u>349,073</u>	<u>-</u>	<u>-</u>	<u>349,073</u>
Total Committed	349,073	-	-	349,073
Assigned:				
Reserve for expenditures - tuition	4,445,668	-	-	4,445,668
Reserve for expenditures - operations	825,000	-	-	825,000
Reserve for encumbrances	<u>613,509</u>	<u>-</u>	<u>-</u>	<u>613,509</u>
Total Assigned	5,884,177	-	-	5,884,177
Unassigned:				
Funds in deficit	-	(361,886)	(142,200)	(504,086)
Unassigned	<u>752,774</u>	<u>-</u>	<u>-</u>	<u>752,774</u>
Total Unassigned	<u>752,774</u>	<u>(361,886)</u>	<u>(142,200)</u>	<u>248,688</u>
Total	<u>\$ 7,001,502</u>	<u>\$ (361,886)</u>	<u>\$ 1,179,966</u>	<u>\$ 7,819,582</u>

14. Commitments and Contingencies

Outstanding Legal Issues - There are several pending legal issues in which the District is involved. The District's management is of the opinion that the potential future settlement of such claims would not materially affect its financial statements taken as a whole.

Grants - Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount of expenditures which may be disallowed by the grantor cannot be determined at this time, although the District expects such amounts, if any, to be immaterial.

15. Post-Employment Healthcare and Life Insurance Benefits

Other Post-Employment Benefits

GASB Statement 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*, requires governments to

account for other post-employment benefits (OPEB), primarily healthcare, on an accrual basis rather than on a pay-as-you-go basis. The effect is the recognition of an actuarially required contribution as an expense on the Statement of Activities when a future retiree earns their post-employment benefits, rather than when they use their post-employment benefit. To the extent that an entity does not fund their actuarially required contribution, a post-employment benefit liability is recognized on the Statement of Net Position over time.

A. Plan Description

In addition to providing the pension benefits described, the District provides post-employment healthcare and life insurance benefits for retired employees through the District's plan. The benefits, benefit levels, employee contributions and employer contributions are governed by Chapter 32 of the Massachusetts General Laws. As of July 1, 2014, the actuarial valuation date, 95 retirees and 154 active employees met the eligibility requirements. The plan does not issue a separate financial report.

B. Benefits Provided

The District provides medical and life insurance to retirees and their covered dependents. All active employees who retire from the District and meet the eligibility criteria will receive these benefits.

C. Funding Policy

Retirees contribute 40% of the cost of the health plan and 50% of the life insurance, as determined by the District. The District contributes the remainder of the health plan costs on a pay-as-you-go basis.

D. Annual OPEB Costs and Net OPEB Obligation

The District's fiscal year 2016 annual OPEB 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 No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost per year and amortize the unfunded actuarial liability over a period of thirty years. The following table shows the components of the District's annual OPEB cost for the year ending June 30, 2016, the amount actually contributed to the plan, and the change in the District's net OPEB obligation based on an actuarial valuation as of July 1, 2014.

Annual Required Contribution (ARC)	\$ 1,832,197
Interest on net OPEB obligation	457,031
Adjustment to ARC	<u>(580,537)</u>
Annual OPEB cost	1,708,691
Contributions made	<u>(534,994)</u>
Increase in net OPEB obligation	1,173,697
Net OPEB obligation - beginning of year	<u>11,425,775</u>
Net OPEB obligation - end of year	<u><u>\$ 12,599,472</u></u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2016	\$ 1,708,691	31.3%	\$ 12,599,472
2015	\$ 1,637,183	26.4%	\$ 10,295,570
2014	\$ 2,223,619	28.1%	\$ 8,725,218

E. Funded Status and Funding Progress

The funded status of the plan as of July 1, 2014, the date of the most recent actuarial valuation, was as follows:

Actuarial accrued liability (AAL)	\$ 16,938,786
Actuarial value of plan assets	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	<u><u>\$ 16,938,786</u></u>
Funded ratio (actuarial value of plan assets/AAL)	<u><u>0%</u></u>
Covered payroll (active plan members)	<u><u>\$ 10,579,325</u></u>
UAAL as a percentage of covered payroll	<u><u>160.1%</u></u>

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 included assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision, as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial

statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

F. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the plan as understood by the District 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 District and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce 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, 2014 actuarial valuation, the projected unit credit cost method was used. The actuarial value of assets was not determined, as the District has not advanced funded its obligation. The actuarial assumptions included a 4.00% investment rate of return and an initial 8.00% which decreases to a 5.00% long-term rate for all healthcare benefits by the year 2020. The amortization costs for the initial UAAL is a level percentage of payroll for a period of 30 years, on a closed basis. This has been calculated assuming a payroll growth rate of 3.00% annually.

16. Minuteman Regional School District Contributory Retirement System

The District follows the provisions of GASB Statement No. 67, Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25 and GASB Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27, with respect to the employees' retirement funds.

A. Plan Description

Substantially all employees of the District (except teachers) are members of the Minuteman Regional School District Contributory Retirement System (MMCRS), a single employer defined benefit public employee retirement system (PERS). Eligible employees must participate in the MMCRS. The pension plan provides pension benefits, deferred allowances, and death and disability benefits. Chapter 32 of the Massachusetts General Laws establishes the authority of the MMCRS Retirement Board. Chapter 32 also establishes contribution percentages and benefits paid.

The MMCRS is governed by a five-member Board. The five members include two appointed by the District, two elected by the members and retirees, and a fifth member chosen by the other four members with the approval of the Public Employee Retirement Administration Commission. The MMCRS does not have the authority to amend benefit provisions. As required by Massachusetts General Laws, MMCRS issues a separate report to the Commonwealth's Public Employee Retirement Administration Commission.

Membership of the plan consisted of the following at January 1, 2015 (the latest actuarial valuation):

Retirees and beneficiaries receiving benefits	39
Inactive members with a vested right to a deferred or moderate benefit	1
Active plan members	<u>53</u>
	<u>93</u>
Number of participating employers	1

B. Benefits Provided

A member's annual allowance is determined by multiplying average salary by a benefit rate related to the member's age and job classification at retirement, and the resulting product by his creditable service. The amount determined by the benefit formula cannot exceed 80% of the member's highest three year (or five year salary as discussed below) average salary. For veterans as defined in G.L. c. 32, s. 1, there is an additional benefit of \$15 per year for each year of creditable service, up to a maximum of \$300.

- Salary is defined as gross regular compensation. For employees who become members after January 1, 2011, regular compensation is limited to 64% of the federal limit found in 26 U.S.C. 401(a)(17). In addition, regular compensation for members who retire after April 2, 2012 will be limited to prohibit "spiking" of a member's salary to increase the retirement benefit.
- For persons who became members prior to April 2, 2012, average salary is the average annual rate of regular compensation received during the three consecutive years that produce the highest average, or, if greater, during the last three years (whether or not consecutive) preceding retirement.
- 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.

- The benefit rate varies with the member's retirement age. For persons who became members prior to April 2, 2012, the highest rate of 2.5% applies to Group 1 employees who retire at or after age 65, Group 2 employees who retire at or after age 60, and to Group 4 employees who retire at or after age 55. A .1% reduction is applied for each year of age under the maximum age for the member's group. For Group 2 employees who terminate from service under age 55, the benefit rate for a Group 1 employee shall be used.
- For persons who became members on or after April 2, 2012 and retire with less than 30 years of creditable service, the highest rate of 2.5% applies to Group 1 employees who retire at or after age 67, Group 2 employees who retire at or after age 62, and to Group 4 employees who retire at or after age 57. A .15% reduction is applied for each year of age under the maximum age for the member's group.
- For persons who became members on or after April 2, 2012 and retire with more than 30 years of creditable service, the highest rate of 2.5% applies to Group 1 employees who retire at or after age 67, Group 2 employees who retire at or after age 62, and to Group 4 employees who retire at or after age 55. A .125% reduction is applied for each year of age under the maximum age for the member's group.
- A participant who has attained the requisite years of creditable service can elect to defer his or her retirement until a later date. Group 4 employees cannot defer beyond age 65.
- All participants must begin to receive a retirement allowance or withdraw their accumulated deductions no later than April 15 of the calendar year following the year they reach age 70½.

C. Contributions

Participants contribute a set percentage of their gross regular compensation annually. Employee contribution percentages are specified in Chapter 32 of the Massachusetts General Laws. An employee's individual contribution percentage is determined by their date of entry into the System. In addition, all employees hired on or after January 1, 1979 contribute an additional 2% on all gross regular compensation over the rate of \$30,000 per year. The percentages are as follows:

Before January 1, 1975	5%
January 1, 1975 - December 31, 1983	7%
January 1, 1984 - June 30, 1996	8%
Beginning July 1, 1996	9%

For those members entering a Massachusetts System on or after April 2, 2012 in Group 1, the contribution rate will be reduced to 6% when at least 30 years of creditable service has been attained.

The District is required to contribute at actuarially determined rates as accepted by the Public Employee Retirement Administration Commission (PERAC).

The District's contribution to the MMCRS for the year ended June 30, 2016 was \$170,000, which was equal to its annual required contribution.

D. Summary of Significant Accounting Policies

The accounting policies of the MMCRS as reflected in the accompanying financial statements for the year ended December 31, 2015 conform to generally accepted accounting principles for public employee retirement systems (PERS). The more significant accounting policies of the MMCRS are summarized below:

Basis of Accounting

Contributory retirement system financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized as revenue in the period in which the members provide services to the employer. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Investments

Investment Policy

Investments are reported at fair value in accordance with PERAC requirements. MMCRS 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.

Rate of Return

For the year ended December 31, 2015, the money weighted rate of return on investments, net of investment expenses, was 0.71%.

Net Pension Liability

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the MMCRS and additions to/deductions from MMCRS's fiduciary net

position have been determined on the same basis as they are reported by MMCRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

E. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2016, the District reported a liability of \$2,367,000 representing the total net pension liability of the MMCRS. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2015.

For the year ended June 30, 2016, the District recognized total pension expense of \$685,000. In addition, the District reported deferred outflows of resources related to pensions from the following:

Differences between expected and actual experience	\$ 298,000
Net difference between the projected and actual earnings on pension investments	723,000
Changes in assumptions	<u>548,000</u>
Total	<u>\$ 1,569,000</u>

Amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2017	\$ 464,000
2018	464,000
2019	464,000
2020	<u>177,000</u>
Total	<u>\$ 1,569,000</u>

F. Net Pension Liability of the District

The net pension liability was based on an actuarial valuation dated January 1, 2015 and rolled forward to December 31, 2015.

The components of the net pension liability of the District at June 30, 2016 are as follows:

Total pension liability	\$ 15,073,000
Plan fiduciary net position	<u>12,706,000</u>
District's net pension liability	<u>\$ 2,367,000</u>
 Plan fiduciary net position as a percentage of total pension liability	 84.3%

G. Actuarial Assumptions

A summary of the actuarial assumptions as of the latest actuarial valuation is shown below:

Valuation Date	January 1, 2015
Actuarial cost method	Entry Age
Actuarial assumptions:	
Investment rate of return	7.50%
Projected salary increases	4.25% for Group 1
Inflation rate	Not explicitly assumed
Post-retirement cost-of-living adjustment	3% of first \$13,000

Actuarial valuation of the MMCRS involves estimates of the reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality and future salary increases. Amounts determined regarding the net pension liability are subject to continual revision, as actual results are compared with past expectations and new estimates are made about the future. The actuarial assumptions used in the MMCRS valuation were based on the results of the most recent actuarial experience study, which was as of January 1, 2015:

- Mortality –
 - Pre-retirement rates reflect the RP-2000 Employees table projected generationally with Scale BB and a base year of 2009 (gender distinct)
 - Post-retirement rates reflect the RP-2000 Healthy Annuitant table projected generationally with Scale BB and a base year of 2009 (gender distinct).
 - For disabled retirees, the rates reflect the RP-2000 Healthy Annuitant table projected generationally with Scale BB and a base year of 2012 (gender distinct).

Target Allocations

The long-term expected rate of return on pension plan investments was selected from a best estimate range determined using the building block approach. Under this method, an expected future real return range (expected returns, net of pension plan investment expense and inflation) is calculated separately for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return net of investment expenses by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return, without inflation, for each major class are summarized in the following table:

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Real Return Arithmetic Basis</u>	<u>Long-Term Expected Real Rate of Return</u>
Large Cap Equities	14.50%	7.50%	1.09%
Small/Mid Cap Equities	3.50%	7.75%	0.27%
Int'l Equities (Unhedged)	16.00%	8.00%	1.28%
Emerging Int'l Equities	6.00%	9.25%	0.56%
High-Yield Bonds	1.50%	5.75%	0.09%
Bank Loans	1.50%	6.00%	0.09%
EMD (External)	1.00%	6.00%	0.06%
EMD (Local Currency)	2.00%	6.75%	0.14%
TIPS	3.00%	4.00%	0.12%
20+ Year Treasury STIPS	7.00%	4.00%	0.28%
Core Bonds	3.00%	3.98%	0.12%
Private Equity	10.00%	9.50%	0.95%
Private Debt	4.00%	8.00%	0.32%
Real Estate (Core)	10.00%	6.50%	0.65%
Hedge Funds	9.00%	6.75%	0.61%
Timber/Natural Resources	4.00%	6.75%	0.27%
Portfolio Completion Strategies	4.00%		0.00%
Total	<u>100.00%</u>		<u>6.90%</u>

H. Discount Rate

The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all 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.

I. Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District’s net pension liability calculated using the discount rate of 7.50%, as well as what the District’s the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower (6.50%) or one percentage-point higher (8.50%) than the current rate (in thousands):

<u>Fiscal Year Ended</u>	1% Decrease <u>(6.50%)</u>	Current Discount Rate <u>(7.50%)</u>	1% Increase <u>(8.50%)</u>
June 30, 2016	\$ 4,006	\$ 2,367	\$ 978

17. Massachusetts Teachers’ Retirement System (MTRS)

A. Plan Description

The Massachusetts Teachers’ Retirement System (MTRS) is a public employee retirement system (PERS) that administers a cost-sharing multi-employer defined benefit plan, as defined in Governmental Accounting Standards Board (GASB) Statement No. 67, Financial Reporting for Pension Plans. MTRS is managed by the Commonwealth of Massachusetts on behalf of municipal teachers and municipal teacher retirees. The Commonwealth is a nonemployer contributor and is responsible for all contributions and future benefit requirements of the MTRS. The MTRS covers certified teachers in cities (except Boston), towns, regional school districts, charter schools, educational collaboratives, and Quincy College. The MTRS is part of the Commonwealth of Massachusetts reporting entity and does not issue a stand-alone audited financial report.

Management of MTRS is vested in the Massachusetts Teachers’ Retirement Board (MTRB), which consists of seven members—two elected by the MTRS members, one who is chosen by the six other MTRB members, the State Treasurer (or their designee), the State Auditor (or their designee), a member appointed by the Governor, and the Commissioner of Education (or their designee), who serves ex-officio as the Chairman of the MTRB.

B. Benefits Provided

MTRS provides retirement, disability, survivor, and death benefits to members and their beneficiaries. Massachusetts General Laws (MGL) establishes uniform benefit and contribution requirements for all contributory PERS. These requirements provide for superannuation retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. For employees hired after April 1, 2012, retirement allowances are calculated on the basis of the last five years or any five consecutive years, whichever is greater in terms of compensation. Benefit payments are based upon a member's age, length of creditable service, and group creditable service, and group classification. The authority for amending these provisions rests with the Legislature.

Members become vested after ten years of creditable service. A superannuation retirement allowance may be received upon the completion of twenty years of creditable service or upon reaching the age of 55 with ten years of service. Normal retirement for most employees occurs at age 65. Most employees who joined the system after April 1, 2012 cannot retire prior to age 60.

MTRS funding policies have been established by Chapter 32 of Massachusetts General Laws. The Legislature has the authority to amend these policies. The annuity portion of the MTRS retirement allowance is funded by employees, who contribute a percentage of their regular compensation. Costs of administering the plan are funded out of plan assets.

C. Contributions

Member contributions for MTRS vary depending on the most recent date of membership:

<u>Hire Date</u>	<u>% of Compensation</u>
Prior to 1975	5% of regular compensation
1975 - 1983	7% of regular compensation
1984 to 6/30/1996	8% of regular compensation
7/1/1996 to present	9% of regular compensation
7/1/2001 to present	11% of regular compensation (for teachers hired after 7/1/01 and those accepting provisions of Chapter 114 of the Acts of 2000)
1979 to present	An additional 2% of regular compensation in excess of \$30,000

D. Actuarial Assumptions

The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of January 1, 2015 rolled forward to June 30, 2015. This valuation used the following assumptions:

- (a) 7.50% investment rate of return, (b) 3.5% interest rate credited to the annuity savings fund and (c) 3.0% cost of living increase per year.
- Salary increases are based on analyses of past experience, but range from 4.0% to 7.5% depending on length of service.
- Mortality rates were as follows:
 - Pre-retirement - reflects RP-2014 Employees table projected generationally with Scale BB and a base year of 2014 (gender distinct)
 - Post-retirement - reflects RP-2014 Healthy Annuitant table projected generationally with Scale BB and a base year of 2014 (gender distinct)
 - Disability – assumed to be in accordance with the RP-2014 Healthy Annuitant table projected generationally with Scale BB and base year of 2014 set forward four years.

Investment assets of the MTRS are with the Pension Reserves Investment Trust (PRIT) Fund. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage. Best estimates of geometric rates of return for each major asset class included in the PRIT Fund's target asset allocation as of June 30, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return 2015</u>
Global equity	40.0%	6.9%
Core fixed income	13.0%	2.4%
Hedge funds	9.0%	5.8%
Private equity	10.0%	8.5%
Real estate	10.0%	6.5%
Value added fixed income	10.0%	5.8%
Timber/natural resources	4.0%	6.5%
Portfolio completion strategies	4.0%	5.5%
Total	<u>100.0%</u>	

E. Discount Rate

The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the Commonwealth's contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rates. Based on those assumptions, the net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

F. Sensitivity Analysis

The following illustrates the sensitivity of the collective net pension liability to changes in the discount rate. In particular, the table presents the MTRS collective net pension liability assuming it was calculated using a single discount rate that is one-percentage-point lower or one-percentage-point higher than the current discount rate (amounts in thousands):

<u>Fiscal Year</u> <u>Ended</u>	<u>1% Decrease</u> <u>to 6.5%</u>	<u>Current Discount</u> <u>Rate 7.5%</u>	<u>1% Increase</u> <u>to 8.5%</u>
June 30, 2015	\$38,505,355	\$31,001,679	\$24,543,022

G. District Proportions

In fiscal year 2015 (the most recent measurement period), the District's proportionate share of the MTRS' collective net pension liability and pension expense was \$31,001,679 and \$2,514,512 respectively, based on an employer allocation proportion of 0.151304%.

H. Special Funding Situation

The Commonwealth is a nonemployer contributor and is required by statute to make all actuarially determined employer contributions on behalf of the member employers. Therefore, these employers are considered to be in a special funding situation as defined by GASB Statement No. 68, Accounting and Financial Reporting for Pensions (GASB 68) and the Commonwealth is a nonemployer contributing entity in MTRS. Since the employers do not contribute directly to MTRS, there is no net pension liability to recognize for each employer.

18. Risk Management

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. There were no significant reductions in insurance coverage from the previous year and have been no material settlements in excess of coverage in any of the past three fiscal years.

19. Subsequent Events

The Minuteman Regional Vocation Technical School District (the “District”) was established in 1971 under Chapter 71 of the Acts of 1971, as amended and supplemented, and an Agreement (the “Agreement”), as amended in 2016, among the Towns of Acton, Arlington, Belmont, Boxborough, Carlisle, Concord, Lexington, Stow, Sudbury, Wayland, Bolton, Dover, Lancaster, Lincoln, Weston, and Needham (each a “Member Municipality”). The District Agreement was amended, effective March 11, 2016. Effective, July 1, 2017, the Towns of Carlisle, Sudbury, Wayland, Lincoln, Boxborough, and Weston have voted to withdraw from the District. As a result of this action, the withdrawing towns will be obligated for debt payments authorized prior to December 10, 2015. Any debt incurred after that date will be the obligation of the remaining member towns, unless a town a) does not support the authorization of debt either by an affirmative Town Meeting vote or b) a majority of town voters disapprove a districtwide vote where the majority of votes approved said-project. The dissenting town would then have the right to withdraw by a two-thirds vote of its Town Meeting, and the majority of remaining member towns approving by a majority vote at Town Meeting (or not disapproving withdrawal). If approved, said withdrawal would become effective three years from the first July first after the withdrawal vote. Said town would also not be responsible for the debt authorized as part of the withdrawal process, but would be obligated for all prior debt incurred as a member.

20. Implementation of New GASB Standard

The Governmental Accounting Standards Board (GASB) has issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pension, replacing requirements of Statements No. 45 and 57, effective for the District beginning with its year ending June 30, 2018. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. In addition, this Statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specific criteria and for employers whose employees are provided with defined contribution OPEB.

MINUTEMAN REGIONAL VOCATIONAL TECHNICAL SCHOOL DISTRICT

SCHEDULE OF OPEB FUNDING PROGRESS

REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2016

(Unaudited)

Other Post-Employment Benefits

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit Cost (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent- age of Covered Payroll [(b-a)/c]
07/01/14	\$ -	\$ 16,938,786	\$ 16,938,786	0.0%	\$ 10,579,325	160.1%
07/01/12	\$ -	\$ 20,486,439	\$ 20,486,439	0.0%	\$ 10,495,617	195.2%
07/01/10	\$ -	\$ 23,086,398	\$ 23,086,398	0.0%	\$ 9,519,888	242.5%

See Independent Auditors' Report.

MINUTEMAN REGIONAL VOCATIONAL TECHNICAL SCHOOL DISTRICT

SCHEDULE OF PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY

REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2016

(Unaudited)

Minuteman Regional School District Contributory Retirement Plan					
<u>Fiscal Year</u>	<u>Proportion of the Net Pension Liability</u>	<u>Proportionate Share of the Net Pension Liability</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position Percentage of the Total Pension Liability</u>
June 30, 2016	100%	\$ 2,367,000	\$ 2,745,000	86.2%	84.3%
June 30, 2015	100%	\$ 310,000	\$ 2,338,000	13.3%	98.0%

Massachusetts Teachers' Retirement System							
<u>Fiscal Year</u>	<u>Proportion of the Net Pension Liability</u>	<u>Proportionate Share of the Net Pension Liability</u>	<u>Commonwealth of Massachusetts' Total Proportionate Share of the Net Pension Liability Associated with the District</u>	<u>Total Net Pension Liability Associated with the District</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position Percentage of the Total Pension Liability</u>
June 30, 2016	0.151304%	\$ -	\$ 31,001,679	\$ 31,001,679	\$ 9,308,132	0.00%	55.38%
June 30, 2015	0.150000%	\$ -	\$ 23,845,878	\$ 23,845,878	\$ 7,722,908	0.00%	61.64%

Schedules are intended to show information for 10 years. Additional years will be displayed as they become available.

See Independent Auditors' Report.

MINUTEMAN REGIONAL VOCATIONAL TECHNICAL SCHOOL DISTRICT

SCHEDULE OF PENSION CONTRIBUTIONS

REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2016

(Unaudited)

Minuteman Regional School District Contributory Retirement Plan

<u>Fiscal Year</u>	<u>Contractually Required Contribution</u>	<u>Contributions in Relation to the Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
June 30, 2016	\$ 170,000	\$ 170,000	\$ -	\$ 2,745,000	6.2%
June 30, 2015	\$ 150,000	\$ 150,000	\$ -	\$ 2,338,000	6.4%

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See Independent Auditors' Report.

MINUTEMAN REGIONAL VOCATIONAL TECHNICAL SCHOOL DISTRICT
SCHEDULE OF CHANGES IN NET PENSION LIABILITY

(In Thousands)
(Unaudited)

	<u>2016</u>	<u>2015</u>
Total pension liability		
Service cost	\$ 338	\$ 291
Interest on unfunded liability - time value of money	1,004	999
Changes of benefit terms	-	-
Differences between expected and actual experience	397	-
Changes of assumptions	730	-
Benefit payments, including refunds of member contributions	<u>(880)</u>	<u>(816)</u>
Net change in total pension liability	1,589	474
Total pension liability - beginning	<u>13,484</u>	<u>13,010</u>
Total pension liability - ending (a)	<u>\$ 15,073</u>	<u>\$ 13,484</u>
 Plan fiduciary net position		
Contributions - employer	\$ 170	\$ 150
Contributions - member	194	268
Net investment income	88	933
Benefit payments, including refunds of member contributions	(880)	(816)
Administrative expense	(40)	(46)
Other	<u>-</u>	<u>(5)</u>
Net change in plan fiduciary net position	(468)	484
Plan fiduciary net position - beginning	<u>13,174</u>	<u>12,690</u>
Plan fiduciary net position - ending (b)	<u>\$ 12,706</u>	<u>\$ 13,174</u>
 Net pension liability - ending (a-b)	<u>\$ 2,367</u>	<u>\$ 310</u>

*Schedules is intended to show information for 10 years.
Additional years will be displayed as they become available.*

See notes to the District's financial statements for summary of significant actuarial methods and assumptions.

See Independent Auditors' Report.

MINUTEMAN REGIONAL VOCATIONAL TECHNICAL SCHOOL DISTRICT
SCHEDULE OF NET PENSION LIABILITY, CONTRIBUTIONS,
AND INVESTMENT RETURNS

(In Thousands)
(Unaudited)

Schedule of Net Pension Liability	<u>2016</u>	<u>2015</u>
Total pension liability	\$ 15,073	\$ 13,484
Plan fiduciary net position	<u>12,706</u>	<u>13,174</u>
Net pension liability (asset)	<u>\$ 2,367</u>	<u>\$ 310</u>
 Plan fiduciary net position as a percentage of the total pension liability	 84.3%	 97.7%
 Covered employee payroll	 \$ 2,745	 \$ 2,238
 Net pension liability (asset) as a percentage of covered employee payroll	 86.2%	 13.3%
 Schedule of Contributions	 <u>2016</u>	 <u>2015</u>
Actuarially determined contribution	\$ 170	\$ 150
Contributions in relation to the actuarially determined contribution	<u>170</u>	<u>150</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
 Covered employee payroll	 \$ 2,745	 \$ 2,238
 Contributions as a percentage of covered employee payroll	 6.2%	 6.7%
 Schedule of Investment Returns		
<i>Year Ended December 31</i>	<u>2016</u>	<u>2014</u>
Annual money weighted rate of return, net of investment expense	0.71%	7.74%

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