



# **GATEWAY REGIONAL SCHOOL DISTRICT**

Financial Statements  
For the Year Ended June 30, 2021

(With Independent Auditors' Report Thereon)

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## 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 (the School District), as of and for the year ended June 30, 2021, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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Merrimack, New Hampshire  
Andover, Massachusetts  
Greenfield, Massachusetts  
Ellsworth, Maine

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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, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As discussed in Note 17 to the financial statements, in 2021 the School District adopted Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, the Budgetary Comparison for the General Fund, 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.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 26, 2022 on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Melanson". The signature is written in a cursive, flowing style. A large, decorative graphic in the bottom right corner of the page, consisting of two overlapping, curved, light-colored shapes (one light purple and one light green) that resemble stylized arcs or partial circles.

Greenfield, Massachusetts  
January 26, 2022

## 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, 2021.

### **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 required and 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.

### ***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.

### ***Required and Other Supplementary 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 and other supplementary information.

### **Financial Highlights**

- As of the close of the current fiscal year, net position in governmental activities was \$(1,552,862), a change of \$2,298,915 as further discussed in the government-wide financial analysis section.
- As of the close of the current fiscal year, governmental funds reported a combined ending fund balance of \$4,576,204, a change of \$1,267,323 in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$848,744, a change of \$134,203 in comparison to the prior year.



## Government-Wide Financial Analysis

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

	<u>2021</u>	<u>2020</u>
<b>Assets</b>		
Current and other assets	\$ 4,914,649	\$ 3,602,831
Capital assets	<u>22,166,129</u>	<u>22,972,829</u>
Total Assets	27,080,778	26,575,660
Deferred Outflows of Resources	3,380,582	4,434,137
<b>Liabilities</b>		
Current liabilities	1,132,171	1,075,750
Noncurrent liabilities	<u>22,185,511</u>	<u>30,394,673</u>
Total Liabilities	23,317,682	31,470,423
Deferred Inflows of Resources	8,696,540	3,391,151
<b>Net Position</b>		
Net investment in capital assets	19,134,908	19,171,674
Restricted	2,421,546	1,769,782
Unrestricted	<u>(23,109,316)</u>	<u>(24,793,233)</u>
Total Net Position	\$ <u>(1,552,862)</u>	\$ <u>(3,851,777)</u>

As noted earlier, net position may serve over time as a useful indicator of a School District's financial position. At the close of the most recent fiscal year, total net position was \$(1,552,862), a change of \$2,298,915 in comparison to the prior year.

The largest portion of net position, \$19,134,908 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, \$2,421,546 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position reflects a deficit of \$(23,109,316), primarily resulting from unfunded pension and OPEB liabilities.

**CHANGES IN NET POSITION**

	<u>2021</u>	<u>2020</u>
<b>Revenues</b>		
Program revenues:		
Charges for services	\$ 27,095	\$ 236,085
Operating grants and contributions	4,807,023	4,843,745
General revenues:		
Assessments to member towns	9,681,447	9,495,609
Grants and contributions not restricted to specific programs	7,285,498	6,159,970
Investment income	63,159	34,152
Miscellaneous	<u>6,723</u>	<u>15,703</u>
Total Revenues	21,870,945	20,785,264
<b>Expenses</b>		
Administration	747,394	803,754
Instruction	9,166,373	9,910,488
Other school services	1,697,240	2,065,712
Operation and maintenance	1,434,875	1,479,050
Fixed charges	100,764	102,824
Acquisition	-	900
Special education	4,928,172	5,467,715
Intergovernmental	645,947	626,401
Interest on long-term debt	40,154	59,735
Unallocated depreciation	<u>811,111</u>	<u>823,436</u>
Total Expenses	<u>19,572,030</u>	<u>21,340,015</u>
Change in Net Position	2,298,915	(554,751)
Net Position - Beginning of Year	<u>(3,851,777)</u>	<u>(3,297,026)</u>
Net Position - End of Year	\$ <u><u>(1,552,862)</u></u>	\$ <u><u>(3,851,777)</u></u>

***Governmental Activities***

Governmental activities for the year resulted in a change in net position of \$2,298,915. Key elements of this change are as follows:

General Fund operations	\$ 590,572
Other governmental funds operations	676,751
Depreciation expense in excess of principal debt service	(318,272)
Change in long-term liabilities	1,362,509
Other	<u>(12,645)</u>
Total	\$ <u><u>2,298,915</u></u>

**Financial Analysis of the School District's Funds**

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

**Governmental Funds**

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

**General Fund**

The General Fund is the chief operating fund. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$848,744, while total fund balance was \$2,154,658. 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>June 30, 2021</u>	<u>June 30, 2020</u>	<u>Change</u>	<u>% of General Fund Expenditures *</u>
Unassigned fund balance	\$ 848,744	\$ 714,541	\$ 134,203	5.4%
Total fund balance	\$ 2,154,658	\$ 1,564,086	\$ 590,572	13.8%

\* Expenditure amounts used to calculate the above percentages have been adjusted to exclude the on-behalf payment from the Commonwealth to the Massachusetts Teachers Retirement System of \$1,454,921.

The total fund balance of the General Fund changed by \$590,572 during the current fiscal year. Key factors in this change are as follows:

Revenues in excess of budget	\$ 75,787
Expenditures less than budget	590,389
Use of excess and deficiency as a funding source	(385,000)
Change in stabilization fund	73,743
Other	<u>235,653</u>
Total	<u>\$ 590,572</u>

Included in the total General Fund balance is the School District’s stabilization fund for compensated absences with a balance of \$483,776 as of June 30, 2021.

**General Fund Budgetary Highlights**

Differences between the original budget and the final amended budget resulted in an overall decrease in appropriations of \$(136,217). This was the result of a reduction in state aid.

## **Capital Assets and Debt Administration**

### ***Capital Assets***

Total investment in capital assets at year-end amounted to \$22,166,129 (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 of \$(818,271).
- Purchase of equipment of \$11,571.

### ***Long-Term Debt***

At the end of the current fiscal year, total long-term debt (bonds payable) outstanding was \$2,140,000, 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 \$215,340.

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 for Finance and Operations  
Gateway Regional School District  
12 Littleville Road  
Huntington, MA 01050

**GATEWAY REGIONAL SCHOOL DISTRICT**

Statement of Net Position

June 30, 2021

	<u>Governmental Activities</u>
<b>Assets</b>	
Current:	
Cash and short-term investments	\$ 4,892,972
Intergovernmental receivables	17,206
Inventory	<u>4,471</u>
Total Current Assets	4,914,649
Noncurrent:	
Capital assets, net of accumulated depreciation	22,148,879
Land	<u>17,250</u>
Total Noncurrent Assets	<u>22,166,129</u>
Total Assets	27,080,778
<b>Deferred Outflows of Resources</b>	
Related to pensions	343,359
Related to OPEB	<u>3,037,223</u>
Total Deferred Outflows of Resources	3,380,582
<b>Liabilities</b>	
Current:	
Warrants and accounts payable	77,988
Accrued payroll and withholdings	256,920
Other liabilities	3,537
Accrued interest payable	6,896
Current portion of long-term liabilities:	
Bonds payable	563,835
MSBA obligation	<u>222,995</u>
Total Current Liabilities	1,132,171
Noncurrent:	
Bonds payable, net of current portion	1,791,505
Net pension liability	4,071,770
Net OPEB liability	15,497,907
Compensated absences	378,339
MSBA obligation, net of current portion	<u>445,990</u>
Total Noncurrent Liabilities	<u>22,185,511</u>
Total Liabilities	23,317,682
<b>Deferred Inflows of Resources</b>	
Related to pensions	1,232,754
Related to OPEB	<u>7,463,786</u>
Total Deferred Inflows of Resources	8,696,540
<b>Net Position</b>	
Net investment in capital assets	19,134,908
Restricted for:	
Grants and other statutory restrictions	2,421,546
Unrestricted	<u>(23,109,316)</u>
Total Net Position	<u>\$ (1,552,862)</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, 2021

		Program Revenues		Net (Expenses) Revenues and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>				
Administration	\$ 747,394	\$ -	\$ -	\$ (747,394)
Instruction	9,166,373	9,960	2,453,220	(6,703,193)
Other school services	1,697,240	17,135	529,644	(1,150,461)
Operation and maintenance	1,434,875	-	-	(1,434,875)
Fixed charges	100,764	-	-	(100,764)
Special education	4,928,172	-	1,824,159	(3,104,013)
Intergovernmental	645,947	-	-	(645,947)
Interest on long-term debt	40,154	-	-	(40,154)
Unallocated depreciation	811,111	-	-	(811,111)
Total Governmental Activities	\$ 19,572,030	\$ 27,095	\$ 4,807,023	(14,737,912)
		<b>General Revenues</b>		
				9,681,447
				7,285,498
				63,159
				6,723
			Total General Revenues	17,036,827
			Change in Net Position	2,298,915
		<b>Net Position</b>		
			Beginning of Year	(3,851,777)
			End of Year	\$ (1,552,862)

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

**GATEWAY REGIONAL SCHOOL DISTRICT**

Governmental Funds  
Balance Sheet  
June 30, 2021

	<u>General Fund</u>	<u>School Choice Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>				
Cash and short-term investments	\$ 2,488,886	\$ 1,373,654	\$ 1,030,432	\$ 4,892,972
Intergovernmental receivables	-	-	17,206	17,206
Inventory	<u>-</u>	<u>-</u>	<u>4,471</u>	<u>4,471</u>
Total Assets	<u>\$ 2,488,886</u>	<u>\$ 1,373,654</u>	<u>\$ 1,052,109</u>	<u>\$ 4,914,649</u>
<b>Liabilities</b>				
Warrants and accounts payable	\$ 77,308	\$ -	\$ 680	\$ 77,988
Accrued payroll and withholdings	256,920	-	-	256,920
Other liabilities	<u>0</u>	<u>-</u>	<u>3,537</u>	<u>3,537</u>
Total Liabilities	334,228	-	4,217	338,445
<b>Fund Balances</b>				
Nonspendable	-	-	4,471	4,471
Restricted	-	1,373,654	1,043,421	2,417,075
Committed	483,776	-	-	483,776
Assigned	822,138	-	-	822,138
Unassigned	<u>848,744</u>	<u>-</u>	<u>-</u>	<u>848,744</u>
Total Fund Balances	<u>2,154,658</u>	<u>1,373,654</u>	<u>1,047,892</u>	<u>4,576,204</u>
Total Liabilities and Fund Balances	<u>\$ 2,488,886</u>	<u>\$ 1,373,654</u>	<u>\$ 1,052,109</u>	<u>\$ 4,914,649</u>

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

**GATEWAY REGIONAL SCHOOL DISTRICT**

Reconciliation of Total Government Fund Balances  
to Net Position of Governmental Activities  
in the Statement of Net Position  
June 30, 2021

<b>Total governmental fund balances</b>	\$	4,576,204
<ul style="list-style-type: none"> <li>• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.</li> </ul>	22,166,129	
<ul style="list-style-type: none"> <li>• Deferred outflows of resources related to pensions to be recognized in pension expense in future periods.</li> </ul>	343,359	
<ul style="list-style-type: none"> <li>• Deferred outflows of resources related to OPEB to be recognized in pension expense in future periods.</li> </ul>	3,037,223	
<ul style="list-style-type: none"> <li>• In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.</li> </ul>	(6,896)	
<ul style="list-style-type: none"> <li>• Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds: <ul style="list-style-type: none"> <li>Bonds payable</li> <li>Net pension liability</li> <li>Net OPEB liability</li> <li>Compensated absences</li> </ul> </li> </ul>	(2,140,000)	
	(4,071,770)	
	(15,497,907)	
	(378,339)	
<ul style="list-style-type: none"> <li>• Deferred inflows of resources related to pensions to be recognized in pension expense in future periods.</li> </ul>	(1,232,754)	
<ul style="list-style-type: none"> <li>• Deferred inflows of resources related to OPEB to be recognized in pension expense in future periods.</li> </ul>	(7,463,786)	
<ul style="list-style-type: none"> <li>• Other reconciling items.</li> </ul>	<u>(884,325)</u>	
<b>Net position of governmental activities</b>	\$	<u><u>(1,552,862)</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, 2021

	General <u>Fund</u>	School Choice <u>Fund</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
<b>Revenues</b>				
Assessments to member towns	\$ 9,681,447	\$ -	\$ -	\$ 9,681,447
Charges for services	-	-	27,095	27,095
Intergovernmental	7,741,720	493,394	2,010,216	10,245,330
Investment income	62,930	-	229	63,159
Miscellaneous	<u>6,723</u>	<u>-</u>	<u>-</u>	<u>6,723</u>
Total Revenues	17,492,820	493,394	2,037,540	20,023,754
<b>Expenditures</b>				
Current:				
Administration	642,486	-	-	642,486
Instruction	5,396,179	882	454,324	5,851,385
Other school services	1,157,576	-	442,159	1,599,735
Operation and maintenance	1,044,912	405	252,513	1,297,830
Fixed charges	100,764	-	-	100,764
Employee benefits	4,554,125	-	-	4,554,125
Acquisition	230,995	-	-	230,995
Special education	2,660,755	-	576,809	3,237,564
Intergovernmental	645,947	-	-	645,947
Debt service:				
Principal	500,000	-	-	500,000
Interest	<u>95,600</u>	<u>-</u>	<u>-</u>	<u>95,600</u>
Total Expenditures	<u>17,029,339</u>	<u>1,287</u>	<u>1,725,805</u>	<u>18,756,431</u>
Excess (Deficiency) of Revenues over Expenditures	463,481	492,107	311,735	1,267,323
<b>Other Financing Sources (Uses)</b>				
Transfers in	127,091	-	-	127,091
Transfers out	<u>-</u>	<u>-</u>	<u>(127,091)</u>	<u>(127,091)</u>
Total Other Financing Sources (Uses)	<u>127,091</u>	<u>-</u>	<u>(127,091)</u>	<u>-</u>
Change in Fund Balance	590,572	492,107	184,644	1,267,323
Fund Balance, at Beginning of Year, as reclassified	<u>1,564,086</u>	<u>881,547</u>	<u>863,248</u>	<u>3,308,881</u>
Fund Balance, at End of Year	\$ <u><u>2,154,658</u></u>	\$ <u><u>1,373,654</u></u>	\$ <u><u>1,047,892</u></u>	\$ <u><u>4,576,204</u></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, 2021

<b>Net changes in fund balances - total governmental funds</b>	<b>\$ 1,267,323</b>																
<ul style="list-style-type: none"> <li>• 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: <table style="width: 100%; margin-left: 20px;"> <tr> <td style="width: 80%;">Capital outlay</td> <td style="text-align: right;">11,571</td> </tr> <tr> <td>Depreciation</td> <td style="text-align: right;">(818,272)</td> </tr> </table> </li> <li>• 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: <table style="width: 100%; margin-left: 20px;"> <tr> <td style="width: 80%;">Repayment of debt</td> <td style="text-align: right;">500,000</td> </tr> <tr> <td>Amortization of bond premium</td> <td style="text-align: right;">53,835</td> </tr> </table> </li> <li>• 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: <table style="width: 100%; margin-left: 20px;"> <tr> <td style="width: 80%;">Change in net pension liability and related deferred outflows and inflows</td> <td style="text-align: right;">380,902</td> </tr> <tr> <td>Change in net OPEB liability and related deferred outflows and inflows</td> <td style="text-align: right;">704,776</td> </tr> <tr> <td>MSBA grant repayment obligation</td> <td style="text-align: right;">222,995</td> </tr> <tr> <td>Other</td> <td style="text-align: right;"><u>(24,215)</u></td> </tr> </table> </li> </ul>		Capital outlay	11,571	Depreciation	(818,272)	Repayment of debt	500,000	Amortization of bond premium	53,835	Change in net pension liability and related deferred outflows and inflows	380,902	Change in net OPEB liability and related deferred outflows and inflows	704,776	MSBA grant repayment obligation	222,995	Other	<u>(24,215)</u>
Capital outlay	11,571																
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Other	<u>(24,215)</u>																
<b>Change in net position of governmental activities</b>	<b>\$ <u>2,298,915</u></b>																

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

**GATEWAY REGIONAL SCHOOL DISTRICT**

Fiduciary Funds  
Statement of Fiduciary Net Position  
June 30, 2021

	Private Purpose Trust <u>Funds</u>	Other Post Employment Benefits <u>Trust Fund</u>	Custodial <u>Funds</u>
<b>Assets</b>			
Cash and short-term investments	\$ 24,907	\$ -	\$ 40,156
Investments in external investment pool	<u>-</u>	<u>330,373</u>	<u>-</u>
Total Assets	24,907	330,373	40,156
<b>Net Position</b>			
Restricted for OPEB purposes	-	330,373	-
Restricted for individuals, organizations, and other governments	<u>24,907</u>	<u>-</u>	<u>40,156</u>
Total Net Position	\$ <u><u>24,907</u></u>	\$ <u><u>330,373</u></u>	\$ <u><u>40,156</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, 2021

	<u>Private Purpose Trust Funds</u>	<u>Other Post Employment Benefits Trust Fund</u>	<u>Custodial Funds</u>
<b>Additions</b>			
Investment income	\$ 233	\$ 34,940	\$ -
Contributions	20,865	621,192	-
Fees collected for students	<u>-</u>	<u>-</u>	<u>14,960</u>
Total Additions	21,098	656,132	14,960
<b>Deductions</b>			
Employee benefits	-	471,192	-
Scholarships awarded	18,316	-	-
Payments on behalf of students	<u>-</u>	<u>-</u>	<u>28,394</u>
Total Deductions	<u>18,316</u>	<u>471,192</u>	<u>28,394</u>
Net Increase (Decrease)	2,782	184,940	(13,434)
<b>Net Position Restricted for OPEB and Other Purposes</b>			
Beginning of year	<u>22,125</u>	<u>145,433</u>	<u>53,590</u>
End of year	\$ <u>24,907</u>	\$ <u>330,373</u>	\$ <u>40,156</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 significant accounting policies:

#### ***Reporting Entity***

The School District is a municipal corporation governed by an elected School Committee. As required by GAAP, these financial statements present the government and applicable component units for which the government is considered to be financially accountable. In fiscal year 2021, it was determined that no entities met the required Governmental Accounting Standards Board (GASB) Statement No. 14 *The Financial Reporting Entity* (as amended) criteria of component units.

#### ***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.

## ***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 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 *Custodial Funds* account for fiduciary assets held by the School District in a custodial capacity as an agent on behalf of others and are not required to be reported elsewhere on the financial statements. Custodial funds include student activity fees collected on behalf of students.

### ***Cash and 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 and money market accounts. Generally, 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".

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.

The School District's investments in the Massachusetts Municipal Depository Trust (MMDT) Cash Portfolio, an external investment pool overseen by the Treasurer of the Commonwealth of Massachusetts. This cash portfolio meets the requirements of GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, and investments are valued at amortized cost.

The School District's OPEB Trust Fund is invested in the external investment pool – State Retirees Benefits Trust (SRBT). These investments are measured at net asset value.

***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.

***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

***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 stabilization fund for compensated absences to accumulate funds to pay out future vacation and sick pay. The balance in this fund at June 30, 2021 was \$483,776.

***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.



### ***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. The General Fund is the only fund that reports a positive unassigned fund balance.

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.

### ***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**

### ***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.

***Assessments of Member Communities***

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. Certain costs, such as transportation and debt service, are outside 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, 2021, the assessments were calculated as follows:

Member Community	Minimum Contribution	Contribution Outside Net Sch. Spending	Additional Contribution	Total Assessments
Blandford	\$ 1,077,788	\$ 377,541	\$ 191,546	\$ 1,646,875
Chester	853,088	448,559	227,577	1,529,224
Huntington	1,502,305	943,867	478,872	2,925,044
Middlefield	334,248	106,498	54,032	494,778
Montgomery	640,350	229,107	116,238	985,695
Russell	<u>1,005,407</u>	<u>726,058</u>	<u>368,366</u>	<u>2,099,831</u>
Total	\$ <u>5,413,186</u>	\$ <u>2,831,630</u>	\$ <u>1,436,631</u>	\$ <u>9,681,447</u>

**3. Deposits – School District**

State statutes, Massachusetts General Law (MGL) Chapter 44, Section 55 place certain limitation on the nature of deposits and investments available to the School District. Deposits, including demand deposits, money markets, certificates of deposits in any one financial institution, may not exceed 60% of the capital and surplus of such institution unless collateralized by the institution involved. Investments may be made in unconditionally guaranteed U.S. government obligations having maturities of a year or less from the date of purchase, or through repurchase agreements with maturities of no greater than 90 days in which the underlying securities consists of such obligations. Other allowable investments include certificates of deposits having a maturity date of up to 3 years from the date of purchase, national banks and Massachusetts Municipal Depository Trust (MMDT). MMDT,

which is an external investment pool overseen by the Treasurer of the Commonwealth of Massachusetts, meets the criteria established by Governmental Accounting Standards Board (GASB) 79. MMDT has a maturity of less than 1 year and is not rated or subject to custodial credit risk disclosure. MGL Chapter 44, Section 54 provides additional investment options for certain special revenue, trust and OPEB funds.

***Custodial Credit Risk – Deposits***

Custodial credit risk is the risk that in the event of bank failure, the School District’s deposits may not be returned. The School District does not have formal deposit policies related to the custodial credit risk of deposits.

As of June 30, 2021, none of the School District’s bank balance of \$4,719,810 was exposed to custodial credit risk as uninsured and uncollateralized. Additionally, \$590,878 was invested in MMDT, which is not subject to this disclosure.

**4. Investments – OPEB Trust Fund**

All of the OPEB Trust Fund’s investments of \$330,373 are invested in the external (State) investment pool – State Retirees Benefit Trust Fund (SRBT). The School District does not have formal investment policies for the OPEB Trust Fund’s investments.

***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, the School District will not be able to recover the value of its investment or collateral securities that are in possession of another party. All of the OPEB Trust Fund’s investments are exempt from custodial credit risk disclosure as they are invested in SRBT.

***Concentration of Credit Risk***

Concentration of credit risk is the risk of loss attributable to the magnitude of the School District’s investment in a single issuer. The School District places no limit on the amount invested in any one issuer. All of the OPEB Trust Fund’s investments are exempt from concentration of credit risk disclosure as they are invested in SRBT.

***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. All of the OPEB Trust Fund’s investments are exempt from interest rate risk disclosure as they are invested in SRBT.

### **Fair Value**

The OPEB Trust Fund's investments are in SRBT which are measured at net asset value (NAV) and are not subject to fair value measurement. The NAV per share is the amount of net assets attributable to each share of capital stock outstanding at the close of the period.

<u>Description</u>	<u>Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency (if currently eligible)</u>	<u>Redemption Notice Period</u>
External investment pool	\$ <u>330,373</u>	\$ -	monthly	30 days

### **5. Intergovernmental Receivables**

This balance represents reimbursements requested from Federal and State agencies for expenditures incurred in fiscal 2021.

### **6. Capital Assets**

Capital asset activity for the year ended June 30, 2021 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental Activities</b>				
Capital assets, being depreciated:				
Buildings and improvements	\$ 38,800,546	\$ -	\$ -	\$ 38,800,546
Machinery, equipment, and furnishings	<u>4,960,632</u>	<u>11,571</u>	<u>-</u>	<u>4,972,203</u>
Total Capital Assets, Being Depreciated	43,761,178	11,571	-	43,772,749
Less accumulated depreciation for:				
Buildings and improvements	(15,941,645)	(776,010)	-	(16,717,655)
Machinery, equipment, and furnishings	<u>(4,863,954)</u>	<u>(42,261)</u>	<u>-</u>	<u>(4,906,215)</u>
Total Accumulated Depreciation	<u>(20,805,599)</u>	<u>(818,271)</u>	<u>-</u>	<u>(21,623,870)</u>
Capital Assets, Being Depreciated, Net	22,955,579	(806,700)	-	22,148,879
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>22,972,829</u>	\$ <u>(806,700)</u>	\$ <u>-</u>	\$ <u>22,166,129</u>

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

Other school services	\$ 1,553
Operation and maintenance	5,607
Unallocated depreciation	<u>811,111</u>
Total	<u>\$ 818,271</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. Long-Term Debt**

***General Obligation Bonds and Loans***

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

<b>Governmental Activities</b>	Original	Serial	Interest	Amount
<b><i>General Obligation Bonds</i></b>	<u>Issue</u>	<u>Maturities</u>	<u>Rate(s) %</u>	<u>Outstanding</u>
		<u>Through</u>		<u>as of</u>
				<u>June 30, 2021</u>
Direct placements:				
Building improvements - refunded	\$ 4,910,000	12/01/24	4.00%	\$ <u>2,140,000</u>

***Future Debt Service***

The annual payments to retire the general obligation long-term bond outstanding as of June 30, 2021 are as follows:

	Bonds- Direct Placements		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$ 2,140,000</u>	<u>\$ 174,600</u>	<u>\$ 2,314,600</u>

### **Changes in General Long-Term Liabilities**

During the year ended June 30, 2021, the following changes occurred in long-term liabilities:

	Beginning Balance	Additions	Reductions	Ending Balance	Less Current Portion	Equals Long-Term Portion
Bonds payable:						
Direct placements	\$ 2,640,000	\$ -	\$ (500,000)	\$ 2,140,000	\$ (510,000)	\$ 1,630,000
Unamortized premium	269,175	-	(53,835)	215,340	(53,835)	161,505
Subtotal - Bonds payable	2,909,175	-	(553,835)	2,355,340	(563,835)	1,791,505
Net pension liability	4,878,222	-	(806,452)	4,071,770	-	4,071,770
Net OPEB liability	22,139,614	-	(6,641,707)	15,497,907	-	15,497,907
Compensated absences	352,512	25,827	-	378,339	-	378,339
MSBA obligation	891,980	-	(222,995)	668,985	(222,995)	445,990
Total	\$ 31,171,503	\$ 25,827	\$ (8,224,989)	\$ 22,972,341	\$ (786,830)	\$ 22,185,511

### **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 refunding 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, 2021 is \$215,340.

### **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.

## **9. MSBA Obligation**

Effective July 1, 2010 the School District terminated agreements for the leasing of elementary schools with the towns of Blandford, Russell, and Worthington and closed the schools. As a result of this action, the Massachusetts School Building Authority (MSBA) required the School District to repay \$4,587,165 of funds granted to the School District in prior years to finance leasehold improvements associated with these three school buildings.

In fiscal year 2016, the School 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 School District having to repay the Russell portion of the grant that had been forgiven upon reopening the school in fiscal year 2016. The total balance owed to the MSBA for repayment of grants associated with the Blandford and Russell Elementary Schools as of June 30, 2021 is \$668,985.

**10. 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.

**11. Interfund Accounts**

***Transfers***

The School District reports interfund transfers between various funds. Most transfers result from budgetary or statutory actions, whereby funds are moved to accomplish various expenditure purposes. There was one transfer in fiscal year 2021. \$127,091 was moved from the Transportation Revolving Fund, which is reported in nonmajor governmental funds, to the General Fund.

**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 follows 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, 2021:

***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 a special purpose stabilization fund.

**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 general fund encumbrances that have been established by various School District departments for the expenditure of current year budgetary financial resources upon vendor performance in the subsequent budgetary period, and surplus (excess and deficiency) 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, 2021:

	General Fund	School Choice Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable				
Reserve for inventory	\$ -	\$ -	\$ 4,471	\$ 4,471
Total Nonspendable				
Restricted				
Special revenue funds	-	1,373,654	1,043,421	2,417,075
Total Restricted	-	1,373,654	1,043,421	2,417,075
Committed				
Stabilization fund for compensated absences *	483,776	-	-	483,776
Total Committed	483,776	-	-	483,776
Assigned				
Encumbrances:				
Administration	6,575	-	-	6,575
Instructional	21,279	-	-	21,279
Other school services	77,469	-	-	77,469
Operation and maintenance	377	-	-	377
Employee benefits	159,478	-	-	159,478
Reserved for expenditures:				
Operating budget	556,960	-	-	556,960
Total Assigned	822,138	-	-	822,138
Unassigned				
General fund	848,744	-	-	848,744
Total Unassigned	848,744	-	-	848,744
Total Fund Balance	\$ 2,154,658	\$ 1,373,654	\$ 1,047,892	\$ 4,576,204

\* Massachusetts General Law Chapter 40 Section 5B allows for the establishment of stabilization funds for one or more different purposes. The creation of a fund requires two-thirds vote of the legislative body and must clearly define the purpose of the fund. Any change to the purpose of the fund, along with any additions to or appropriations from the fund, requires a two-thirds vote of the legislative body.



### 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.

#### *Plan Description*

Certain employees of the School District (not including 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 member's 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, 2021 was \$595,421, which was equal to its annual required contribution.

***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.

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

At June 30, 2021, the School District reported a liability of \$4,071,770 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2020, rolled forward to December 31, 2020. 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, 2021, the School District's proportion was 2.28%, which was a decrease of (0.16)% from its proportion measured as of December 31, 2019.

For the year ended June 30, 2021, the School District recognized pension expense of \$214,520. 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	\$ -	\$ (459,390)
Difference between expected and actual experience	-	(114,564)
Changes of assumptions	343,359	(93,658)
Changes in proportion and differences between contributions and proportionate share of contributions	<u>-</u>	<u>(565,142)</u>
Total	\$ <u>343,359</u>	\$ <u>(1,232,754)</u>

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

<u>Year ended June 30:</u>	
2022	\$ (259,403)
2023	(157,722)
2024	(293,985)
2025	(107,557)
2026	<u>(70,728)</u>
Total	\$ <u>(889,395)</u>

### **Actuarial Assumptions**

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

Valuation date	1/1/2020
Actuarial cost method	Entry Age Normal Cost
Actuarial assumptions:	
Investment rate of return	7.15%, net of pension plan investment expense
Projected salary increases	Group 1: 6% - 4.25 %, based on service Group 4: 7% - 4.75%, based on service
Inflation rate	2.2%
Post-retirement cost-of-living adjustment	3% of first \$13,000

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with full generational mortality improvement using Scale MP-2018. For disabled lives, the mortality rates were based on the RP-2014 Blue Collar Mortality Table set forward one year with full generational mortality improvement using Scale MP-2018.

### **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 geometric 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>
Cash	2.00%	-0.30%
Domestic equity	25.00%	4.30%
Non-U.S. developed equity	13.50%	4.40%
Emerging equity	7.00%	6.30%
Private equity	11.00%	7.90%
Core bonds	15.00%	0.30%
Value add fixed income - public	13.50%	2.70%
Real estate	<u>13.00%</u>	4.20%
Total	<u>100.00%</u>	

**Discount Rate**

The discount rate used to measure the total pension liability was 7.15%. 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.

**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 7.15%, 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 one percentage-point lower or one percentage-point higher than the current rate:

1% Decrease	Current Discount Rate	1% Increase
<u>(6.15%)</u>	<u>(7.15%)</u>	<u>(8.15%)</u>
\$5,591,496	\$4,071,770	\$2,788,331

**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)**

**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.

***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.

***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 to 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

### **Actuarial Assumptions**

The total pension liability for the June 30, 2020 measurement date was determined by an actuarial valuation as of January 1, 2020 rolled forward to June 30, 2020. This valuation used the following assumptions:

- (a) 7.15% (changed from 7.25%) investment rate of return, (b) 3.50% 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 4.00% to 7.50% depending on length of service.
- Experience study is dated July 21, 2014 and encompasses the period January 1, 2006 to December 31, 2011, updated to reflect post-retirement mortality through January 1, 2017.
- Mortality rates were as follows:
  - Pre-retirement – reflects Pub-2010 Teachers Employees mortality table (headcount weighted) projected generationally with Scale MP-2018 (gender distinct).
  - Post-retirement – reflects Pub-2010 Teachers Retirees mortality table (headcount weighted) projected generationally with Scale MP-2018 (gender distinct).
  - Disability – assumed to be in accordance with the Pub-2010 Teachers Retirees Mortality Table (headcount weighted) projected generationally with Scale MP-2018 (gender distinct).

### **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, 2020 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	39.00%	4.80%
Core fixed income	15.00%	0.70%
Private equity	13.00%	8.20%
Portfolio completion strategies	11.00%	3.20%
Real estate	10.00%	3.50%
Value added fixed income	8.00%	4.20%
Timber/natural resources	<u>4.00%</u>	4.10%
Total	<u>100.00%</u>	



**Discount Rate**

The discount rate used to measure the total pension liability was 7.15%. 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.

**Sensitivity Analysis**

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

1% Decrease to <u>6.15%</u>	Current Discount Rate <u>7.15%</u>	1% Increase to <u>8.15%</u>
\$35,411,955	\$28,544,844	\$22,908,510

**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.

**School District Proportions**

In fiscal year 2020 (the most recent measurement period), the School District’s proportionate share of the MTRS’ collective net pension liability was approximately \$26.7 million based on a proportionate share of 0.09366%. As required by GASB 68, the School District has recognized its portion of the Commonwealth’s contribution of approximately \$1.45 million as both a revenue and expenditure in general fund, and its portion of the collective pension expense of approximately \$3.3 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, 2021.

***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.

***Funding Policy***

The School District's funding policy including financing the implicit subsidy on a pay-as-you-go basis, as required by statute. Additional contributions are based on annual budget limitations.

### *Plan Membership*

At June 30, 2021, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	125
Active employees	<u>127</u>
Total	<u><u>252</u></u>

### ***Investments***

The OPEB Trust Fund assets are invested in the external (State) investment pool – State Retirees Benefit Trust Fund (SRBT).

### *Rate of Return*

For the year ended June 30, 2021, the annual money-weighted rate of return on investments, net of investment expense, was 23.95%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

### ***Actuarial Assumptions***

The net OPEB liability was determined by an actuarial valuation as of July 1, 2020, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	1.9%
Salary increases	3.5%, average, including inflation
Investment rate of return	5.60%, net of OPEB plan investment expense
Municipal bond rate	1.90%
Discount rate	2.40%
Healthcare cost trend rates	7.0% fluctuating 0.5% to an ultimate rate of 4.5% by 2025
Retirees' share of benefit-related costs	50%
Participation rate	100% of the 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-2020.

### ***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, 2021 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	33.00%	3.40%
Non-U.S. equity	21.00%	6.10%
U.S. aggregate bonds	15.00%	1.20%
Intermediate-term credit	10.00%	1.70%
Short-term credit	5.00%	1.60%
Non-U.S. bonds	10.00%	0.90%
REITs	<u>6.00%</u>	2.90%
Total	<u>100.00%</u>	

### ***Discount Rate***

The discount rate used to measure the net OPEB liability was 2.40%. 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 5.6% and municipal bond rate of 1.9% (based on the Bond Buyer's 20 Bond Index as of June 30, 2021).

### ***Net OPEB Liability***

The components of the net OPEB liability, measured as of June 30, 2021, were as follows:

Total OPEB liability	\$ 15,828,280
Plan fiduciary net position	<u>(330,373)</u>
Net OPEB liability	<u>\$ 15,497,907</u>
Plan fiduciary net position as a percentage of the total OPEB liability	2.09%

**Changes in the Net OPEB Liability**

The following summarized the changes in the net OPEB liability for the past year:

	Increase (Decrease)		
	Total OPEB Liability <u>(a)</u>	Plan Fiduciary Net Position <u>(b)</u>	Net OPEB Liability <u>(a) - (b)</u>
Balances, Beginning of Year	\$ 22,285,047	\$ 145,433	\$ 22,139,614
Changes for the year:			
Service cost	656,370	-	656,370
Interest	357,919	-	357,919
Contributions - employer	-	150,000	(150,000)
Net investment income	-	3,214	(3,214)
Differences between expected and actual experience	(3,585,399)	31,726	(3,617,125)
Changes of assumptions	(3,414,465)	-	(3,414,465)
Benefit payments	<u>(471,192)</u>	<u>-</u>	<u>(471,192)</u>
Net Changes	<u>(6,456,767)</u>	<u>184,940</u>	<u>(6,641,707)</u>
Balances, End of Year	<u>\$ 15,828,280</u>	<u>\$ 330,373</u>	<u>\$ 15,497,907</u>

Changes of assumptions are the result of a change in the discount rate from 2.21% in 2020 to 2.40% in 2021. The mortality table and various demographic assumptions were also updated.

**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 one percentage-point lower or one percentage-point higher than the current discount rate:

1% Decrease <u>(1.40%)</u>	Current Discount Rate <u>(2.40%)</u>	1% Increase <u>(3.40%)</u>
\$18,323,699	\$15,497,907	\$13,244,415

**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 one percentage-point lower or one percentage-point higher than the current healthcare cost trend rates:

1% Decrease (6.0% decreasing to 3.5%)	Current Healthcare Cost Trend Rates (7.0% decreasing to 4.5%)	1% Increase (8.0% decreasing to 5.5%)
\$12,886,545	\$15,497,907	\$18,904,780

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

For the year ended June 30, 2021, the School District recognized an OPEB expense (credit) of \$(83,584). At June 30, 2021, the School District reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ (3,729,297)
Change of assumptions	3,037,223	(3,704,934)
Net difference between projected and actual OPEB investment earnings	-	(29,555)
Total	\$ <u>3,037,223</u>	\$ <u>(7,463,786)</u>

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

<u>Year ended June 30:</u>	
2022	\$ (1,094,659)
2023	(1,093,800)
2024	(952,816)
2025	(926,669)
2026	<u>(358,619)</u>
Total	\$ <u>(4,426,563)</u>

## 16. 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, 2021 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, 2021, according to the Trust's unaudited financial statements, after accruing an estimated liability for incurred but unreported claims of approximately \$4.75 million, the Trust was in a surplus position of approximately \$33.25 million.

## 17. Change in Accounting Principle

During 2021, the School District adopted Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. This required moving certain items previously reported as agency funds to the newly established custodial fund that reports additions and deductions for these activities. No restatement of beginning net position/fund balance was required in either fund.

## 18. Commitments and Contingencies

### ***COVID-19***

The COVID-19 outbreak in the United States (and across the globe) has resulted in economic uncertainties. There is considerable uncertainty around the duration and scope of the economic disruption. The extent of the impact of COVID-19 on our operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on individuals served by the School District, employees, and vendors, all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact our financial condition or results of operations is uncertain.

### ***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.

### ***Encumbrances***

At year-end, the School District's general fund has \$265,178 in encumbrances that will be honored in the next fiscal year.

**19. Beginning Fund Balance Reclassification**

The School District’s major and nonmajor governmental funds for fiscal year 2021, as defined by GASB Statement 34, have changed from the previous fiscal year. Accordingly, the following reconciliation is provided:

	Fund Equity June 30, 2020 (as previously <u>reported</u> )	<u>Reclassification</u>	Fund Equity June 30, 2020 ( <u>as reclassified</u> )
General fund	\$ 1,539,099	\$ 24,987	\$ 1,564,086
Nonmajor governmental funds	<u>888,235</u>	<u>(24,987)</u>	<u>863,248</u>
Total	\$ <u>2,427,334</u>	\$ <u>-</u>	\$ <u>2,427,334</u>

**20. New Pronouncements**

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, 2022. This statement establishes new reporting and disclosure requirements, including the recording of various operating leases in the financial statements. Management has not evaluated the effect this standard will have on the financial statements.



**GATEWAY REGIONAL SCHOOL DISTRICT**

Required Supplementary Information  
 Schedule of Revenues and Expenditures and Other Sources (Uses) - Budget and Actual - General Fund  
 For the Year Ended June 30, 2021

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive <u>(Negative)</u>
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	
<b>Revenues</b>				
Assessments to member towns	\$ 9,681,447	\$ 9,681,447	\$ 9,681,447	\$ -
Intergovernmental	6,402,012	6,255,795	6,286,799	31,004
Investment income	10,870	20,870	62,930	42,060
Miscellaneous	<u>4,000</u>	<u>4,000</u>	<u>6,723</u>	<u>2,723</u>
Total Revenues	16,098,329	15,962,112	16,037,899	75,787
<b>Expenditures</b>				
Administration	627,036	652,654	649,061	3,593
Instruction	5,505,928	5,536,236	5,417,458	118,778
Other school services	1,464,381	1,327,031	1,232,157	94,874
Operation and maintenance	1,127,539	1,090,955	1,038,652	52,303
Fixed charges	3,057,997	113,230	100,764	12,466
Employee benefits	113,230	3,110,861	3,079,204	31,657
Acquisition	230,995	395,473	390,473	5,000
Special education	3,300,481	2,929,401	2,660,755	268,646
Intergovernmental	587,233	649,019	645,947	3,072
Debt service	<u>595,600</u>	<u>595,600</u>	<u>595,600</u>	<u>-</u>
Total Expenditures	<u>16,610,420</u>	<u>16,400,460</u>	<u>15,810,071</u>	<u>590,389</u>
Excess (Deficiency) of Revenues over Expenditures	(512,091)	(438,348)	227,828	666,176
<b>Other Financing Sources (Uses)</b>				
Transfers in	127,091	127,091	127,091	-
Transfers out	-	(73,743)	(73,743)	-
Use of excess and deficiency: Operating budget	<u>385,000</u>	<u>385,000</u>	<u>-</u>	<u>(385,000)</u>
Total Other Financing Sources (Uses)	<u>512,091</u>	<u>438,348</u>	<u>53,348</u>	<u>(385,000)</u>
Overall Budgetary Excess (Deficiency)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>281,176</u>	\$ <u>281,176</u>

See Independent Auditors' Report.

**Notes to the Required Supplementary Information  
for General Fund Budget**

**Budgetary Basis**

The General Fund final appropriation appearing on the previous page represents the final amended budget after all reserve fund transfers and supplemental appropriations.

**Budget/GAAP Reconciliation**

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

The following is a summary of adjustments made to the actual revenues, expenditures, and other financing sources (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>
GAAP basis	\$ 17,492,820	\$ 17,029,339	\$ 127,091
Reverse the effect of non-budgeted State contributions to teachers retirement	(1,454,921)	(1,454,921)	-
Reverse beginning of year appropriation carryforwards from expenditures		(29,525)	
Add end of year appropriation carryforwards to expenditures	-	265,178	-
Remove effect of combining stabilization and General Fund	<u>-</u>	<u>-</u>	<u>(73,743)</u>
Budgetary basis	<u>\$ 16,037,899</u>	<u>\$ 15,810,071</u>	<u>\$ 53,348</u>

See Independent Auditors' Report.

**GATEWAY REGIONAL SCHOOL DISTRICT**  
Required Supplementary Information  
Schedule of Proportionate Share of the Net Position Liability  
(Unaudited)  
(Amounts expressed in thousands)

<b>Hampshire County Retirement System</b>						
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, 2021	December 31, 2020	2.28006%	\$4,072	\$1,988	204.83%	69.20%
June 30, 2020	December 31, 2019	2.44222%	\$4,878	\$1,986	245.62%	64.30%
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%

<b>Massachusetts Teachers' Retirement System</b>								
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, 2021	June 30, 2020	0.093658%	\$ -	\$26,735	\$26,735	\$7,096	-	50.67%
June 30, 2020	June 30, 2019	0.095417%	\$ -	\$24,058	\$24,058	\$6,944	-	53.95%
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

(Unaudited)

(Amounts expressed in thousands)

**Hampshire Retirement System**

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Actuarially Determined Contribution</u>	<u>Actuarially Determined Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
June 30, 2021	December 31, 2020	\$595	\$595	\$ -	\$1,988	29.93%
June 30, 2020	December 31, 2019	\$593	\$593	\$ -	\$1,986	29.86%
June 30, 2019	December 31, 2018	\$569	\$569	\$ -	\$2,104	27.04%
June 30, 2018	December 31, 2017	\$548	\$548	\$ -	\$2,023	27.09%
June 30, 2017	December 31, 2016	\$530	\$530	\$ -	\$2,122	24.96%
June 30, 2016	December 31, 2015	\$523	\$523	\$ -	\$2,273	23.02%
June 30, 2015	December 31, 2014	\$512	\$512	\$ -	\$2,154	23.75%

**Massachusetts Teachers' Retirement System**

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Actuarially Determined Contribution Provided by Commonwealth</u>	<u>Actuarially Determined Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
June 30, 2021	June 30, 2020	\$1,455	\$1,455	\$ -	\$7,096	20.50%
June 30, 2020	June 30, 2019	\$1,378	\$1,378	\$ -	\$6,944	19.84%
June 30, 2019	June 30, 2018	\$1,225	\$1,225	\$ -	\$6,541	18.73%
June 30, 2018	June 30, 2017	\$1,165	\$1,165	\$ -	\$6,402	18.20%
June 30, 2017	June 30, 2016	\$1,144	\$1,144	\$ -	\$6,689	17.10%
June 30, 2016	June 30, 2015	\$1,100	\$1,100	\$ -	\$6,823	16.12%
June 30, 2015	June 30, 2014	\$1,015	\$1,015	\$ -	\$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 the Net OPEB Liability

(Unaudited)

(Amount expressed in thousands)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>Total OPEB Liability</b>				
Service cost	\$ 656	\$ 601	\$ 527	\$ 697
Interest	358	620	617	612
Differences between expected and actual experience	(3,585)	(139)	(1,530)	-
Changes of assumptions	(3,415)	4,324	570	(2,327)
Benefit payments, including refunds of member contributions	<u>(471)</u>	<u>(465)</u>	<u>(444)</u>	<u>(452)</u>
Net Change in Total OPEB Liability	(6,457)	4,941	(260)	(1,470)
Total OPEB Liability - Beginning	<u>22,285</u>	<u>17,344</u>	<u>17,604</u>	<u>19,074</u>
Total OPEB Liability - Ending (a)	15,828	22,285	17,344	17,604
<b>Plan Fiduciary Net Position</b>				
Differences between expected and actual experience	32	-	-	-
Contributions - employer	621	465	444	452
Net investment income	3	7	9	8
Benefit payments, including refunds of member contributions	<u>(471)</u>	<u>(465)</u>	<u>(444)</u>	<u>(452)</u>
Net Change in Plan Fiduciary Net Position	185	7	9	8
Plan Fiduciary Net Position - Beginning	<u>145</u>	<u>138</u>	<u>129</u>	<u>121</u>
Plan Fiduciary Net Position - Ending (b)	<u>330</u>	<u>145</u>	<u>138</u>	<u>129</u>
Net OPEB Liability - Ending (a-b)	\$ <u>15,498</u>	\$ <u>22,140</u>	\$ <u>17,206</u>	\$ <u>17,475</u>

*Schedules are 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

(Unaudited)

(Amounts expressed in thousands)

<b>Schedule of Net OPEB Liability</b>	<b><u>2021</u></b>	<b><u>2020</u></b>	<b><u>2019</u></b>	<b><u>2018</u></b>
Total OPEB liability	\$ 15,828	\$ 22,285	\$ 17,344	\$ 17,604
Plan fiduciary net position	<u>(330)</u>	<u>(145)</u>	<u>(138)</u>	<u>(129)</u>
Net OPEB liability	<u>\$ 15,498</u>	<u>\$ 22,140</u>	<u>\$ 17,206</u>	<u>\$ 17,475</u>
 Plan fiduciary net position as a percentage of the total OPEB liability	 2.08%	 0.65%	 0.80%	 0.73%
 <b>Schedule of Investment Returns</b>	 <b><u>2021</u></b>	 <b><u>2020</u></b>	 <b><u>2019</u></b>	 <b><u>2018</u></b>
Annual money weighted rate of return, net of investment expense	23.95%	5.63%	6.88%	6.69%

*Schedules are 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**

Other Supplementary Information  
 Combining Statement of Revenues, Expenditures and  
 Changes in Fund Balances - Nonmajor Governmental Funds  
 For the Year Ended June 30, 2021

Special Revenue Funds	Fund Balance Beginning of Year	Charges for Services/ Other	Revenue			Expenditures	Transfer In (Out)	Fund Balance End of Year
			Federal	State				
Title II	\$ -	\$ -	\$ 22,452	\$ -	\$ 22,433	\$ -	\$ 19	
Title I FY21	-	-	128,697	-	128,697	-	-	
Sped Program Improvement	-	-	11,990	-	11,990	-	-	
Sped Idea B	-	-	309,082	-	309,082	-	-	
Spec. Ed. Early Learning	-	-	13,045	-	13,045	-	-	
Targeted Assistance Grant Receipts	375	-	23,568	-	23,943	-	-	
Safe Schools Receipts	-	-	-	7,088	7,088	-	-	
Title IV Receipts	-	-	7,314	-	7,314	-	-	
Mass Cultural Council FY14	4,161	-	-	-	-	-	4,161	
Stars Grant	3,100	-	-	-	3,100	-	-	
Rural School Aid Receipts	134,428	-	-	223,215	357,643	-	-	
Food Service Revolving	20,907	7,990	219,938	4,661	218,792	-	34,704	
Wrap Around Revolving	201,151	9,346	-	-	-	-	210,497	
Athletic Revolving	66,692	28	-	-	36	-	66,684	
Building Use Revolving	30,234	-	-	-	36	-	30,198	
Regional Transportation Revolving	127,091	-	-	250,119	-	(127,091)	250,119	
Tuition Revolving	18,289	-	-	-	-	-	18,289	
District Donation Revolving	469	-	-	-	-	-	469	

(continued)

**GATEWAY REGIONAL SCHOOL DISTRICT**

Other Supplementary Information  
 Combining Statement of Revenues, Expenditures and  
 Changes in Fund Balances - Nonmajor Governmental Funds  
 For the Year Ended June 30, 2021

(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	158,839	-	-	286,735	160,106	-	285,468
Wellness Center Revolving	495	-	-	-	-	-	495
Technology Revolving	764	9,386	-	-	-	-	10,150
High School Textbook Revolving	94	513	-	-	109	-	498
Lost Library Book Revolving	183	61	-	-	-	-	244
Insurance Revolving	80,224	-	-	-	-	-	80,224
Mass Cultural Council Revolving	750	-	-	-	-	-	750
Littleville Elementary Revolving	9,208	-	-	-	100	-	9,108
Chester Elementary Revolving	5,794	-	-	-	43	-	5,751
FEMA COVID	-	-	16,474	-	-	-	16,474
Remote Learning	-	-	36,281	-	36,281	-	-
Early Literacy Screening	-	-	-	5,496	5,496	-	-
Integrating Social and Emotional Learning	-	-	-	4,500	2,000	-	2,500
Summer Vacation Learning Grant	-	-	-	14,991	14,991	-	-
Virtual Course Access	-	-	-	5,300	5,300	-	-
DPH Grant	-	-	-	10,500	10,500	-	-
COVID Prevention	-	-	44,425	-	44,425	-	-
Share Grant	-	-	82,254	-	82,254	-	-
CVRF	-	-	190,800	-	190,800	-	-
ESSER	-	-	91,291	-	70,201	-	21,090
<b>Total Nonmajor Governmental Funds</b>	<b>\$ 863,248</b>	<b>\$ 27,324</b>	<b>\$ 1,197,611</b>	<b>\$ 812,605</b>	<b>\$ 1,725,805</b>	<b>\$ (127,091)</b>	<b>\$ 1,047,892</b>

See Independent Auditors' Report.