



GATEWAY REGIONAL SCHOOL DISTRICT

Annual Financial Statements
For the Year Ended June 30, 2019

GATEWAY REGIONAL SCHOOL DISTRICT

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Additional Offices:

Nashua, NH
Manchester, NH
Andover, MA
Ellsworth, ME

INDEPENDENT AUDITORS' REPORT

To the School Committee
Gateway Regional School District

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Gateway Regional School District, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

The School 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. 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 Gateway Regional School District, as of June 30, 2019, and the respective changes in financial position 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, and certain Pension and OPEB schedules 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the School District's basic financial statements. The combining nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Melanson Heath

January 10, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Gateway Regional School District (the School District), we offer readers this narrative overview and analysis of the financial activities of the School District for the fiscal year ended June 30, 2019.

A. OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the School District's 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 School 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 a government's near-term financing requirements.

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

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 government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the School District's own programs.

Notes to financial statements. The notes provide additional information that are 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 and deferred inflows exceeded assets and deferred outflows by \$(3,297,026) (i.e., net position), a change of \$(141,518) in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported a combined ending fund balance of \$2,924,942, a change of \$6,950 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$766,279, a change of \$(39,670) in comparison with 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

	<u>2019</u>	<u>2018</u>
Current and other assets	\$ 3,200,794	\$ 3,294,896
Capital assets	<u>23,781,727</u>	<u>24,595,204</u>
Total Assets	26,982,521	27,890,100
Deferred outflows of resources	1,084,650	259,509
Current liabilities	1,034,182	1,197,298
Noncurrent liabilities	<u>26,746,764</u>	<u>27,129,659</u>
Total Liabilities	27,780,946	28,326,957
Deferred inflows of resources	3,583,251	2,978,160
Net investment in capital assets	19,228,742	19,231,464
Restricted	1,732,286	1,621,473
Unrestricted	<u>(24,258,054)</u>	<u>(24,008,445)</u>
Total Net Position	\$ <u>(3,297,026)</u>	\$ <u>(3,155,508)</u>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. At the close of the most recent fiscal year, total net position was \$(3,297,026), a change of \$(141,518) in comparison to the prior year.

The largest portion of net position, \$19,228,742 reflects our investment in capital assets (e.g., land, buildings, machinery and equipment), 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, \$1,732,286 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position is a deficit of \$(24,258,054), primarily resulting from unfunded pension and OPEB liabilities.

CHANGES IN NET POSITION

	<u>2019</u>	<u>2018</u>
Revenues		
Program revenues:		
Charges for services	\$ 290,099	\$ 272,344
Operating grants and contributions	3,517,273	3,491,053
General revenues:		
Assessments to member towns	9,312,027	9,226,248
Grants and contributions not restricted to specific programs	6,396,398	6,370,232
Investment income	10,696	10,626
Miscellaneous	<u>45,248</u>	<u>6,635</u>
Total Revenues	19,571,741	19,377,138
Expenses		
Administration and benefits	921,406	1,001,048
Instruction	9,124,244	9,809,383
Other school services	2,164,066	2,031,319
Operation and maintenance	1,241,024	1,311,890
Fixed charges	102,466	101,433
Acquisition	1,219	15,087
Interest on long-term debt	78,576	98,583
Intergovernmental	624,971	698,363
Special education	4,637,281	3,658,938
Unallocated depreciation	<u>818,006</u>	<u>807,418</u>
Total Expenses	<u>19,713,259</u>	<u>19,533,462</u>
Change in net position before special item	(141,518)	(156,324)
Special item	<u>-</u>	<u>(827,370)</u>
Change in net position	(141,518)	(983,694)
Net position - Beginning of Year	<u>(3,155,508)</u>	<u>(2,171,814)</u>
Net Position - End of Year	\$ <u><u>(3,297,026)</u></u>	\$ <u><u>(3,155,508)</u></u>

Governmental activities. Governmental activities for the year resulted in a change in net position of \$(141,518). Key elements of this change are as follows:

- General fund decrease of \$(103,369) which is further explained in the governmental funds section below.
- School Choice major fund revenues over expenditures of \$64,890.
- Compensated Absences major fund revenues over expenditures and transfers out of \$229,548.
- Non-major fund expenditures in excess of revenues of \$(184,119).

- Capital additions, net of disposals, of \$21,650 were budgeted as expenses and funded through grants and appropriations. On the government-wide basis, this results in revenue being generated in excess of expenditures, since the "expenses" are actually being added to capital assets.
- Excess of depreciation expense (not budgeted for) over principal debt expense (included in the budget) of \$(310,127) and amortization of bond premium of \$53,835.
- Changes in net OPEB liability and net pension liability (net of deferrals) of \$(179,596) and \$22,517, respectively, neither of which is due and payable in the current period and, therefore, not reported in governmental funds.
- MSBA grant repayment due to closing the Russell Elementary School \$222,995.
- Other accrual adjustments of \$20,258.

D. FINANCIAL ANALYSIS OF 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 government'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 \$2,924,942, an increase of \$6,950 in comparison with the prior year. Key elements of this change are as follows:

- General fund decrease of \$(103,369) which is explained further below.
- School Choice major fund revenues over expenditures by \$64,890.
- Compensated Absences major fund revenues over expenditures of \$229,548.
- Non-major fund expenditures in excess of revenue by \$(184,119).

The general fund is the chief operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was \$766,279, while total fund balance was \$1,187,279. 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>2019</u>	<u>2018</u>	<u>Change</u>	<u>% of Total 2019 General Fund Expenditures</u>
Unassigned fund balance	\$ 766,279	\$ 805,949	\$ (39,670)	4.5%
Total fund balance	\$ 1,187,279	\$ 1,290,648	\$ (103,369)	6.9%

The total fund balance of the general fund changed by \$(103,369) during the current fiscal year. Key factors in this change are as follows:

- Actual revenues were under the current year budget by \$(19,252).
- Expenditures and transfers out were less than anticipated by \$400,582.
- Use of excess and deficiency of \$(421,000).
- Prior year encumbrances spent in the current year \$(63,699).

E. GENERAL FUND BUDGETARY HIGHLIGHTS

There were no changes between original and final budget.

F. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. Total investment in capital assets at year-end amounted to \$23,781,727 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements and machinery and equipment.

Major capital asset events during the current fiscal year were as follows:

- Current year depreciation expense, net of disposals - \$(835,127).
- Purchase of various equipment, net of disposals - \$21,650.

Long-term debt. At the end of the current fiscal year, total long-term debt (bonds payable) outstanding was \$3,115,000, all of which was backed by the full faith and credit of the government. The bonds payable balance reported in the accompanying financial statements includes unamortized bond premium of \$323,010.

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

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Gateway Regional School District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Ms. Stephanie Fisk
Assistant Superintendent of Finance
Gateway Regional School District
12 Littleville Road
Huntington, MA 01050

GATEWAY REGIONAL SCHOOL DISTRICT

STATEMENT OF NET POSITION

JUNE 30, 2019

	<u>Governmental Activities</u>
Assets	
Current:	
Cash and short-term investments	\$ 2,390,367
Receivables:	
Intergovernmental	806,963
Inventory	3,464
Noncurrent:	
Capital assets, net of accumulated depreciation	23,764,477
Land	17,250
 Deferred Outflows of Resources	
Related to pensions	613,086
Related to OPEB	<u>471,564</u>
 Total Assets and Deferred	
Outflows of Resources	28,067,171
 Liabilities	
Current:	
Warrants payable	32,223
Accounts payable	680
Accrued payroll and withholdings	239,412
Accrued interest payable	10,037
Current portion of long-term liabilities:	
Bonds payable	528,835
Other	222,995
Noncurrent:	
Bonds payable, net of current portion	2,909,175
Net OPEB liability	17,206,443
Net pension liability	5,423,047
Other, net of current portion	1,208,099
 Deferred Inflows of Resources	
Unearned revenue	3,537
Related to pensions	676,352
Related to OPEB	<u>2,903,362</u>
 Total Liabilities and Deferred Inflows of Resources	
	31,364,197
 Net Position	
Net investment in capital assets	19,228,742
Restricted for:	
Grants and other statutory restrictions	1,732,286
Unrestricted	<u>(24,258,054)</u>
 Total Net Position	
	\$ <u><u>(3,297,026)</u></u>

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

GATEWAY REGIONAL SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2019

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expenses) Revenues and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental Activities				
Administration and benefits	\$ 921,406	\$ -	\$ -	\$ (921,406)
Instruction	9,124,244	16,254	2,168,250	(6,939,740)
Other school services	2,164,066	265,429	357,193	(1,541,444)
Operation and maintenance	1,241,024	8,416	-	(1,232,608)
Fixed charges	102,466	-	-	(102,466)
Acquisition	1,219	-	-	(1,219)
Interest	78,576	-	-	(78,576)
Intergovernmental	624,971	-	-	(624,971)
Special education	4,637,281	-	991,830	(3,645,451)
Depreciation unallocated	<u>818,006</u>	<u>-</u>	<u>-</u>	<u>(818,006)</u>
Total Governmental Activities	<u>\$ 19,713,259</u>	<u>\$ 290,099</u>	<u>\$ 3,517,273</u>	(15,905,887)
		General Revenues		
				9,312,027
				6,396,398
				10,696
				<u>45,248</u>
				15,764,369
				(141,518)
		Net Position		
				<u>(3,155,508)</u>
				<u>\$ (3,297,026)</u>

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

GATEWAY REGIONAL SCHOOL DISTRICT

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2019

	<u>General</u>	<u>School Choice Fund</u>	<u>Compensated Absences Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets					
Cash and short-term investments	\$ 809,449	\$ 667,810	\$ 400,033	\$ 513,075	\$ 2,390,367
Receivables:					
Intergovernmental	645,838	71,360	-	89,765	806,963
Inventory	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,464</u>	<u>3,464</u>
Total Assets	<u>\$ 1,455,287</u>	<u>\$ 739,170</u>	<u>\$ 400,033</u>	<u>\$ 606,304</u>	<u>\$ 3,200,794</u>
Liabilities					
Warrants payable	\$ 28,596	\$ -	\$ -	\$ 3,627	\$ 32,223
Accounts payable	-	-	-	680	680
Accrued payroll	23,350	-	-	-	23,350
Payroll withholdings	<u>216,062</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>216,062</u>
Total Liabilities	268,008	-	-	4,307	272,315
Deferred Inflows of Resources					
Unavailable revenues	-	-	-	3,537	3,537
Fund Balances					
Nonspendable	-	-	-	3,464	3,464
Restricted	-	739,170	400,033	589,619	1,728,822
Committed	-	-	-	5,377	5,377
Assigned	421,000	-	-	-	421,000
Unassigned	<u>766,279</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>766,279</u>
Total Fund Balances	<u>1,187,279</u>	<u>739,170</u>	<u>400,033</u>	<u>598,460</u>	<u>2,924,942</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 1,455,287</u>	<u>\$ 739,170</u>	<u>\$ 400,033</u>	<u>\$ 606,304</u>	<u>\$ 3,200,794</u>

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

GATEWAY REGIONAL SCHOOL DISTRICT
RECONCILIATION OF TOTAL GOVERNMENTAL FUND
BALANCES TO NET POSITION OF GOVERNMENTAL
ACTIVITIES IN THE STATEMENT OF NET POSITION
JUNE 30, 2019

Total Governmental Fund Balances	\$	2,924,942
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		23,781,727
In the Statement of Activities, interest is accrued on outstanding long-term debt whereas in governmental funds interest is not reported until due.		(10,037)
Long-term liabilities, including bonds payable, net pension liability and net OPEB liability are not due and payable in the current period and, therefore are not reported in the governmental funds.		(29,670,648)
As noted above, bonds payable are not reported in the governmental funds. Similarly, bond premium received in connection with a bond issuance is deferred and amortized over the life of the bond.		<u>(323,010)</u>
Net Position of Governmental Activities	\$	<u><u>(3,297,026)</u></u>

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

GATEWAY REGIONAL SCHOOL DISTRICT

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2019

	<u>General</u>	<u>School Choice Fund</u>	<u>Compensated Absences Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues					
Assessments to member towns	\$ 9,312,027	\$ -	\$ -	\$ -	\$ 9,312,027
Charges for services	-	-	-	290,099	290,099
Intergovernmental	7,621,016	295,570	-	983,686	8,900,272
Investment income	10,681	-	-	15	10,696
Miscellaneous	<u>6,931</u>	<u>-</u>	<u>-</u>	<u>31,317</u>	<u>38,248</u>
Total Revenues	16,950,655	295,570	-	1,305,117	18,551,342
Expenditures					
Administration	740,788	-	-	-	740,788
Instruction	5,342,458	212,028	-	396,518	5,951,004
Other school services	1,334,059	-	-	565,181	1,899,240
Operation and maintenance	1,069,629	18,652	-	17,258	1,105,539
Fixed charges	102,466	-	-	-	102,466
Employee benefits	4,064,980	-	-	-	4,064,980
Acquisition	265,129	-	-	-	265,129
Special education	2,707,086	-	-	422,639	3,129,725
School choice/charter	624,971	-	-	-	624,971
Debt service	<u>660,550</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>660,550</u>
Total Expenditures	<u>16,912,116</u>	<u>230,680</u>	<u>-</u>	<u>1,401,596</u>	<u>18,544,392</u>
Excess (Deficiency) of Revenues Over Expenditures	38,539	64,890	-	(96,479)	6,950
Other Financing Sources (Uses)					
Transfers in	88,647	-	229,548	1,007	319,202
Transfers (out)	<u>(230,555)</u>	<u>-</u>	<u>-</u>	<u>(88,647)</u>	<u>(319,202)</u>
Total Other Financing Sources (Uses):	<u>(141,908)</u>	<u>-</u>	<u>229,548</u>	<u>(87,640)</u>	<u>-</u>
Change in Fund Balance	(103,369)	64,890	229,548	(184,119)	6,950
Fund Balance, at Beginning of Year	<u>1,290,648</u>	<u>674,280</u>	<u>170,485</u>	<u>782,579</u>	<u>2,917,992</u>
Fund Balance, at End of Year	\$ <u>1,187,279</u>	\$ <u>739,170</u>	\$ <u>400,033</u>	\$ <u>598,460</u>	\$ <u>2,924,942</u>

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

GATEWAY REGIONAL 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, 2019

Net Changes in Fund Balances - Total Governmental Funds	\$	6,950
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:</p>		
Capital asset purchases, net of disposals		21,650
Depreciation, net of disposals		(835,127)
<p>The issuance of long-term debt (e.g. bonds and notes) 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:</p>		
Repayment of debt		525,000
Amortization of bond premium		53,835
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:</p>		
Net pension liability and related deferred outflows and inflows of resources		22,517
Net OPEB liability and related deferred outflows and inflows of resources		(179,596)
MSBA grant repayment obligation		222,995
Other		<u>20,258</u>
Change in Net Position of Governmental Activities	\$	<u>(141,518)</u>

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

GATEWAY REGIONAL SCHOOL DISTRICT

GENERAL FUND

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

FOR THE YEAR ENDED JUNE 30, 2019

	Budgeted Amounts			Variance with
	Original Budget	Final Budget	Actual Amounts	Final Budget Positive (Negative)
Revenues				
Assessments to member towns	\$ 9,312,027	\$ 9,312,027	\$ 9,312,027	\$ -
Intergovernmental	6,510,348	6,510,348	6,484,551	(25,797)
Investment income	7,567	7,567	10,681	3,114
Miscellaneous	3,500	3,500	6,931	3,431
Total Revenues	15,833,442	15,833,442	15,814,190	(19,252)
Expenditures				
Administration and benefits	739,510	751,742	739,723	12,019
Instruction	5,231,438	5,421,160	5,338,831	82,329
Other school services	1,785,784	1,357,963	1,318,108	39,855
Operation and maintenance	1,102,990	1,084,407	1,026,573	57,834
Fixed charges	2,859,966	104,036	102,466	1,570
Employee benefits	176,858	2,859,966	2,840,362	19,604
Acquisition	228,083	266,083	265,129	954
Debt service	660,550	660,550	660,550	-
Special education	2,866,928	2,866,928	2,707,086	159,842
School choice/charter	602,829	652,553	624,971	27,582
Total Expenditures	16,254,936	16,025,388	15,623,799	401,589
Excess (Deficiency) of Revenues Over Expenditures	(421,494)	(191,946)	190,391	382,337
Other Financing Sources/Uses				
Transfers in	494	494	494	-
Transfers out	-	(229,548)	(230,555)	(1,007)
Use of excess and deficiency:				
Operating Budget	421,000	421,000	-	(421,000)
Total Other Financing Sources/Uses	421,494	191,946	(230,061)	(422,007)
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	\$ -	\$ -	\$ (39,670)	\$ (39,670)

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

GATEWAY REGIONAL SCHOOL DISTRICT
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2019

	Private Purpose Trust <u>Funds</u>	Other Post Employment Benefits <u>Trust Fund</u>	Agency <u>Funds</u>
Assets			
Cash and short-term investments	\$ 18,608	\$ -	\$ 44,949
Investments	<u>-</u>	<u>137,677</u>	<u>-</u>
Total Assets	18,608	137,677	44,949
Liabilities			
Student activity funds	<u>-</u>	<u>-</u>	<u>44,949</u>
Total Liabilities	<u>-</u>	<u>-</u>	\$ <u><u>44,949</u></u>
Net Position			
Restricted for OPEB purposes	-	137,677	
Restricted for other purposes	<u>18,608</u>	<u>-</u>	
Total Net Position	\$ <u><u>18,608</u></u>	\$ <u><u>137,677</u></u>	

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

GATEWAY REGIONAL SCHOOL DISTRICT
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Private Purpose Trust Funds</u>	<u>Other Post Employment Benefits Trust Fund</u>
Additions		
Investment income	\$ 2	\$ 8,866
Contributions	<u>16,900</u>	<u>444,437</u>
Total Additions	16,902	453,303
Deductions		
Employee benefits	-	444,437
Scholarships awarded	<u>16,650</u>	<u>-</u>
Total Deductions	<u>16,650</u>	<u>444,437</u>
Net Increase (Decrease)	252	8,866
Net position restricted for OPEB and other purposes		
Beginning of year	<u>18,356</u>	<u>128,811</u>
End of year	<u>\$ 18,608</u>	<u>\$ 137,677</u>

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

GATEWAY REGIONAL SCHOOL DISTRICT

Notes to Financial Statements

1. Summary of Significant Accounting Policies

The accounting policies of the Gateway Regional School District (the School 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 School District is a municipal corporation governed by an elected School Committee. As required by generally accepted accounting principles, these financial statements present the government and applicable component units for which the government is considered to be financially accountable. In fiscal year 2019, it was determined that no entities met the required GASB 14 (as amended) criteria of component units.

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 government. 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*. 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. All other revenue items are considered to be measurable and available only when cash is received by the government. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, certain expenditures such as debt service, claims and judgments, compensated absences, OPEB, and pension are recorded only when payment is due.

The School District reports the following major governmental funds:

- The *General Fund* is the government'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 *School Choice Fund* is used to account for revenue from other communities whose students choose to attend the Gateway Regional School District. The proceeds are used at the discretion of the School Committee to subsidize the general fund operating budget.
- The *Compensated Absences Fund* is used to account for financial resources that have been accumulated to pay employees upon retirement for unused sick and vacation days. MGL Chapter 40, Section 13D enables cities, towns and districts, including school districts, to establish a separate trust fund to accumulate funds for this purpose.

The fiduciary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Under this method, revenues are recognized when earned and expenses are recorded when liabilities are incurred.

The School District reports the following fiduciary funds:

- The *private-purpose trust fund* is used to account for trust arrangements, other than those properly reported in a permanent fund, under which principal and investment income exclusively benefit individuals, private organizations, or other governments.
- The *other post-employment benefits trust fund* is used to accumulate resources for health and life insurance benefits for retired employees.
- The *agency funds* account for fiduciary assets held by the School District in a custodial capacity as an agent on behalf of others. Agency funds report only assets and liabilities, and therefore, have no measurement focus.

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 is 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.

Investments for the OPEB trust fund consist of mutual funds invested in a public agency retirement services account. Investments are carried at fair value.

F. Inventories

Inventories are valued at cost using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when purchased rather than when consumed. No significant inventory balances were on hand in governmental funds.

G. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition 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	50
Building improvements	50
Vehicles, equipment and furnishings	5 – 10

H. Compensated Absences

It is the School District’s policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vested sick and 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.

The District established a special revenue fund to accumulate funds to pay future compensated absences. The balance in that fund at June 30, 2019 was \$400,033.

I. Long-Term Obligations

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

J. 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 School 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.

When an expenditure is incurred that would qualify for payment from multiple fund balance types, the School 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, consists 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 School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The remaining net position is reported as unrestricted.

K. 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 School Committee annually determines the amount to be raised (after deducting the amount of anticipated revenue the School District expects to

receive) to maintain and operate the School District during the next fiscal year. The School District then calculates the assessments to each Town based on its approved budget and seeks an appropriation in the amount of that assessment from each Town’s annual town meeting. After assessments are appropriated by each Town that are consistent with the School Committee’s budget (either its initial budget or a budget revised to be consistent with the towns’ appropriations), the School District Treasurer certifies the assessments to the treasurers of each town.

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 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 with 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</u>	<u>Expenditures</u>	<u>Other Financing Sources/Uses</u>
Revenues/expenditures/transfers (GAAP basis)	\$ 16,950,655	\$ 16,912,116	\$ (141,908)
Reverse the effect of non-budgeted State contributions to teachers retirement	(1,224,618)	(1,224,618)	-
Reverse beginning of year appropriation carryforwards from expenditures	-	(63,699)	-
Reverse other GAAP adjustments	<u>88,153</u>	<u>-</u>	<u>(88,153)</u>
Budgetary basis	<u>\$ 15,814,190</u>	<u>\$ 15,623,799</u>	<u>\$ (230,061)</u>

D. Assessments of Member Towns

Most capital and operating costs of the School 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 School District on October 1 of the preceding year. In fiscal year 2019, the member towns did not agree to use the Statutory Method. Instead, the base of the fiscal year 2019 assessments was calculated using the percentage of total contributions over the past 5 years. Certain costs, such as transportation and debt service, are outside of the net school spending requirements established by the Commonwealth. These costs are apportioned to the member towns based on either the above percentage or on a member-specific basis. For the year ended June 30, 2019, the assessments were calculated as follows:

	Total <u>Assessments</u>
Blandford	\$ 1,536,505
Chester	1,504,956
Huntington	2,637,090
Middlefield	480,960
Montgomery	916,011
Russell	<u>2,236,505</u>
Total	\$ <u><u>9,312,027</u></u>

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 School District's deposits may not be returned to it. Massachusetts General Law Chapter 44, section 55, limits the School District's deposits "in a bank or trust company or banking company to an amount not exceeding 60% 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." The School District does not have a deposit policy for custodial credit risk.

At June 30, 2019, none of the School District's bank balance of \$2,532,201 was exposed to custodial credit risk as uninsured and/or uncollateralized.

4. Investments – OPEB Trust Fund

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. State law employs the prudent person rule whereby investments are made as a prudent person would be

expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and, in general, avoid speculative investments.

The OPEB Trust Fund does not have formal investment policies related to credit risk. All of the School District's investments are comprised of mutual funds, which are exempt from credit risk disclosure.

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 OPEB Trust Fund does not have formal investment policies related to custodial credit risk. All of the School District's investments are comprised of mutual funds, which are exempt from custodial credit risk disclosure.

C. Concentration of Credit Risk

The OPEB Trust Fund places no limit on the amount the School District may invest in any one issuer. The OPEB Trust Fund does not have formal investment policies related to concentration of credit risk exposure.

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 OPEB Trust Fund does not have formal investment policies limiting investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is not applicable as all of the School District's investments are immediately liquid.

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 OPEB Trust Fund does not have formal investment policies related to foreign currency risk.

F. Fair Value

The OPEB Trust Fund 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 and give the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The hierarchy categorizes the inputs to valuation techniques used for fair value measurement into three levels as follows:

- Level 1 – inputs that reflect quoted prices (unadjusted) in active markets for identical assets or liabilities that the fund has the ability to access at the measurement date.
- Level 2 – inputs other than quoted prices that are observable for an asset or liability either directly or indirectly, including inputs in markets that are not considered to be active. Because they must often be priced on the basis of transactions involving similar but not identical securities or do not trade with sufficient frequency, certain directly held securities are categorized as level 2.
- Level 3 – unobservable inputs based on the best information available, using assumptions in determining the fair value of investments and derivative instruments.

The net asset value (NAV) per share is the amount of net assets attributable to each share of capital stock outstanding at the close of the period. Investments measured at the NAV for fair value are not subject to level classification.

In instances where inputs used to measure fair value fall into different levels in the fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The OPEB Plan’s assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

The OPEB Trust Fund has the following fair value measurements as of June 30, 2019:

<u>Description</u>	<u>Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency (if currently eligible)</u>	<u>Redemption Notice Period</u>
Investments measured at the net asset value (NAV):				
External investment pool	\$ 137,677	-	monthly	30 days

5. Intergovernmental Receivables

The balance reported in the general fund represents fiscal year 2019 State aid, which was received in early July 2019. The balance reported in other funds represents reimbursements requested from Federal and State agencies for expenditures incurred in fiscal 2019.

6. Capital Assets

Capital asset activity for the year ended June 30, 2019 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital assets, being depreciated:				
Buildings and improvements	\$ 38,800,546	\$ -	\$ -	\$ 38,800,546
Machinery, equipment, and furnishings	<u>4,904,967</u>	<u>43,446</u>	<u>(21,796)</u>	<u>4,926,617</u>
Total Capital Assets, Being Depreciated	43,705,513	43,446	(21,796)	43,727,163
Less accumulated depreciation for:				
Buildings and improvements	(14,389,623)	(776,011)	-	(15,165,634)
Machinery, equipment, and furnishings	<u>(4,737,936)</u>	<u>(80,912)</u>	<u>21,796</u>	<u>(4,797,052)</u>
Total Accumulated Depreciation	<u>(19,127,559)</u>	<u>(856,923)</u>	<u>21,796</u>	<u>(19,962,686)</u>
Total Capital Assets, Being Depreciated, Net	24,577,954	(813,477)	-	23,764,477
Capital assets, not being depreciated:				
Land	<u>17,250</u>	<u>-</u>	<u>-</u>	<u>17,250</u>
Total Capital Assets, Not Being Depreciated	<u>17,250</u>	<u>-</u>	<u>-</u>	<u>17,250</u>
Governmental Activities Capital Assets, Net	<u>\$ 24,595,204</u>	<u>\$ (813,477)</u>	<u>\$ -</u>	<u>\$ 23,781,727</u>

Depreciation expense was charged to functions of the School District as follows:

Governmental Activities	
Instruction	\$ 28,480
Operation and maintenance	10,437
Unallocated depreciation	<u>818,006</u>
Total	<u>\$ 856,923</u>

7. Deferred Outflows of Resources

Deferred outflows of resources represent the consumption of net position by the School District that is applicable to future reporting periods. Deferred outflows of resources have a positive effect on net position, similar to assets. Deferred outflows of resources related to pensions and OPEB in accordance with GASB Statements No. 68 and 75 are more formally discussed in the corresponding pension and OPEB notes.

8. Warrants and Accounts Payable

Warrants payable represent 2019 expenditures paid by July 15, 2019. Accounts payable represent additional 2019 expenditures paid after July 15, 2019.

9. Long-Term Debt

A. General Obligation Bonds

The School District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds currently outstanding are as follows:

Governmental Activities	Serial Maturities <u>Through</u>	Interest Rate(s) %	Amount Outstanding as of <u>June 30, 2019</u>
Bonds payable:			
FY10 refunding bonds	12/01/24	4.00%	\$ <u>3,115,000</u>
Total			\$ <u><u>3,115,000</u></u>

B. Future Debt Service

The annual payments to retire all general obligation long-term bonds outstanding as of June 30, 2019 are as follows:

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 475,000	\$ 115,100	\$ 590,100
2021	500,000	95,600	595,600
2022	510,000	75,400	585,400
2023	525,000	54,700	579,700
2024	545,000	33,300	578,300
2025	<u>560,000</u>	<u>11,200</u>	<u>571,200</u>
Total	\$ <u><u>3,115,000</u></u>	\$ <u><u>385,300</u></u>	\$ <u><u>3,500,300</u></u>

C. Changes in General Long-Term Liabilities

During the year ended June 30, 2019, the following changes occurred in long-term liabilities:

	Beginning Balance	Additions	Reductions	Ending Balance	Less Current Portion	Equals Long-Term Portion
Governmental Activities						
Bonds payable	\$ 3,640,000	\$ -	\$ (525,000)	\$ 3,115,000	\$ (475,000)	\$ 2,640,000
Unamortized premium	<u>376,845</u>	<u>-</u>	<u>(53,835)</u>	<u>323,010</u>	<u>(53,835)</u>	<u>269,175</u>
Subtotal	4,016,845	-	(578,835)	3,438,010	(528,835)	2,909,175
Net OPEB liability	17,475,641	-	(269,198)	17,206,443	-	17,206,443
Net pension liability	4,776,720	646,327	-	5,423,047	-	5,423,047
Other:						
MSBA obligation	1,337,970	-	(222,995)	1,114,975	(222,995)	891,980
Compensated absences	324,313	-	(8,194)	316,119	-	316,119
Capital leases	<u>8,925</u>	<u>-</u>	<u>(8,925)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal Other	<u>1,671,208</u>	<u>-</u>	<u>(240,114)</u>	<u>1,431,094</u>	<u>(222,995)</u>	<u>1,208,099</u>
Totals	\$ <u>27,940,414</u>	\$ <u>646,327</u>	\$ <u>(1,088,147)</u>	\$ <u>27,498,594</u>	\$ <u>(751,830)</u>	\$ <u>26,746,764</u>

D. Unamortized Bond Premium

Bond premium of \$538,350 was received in fiscal year 2015 as a result of the issuance of \$4,910,000 of bonds. The premium is being amortized on a straight-line basis over a 10-year period ending in fiscal year 2025. The annual amortization is \$53,835, and the unamortized bond premium at June 30, 2019 is \$323,010.

E. Long-Term Debt Supporting Governmental Activities

General obligation bonds, issued by the School District for various municipal projects are approved by the School Committee and repaid with revenues recorded in the general fund. All other long-term debt is repaid from the funds that the cost related to, primarily the general fund.

10. MSBA Obligation and Special Item

Effective July 1, 2010 the District terminated its lease agreements with the Towns of Blandford, Russell, and Worthington regarding the leasing of the elementary school building in each of those towns and closed down the schools. As a result of this action, the Massachusetts School Building Authority (MSBA) required the District to repay \$4,587,165 of grants it gave to the District in prior years to finance leasehold improvements associated with these three school buildings.

In fiscal year 2016, the District re-opened Russell Elementary and Conwell Elementary (in Worthington) and as a result the MSBA agreed to forgive the pro rata share of the grant funds associated with those buildings, which totaled \$2,182,990.

In fiscal year 2019, Russell Elementary was again closed which resulted in the District having to repay the Russell portion of the grant that had been forgiven upon reopening the school in fiscal year 2016. The increased grant repayment obligation resulting from closing the Russell Elementary School was reported as a Special Item on the District's fiscal year 2018 Statement of Activities. The total balance owed to MSBA for repayment of grants associated with the Blandford and Russell Elementary Schools as of June 30, 2019 is \$1,114,975.

11. Deferred Inflows of Resources

Deferred inflows of resources are the acquisition of net position by the School District that are applicable to future reporting periods. Deferred inflows of resources have a negative effect on net position, similar to liabilities. Deferred inflows of resources related to pension and OPEB, in accordance with GASB Statements No. 68 and 75, are more fully described in the corresponding pension and OPEB notes.

12. Governmental Funds – Balances

Fund balances are segregated to account for resources that are either not available for expenditure in the future or are legally set aside for a specific future use.

The School District implemented GASB Statement No. 54 (GASB 54), *Fund Balance Reporting and Governmental Fund Type Definitions*, which enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying existing governmental fund type definitions.

The following types of fund balances are reported at June 30, 2019:

Nonspendable - Represents amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. This fund balance classification includes surplus related to nonmajor governmental fund inventory for the food service program.

Restricted - Represents amounts that are restricted to specific purposes by constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation. This fund balance classification includes various special revenue funds.

Committed - Represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the School District's highest level of decision-making authority. This fund balance classification includes funds set aside by the School District for future debt payments.

Assigned - Represents amounts that are constrained by the School District's intent to use these resources for a specific purpose. This fund balance classification includes surplus (E&D) to be used in the subsequent year's budget.

Unassigned - Represents amounts that are available to be spent in future periods.

Following is a breakdown of the School District's fund balances at June 30, 2019:

	General Fund	School Choice Fund	Compensated Absences Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable					
Reserve for inventory	\$ -	\$ -	\$ -	\$ 3,464	\$ 3,464
Total Nonspendable					
Restricted					
Special revenue funds	-	739,170	400,033	589,619	1,728,822
Total Restricted	-	739,170	400,033	589,619	1,728,822
Committed					
Debt reserve funds	-	-	-	5,377	5,377
Total Committed	-	-	-	5,377	5,377
Assigned					
Reserved for expenditures	421,000	-	-	-	421,000
Total Assigned	421,000	-	-	-	421,000
Unassigned					
General fund	766,279	-	-	-	766,279
Total Unassigned	766,279	-	-	-	766,279
Total Fund Balance	\$ 1,187,279	\$ 739,170	\$ 400,033	\$ 598,460	\$ 2,924,942

13. Hampshire County Retirement System

The School District follows the provisions of 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 School District (except teachers and administrators) are members of the Hampshire County Retirement System (the System), a cost sharing, multiple-employer public employee retirement system (PERS). Eligible employees must participate in the System. 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 System, contribution percentages and benefits paid. The System Retirement Board does not have the authority to amend benefit provisions.

Additional information is disclosed in the System's annual financial reports publicly available in the System located at 99 Industrial Drive Northampton, MA 01060.

Participants 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. The employee's individual contribution percentage is determined by their date of entry into the system. In addition, all employees hired 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.

Participant Retirement Benefits

A retirement allowance consists of two parts: an annuity and a pension. A member's accumulated total deductions and a portion of the interest they generate constitute the annuity. The difference between the total retirement allowance and the annuity is the pension. The average retirement benefit is approximately 80-85% pension and 15-20% annuity.

The System provides for retirement allowance benefits up to a maximum of 80% of a member's highest 3-year average annual rate of regular compensation for those hired prior to April 2, 2012 and the highest 5-year average annual rate of regular compensation for those first becoming members of the Massachusetts System on or after that date. However, per Chapter 176 of the Acts of 2011, for members who retire on or after April 2, 2012, if in the 5 years of creditable service immediately preceding retirement, the difference in the annual rate of regular compensation between any 2 consecutive years exceeds 100%, the normal yearly amount of the retirement allowance shall be based on the average annual rate of regular compensation received by the member during the period of 5 consecutive years preceding retirement. Benefit payments are based upon a member's age, length of creditable service, level of compensation and group classification.

There are four classes of membership in the retirement system, but one of these classes, Group 3, is made up exclusively of the Massachusetts State Police. The other three classes are as follows:

- Group 1 – General employees, including clerical, administrative, technical, and all other employees not otherwise classified.
- Group 2 – Certain specified hazardous duty positions.
- Group 4 – Police officers, firefighters, and other specified hazardous positions.

A retirement allowance may be received at any age, upon attaining 20 years of service. The plan also provides for retirement at age 55 if the participant was a member prior to January 1, 1978, with no minimum vesting requirements. If the participant was a member on or after January 1, 1978 and a member of Groups 1 or 2, then a retirement allowance may be received if the participant (1) has at least 10 years of creditable service, (2) is age 55, (3) voluntarily left School District employment on or after that date, and (4) left accumulated annuity deductions in the fund. Members of Group 4 have no minimum vesting requirements, however, must be at least age 55. Groups 2 and 4 require that participants perform the duties of the Group position for at least 12 months immediately prior to retirement.

A participant who became a member on or after April 2, 2012 is eligible for a retirement allowance upon 10 years creditable service and reaching ages 60 or 55 for Groups 1 and 2, respectively. Participants in Group 4 must be at least age 55. Groups 2 and 4 require that participants perform the duties of the Group position for at least 12 months immediately prior to retirement.

Methods of Payment

A member may elect to receive his or her retirement allowance in one of three forms of payment as follows:

- Option A – Total annual allowance, payable in monthly installments, commencing at retirement and terminating at the members death.
- Option B – A reduced annual allowance, payable in monthly installments, commencing at retirement and terminating at the death of the member, provided however, that if the total amount of the annuity portion received by the member is less than the amount of his or her accumulated deductions, including interest, the difference or balance of his accumulated deductions will be paid in a lump sum to the retiree's beneficiary or beneficiaries of choice.
- Option C – A reduced annual allowance, payable in monthly installments, commencing at retirement. At the death of the retired employee, 2/3 of the allowance is payable to the member's designated beneficiary (who may be the spouse, or former spouse who has not remarried, child, parent, sister, or brother

of the employee) for the life of the beneficiary. For members who retired on or after January 12, 1988, if the beneficiary pre-deceases the retiree, the benefit payable increases (or “pops up” to Option A) based on the factor used to determine the Option C benefit at retirement. For members who retired prior to January 12, 1988, if the System has accepted Section 288 of Chapter 194 of the Acts of 1998 and the beneficiary pre-deceases the retiree, the benefit payable “pops up” to Option A in the same fashion. The Option C became available to accidental disability retirees on November 7, 1996.

Participant Refunds

Employees who resign from service and who are not eligible to receive a retirement allowance are entitled to request a refund of their accumulated total deductions. Members voluntarily withdrawing with at least 10 years of service or involuntarily withdrawing, receive 100% of the regular interest that has accrued on those accumulated total deductions. Members voluntarily withdrawing with less than 10 years of service get credited interest each year at a rate of 3%.

Employer Contributions

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

The School District’s contribution to the System for the year ended June 30, 2019 was \$568,500, which was equal to its annual required contribution.

B. Summary of Significant Accounting Policies

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 System and additions to/deductions from System’s fiduciary net position have been determined on the same basis as they are reported by System. 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.

C. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred (Inflows) of Resources Related to Pensions

At June 30, 2019, the School District reported a liability of \$5,423,047 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2018. The School District’s proportion of the net pension liability was

based on a projection of the School District’s long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2019, the School District’s proportion was 2.51571%, which was a decrease of .05462% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2019, the School District recognized pension expense of \$545,983. In addition, the School District reported deferred outflows of resources and deferred (inflows) of resources related to pensions from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred (Inflows) of <u>Resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ 441,025	\$ -
Difference between expected and actual experience	-	(52,765)
Changes in assumptions	172,061	(177,415)
Changes in proportion and differences between contributions and proportionate share of contributions	<u>-</u>	<u>(446,172)</u>
Total	\$ <u>613,086</u>	\$ <u>(676,352)</u>

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

Year ended June 30:	
2020	\$ 32,332
2021	(37,883)
2022	(39,191)
2023	72,558
2024	<u>(91,082)</u>
Total	\$ <u>(63,266)</u>

D. Actuarial Assumptions

The total pension liability in the January 1, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	1/1/2018
Actuarial cost method	Entry Age Normal Cost
Actuarial assumptions:	
Investment rate of return	7.45%
Projected salary increases	4.25% - 4.75%
Inflation rate	3.00%
Post-retirement cost-of-living adjustment	3% of first \$13,000

Mortality rates were based on the RP-2000 Mortality Table (base year 2009) with full generational mortality improvement using Scale BB. For disabled members, RP-2000 Mortality Table (base year 2012) with full generational mortality improvement using Scale BB.

The actuarial assumptions used in the January 1, 2018 valuation were based on the results of the most recent actuarial experience study, which was for the period ending December 31, 2017.

E. Target Allocation

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 for each major class are summarized in the following table:

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic Equity	20.50%	4.82%
International Equity	16.50%	5.00%
Emerging Markets Equity	8.00%	6.50%
Domestic Fixed Income	10.00%	1.25%
Emerging Fixed Income	6.00%	4.00%
Global Fixed Income	3.00%	-0.25%
Opportunistic Fixed Income	9.00%	2.75%
Private Debt	3.00%	5.36%
Private Equity	10.00%	8.40%
Real estate (core)	12.00%	3.50%
Cash	<u>2.00%</u>	0.25%
Total	<u>100.00%</u>	

F. Discount Rate

The discount rate used to measure the total pension liability was 7.45%. The projection of cash flows used to determine the discount rate assumed that the plan member contributions will be made at the current contribution rate and that employer contributions will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive 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.

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

The following presents the School District's proportionate share of the net pension liability calculated using the discount rate of 7.45%, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower or 1 percentage-point higher than the current rate:

	Current Discount Rate	
1% Decrease		1% Increase
<u>(6.45%)</u>	<u>(7.45%)</u>	<u>(8.45%)</u>
\$6,929,658	\$5,423,046	\$4,148,314

H. Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued System financial report.

14. 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 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's 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) establish 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 3-year average annual rate of regular compensation. For employees hired after April 1, 2012, retirement allowances are calculated on the basis of the last 5 years or any 5 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 10 years of creditable service. A superannuation retirement allowance may be received upon the completion of 20 years of creditable service or upon reaching the age of 55 with 10 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.

The MTRS' funding policies have been established by Chapter 32 of the MGL. 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>Membership 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, 2018 measurement date was determined by an actuarial valuation as of January 1, 2018 rolled forward to June 30, 2018. This valuation used the following assumptions:

- (a) 7.35% 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 on the first \$13,000 per year.
- Salary increases are based on analyses of past experience but range from 4.0% to 7.5% depending on length of service.
- Experience study is dated July 21, 2014 and encompasses the period January 1, 2006 to December 31, 2011.
- Mortality rates were as follows:
 - Pre-retirement – reflects RP-2014 White Collar Employee table projected generationally with Scale MP-2016 (gender distinct).
 - Post-retirement – reflects RP-2014 White Collar Healthy Annuitant table projected generationally with Scale MP-2016 (gender distinct).
 - Disability – assumed to be in accordance with the RP-2014 White Collar Healthy Annuitant table projected generationally with Scale MP-2016 (gender distinct).

E. Target Allocations

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, 2018 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global equity	39.0%	5.0%
Portfolio completion strategies	13.0%	3.7%
Core fixed income	12.0%	0.9%
Private equity	12.0%	6.6%
Real estate	10.0%	3.8%
Value added fixed income	10.0%	3.8%
Timber/natural resources	<u>4.0%</u>	3.4%
Total	<u>100.0%</u>	

F. Discount Rate

The discount rate used to measure the total pension liability was 7.35%. 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.

G. 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 1 percentage-point lower or 1 percentage-point higher than the current discount rate (amounts in thousands):

<u>1% Decrease to 6.35%</u>	<u>Current Discount Rate 7.35%</u>	<u>1% Increase to 8.35%</u>
\$29,482,300	\$23,711,289	\$18,771,300

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.

I. *School District Proportions*

In fiscal year 2018 (the most recent measurement period), the School District's proportionate share of the MTRS' collective net pension liability was approximately \$22 million based on a proportionate share of .093142%. As required by GASB 68, the School District has recognized its portion of the Commonwealth's contribution of approximately \$1.2 million as both a revenue and expenditure in general fund, and its portion of the collective pension expense of approximately \$2.2 million as both a revenue and expense in the governmental activities.

15. Other Post-Employment Benefits (GASB 74 and GASB 75)

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)*, replaces the requirements of Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This applies if a trust fund has been established to fund future OPEB costs. In fiscal year 2015, the School District established a single-employer defined benefit OPEB Trust Fund to provide funding for future employee health care costs. The OPEB Trust Fund does not issue a stand-alone financial report.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, replaces the requirements of Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. This Statement identifies the methods and assumptions that are required to be used to project benefit payments, discounted projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

All the following OPEB disclosures are based on a measurement date of June 30, 2019.

A. General Information about the OPEB Plan

Plan Description

The School District provides post-employment healthcare benefits for retired employees through the School District's plan. The School District provides health insurance coverage through Hampshire County Group Insurance Trust. The benefits, benefit levels, employee contributions, and employer contributions are governed by Chapter 32 of the Massachusetts General Laws.

Benefits Provided

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

Plan Membership

At June 30, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	116
Active employees	<u>129</u>
Total	<u>245</u>

B. Investments

The OPEB trust fund assets consist of shares in the Public Agency Retirement Services (PARS) fund.

Rate of return. For the year ended June 30, 2019, the annual money-weighted rate of return on investments, net of investment expense, was 6.88%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

C. Actuarial Assumptions

The net OPEB liability was determined by an actuarial valuation as of July 1, 2018, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	1.8%
Salary increases	3.5%, average, including inflation
Investment rate of return	5.72%, net of OPEB plan investment expense
Municipal bond rate	3.5%
Discount rate	3.5%

Healthcare cost trend rates	8% for 2018, fluctuating 3% to an ultimate rate of 5% by 2024
Retirees' share of benefit-related costs	50%
Participation rate	100% of current active school employees covered under the plan on the day before retirement would enroll in a medical plan upon retirement

Mortality rates were based on the RP-2014 Fully Generational Combined Mortality Table with projection scale MP-2014.

The actuarial assumptions used in the valuation were based on the results of an actuarial experience study as of July 1, 2018.

D. Target Allocation

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2019 are summarized in the following table.

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equity	37.10%	5.00%
Non-U.S. Equity	15.90%	7.10%
U.S. Aggregate Bonds	12.00%	1.70%
Intermediate-Term Credit	7.20%	2.20%
Short-Term Credit	4.80%	2.00%
Intermediate-Term TIPS	15.00%	1.00%
REITs	<u>8.00%</u>	4.10%
Total	<u>100.00%</u>	

E. Discount Rate

The discount rate used to measure the net OPEB liability was 3.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate.

Based on those assumptions, the OPEB plan fiduciary net position was not projected to be available to make all projected future benefit payments of

current plan members. As a result, a blended discount rate was used based on a combination of the investment rate of return of 5.72% and municipal bond rate of 3.5% (based on the Bond Buyer's 20 Bond Index as of June 30, 2019).

F. Net OPEB Liability

The components of the net OPEB liability, measured as of June 30, 2019, were as follows:

Total OPEB liability	\$ 17,344,120
Plan fiduciary net position	<u>(137,677)</u>
Net OPEB liability	<u>\$ 17,206,443</u>
 Plan fiduciary net position as a percentage of the total OPEB liability	 0.79%

G. Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances, Beginning of Year	\$ 17,604,452	\$ 128,811	\$ 17,475,641
Changes for the year:			
Service cost	526,792	-	526,792
Interest	617,126	-	617,126
Contributions - employer	-	444,437	(444,437)
Net investment income	-	8,866	(8,866)
Differences between expected and actual experience	(1,530,134)	-	(1,530,134)
Changes in assumptions or other inputs	570,321	-	570,321
Benefit payments	<u>(444,437)</u>	<u>(444,437)</u>	<u>-</u>
Net Changes	<u>(260,332)</u>	<u>8,866</u>	<u>(269,198)</u>
Balances, End of Year	<u>\$ 17,344,120</u>	<u>\$ 137,677</u>	<u>\$ 17,206,443</u>

Changes of assumptions and other inputs are the result of a change in the discount rate from 3.87% in 2018 to 3.5% in 2019.

H. Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage-point lower or 1 percentage-point higher than the current discount rate:

1% Decrease <u>(2.5%)</u>	Current Discount Rate <u>(3.5%)</u>	1% Increase <u>(4.5%)</u>
\$20,389,140	\$17,206,443	\$14,690,548

I. Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the net OPEB liability, as well as what the net OPEB liability would be if it as calculated using healthcare cost trend rates that are 1 percentage-point lower or 1 percentage-point higher than the current healthcare cost trend rates:

1% Decrease (7.0% decreasing to <u>4.0%</u>)	Current Healthcare Cost Trend Rates (8.0% decreasing to <u>5.0%</u>)	1% Increase (9.0% decreasing to <u>6.0%</u>)
\$14,333,901	\$17,206,443	\$20,961,253

J. OPEB Expense and Deferred Outflows of Resources and Deferred (Inflows) of Resources Related to OPEB

For the year ended June 30, 2019, the School District recognized an OPEB expense of \$624,033. At June 30, 2019, the School District reported deferred outflows and (inflows) of resources related to OPEB from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred (Inflows) of <u>Resources</u>
Difference between expected and actual experience	\$ -	\$ (1,265,176)
Change in assumptions	471,564	(1,632,504)
Net difference between projected and actual OPEB investment earnings	-	(5,682)
Total	\$ <u>471,564</u>	\$ <u>(2,903,362)</u>

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

Year ended June 30:

2020	\$ (514,900)
2021	(514,900)
2022	(514,900)
2023	(514,041)
2024	<u>(373,057)</u>
Total	\$ <u>(2,431,798)</u>

16. Commitments and Contingencies

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 School District expects such amounts, if any, to be immaterial.

Self-Insurance – The District participates in the Hampshire County Group Insurance Trust to provide health insurance coverage to its employees. The Trust is funded by member assessments, which are calculated in a manner similar to commercial insurance premiums. As of June 30, 2019 the Trust contracted with an insurance carrier for excess liability coverage which takes effect when an individual claim exceeds \$275,000.

If the Trust were to experience a cash deficit, each member would be required to contribute additional funds. At June 30, 2019, according to the Trust’s unaudited financial statements, after accruing an estimated liability for incurred but unreported claims of approximately \$4.5 million, the Trust was in a surplus position of approximately \$24.5 million.

17. New Pronouncements

The Governmental Accounting Standards Board (GASB) has issued Statement No. 84, *Fiduciary Activities*, effective for the School District beginning with its fiscal year ending June 30, 2020. This statement establishes guidance on how to address the categorization of fiduciary activities for financial reporting and how fiduciary activities are to be reported and may require reclassification of certain funds.

The Governmental Accounting Standards Board (GASB) has issued Statement No. 87, *Leases*, effective for the School District beginning with its fiscal year ending June 30, 2021. This statement establishes new reporting and disclosure requirements, including the recording of various operating leases in the financial statements.

GATEWAY REGIONAL SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY (GASB 68)

JUNE 30, 2019

(Unaudited)

(Amounts expressed in thousands)

Hampshire County Retirement System

Fiscal Year	Measurement Date	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	Covered Payroll	Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position Percentage of the Total Pension Liability
June 30, 2019	December 31, 2018	2.51571%	\$5,423	\$2,104	257.75%	58.91%
June 30, 2018	December 31, 2017	2.57033%	\$4,777	\$2,023	236.13%	63.12%
June 30, 2017	December 31, 2016	2.68882%	\$5,910	\$2,122	278.51%	55.60%
June 30, 2016	December 31, 2015	2.80932%	\$5,834	\$2,273	256.67%	55.29%
June 30, 2015	December 31, 2014	2.93436%	\$5,490	\$2,154	254.87%	58.07%

Massachusetts Teachers' Retirement System

Fiscal Year	Measurement Date	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	Commonwealth of Massachusetts' Total Proportionate Share of the Net Pension Liability Associated with the District	Total Net Pension Liability Associated with the District	Covered Payroll	Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position Percentage of the Total Pension Liability
June 30, 2019	June 30, 2018	0.093142%	\$ -	\$22,085	\$22,085	\$6,541	-	54.84%
June 30, 2018	June 30, 2017	0.094272%	\$ -	\$21,575	\$21,575	\$6,402	-	54.25%
June 30, 2017	June 30, 2016	0.101703%	\$ -	\$22,739	\$22,739	\$6,690	-	52.73%
June 30, 2016	June 30, 2015	0.107634%	\$ -	\$22,054	\$22,054	\$6,823	-	55.38%
June 30, 2015	June 30, 2014	0.108283%	\$ -	\$17,213	\$17,213	\$6,639	-	61.64%

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

See Independent Auditors' Report.

GATEWAY REGIONAL SCHOOL DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF PENSION CONTRIBUTIONS (GASB 68)

JUNE 30, 2019

(Unaudited)

(Amounts expressed in thousands)

Hampshire Retirement System

Fiscal <u>Year</u>	Measurement <u>Date</u>	Contractually Required <u>Contribution</u>	Contributions in Relation to the Contractually Required <u>Contribution</u>	Contribution Deficiency <u>(Excess)</u>	Covered <u>Payroll</u>	Contributions as a Percentage of <u>Covered Payroll</u>
June 30, 2019	December 31, 2018	\$569	\$569	\$0	\$2,104	27.04%
June 30, 2018	December 31, 2017	\$548	\$548	\$0	\$2,023	27.09%
June 30, 2017	December 31, 2016	\$530	\$530	\$0	\$2,122	24.96%
June 30, 2016	December 31, 2015	\$523	\$523	\$0	\$2,273	23.02%
June 30, 2015	December 31, 2014	\$512	\$512	\$0	\$2,154	23.75%

Massachusetts Teachers' Retirement System

Fiscal <u>Year</u>	Measurement <u>Date</u>	Contractually Required Contribution Provided by <u>Commonwealth</u>	Contributions in Relation to the Contractually Required <u>Contribution</u>	Contribution Deficiency <u>(Excess)</u>	Covered <u>Payroll</u>	Contributions as a Percentage of <u>Covered Payroll</u>
June 30, 2019	June 30, 2018	\$1,225	\$1,225	\$0	\$6,541	18.73%
June 30, 2018	June 30, 2017	\$1,165	\$1,165	\$0	\$6,402	18.20%
June 30, 2017	June 30, 2016	\$1,144	\$1,144	\$0	\$6,689	17.10%
June 30, 2016	June 30, 2015	\$1,100	\$1,100	\$0	\$6,823	16.12%
June 30, 2015	June 30, 2014	\$1,015	\$1,015	\$0	\$6,639	15.29%

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

See Independent Auditors' Report.

GATEWAY REGIONAL SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
OTHER POST-EMPLOYMENT BENEFITS (OPEB)
SCHEDULE OF CHANGES IN NET OPEB LIABILITY (GASB 74 AND 75)
(Unaudited)
(Amount expressed in thousands)

	For the year ended June 30,	
	<u>2019</u>	<u>2018</u>
Total OPEB Liability		
Service cost	\$ 527	\$ 697
Interest on unfunded liability - time value of money	617	612
Differences between expected and actual experience	(1,530)	-
Changes of assumptions (discount rate)	570	(2,327)
Benefit payments, including refunds of member contributions	<u>(444)</u>	<u>(452)</u>
Net Change in Total OPEB Liability	(260)	(1,470)
Total OPEB Liability - Beginning	<u>17,604</u>	<u>19,075</u>
Total OPEB Liability - Ending (a)	17,344	17,605
Plan Fiduciary Net Position*		
Contributions - employer	444	452
Net investment income	9	8
Benefit payments, including refunds of member contributions	<u>(444)</u>	<u>(452)</u>
Net Change in Plan Fiduciary Net Position	9	8
Plan Fiduciary net Position - Beginning	<u>129</u>	<u>121</u>
Plan Fiduciary Net Position - Ending (b)	<u>138</u>	<u>129</u>
Net OPEB Liability (Asset) - Ending (a-b)	\$ <u>17,206</u>	\$ <u>17,476</u>

* May reflect certain rounding and immaterial classification differences from page 19.

Schedule 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.

GATEWAY REGIONAL SCHOOL DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 OTHER POST-EMPLOYMENT BENEFITS (OPEB)
 SCHEDULES OF NET OPEB LIABILITY, CONTRIBUTIONS,
 AND INVESTMENT RETURNS (GASB 74 AND 75)
 (Unaudited)
 (Amounts expressed in thousands)

	For the year ended June 30,	
	<u>2019</u>	<u>2018</u>
Schedule of Net OPEB Liability		
Total OPEB liability	\$ 17,344	\$ 17,605
Plan fiduciary net position	<u>(138)</u>	<u>(129)</u>
Net OPEB Liability (Asset)	<u>\$ 17,206</u>	<u>\$ 17,476</u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.8%	0.7%
Schedule of Contributions	<u>2019</u>	<u>2018</u>
Actuarially determined contribution*	\$ 444	\$ 1,276
Contributions in relation to the actuarially determined contribution	<u>444</u>	<u>452</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ 824</u>
Schedule of Investment Returns	<u>2019</u>	<u>2018</u>
Annual money weighted rate of return, net of investment expense	6.88%	6.69%

** Includes only the implicit subsidy, which is required to be funded by statute, and not an amount required to fully fund the plan over time.*

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

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

See Independent Auditors' Report.

GATEWAY REGIONAL SCHOOL DISTRICT
COMBINING NON-MAJOR GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2019

Special Revenue Funds	Fund Balance Beginning <u>of Year</u>	Charges for Services/ <u>Other</u>	Revenue			Expenditures	Transfer In (Out)	Fund Balance End of <u>Year</u>
			<u>Federal</u>	<u>State</u>				
Title II	\$ -	\$ -	\$ 28,795	\$ -	\$ 28,795	\$ -	\$ -	
Sped Idea B	52,790	-	55,515	-	108,303	-	2	
Title I FY16	924	-	17,212	-	18,137	-	(1)	
Title I FY17	-	-	117,619	-	117,620	-	(1)	
Sped Program Improvement	9	-	-	-	-	-	9	
Sped Idea B FY17	-	-	132,674	-	132,674	-	-	
Spec. Ed. Early Learning	-	-	12,809	-	12,809	-	-	
Targeted Assistance Grant Receipts	-	-	9,262	-	9,262	-	-	
Safe Schools Receipts	-	-	15,954	-	15,954	-	-	
Title IV Receipts	-	-	7,969	-	7,968	-	1	
Mass Summer Camp FY10	63	-	-	-	63	-	-	
Mass Cultural Council FY14	1,685	-	-	2,846	970	-	3,561	
Inclusive PreK Learning FY15	-	-	-	30,000	30,000	-	-	
DPH FY16	-	-	-	49,200	49,200	-	-	
Teen Dating	804	-	-	-	817	-	(13)	
Stars Grant	-	-	-	1,900	1,900	-	-	
Rural School Aid Receipts	-	-	-	157,048	157,048	-	-	
Food Service Revolving	36,684	115,624	207,831	5,355	320,508	1,007	45,993	
Wrap Around Revolving	171,113	115,953	-	-	101,058	-	186,008	
Athletic Revolving	75,492	32,667	-	-	39,426	-	68,733	
Building Use Revolving	50,763	8,361	-	-	15,199	-	43,925	
Regional Transportation Revolving	88,153	-	-	64,807	-	(88,153)	64,807	
Tuition Revolving	18,025	2,425	-	-	2,827	-	17,623	
Erate Receipts Revolving	-	31,317	-	-	31,317	-	-	
Parking Fee Revolving	4,697	55	-	-	4,752	-	-	
District Donation Revolving	191	622	-	-	89	-	724	

See Independent Auditors' Report.

(Continued)

(Continued)

	Fund Balance Beginning of Year	Revenue			Expenditures	Transfer In (Out)	Fund Balance End of Year
		Charges for Services / Other	Federal	State			
Circuit Breaker Revolving	169,150	-	-	66,890	169,321	-	66,719
Wellness Center Revolving	4	1,200	-	-	1,084	-	120
Identification Revolving	5,631	-	-	-	5,632	-	(1)
Technology Revolving	5,205	9,765	-	-	14,543	-	427
High School Textbook Revolving	168	321	-	-	153	-	336
Lost Library Book Revolving	116	100	-	-	-	-	216
Insurance Revolving	80,224	-	-	-	-	-	80,224
Mass Cultural Council Revolving	216	750	-	-	716	-	250
H1N1 Revolving	(1)	-	-	-	-	-	(1)
Greater Westfield	500	-	-	-	-	-	500
Littleville Elementary Revolving	8,873	1,712	-	-	3,417	-	7,168
Chester Elementary Revolving	5,229	559	-	-	34	-	5,754
Debt Service Funds:							
Debt service	<u>5,871</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(494)</u>	<u>5,377</u>
Total Non-Major Governmental Funds	<u>\$ 782,579</u>	<u>\$ 321,431</u>	<u>\$ 605,640</u>	<u>\$ 378,046</u>	<u>\$ 1,401,596</u>	<u>\$ (87,640)</u>	<u>\$ 598,460</u>

See Independent Auditors' Report.