

MONOMOY REGIONAL SCHOOL DISTRICT
BASIC FINANCIAL STATEMENTS AND MANAGEMENT'S DISCUSSION AND ANALYSIS
WITH INDEPENDENT AUDITORS' REPORT
YEAR ENDED JUNE 30, 2018

MONOMOY REGIONAL SCHOOL DISTRICT

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INDEPENDENT AUDITORS' REPORT

To the School Committee
Monomoy Regional School District
Chatham, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Monomoy Regional School District, (the District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the District as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the District's proportionate share of net pension liability and the District's contributions to pension plan, and the District's net OPEB liability and contributions for other postemployment benefits as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 10, 2019, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 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 District's internal control over financial reporting and compliance.

Scappini & Pina, P.C.

Norwell, Massachusetts

January 10, 2019

MANAGEMENT DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

As the management of the Monomoy Regional School District (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2018. We encourage readers to consider the information presented here in conjunction with their review of the basic financial statements, notes to the basic financial statements and required supplementary information found in this report.

Financial Highlights

- The assets and deferred outflows of the District were less than its liabilities and deferred inflows at the close of the most recent fiscal year by approximately \$22.8 million (*total net position*).
- The District's net investment in capital assets and restricted net position consisted of approximately \$25.3 million.
- In 2018, the District was required to implement GASB Statement #75, the District recognized their total net other postemployment benefits liability of \$37.4 million along with deferred inflows related to OPEB of \$4.2 million on the statement of net position.
- The \$49.5 million deficit balance reported in the unrestricted net position classification is due largely in part to the reporting of approximately \$37.4 million of net other postemployment benefits (OPEB) obligations and approximately \$10.4 million of net pension liability obligations as of June 30, 2018.
- The total cost of all District services for fiscal year 2018 was approximately \$45.6 million.
- As of the end of the current fiscal year, the general fund's unassigned fund balance was approximately \$1.6 million, or approximately 3.7% of general fund expenditures.

Overview of the Financial Statements

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

Government-wide Financial Statements – The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the District's assets, deferred outflows, liabilities, and deferred inflows with the end result reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the government'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., uncollected revenues).

Both of the government-wide financial statements distinguish functions of the District that are principally supported by member community assessments, fees, and intergovernmental revenue (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*).

The governmental activities of the District include general district administrative services, education services for grades K through 12, employee benefits and other insurances, community services, programs with other districts, interest on debt, depreciation and maintenance and operation of school facilities.

The District does not report any business-type activities.

Fund Financial Statements – A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Accounting guidelines distinguish fund balance between amounts that are considered nonspendable, such as fund balance associated with inventories, and other amounts that are classified based on the relative strength of the constraints that control the purposes for which specific amounts can be spent. Beginning with the most binding constraints, fund balance amounts will be reported in the following classifications:

- Restricted—amounts constrained by external parties, constitutional provision, or enabling legislation
- Committed—amounts constrained by a government using its highest level of decision-making authority
- Assigned—amounts a government intends to use for a particular purpose
- Unassigned—amounts that are not constrained at all will be reported in the general fund or in other major funds if negative

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.

The District maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund. Data from the other governmental funds are combined into a single, aggregated presentation.

The District adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with this budget. This schedule has been prepared as required supplementary information and can be found along with the corresponding notes in this report.

Proprietary Funds – *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The District does not report any activity in a proprietary fund.

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

The District's fiduciary funds consist of an "other postemployment benefits" (OPEB) trust fund and an agency fund. The OPEB trust fund accounts for resources legally held in trust for purpose of funding health insurance benefits for retired employees and beneficiaries of the District and are not subject to any creditors of the District. In 2016, the District entered into the Plymouth County Other Postemployment Benefits Trust Program (the Program). The objective of the Program is to assist public entities (counties, cities, towns, school districts, special districts, and municipal light plants) in Plymouth County and neighboring Norfolk, Bristol, and Barnstable counties with pre-funding their obligations for other postemployment benefits (other than pensions) by investing in a manner in accordance with Massachusetts Government code within IRC Section 115 multiple employer trust. The agency fund is used to hold funds on behalf of parties other than the District. This consists primarily of funds related to student activities. Agency funds are custodial in nature and do not involve measurement of results of operations.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information – In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's progress in funding its obligation to provide pension benefits and other post-employment benefits to its employees as well as the Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund.

Government-wide Financial Analysis

The following represents the condensed statement of net position:

Net Position		
	Governmental activities	
	June 30, 2018	June 30, 2017
<u>Assets</u>		
Current and other assets	\$ 7,585,178	\$ 7,173,113
Capital assets, net	51,097,721	52,913,333
Total assets	58,682,899	60,086,446
Deferred outflows of resources	1,470,651	1,238,223
<u>Liabilities</u>		
Long-term liabilities	72,994,107	74,823,873
Other liabilities	4,371,961	5,457,158
Total liabilities	77,366,068	80,281,031
Deferred inflows of resources	5,571,475	5,617,986
<u>Net Position</u>		
Net investment in capital assets	25,321,098	25,778,600
Restricted	1,386,522	1,333,868
Unrestricted	(49,491,613)	(51,686,816)
Net Position	\$ (22,783,993)	\$ (24,574,348)

The 2017 governmental activities have been revised to reflect the net asset revisions detailed in Note 15.

Included within governmental activities' current assets is \$6.4 million of cash and \$1.1 million of intergovernmental receivables.

Deferred outflows of resources of \$1.5 million represent changes in proportion and differences between employer contributions and the proportionate share of contributions and changes in actuarial assumptions associated with the District's participation in the country retirement system.

Current liabilities of \$4.4 million consist of \$2.6 million of accounts, salaries and withholdings payable, \$0.3 million of accrued interest payable, and \$1.5 million of bonds anticipation notes payable due in fiscal year 2018.

Noncurrent liabilities consist of \$37.4 million in net other post-employment (OPEB) obligations, \$10.4 million in net pension liabilities, \$24.4 million in bonds payable and \$0.8 million in capital lease obligations and compensated absences.

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The District's total net position increased by approximately \$1.8 million or 7.2% from the prior year.

By far the largest portion (\$25.3 million) of the District's overall net position reflects its investment in capital assets (e.g. land, buildings, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to students and the community; consequently, these assets are not available for future spending. Although the District's investment in its 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.

The next largest portion of the District's total net position (\$1.4 million) represents resources that are subject to external restrictions on how they may be used. This consists primarily of the District's revolving and circuit breaker funds.

The District's unrestricted net position, which may be used to meet the government's ongoing obligations to citizens and creditors, was in a deficit balance of approximately \$49.5 million, due primarily to the recording of the other post-employment benefits (OPEB) liabilities of approximately \$37.4 million and the net pension liability of \$10.4 million.

Governmental activities increased the District's net position by approximately \$1.8 million during fiscal year 2018. A summary of revenues and expenses is presented below.

Change in Net Position		
	Governmental activities	
	June 30, 2018	June 30, 2017
<u>Revenues</u>		
Program revenues:		
Charges for services	\$ 799,969	\$ 953,080
Operating grants and contributions	9,054,462	8,693,718
Capital grants and contributions	191,220	-
General revenues:		
Assessments to member towns	33,700,886	32,690,893
Intergovernmental	3,532,768	3,446,348
Departmental	30,284	3,285
Investment income	36,398	13,820
Premiums	3,290	1,500
Total revenues	47,349,277	45,802,644
<u>Expenses</u>		
Administration	1,327,857	1,301,754
Instructional services	20,523,290	19,948,231
School services	3,190,505	3,083,302
Operations and Maintenance	2,833,928	2,751,834
Employee benefits and other fixed charges	10,637,395	15,094,249
Community Services	303,835	303,326
Programs with other schools	3,400,397	3,291,203
Interest and other costs	1,107,063	1,198,930
Depreciation	2,234,652	2,370,079
Total expenses	45,558,922	49,342,908
Change in net position	1,790,355	(3,540,264)
Net position, beginning of year (as revised)	(24,574,348)	(21,038,084)
Net position, end of year	<u>\$ (22,783,993)</u>	<u>\$ (24,578,348)</u>

Additional key elements of the current year activity are as follows:

- General revenues and other items represent the largest portion of the District's governmental activities revenues of \$37.3 million or 78.8% of total governmental activities revenue.
- During fiscal year 2018, the District was notified that the final MSBA amount to be received by the District was \$191,220 higher than previously reported. This is reported as a capital grant revenue for fiscal year 2018.

Financial Analysis of the Government's Funds

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

The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the District's financing requirements. Fund balance for governmental funds is reported in a classification hierarchy which is based upon the extent to which the government is bound to honor constraints on the specific purposes for which the amounts in those funds can be spent. These classifications are non-spendable, restricted, committed, assigned and unassigned fund balance.

In particular, *unassigned fund balance* represents the residual fund balance which has not been restricted, committed, or assigned to a purpose within that fund. The general fund is the only fund which should report a positive unassigned fund balance amount. Any negative unassigned fund balance represents expenditures incurred for specific purposes which exceeded the amounts restricted, committed, or assigned for that purpose.

As of the end of the current fiscal year, the District's governmental funds balance sheet reported a combined ending fund balance surplus of approximately \$3.5 million, an increase of approximately \$0.3 from the prior year. This increase is due primarily to budget savings seen in the general fund, as well as the timing of grant receipts. The governmental funds' combined ending fund balances were reported in the following classifications: restricted fund balance of \$1.4 million, assigned fund balance of \$0.9 million and unassigned fund balance of \$1.2 million.

The general fund is the chief operating fund of the District. At the end of the current fiscal year, the general fund reported aggregate fund balance of \$2.5 million, an increase of \$0.1 million from the previous year. Of this amount, \$0.9 million or 36% represents assigned fund balance. Unassigned fund balance of the general fund was approximately \$1.6 million. 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 fund revenues and expenditures. Unassigned general fund balance represents approximately 3.7% of both revenues and expenditures, while total fund balance represents approximately 5.7% of the same amounts.

General Fund Budgetary Highlights

The difference between the original budget of \$38.2 million and the amended final budget of \$38.1 million is due primarily to encumbrances from the prior fiscal year included in the original budget and the encumbrances at the end of the year are not included in the final budget.

Capital Asset and Debt Administration

Capital Assets –The District’s investment in capital assets for its governmental activities as of June 30, 2018, amounted to approximately \$51.1 million (net of accumulated depreciation of \$9.0 million). This is compared to \$52.9 million (net of accumulated depreciation of \$6.8 million) the previous year. The investment in capital assets includes buildings, improvements, vehicles and furnishings and equipment.

The table below represents a summary of the District’s capital assets, net of accumulated depreciation by category (in millions):

	Governmental activities	
	<u>2018</u>	<u>2017</u>
Capital assets		
Buildings	\$ 49.4	\$ 50.8
Improvements	0.3	0.2
Furnishings & equipment	1.3	1.9
Vehicles	<u>0.1</u>	<u>0.0</u>
	<u>\$ 51.1</u>	<u>\$ 52.9</u>

The District’s major capital asset activity for fiscal year 2018 consisted of:

- \$163,000 of furniture and fixture additions
- \$34,000 of building additions related to the high school building project
- \$53,500 for a new van
- \$168,00 of building improvements

Debt Obligations – Outstanding long-term bonds, as of June 30, 2018 totaled \$24.4 million, compared to \$25.6 million for the prior year. Outstanding short-term bonds, as of June 30, 2018 totaled \$1.5 million, compared to \$1.5 million for the prior year. The District’s Standard & Poor’s rating is AA+ as of August 29, 2014

Economic Factors and Next Year’s Budget

- The District’s fiscal year 2019 budget is \$39.7 million, consisting of \$37.1 million for operations and maintenance, and \$2.6 million for debt service and capital outlay.

Requests for Information

This financial report is designed to provide a general overview of the Monomoy Regional School District’s finances for all those with an interest in the District’s finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to Kathleen Iernio, Business Manager, Monomoy Regional School District, 425 Crowell Road, Chatham, MA 02633.

BASIC FINANCIAL STATEMENTS

MONOMOY REGIONAL SCHOOL DISTRICT

Statement of Net Position

June 30, 2018

	Primary Government
	Governmental
	Activities
Assets	
Cash and cash equivalents	\$ 6,453,759
Grants receivable	27,689
Due from the Massachusetts School Building Authority	1,103,730
Capital assets, net of accumulated depreciation	51,097,721
Total Assets	58,682,899
Deferred Outflows of Resources	1,470,651
Liabilities	
Current liabilities:	
Accounts payable	193,001
Accrued salaries and expenses payable	2,128,603
Amounts withheld from employees	258,070
Notes payable	1,500,000
Accrued interest payable	292,287
Noncurrent liabilities:	
Due in one year or less	1,229,714
Due in more than one year	71,764,393
Total Liabilities	77,366,068
Deferred Inflows of Resources	5,571,475
Net Position	
Net investment in capital assets	25,321,098
Restricted	1,386,522
Unrestricted	(49,491,613)
Total Net Position	\$ (22,783,993)

See accompanying notes to basic financial statements.

MONOMOY REGIONAL SCHOOL DISTRICT

Statement of Activities
Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities
<u>Governmental Activities:</u>					
Leadership and administration	\$ 1,327,857				\$ (1,327,857)
Instructional services	20,523,290	379,007	1,116,263		(19,028,020)
School services	3,190,505	349,696	802,249		(2,038,560)
Operations and maintenance	2,833,928	71,266		191,220	(2,571,442)
Employee benefits and other insurances	10,637,395		5,777,844		(4,859,551)
Community services	303,835		5,575		(298,260)
Programs with other schools	3,400,397		1,352,531		(2,047,866)
Interest on debt	1,107,063				(1,107,063)
Depreciation	2,234,652				(2,234,652)
Total Governmental Activities	45,558,922	799,969	9,054,462	191,220	(35,513,271)
Total Governmental Activities/ Primary Government	<u>\$ 45,558,922</u>	<u>\$ 799,969</u>	<u>\$ 9,054,462</u>	<u>\$ 191,220</u>	<u>(35,513,271)</u>
<u>General Revenues:</u>					
					33,700,886
					3,532,768
					30,284
					36,398
					3,290

See accompanying notes to basic financial statements.

MONOMOY REGIONAL SCHOOL DISTRICT

Governmental Funds

Balance Sheet

June 30, 2018

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets			
Cash and cash equivalents	\$ 4,675,639	\$ 1,778,120	\$ 6,453,759
Grants receivable	-	27,689	27,689
Due from the Massachusetts School Building Authority	-	1,103,730	1,103,730
Total Assets	<u>4,675,639</u>	<u>2,909,539</u>	<u>7,585,178</u>
Total Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 4,675,639</u>	<u>\$ 2,909,539</u>	<u>\$ 7,585,178</u>
Liabilities			
Accounts payable	\$ 174,980	\$ 18,021	\$ 193,001
Accrued salaries and expenses payable	1,783,616	344,987	2,128,603
Amounts withheld from employees	258,070	-	258,070
Notes payable	-	1,500,000	1,500,000
Total Liabilities	<u>2,216,666</u>	<u>1,863,008</u>	<u>4,079,674</u>
Fund Balances			
Restricted	-	1,386,522	1,386,522
Assigned	863,786	-	863,786
Unassigned	1,595,187	(339,991)	1,255,196
Total Fund Balances	<u>2,458,973</u>	<u>1,046,531</u>	<u>3,505,504</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 4,675,639</u>	<u>\$ 2,909,539</u>	<u>\$ 7,585,178</u>

See accompanying notes to basic financial statements.

MONOMOY REGIONAL SCHOOL DISTRICT
Reconciliation of the Governmental Funds Balance Sheet
Total Fund Balances to the Statement of Net Position
June 30, 2018

Total Governmental Fund Balances	\$ 3,505,504
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	51,097,721
Certain deferred inflows of resources are accrued as revenue on the full accrual basis and are not reported in the governmental funds	(5,571,475)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the government funds	(72,994,107)
Certain deferred outflows of resources are reported full accrual basis and are not reported in the governmental funds	1,470,651
Reporting of liabilities on full accrual basis requires associated interest, net of subsidies be accrued	<u>(292,287)</u>
Net Position of Governmental Activities	<u>\$ (22,783,993)</u>

See accompanying notes to basic financial statements.

MONOMOY REGIONAL SCHOOL DISTRICT
Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
Year Ended June 30, 2018

	General	Nonmajor Governmental Funds	Total Governmental Funds
	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
Member town assessments	\$ 33,700,886	\$ -	\$ 33,700,886
Intergovernmental	9,310,612	3,441,465	12,752,077
Tuitions	-	408,852	408,852
Investment earnings	35,448	952	36,400
Contributions	-	26,372	26,372
Departmental and other	5,442	415,958	421,400
Total Revenues	<u>43,052,388</u>	<u>4,293,599</u>	<u>47,345,987</u>
Expenditures:			
Current:			
Leadership and administration	1,327,857		1,327,857
Instructional services	18,320,846	2,202,444	20,523,290
School services	2,417,260	773,245	3,190,505
Operations and maintenance	2,833,933	21,862	2,855,795
Employee benefits and other insurances	12,768,769	11,864	12,780,633
Community services	-	303,835	303,835
Capital outlay	281,008	103,373	384,381
Programs with other schools	3,147,156	253,241	3,400,397
Debt service	2,324,930	-	2,324,930
Total Expenditures	<u>43,421,759</u>	<u>3,669,864</u>	<u>47,091,623</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(369,371)</u>	<u>623,735</u>	<u>254,364</u>
Other Financing Sources (Uses):			
Premiums from issuance of debt	-	3,290	3,290
Transfers in	420,702	116	420,818
Transfers out	(116)	(420,702)	(420,818)
Total Other Financing Sources (Uses)	<u>420,586</u>	<u>(417,296)</u>	<u>3,290</u>
Net Change in Fund Balances	51,215	206,439	257,654
Fund Balances - Beginning	<u>2,407,758</u>	<u>840,092</u>	<u>3,247,850</u>
Fund Balances - Ending	<u>\$ 2,458,973</u>	<u>\$ 1,046,531</u>	<u>\$ 3,505,504</u>

See accompanying notes to basic financial statements.

MONOMOY REGIONAL SCHOOL DISTRICT
Reconciliation of the Statement of Revenues, Expenditures, and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
June 30, 2018

Net Change in Fund Balances - Total Governmental Fund Balances **\$ 257,654**

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. This amount represents the net amount of depreciation expense in excess of capital outlay. The amounts are represented here as reconciling items:

Capital Outlays	\$ 419,040	
Depreciation Expense	<u>(2,234,652)</u>	
 Net effect of reporting capital assets		 (1,815,612)

Certain deferred outflows and inflows of resources are reported on the government-wide financial statements to be amortized over future periods and accordingly are not recognized in the fund basis financial statements

Net change in deferred outflows associated with net pension liability	232,428	
Net change in deferred inflows associated with net pension liability	(551,973)	
Net change in deferred inflows associated with net OPEB liability	<u>598,484</u>	
 Net effect of changes in deferred outflows and inflows		 278,939

The issuance of long-term debt 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 has any effect on net position. Also governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are amortized in the Statement of Activities. The net amount presented here as a reconciling item represents the following differences:

Proceeds from capital lease obligations	(53,502)	
Repayments of lease	40,710	
Repayments of bonds	<u>1,200,000</u>	
 Net effect of reporting long-term debt		 1,187,208

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:

Compensated absences, net	(174,010)	
Accrued interest	17,866	
Other postemployment benefits	1,907,600	
Net pension liability	<u>130,710</u>	

Net effect of reporting long-term liabilities		<u>1,882,166</u>
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Change in Net Position of Governmental Activities **\$ 1,790,355**

See accompanying notes to basic financial statements.

MONOMOY REGIONAL SCHOOL DISTRICT

Fiduciary Funds
Statement of Net Position
June 30, 2018

	Other Postemployment Benefits Trust	Agency Accounts
Assets:		
Cash and cash equivalents	\$ -	\$ 122,144
Investments	380,988	-
Total Assets	380,988	122,144
Liabilities:		
Due to student groups	-	122,144
Total Liabilities	-	122,144
Net Position:		
Held in trust	380,988	-
Total Net Position	\$ 380,988	\$ -

See accompanying notes to basic financial statements.

MONOMOY REGIONAL SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Position
Year Ended June 30, 2018

	Other Postemployment Benefits Fund
	<u> </u>
ADDITIONS	
Contributions:	
Employer	\$ 100,000
Total contributions	<u> 100,000</u>
Investment income:	
Interest and dividends	\$ 36,378
Net investment earnings	<u> 36,378</u>
Total Additions	<u> 136,378</u>
 DEDUCTIONS	
Investment fees	<u> 709</u>
Total Deductions	<u> 709</u>
 CHANGE IN NET POSITION	 135,669
 NET POSITION AT BEGINNING OF YEAR	 <u> 245,319</u>
 NET POSITION AT END OF YEAR	 <u><u> \$ 380,988</u></u>

See accompanying notes to basic financial statements.

NOTES TO FINANCIAL STATEMENTS

MONOMOY REGIONAL SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

Note 1. Organization and Reporting Entity

A. Organization

The Monomoy Regional School District, Chatham, Massachusetts (the District), was established in 2011 under Chapter 71 of the Massachusetts General Laws, as amended and supplemented, and an Agreement, as amended, among the towns of Harwich and Chatham, which as member towns, comprise the District. The District operates the public school system, consisting of grades pre-kindergarten through twelve, for the benefit of its member towns.

B. Reporting Entity

General – The District is governed by a representative School Committee comprised of 8 individuals elected from its member Towns. School committee members are elected by the public to oversee and control activities to public school education in those towns.

As required by accounting principles generally accepted in the United States of America (GAAP) and in accordance with the Government Accounting Standards Board, the accompanying financial statements present the Monomoy Regional School District (the primary government) and its component units. Component units are included in the reporting entity if their operational and financial relationships with the District are significant. Pursuant to these criteria, the District did not identify any component units requiring inclusion in the accompanying financial statements.

Joint Ventures – The District has entered into a joint venture with other municipalities to pool resources and shares the costs, risks, and rewards of providing goods or services to venture participants directly, or for the benefit of the general public or specific recipients. The District is a participant in the joint ventures listed below. Financial statements may be obtained from each joint venture by contacting them directly. The District does not have an equity interest in any joint venture.

<u>Joint venture and address</u>	<u>Purpose</u>	<u>FY 2018 Payments</u>
Cape Cod Municipal Health Group c/o Group Benefits Strategies Barnstable, MA	To provide employee insurance benefits	\$ 7,076,840
Cape Cod Collaborative 418 Bumps River Road Osterville, MA 02655	Special education services for students' pre K – 12 grades	\$ 561,197

There is not an annual assessment to the joint ventures noted above; however, the District pays each joint venture for services rendered.

Note 2. Summary of Significant Accounting Policies

A. Basis of Presentation

The District's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The District does not have any business-type activities or enterprise funds. The more significant accounting policies established in GAPP and used by the District is discussed below.

The District's basis financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. Governmental activities are generally financed through intergovernmental assessments or other non-exchange transactions. The District does not have any activities classified as business-type activities.

Government-wide Statements – In the government-wide Statement of Net Position, governmental columns are presented on a consolidated basis and are reported on a full accrual, economic resource basis, which recognizes all long-term assets, receivables and deferred outflows of resources, as well as long-term liabilities, deferred inflows of resources and other liabilities reported on a full accrual basis. The District's net position is reported in three parts – net investment in capital assets, restricted, and unrestricted. The District first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the District's functions. Gross expenses (including depreciation) are reduced in the Statement of Activities by related program revenues, which consist of charges for services, operating grants and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. Assessments to the member towns include amounts for respective share of operating costs and debt service. The total amount of the assessments have been reported as general revenues.

The net costs by function are normally covered by general revenue.

Certain costs, such as employee fringe benefits, property and liability insurance, among other costs are not allocated among the District's functions and are included in Employee benefits and other fixed charges expenses in the Statement of Activities. Interest on general long-term liabilities is considered an indirect expense and is reported in the Statement of Activities as a separate line. Depreciation expense is reported as one amount, in total, on the Statement of Activities. None of these costs are allocated among the respective functions.

The government-wide focus is more on the sustainability of the District as an entity and the change in the District's net position resulting from the current year's activities.

Fund Financial Statements – The financial transactions of the District are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification with the financial statements.

The following governmental fund types are used by the District – the District does not use proprietary funds:

Governmental Funds – The focus of the governmental fund’s measurement (in the fund statements) is upon the determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the District:

Major Funds

- General fund is the primary operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

Non-major governmental funds consist of other special revenue, capital projects and permanent funds that are aggregated and presented in the non-major governmental funds column on the governmental funds financial statements. The following describes the general use of these funds:

- Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service and capital projects.
- Debt service funds are used to account for all financial resources that are restricted, committed, or assigned to expenditure for principle and interest. Debt service funds should be used if legally mandated. Currently, the District does not utilize a debt service fund.
- Capital project funds are used to account for financial resources that are restricted, committed or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets.
- Permanent funds are used to account for resources that are restricted to the extent that only earnings, not principal, may be used for purposes that support the District’s programs – that is for the benefit of the government or its citizens. Currently, the District does not utilize any permanent funds.

Fiduciary Funds - Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support District programs. The reporting focus is on net position and changes in net position and is reported using accounting principles similar to proprietary funds. The following is a description of the fiduciary funds of the District:

- Private Purpose Trust funds account for resources legally held in trust for the benefit of persons and organizations other than the District. Since these funds cannot be used for providing District services, they are excluded from the District's government-wide financial statements. Currently, the district does not report any private purpose trust funds.
- Pension Unfunded Liability Trust fund accounts for resources held in trust to fund future pension obligations.
- Other Postemployment Benefits Trust fund accounts for resources legally held in trust for the purpose of providing health insurance benefits to retired employees of the District. Since these funds cannot be used for providing District services, they are excluded from the District's governmental-wide financial statements. This fund was established in accordance with provisions of MGL Chapter 32B, section 70, which allows for establishment of a trust fund for other post-employment benefits.
- Agency funds are used to hold funds on behalf of parties other than the District, including federal and state agencies and public school student activities. Agency funds are custodial in nature and do not involve measurement of results of operations.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Non-major funds by category are summarized into a single column. GASB pronouncements set forth minimum criteria (percentage of the assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The District may electively add funds, as major funds, which have specific community focus. The non-major funds are combined in a column in the fund financial statements.

The District's fiduciary funds are presented in the fiduciary fund financial statements by type (private purpose, pension, OPEB and agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

B. Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Under this method, revenues are recorded when earned and expenses are recorded when a liability is incurred. Property taxes are recognized as revenues in the fiscal year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider are met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e. measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter (60 days) to pay liabilities

of the current period. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt which is recognized when due, certain compensated absences, claims and judgments, and post-employment health care benefits, which are recognized when the obligations are expected to be liquidated with current expendable available resources.

Entitlements and shared revenues are recorded at the time of receipt, or earlier, if the susceptible to accrual criteria is met. Expenditure driven grants recognize revenue when the qualifying expenditures are incurred and all other grant requirements are met.

C. Cash, Cash Equivalents, and Investments

The District considers cash and cash equivalents to be cash on hand, demand deposits, and certificates of deposits.

The cash balances of substantially all funds are pooled and invested by the District for the purpose of increasing earnings through investment activities and providing efficient management of temporary investments. As applicable, the District's investments are reported at fair value at year-end. Fair value is determined based upon quoted market prices. Changes in the fair value of investments are recorded as investment earnings. Earnings on pooled funds are apportioned and paid or credited to the funds on the average balance of each participating fund. Additional cash and investment disclosures are presented in the Notes, as applicable.

Investments are defined as securities or other assets that (a) a government holds primarily for the purpose of income or profit and (b) has a present service capacity based solely on its ability to generate cash or be sold to generate cash. Generally, investments are reported according to the fair value hierarchy established by GAAP. Certain investments, such as money market investments and 2a7-like external investment pools, are reported at amortized cost. 2a7-like pools are external investment pools that operate in conformity with the Securities and Exchange Commission's (SEC) Rule 2a7 as promulgated under the Investment Company Act of 1940, as amended, and should be measured at the net asset value per share provided by the pool.

D. Inventories

The District currently doesn't report any inventories for financial reporting purposes. The District treats food and supplies purchased in the food service program as expenditures when purchased, rather than when consumed. The District has determined any amounts not consumed at year-end to be immaterial to the District's financial statements.

E. Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "due to and from other funds." Short-term interfund loans are reported as "interfund receivables and payables." Long-term interfund loans (non-current portion) are reported as "advances from and to other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position.

F. Receivables

Receivables consist of all revenues earned at year-end and not yet received, net of allowance for uncollectable amounts. Allowances for uncollectable accounts receivable are based upon historical trends and the periodic aging of accounts receivable. The District considers all of its receivables collectable and does not report an allowance for uncollectable accounts.

G. Capital Assets

The accounting treatment over property, plant, and equipment (capital assets) depends on whether they are reported in the government-wide or fund financial statements.

Government-wide Statements – All capital assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated capital assets, which are recorded at their estimated fair market value at the date of donation. The District defines capital assets, which include land, building and improvements, and furniture and equipment as assets with an estimated useful life in excess of two years. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset's lives are not capitalized.

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

Depreciation of all exhaustible capital assets is recorded as an expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings and improvements	20-40 years
Machinery and equipment	3-10 years
Library books and textbooks	10 years
Vehicles and software	5 years

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

H. Deferred Outflows and Deferred Inflows

Deferred outflows of resources, as applicable, represent a consumption of assets by the government that is applicable to a future reporting period. These deferred outflows of resources have a positive effect on net position and are reported after assets when applicable. Deferred inflows of resources, as applicable, represent the acquisition of assets by the government that is applicable to a future reporting period. These deferred inflows of resources have a negative effect on net position and are reported after liabilities when applicable. These amounts are reported in government-wide and fund financial statements based upon the nature of the items.

I. Liabilities

Liabilities represent present obligations to sacrifice resources for which the government has little or no discretion to avoid. The primary focus is on the obligation for the government to perform. The accounting treatment for these obligations depends on whether they are reported in the government-wide or fund financial statements.

Current liabilities are reported in both the fund and government-wide financial statements. Current liabilities represent obligations incurred in the operating cycle for acquisition goods, services, accruals for salaries/wages, vacation accruals, and other obligations due or generally expected to be liquidated within one year from the balance sheet date. Government-wide financial statements also report other current liabilities such as accrued interest, which is reported on a full accrual basis.

Generally, all noncurrent (long term) liabilities are not reported as liabilities in the fund financial statements, but are reported in the government-wide statements. Such obligations consist primarily of such obligations as bonds payable, net pension liabilities and other post-employment obligations.

J. Compensated Absences

The District's policies and provisions of bargaining unit contracts regarding vacation and sick time permit employees to accumulate earned but unused vacation and sick leave. The liability for estimated payout of accumulated sick time upon death, pursuant to certain collective bargaining agreements, has not been determined for the purposes of the District's financial statements.

K. Equity Classifications

Government-wide Statements – Equity is classified as net position in the government-wide financial statements. The District first utilizes restricted resources for appropriate activities prior to utilizing unrestricted resources. Net position is displayed in three components:

- Net investment in capital assets – This component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt are also included in this component of net position.
- Restricted – This component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. These assets may be restricted by constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

- Unrestricted – This component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are included in the determination of net investment in capital assets or the restricted component of net position.

Fund Financial Statements – Governmental fund equity is classified as a fund balance. Fund balance is further classified based on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. Fund balance is reported in five components – non-spendable, restricted, committed, assigned, and unassigned as described below:

- Non-spendable represents amounts that cannot be spent because they are either (a) not in spendable form (i.e. inventory or prepaid) or (b) legally or contractually required to be maintained intact.
- Restricted represents amounts that have constraints placed either externally by third-parties (creditors, grantors, contributors, or laws or regulations of other governments) or by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the District to assess, levy, charge or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement (compelled by external parties) that those resources be used only for the specific purposes stipulated in the legislation.
- Committed represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the District's highest level of decision-making authority, which consists of the District School Committee through District School Committee votes. Those committed amounts cannot be used for any other purpose unless the District School Committee removes or changes the specified use by taking the same type of action (through District School Committee votes) it employed previously to commit those amounts.
- Assigned represents amounts that are constrained by the District's intent to be used for specific purposes but are neither restricted nor committed. The District has by ordinance authorized the District Accountant to assign fund balance. Amounts are assigned based upon vote of the School Committee, or approval by the Director of Business Services and the Superintendent through the District's procurement and budgeting process.
- Unassigned represents amounts that have not been restricted, committed or assigned to specific purposes within the general fund. The general fund is the only fund that reports a positive unassigned fund balance amount. Other governmental funds besides the general fund can only report a negative unassigned fund balance amount.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources (committed, assigned and unassigned) as they are needed. Most government funds were designed for one purpose at the time of their creation. Therefore, any expenditure made from the fund will be allocated to the applicable fund balance classifications in accordance with the aforementioned spending policy. The general fund and certain other funds may have more than one purpose.

L. Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure for contingent assets and liabilities at the date of the basic financial statements and the reported amounts of the revenues and expenditures/expenses during the reporting period. Actual results could vary from estimates that were used.

M. Total Columns

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

N. Pensions

Barnstable County Retirement System & Massachusetts Teachers' Retirement System - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of both the Barnstable County Retirement System (BCRS) and the Massachusetts' Teachers' Retirement System (MTRS) and additions to/deductions from the Systems' fiduciary net positions have been determined on the same basis as they are reported by the Systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

O. Member Town Assessments

Pursuant to Massachusetts General Law, Chapter 71 of the Acts of 1993 the Education Reform Act, the School District's annual assessments to member towns are divided into the following categories:

- Minimum Local Contribution – The minimum local contribution of member towns for each year is calculated by the Department of Education based upon formulas created by the Education Reform Act. The minimum local contribution is the District's net School spending less state aid (Chapter 70). Net School spending includes the regular operating costs of the District except those items (other costs) specifically excluded by law (transportation, capital costs, debt and other extraordinary costs).
- Operating Costs – Excess Costs - The assessments for other school spending in excess of each town's minimum required local contribution (excess costs) are assessed to the member towns on the basis of the combined three-year rolling average of foundation enrollment for each member town.
- Capital Costs - Capital costs are those capital outlay costs designated by the DESE and are assessed to member towns on the basis of the three-year rolling average of each town's foundation enrollments.

- Transportation Costs - Transportation costs include all costs associated with transporting the District's students to and from school and are assessed to the member towns based upon the number of students residing in each town who attend the District's schools based upon the average of the most recent three years' October 1st enrollment figures as reported to DESE.
- Debt Service - Debt service costs include all costs that are used for payment of principal and interest on bonds or other obligations issued by the District, except revenue anticipation notes. Debt service costs attributed to the high school and middle school are assessed to the member towns using the three-year rolling average of each town's foundation enrollment. Debt service costs attributable to the District's elementary schools are assessed to the member towns based upon an average of the most recent three years' October 1st enrollment figures as reported to DESE.

Note 3. Stewardship, Compliance and Accountability

A. Budget Process

The School Committee annually determines the amount to be raised (after deducting the amount of anticipated revenues the District expects to receive) to maintain and operate the District during the next fiscal year and apportions the amount among the member towns in accordance with the terms of the district agreement and provisions of the MGL. The amounts apportioned to each town are certified by the District Treasures to the Treasurer of each member town. Each town takes action on the amounts to be certified at the town's next Annual Town Meeting. Changes in the originally adopted appropriations are voted by the School Committee. Supplemental appropriations cannot legally be exceeded; any savings from annual general fund appropriations lapse at fiscal year-end with the exception of those indicated as a fund balance reserve.

Budgets for grants and certain revenues from revolving funds accounted for in Special Revenue Funds are not required to be prepared under the General Laws of Massachusetts. Budgets for various special revenue funds utilized to account for specific grant programs are established in accordance with the requirements of the Commonwealth of Massachusetts or other grantor agencies.

Massachusetts General Law, Chapter 70, as amended by the Education Reform Act of 1993, provides for a minimum amount of spending for local and regional school districts. This net school-spending requirement is made up of the minimum local contribution and Chapter 70 state aid. The District appropriated sufficient funds in fiscal year 2018 and met the net school spending requirements.

The minimum, local contribution is computed by the Commonwealth of Massachusetts. The following are the fiscal year 2018 minimum local contributions and net school spending requirements for the District:

Town of Chatham	\$ 4,251,756
Town of Harwich	<u>11,744,700</u>
Total minimum local contribution	15,996,456
Regional Chapter 70 state aid	<u>3,300,373</u>
Total net school spending requirement	<u>\$ 19,296,829</u>

These amounts represent the minimum each community must contribute to support the net school spending of the District. Eligible net school spending costs include all spending of the District except transportation, debt service, and capital costs.

B. Budgetary basis of accounting

Budgets are prepared on a basis other than accounting principles generally accepted in the United States of America (GAAP). A comparison of the budget to actual amounts on a "budgetary basis" is provided as required supplementary information to provide a meaningful comparison with the budget.

C. Fund Equities

Operations of the various District funds for fiscal year 2018 were funded in accordance with the General Laws of Massachusetts. The District classifies fund equity in the fund financial statements as either nonspendable, restricted, committed or assigned for specific purposes. As of June 30, 2018, the classification of the District's fund balances can be detailed as follows:

	General Fund	Nonmajor Governmental Funds	Total
Restricted:			
Instructional services	\$ -	\$ 313,171	\$ 313,171
School services	-	344,022	344,022
Operations and maintenance	-	226,661	226,661
Community services	-	263,706	263,706
Programs with other schools	-	238,962	238,962
Assigned:			
Leadership and administration	14,175	-	14,175
Instructional services	11,765	-	11,765
Employee benefits	15,937	-	15,937
Capital outlay	4,098	-	4,098
Programs with other schools	23,992	-	23,992
Subsequent year budget	793,819	-	793,819
Unassigned	1,595,187	(339,991)	1,255,196
	<u>\$ 2,458,973</u>	<u>\$ 1,046,531</u>	<u>\$3,505,504</u>

Deficit unassigned fund balance for the high school construction fund of \$272,893 is reported, for which final reimbursement from the Massachusetts School Building Authority has not been received and permanent financing has not been performed. There were several temporary deficit fund balances within the other governmental funds at June 30, 2018. These deficits were funded through subsequent receipts during the subsequent year.

D. Restricted Net Position

The District's restricted net position as reported on the government-wide financial statements as of June 30, 2018 is:

Grants	\$ 622,693
Revolving and Other Funds	763,829
	<u>\$ 1,386,522</u>

Note 4. Cash, Cash Equivalents and Investments

Massachusetts General Laws (MGL), Chapter 44, Section 54 and 55, place certain limitations on cash deposits and investments available to the District. Authorized deposits include demand deposits, term deposits, and certificates of deposit in trust companies, national banks, savings banks, and certain other financial institutions. Deposits may not exceed certain levels without collateralization of the excess by the financial institution involved. The District may also invest in securities issued by or unconditionally guaranteed by the United States Government or an agency thereof, and having a maturity from date of purchase of one year or less. The District may also invest in repurchase agreements guaranteed by such government securities with maturity dates of not more than ninety days from date of purchase. The District may invest in units of the Massachusetts Municipal Depository Trust (MMDT), an external investment pool managed by the Treasurer of the Commonwealth of Massachusetts. OPEB funds are to be invested in accordance with MGL Chapter 203C. Cash deposits are reported at carrying amount, which reasonably approximates fair value.

The District maintains deposits in authorized financial institutions. Cash deposits and investments at June 30, 2018 totaled \$7,171,809. In the case of deposits, custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned. The District does not have a formal deposit policy for custodial credit risk. At June 30, 2018, cash deposits totaled \$6,790,820. The carrying amount of these deposits at June 30, 2018 was \$6,575,903. Of the cash deposit amounts, \$6,540,820 was exposed to custodial credit risk because it was uninsured and uncollateralized. The difference between deposit amounts and carrying amounts represents outstanding checks and other reconciling items.

The District invests in the Plymouth County OPEB Trust (PCOT). At June 30, 2018, the District's investments held with PCOT totaled \$380,988. The investments held with PCOT are measured using the net asset value (NAV) per share. The District's investment in the PCOT is valued using the underlying portfolio investment's fair market value attributable to the number of units held by the District. The fair values of the portfolio investments are determined using the market approach for quotations that are readily available; for investments whose quotations are not readily available, the portfolio manager determines the fair value in good faith. Investments in the PCOT include domestic and international equities, fixed income, and real estate securities. There are no unfunded commitments or distribution restrictions at June 30, 2018. The District maintained no other investments at June 30, 2018.

Custodial credit risk for investments is the risk that, in the event of the failure of the counter party to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The District does not have an investment policy covering custodial credit risk.

Interest rate risk is the risk that changes in market interest rates that will adversely affect the fair market value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair market value to changes in market interest rates. The District does not have an investment policy covering interest rate risk.

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. Credit risk is measured by the assignment of a rating by a nationally recognized statistical rating organization. Obligations of the U.S. Government and certain of its agencies are not considered to have credit risk and therefore no rating is disclosed. Equity securities, money market funds, repurchase agreements and equity mutual funds are not rated as to credit risk. The District does not have an investment policy which would limit its investment choices.

Concentration of credit risk refers to the heightened risk of potential losses arising from a government investing a significant portion of its resources with a single issuer. The District does not have an investment policy which limits the amount that can be invested in any one issuer or security.

Note 5. Receivables

The District reports the aggregate amount of receivables in the accompanying Statement of Net Position and Balance Sheet. In addition, governmental funds report, on the Balance Sheet, deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental activities also defer revenue recognition in connection with resources that have been received, but not yet earned in the Statement of Net Position.

At June 30, 2018, the District reported receivables in the amount of \$1,131,419. This consisted of \$1,103,730 due from the MSBA for project expenses and \$27,689 for various grants. All of these amounts have been accrued for financial reporting purposes and accordingly have no allowances for uncollectible associated with them.

The District has a grant from the Commonwealth of Massachusetts for reimbursement of eligible construction costs for the high school construction project. Reimbursements are to be received for the project as requested in an amount approximately 51.53% of eligible costs. At June 30, 2018, approximately \$1,103,730 is reported as due from the Massachusetts School Building Authority for expected final eligible project costs.

Note 6. Deferred Outflows of Resources and Deferred Inflows of Resources

The District reported the following deferred outflows of resources and deferred inflows of resources associated with the District's participation in the Barnstable County Retirement Association and the District's OPEB plan at June 30, 2018:

Deferred Outflows of Resources

Changes of pension plan actuarial assumptions	\$ 1,302,247
Changes in proportion and differences between employer contributions and proportionate share of contributions	168,404
Total deferred outflows of resources	<u>\$ 1,470,651</u>

Deferred Inflows of Resources

Net difference between projected and actual investment earnings on pension plan investments	\$ 682,005
Difference between expected and actual pension experience	149,706
Changes in proportion and differences between employer contributions and proportionate share of contributions	495,615
Net difference between projected and actual investment earnings on OPEB plan investments	6,845
Changes of OPEB plan actuarial assumptions	4,237,304
Total deferred inflows of resources	<u>\$ 5,571,475</u>

Note 7. Capital Assets

Capital asset activity for the year ended June 30, 2018, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Buildings	54,481,860	34,157	-	54,516,017
Improvements	244,277	168,054	-	412,331
Machinery and Equipment	4,951,089	163,327	-	5,114,416
Vehicles	28,984	53,502	-	82,486
Total capital assets being depreciated	59,706,210	419,040	-	60,125,250
Less accumulated depreciation for:				
Buildings	3,726,501	1,385,202	-	5,111,703
Improvements	29,140	37,199	-	66,339
Machinery and Equipment	3,031,439	806,454	-	3,837,893
Vehicles	5,797	5,797	-	11,594
Total accumulated depreciation	6,792,877	2,234,652	-	9,027,529
Governmental activities capital assets, net	<u>\$52,913,333</u>	<u>\$(1,815,612)</u>	<u>\$ -</u>	<u>\$51,097,721</u>

Depreciation expense of \$2,234,652 was not allocated to governmental functions. It appears unallocated on the statement of activities.

Note 8. Interfund Balances and Activity

Interfund transfers for the year ended June 30, 2018 consisted of the following:

Purpose	General Fund	Other Governmental Funds
Appropriation of transfers between the following funds:		
Regional Transportation revolving fund	\$ 413,986	\$ (413,986)
Transfer funds to zero out grant accounts	(116)	116
Close out various grant balances	6,716	(6,716)
Net transfers	<u>\$ 420,586</u>	<u>\$ (420,586)</u>

The District transferred \$100,000 into the other postemployment benefits trust fund during fiscal year 2018. This amount has been reported as a contribution for financial statement reporting purposes.

Note 9. Temporary Debt Obligations

Under state law and by authorization of the School Committee, the District is authorized to borrow on a temporary (short-term) basis to fund the following:

- Operating expenses prior to obtaining member town assessments, state aid and other revenues through the issuance of revenue anticipation notes (RANS).
- Capital projects costs incurred prior to obtaining permanent financing through issuance of bond anticipation notes (BANS).
- Federal and state aided capital projects and other program expenditures prior to receiving reimbursement through issuance of federal and state aid anticipation notes (FANs and SANs).

Temporary loans are general obligations of the District and carry maturity dates that are limited by statute. Temporary loans are accounted for in the appropriate fund. Interest expenditures for temporary borrowings are generally accounted for in the General Fund.

The following is a summary of changes in temporary debt obligations of the District for the year ended June 30, 2018:

<u>Purpose</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
High School Project BAN, dtd 10/21/16	0.90%	10/20/17	\$ 1,500,000	\$ -	\$ (1,500,000)	\$ -
High School Project BAN, dtd 10/20/17	1.50%	10/19/18	-	1,500,000	-	1,500,000
Total Governmental Activities			<u>\$ -</u>	<u>\$ 1,500,000</u>	<u>\$ -</u>	<u>\$ 1,500,000</u>

Note 10. Long-Term Obligations

The following is a summary of changes in long-term obligations for the year ended June 30, 2018:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due within one year</u>
Governmental Activities:					
School Building Project GOB, dated 9/15/14					
2.0%-3.625%, matures 9/15/39	\$ 25,600,000	\$ -	\$ (1,200,000)	\$ 24,400,000	\$ 1,200,000
Capital lease obligations	34,733	53,502	(40,710)	47,525	29,714
Compensated absences	570,156	174,010	-	744,166	-
Other postemployment benefits (as revised)	39,260,065	3,676,447	(5,584,047)	37,352,465	-
Net pension liability	10,580,661	1,105,337	(1,236,047)	10,449,951	-
Total Governmental Activities	<u>\$ 76,045,615</u>	<u>\$ 5,009,296</u>	<u>\$ (8,060,804)</u>	<u>\$ 72,994,107</u>	<u>\$ 1,229,714</u>

On July 16, 2012, the District authorized long-term indebtedness of \$64,701,185 for the purpose of paying costs of the construction of the Monomoy Regional High School. Of the amount authorized, 51.53% (of authorized expenditures) was expected to be reimbursed through a grant provided by the Massachusetts School Building Authority ("MSBA"). As of June 30, 2018, the District was owed approximately \$1,104,000 from the MSBA.

The Town of Chatham has outstanding debt related to the elementary school and the middle/high school, under the MSBA program. In accordance with the regional agreement, the District is responsible for 59% of the annual net debt expense of the Town relating to these schools. For the year ended June 30, 2018 the District paid \$83,847 to the Town of Chatham related to this debt obligation.

Future Debt Service

The annual requirements to amortize all general obligation bonds and loans outstanding as of June 30, 2018, including interest, are as follows:

Year Ending June 30,	Governmental Activities		
	Principal	Interest	Totals
2019	\$ 1,200,000	\$ 982,125	\$ 2,182,125
2020	1,200,000	930,125	2,130,125
2021	1,100,000	884,125	1,984,125
2022	1,100,000	834,625	1,934,625
2023	1,100,000	779,625	1,879,625
2024-2028	5,500,000	3,082,750	8,582,750
2029-2033	5,500,000	1,989,625	7,489,625
2034-2038	5,500,000	917,125	6,417,125
2039-2040	2,200,000	79,063	2,279,063
Total	<u>\$ 24,400,000</u>	<u>\$ 10,479,188</u>	<u>\$ 34,879,188</u>

Authorized and Unissued Debt

The District had authorized and unissued debt at year end as follows:

Project	Amount
<i>Governmental Activities:</i>	
High School Construction	<u>\$ 32,701,185</u>
Total Authorized and Unissued Debt	<u>\$ 32,701,185</u>

The District considers the issuance of bond anticipation notes to be a reduction of authorized debt for financial statement reporting purposes.

Lease Obligations

Operating leases – The District leases two elementary schools and one middle school within the towns of Harwich and Chatham. Pursuant to the lease agreements, each member town shall retain ownership of its school buildings and grounds that are in existence at the time of the formation of the District and shall lease the premises, apart from any excluded properties identified in the agreements to the District, rent free. Under the terms of the agreement, the District is responsible for the costs of operations including utilities, insurance, and maintenance of these facilities. Additionally, the District must obtain written approval from the towns prior to making any capital improvements, which shall be at the District's sole cost and expense. The lease shall be for a term of up to twenty years with a right to renew the lease for an additional twenty years at the option of the District. At whatever point in time the land and/or buildings that are leased by a member town to the

District ceases to be needed by the District, the land and/or buildings shall revert to the applicable member town. Additionally, the District has entered into a number of operating leases for copier and computer equipment to support the governmental activities, subject to annual appropriation. The annual minimum required lease payments are deemed immaterial as of June 30, 2018.

Capital leases – In accordance with Massachusetts General Laws, the District may enter into lease agreements for a period not to exceed five years and subject to annual appropriation. The District's capital lease obligation as of June 30, 2018 are summarized below:

Asset	Amount
Scale	12,991
2018 Ford T-350	34,534
Total	<u>\$ 47,525</u>

The future minimum lease payments and the present value of the minimum lease payments at June 30, 2018, are as follows:

Fiscal Year Ended June 30,	Amount
2019	\$ 29,715
2020	17,810
Total minimum lease payments	<u>\$ 47,525</u>

Note 11. Employee Benefits

A. Retirement Benefits

Barnstable County Retirement Association

Plan Description

The Barnstable County Retirement Association (the Plan) is a multiple-employer, cost sharing, contributory defined benefit pension plan covering all employees of the governmental member units deemed eligible by the Barnstable County Retirement Board (the Board), with the exception of school department employees who serve in a teaching capacity. The pensions for these schools employees are administered by the Commonwealth of Massachusetts' Teachers Retirement System (MTRS). Membership in the Plan is mandatory immediately upon the commencement of employment for all permanent employees working a minimum of 25 hours per week. As of December 31, 2017, the Association had 51 participating employers.

The Association is a member of the Massachusetts Contributory Retirement System and is governed by Chapter 32 of Massachusetts General Laws (MGL). The Public Employee Retirement Association Commission (PERAC) is the state agency responsible for oversight of the Commonwealth's public retirement systems. The Association is governed by a five member Board who establish the policies under which the Association operates. The Association issues an audited financial statement for the year ended December 31, 2017, which may be obtained by contacting the Association directly at: Barnstable County Retirement Association, 750 Attucks Lane, Hyannis, MA 02601.

Benefits Provided

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

Contributions

There are three classes of membership in the retirement system: Group 1, Group 2 and Group 4. Group 1 consists of general employees which includes clerical and administrative positions. Group 2 consists of positions that have specified as hazardous. Lastly, Group 4 consists of police officers, firefighters and other hazardous positions.

Any individual in Group 1 or Group 2 whose membership began before January 1, 1978 and who maintains an annuity savings fund account, is eligible to receive a superannuation retirement allowance at age 55 or later, regardless of how many years or creditable service. There is no minimum vesting requirements for individuals in Group 4.

Members in Group 1 and 2, hired after January 1, 1978 and prior to April 2, 2012, are eligible to receive a superannuation retirement allowance upon the completion of 20 years of service or upon completion of 10 years of service and upon reaching age 55.

Members in Group 1 and 2, hired on or after April 2, 2012, are eligible to receive a superannuation retirement allowance upon completion of 10 years of service and upon reaching age 60 (Group 1) or age 55 (Group 2).

Governmental employees are required to pay an annual appropriation established by PERAC. The total appropriation includes the amount to pay the pension portion of each member's retirement allowance, an amount to amortize the actuarially determined unfunded liability to zero in accordance with the system's funding schedule, and an additional appropriation in accordance with adopted early retirement incentive programs. The total appropriations are payable July 1 and January 1. Employers may choose to pay the entire appropriation in July at a discount rate of approximately 2%. The pension fund appropriations are allocated among employers based on covered payroll. The District's statutorily required contribution for the year was \$916,502, which was net of the discount of approximately \$17,000.

Pension liabilities, expenses, and deferred outflows of resources related to pensions

The collective net pension liability of the Association was determined by an actuarial valuation as of January 1, 2018 (measurement date).

At December 31, 2017 based upon valuation date of January 1, 2018:

Total pension liability	1,783,937,286
Less: Plan fiduciary net position	<u>(1,103,493,815)</u>
Net pension liability	<u>\$ 680,443,471</u>

Plan fiduciary net position as a percentage of the total pension liability	61.86%
Total employer pension expense	\$ 78,392,869
District's proportionate share of the collective net pension liability	\$ 10,449,951
District's percentage share of the collective net pension liability	1.54%
District's covered payroll	\$ 4,371,317
District's proportionate share of pension expense recognized	\$ 1,105,337

The District's proportionate share of collective deferred outflows of resources as a result of the net difference between projected and actual investment earnings of the pension plan investments, was \$143,325. This is to be recognized in future pension expense as follows:

Year ended June 30,	
2019	\$ 69,929
2020	66,217
2021	(122,837)
2022	(52,460)
2023	<u>182,476</u>
	<u>\$ 143,325</u>

Actuarial Assumptions

The measurement of the Retirement System's total pension liability is developed by an independent actuary. The latest actuarial valuation was performed as of January 1, 2016. The significant actuarial assumptions used in the January 1, 2016 actuarial valuation included:

Valuation date: Actuarial	January 1, 2018
cost method:	Entry Age Normal Cost Method
Amortization method:	Appropriations increase at 5.28% per year through fiscal 2035 and 3.34% in fiscal 2036.
Inflation Rate:	3.25%
Net Investment Return:	7.375%
Asset Valuation Method:	Sum of actuarial value at beginning of year, contributions and investment earnings based on the actuarial interest assumption less benefit payments and operating expenses plus 20% of the market value at the end of the year in excess of that sum, plus additional adjustment toward market value as necessary so that final actuarial value is within 20% of market value.

Projected Salary Increases:	Varies by length of service with ultimate rates of 4.00% for Group 1, 4.25% for Group 2, and 4.50% for Group 4.
Cost of Living Adjustments:	3.0% of the first \$18,000 of retirement income.
Mortality Rates:	
Pre-retirement:	The RP-2014 Blue Collar Employee Mortality Table projected generationally with Scale MP-2017.
Healthy Retiree:	The RP-2014 Blue Collar Healthy Annuitant Mortality Table projected generationally with Scale MP-2017.
Disabled Retiree:	The RP-2014 Blue Collar Healthy Annuitant Mortality Table set forward one year and projected generationally with Scale MP-2017.

The Plan's investment policy in regard to the allocation of invested assets is established by the PRIT. Plan assets are managed on a total return basis with a long-term objective of achieving a fully funded status for the benefits provided through the pension plan.

The investment objective is to fully fund the Plan by generating sufficient long-term inflation adjusted capital appreciation while providing sufficient liquidity to meet short-term withdrawal requirements. The Board desires to balance the goal of higher long-term returns with the goal of minimizing contribution volatility, recognizing these are often competing goals. This requires taking both assets and liabilities into account when setting investment strategy. The pension's plan target asset allocation as of January 1, 2018 are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity	18%	6.2%
International developed markets equity	16%	7.1%
International emerging markets equity	6%	9.4%
Core fixed income	12%	1.7%
High-yield fixed income	10%	4.1%
Real estate	10%	4.9%
Commodities	4%	4.7%
Hedge funds	13%	3.9%
Private equity	12%	10.3%
Total	100%	

Discount Rate

The discount rate used to measure the total pension was 7.375%. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rates and that contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity Analysis

The following illustrates the sensitivity of the collective net pension liability to changes in the discount rate. In particular, the table presents the Plan's and the District's proportionate share of the 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 at December 31, 2017:

	1.0% Decrease to 6.375%	Current Discount Rate 7.375%	1% Increase to 8.375%
BCRA - Total Plan	\$ 892,516,460	\$ 680,443,471	\$ 502,131,729
District's proportionate share	\$ 13,706,875	\$ 10,449,951	\$ 7,711,518

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

Changes in assumptions and plan provisions - The following assumption changes were reflected in the January 1, 2018 actuarial valuation:

- The mortality tables for healthy participants were changed from the RP-2000 Employee and Healthy Annuitant Mortality Tables projected generationally using Scale BB2D from 2009 to the RP-2014 Blue Collar Employee and Healthy Annuitant Mortality Tables projected generationally using Scale MP-2017.
- The mortality tables for disabled participants were changed from the RP-2000 Healthy Annuitant Mortality Table projected generationally using Scale BB2D from 2015 to the RP-2014 Blue Collar Healthy Annuitant Mortality Table set forward 1 year projected generationally using Scale MP-2017.
- The long-term salary increase assumption was lowered by 0.25%, to 4.00% for Group 1 participants, 4.25% for Group 2 participants, and 4.50% for Group 4 participants.
- The investment rate of return assumption was reduced from 7.625% to 7.375%.

There were no changes to plan provisions in the January 1, 2018 actuarial valuation.

Special Funding Situation - 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 (GASB) Statement No. 67, *Financial Reporting for Pension Plans*. MTRS is managed by the Commonwealth of Massachusetts (Commonwealth) on behalf of municipal teachers and municipal teacher retirees. The MTRS covers certified teachers in cities (except Boston), towns, regional school districts, charter schools, educational collaborative and Quincy College. The MTRS is part of the Commonwealth's reporting entity and does not issue a stand-alone audited financial report. Financial information of the MTRS's Pension Trust fund financial statements are contained in the Commonwealth's Comprehensive Annual Financial Report (CAFR). The Commonwealth's CAFR may be obtained by contacting the Comptroller's office directly at One Ashburton Place #919, Boston, MA 02108.

Management of MTRS is vested in the Massachusetts Teachers' Retirement Board (MTRB), which consists of seven member-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 services ex-officio as the Chairman of the MTRB.

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, including the District, are considered to be in a special funding situation as defined by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and the Commonwealth is a nonemployer contributing entity in MTRS. Since the District does not contribute directly to MTRS, there is no net pension liability to recognize. However, the District is required to disclose the portion of the nonemployer contributing entities' (the Commonwealth) share of the collective net pension liability that is associated with the District. In addition, the District must recognize its portion of the collective pension expense as both a revenue and pension expense.

Benefits Provided

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

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

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>Hire Date</u>	<u>% of Compensation</u>
Prior to 1975	5% of regular compensation
1975-1983	7% of regular compensation
1984-6/30/1996	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

Contributions are provided by the Commonwealth of Massachusetts on behalf of the District based upon actuarially determined amounts. The nonemployer contributions made by the Commonwealth to the MTRS on behalf of the District was \$5,777,844. The annuity portion of the MTRS retirement is funded by employees, through contribution of a percentage of their compensation as indicated above.

Pension liabilities and expenses related to pensions

The collective net pension liability of the MTRS was determined by an actuarial valuation as of January 1, 2017, rolled forward to June 30, 2017 (measurement date). The following table illustrates the Plan's net pension liability and the Commonwealth's proportionate share associated with the District.

Total pension liability	\$ 50,024,000,000
Less: Plan fiduciary net position	(27,138,609,000)
Net pension liability	<u>\$ 22,885,391,000</u>
Plan fiduciary net position as a percentage of the total pension liability	54.25%
Commonwealth's proportionate/allocated share of collective net pension liability associated with the District	\$ 55,357,695
Commonwealth's proportionate share of collective net pension liability as a percent of the total	0.24189%
Commonwealth's actuarial determined contribution on behalf of the District	\$ 5,777,844

The Commonwealth's proportionate share of pension expense has been included on the District's statement of revenues, expense, and fund balance under intergovernmental revenue and employee benefits and other insurances expenses. In the Statement of Activities, these amounts are reported as Program Revenue Operating Grant and Contributions and employee benefits and other insurance expenses. As the net pension liability is a special funding situation, and the District does not contribute to MTRS, the District does not book a liability in the Statement of Net Position.

Actuarial Assumptions

The calculation used the following assumptions:

- (1) (a) 7.5% investment rate of return, (b) 3.5% interest rate credited to the annuity savings fund and (c) 3.0% cost of living increase on the first \$13,000 per year.
- (2) Salary increases are based on analyses of past experience but range from 4.0% to 7.5% depending on length of service.
- (3) Mortality rates are as follows:
 - Pre-retirement – reflects RP-2014 Employees table projected generationally with Scale MP-2016 (gender distinct).
 - Post-retirement – reflects RP-2014 Healthy Annuitant table projected generationally with Scale MP-2016 (gender distinct).

- Disability – assumed to be in accordance with the RP-2014 Healthy Annuitant Table projected generationally with Scale BB and a base year of 2014 set forward 4 years.
- (4) Experience study was performed as follows: Dated July 21, 2014 and encompasses the period of January 1, 2006 to December 31, 2011.

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 rates are combined to produce the long-term expected rate of return by weighing 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, 2017 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	40.0%	5.0%
Portfolio completion strategies	13.0%	3.6%
Core fixed income	12.0%	1.1%
Private equity	11.0%	6.6%
Value added fixed income	10.0%	3.8%
Real estate	10.0%	3.6%
Timber/natural resources	4.0%	3.2%
Hedge funds	0.0%	3.6%
Total	<u>100.0%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.5%. 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 period 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 at June 30, 2017 (in thousands):

<u>1% Decrease</u>	<u>Current Discount</u>	<u>1% Increase</u>
<u>(6.5%)</u>	<u>(7.5%)</u>	<u>(8.5%)</u>
<u>\$ 28,424,300</u>	<u>\$ 22,885,391</u>	<u>\$ 18,193,400</u>

B. Compensated Absences

As of June 30, 2018, the School District estimated the potential, maximum liability for sick and vacation pay to be approximately \$744,000. The amount associated with sick and vacation leave buyback has been reported as a long-term liability in the Statement of Net Position.

C. Other Postemployment Benefits (OPEB)

Plan Description – The District administers a single employer defined benefit plan which provides postretirement health, dental, and life insurance to substantially all retired employees and their spouses (plan members). The Plan’s financial statements are reported as a fiduciary fund of the District. Total plan participants are 350, comprised of 271 active members and 79 retirees and beneficiaries.

Benefits Provided – The District pays insurance benefits on a pay as you go basis and are provided for and amended under various provisions of Massachusetts General Law, terms of collective bargaining agreements, and District ordinances. The District contributes 70% of the insurance premiums with the remainder funded through retiree contributions. During fiscal year 2017, those costs totaled approximately \$673,000.

Funding Policy – The State of Massachusetts has passed legislation allowing municipal entities to establish a Trust for Other Postemployment Benefits (“OPEB”) under M.G.L. Chapter 32B, Section 20 for purposes of accumulating assets to pre-fund the liabilities under GASB 75. This legislation was amended effective November 9, 2016 to clarify who may adopt such a Trust and provide guidance on the ongoing operation of such a Trust. The District has established an irrevocable trust for the purposes of prefunding liabilities under GASB 74/75.

During 2018, the District pre-funded future OPEB liabilities totaling approximately \$100,000 by contributing funds to the Other Postemployment Benefit Fund in excess of the pay-as-you-go required contribution. These funds are reported within the Fiduciary Funds financial statements. As of June 30, 2018, the net position of this fund totaled \$380,988.

Measurement Date - GASB #74 and GASB #75 require the net OPEB liability to be measured as of the OPEB Plan’s most recent fiscal year-end. Accordingly, the net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2016.

Employees Covered by Benefit Terms - The following table represents the Plan’s membership at June 30, 2016:

Active members.....	271
Inactive employees or beneficiaries currently receiving benefits.....	79
Total.....	<u>350</u>

Components of OPEB Liability:

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

Total OPEB liability	37,597,711
Less: OPEB plan's fiduciary net position	(245,246)
Net OPEB liability	<u>\$ 37,352,465</u>
The OPEB plan's fiduciary net position as a percentage of the total OPEB liability	0.65%

Significant Actuarial Methods and Assumptions:

The total OPEB liability was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified, to be in accordance with GASB Statement #74 and #75:

Valuation Date:	June 30, 2016
Actuarial Cost Method:	Entry Age Normal – Level Percentage Payroll
Investment Rate of Return:	7.0%
Inflation Rate:	3.5%
Asset Valuation Method:	Market value
Salary Increases:	Service-related increases for Group 1 (excluding Teachers) and Group 2 employees: 6.0% decreasing over 9 years to an ultimate level of 4.25%. Service related increased for Group 4 employees: 7.0% decreasing over 5 years to an ultimate level of 4.75%. Service related increases for Teachers: 7.5% decreasing over 20 years to an ultimate level of 4.0%
Discount Rate:	3.58% as of June 30, 2017 & 2.85% as of June 30, 2016
Heath care Trend Rates:	
CCMHG:	Under 65: 10.5% for 1 year, then 7.0% decreasing by 0.5% each year to an ultimate level of 4.5% per year. Over 65: 1.9% for 1 year, then 7.0% decreasing by 0.5% each year to an ultimate level of 4.5% per year.
GIC:	Under 65: 6.8% for 1 year, then 8.5% decreasing by 0.5% each year to an ultimate level of 5.0% per year. Over 65: 1.6% then for 1 year, then 8.5 % decreasing by 0.5% each year to an ultimate level of 4.5% per year.
Dental:	2.1% for year 1, then 4.5% per year.
Part B:	4.5%
Contributions:	Retiree contributions are expected to increase with respective trend shown above.

Mortality Rates:

Pre-retirement:	Healthy non-teachers: RP-2000 Employee Mortality Table projected generationally with Scale BB2D from 2009. Healthy teachers: RP-2014 White Collar Employee Mortality Table projected generationally with Scale MP-2016.
Postretirement:	Healthy non-teachers: RP-2000 Healthy Annuitant Mortality Table projected generationally with Scale BB2D from 2009. Healthy teachers: RP-2014 White Collar Healthy Annuitant Mortality Table projected generationally with Scale MP-2016. Disabled non-teachers: RP-2000 Healthy Annuitant Mortality Table projected generationally with Scale BB2D from 2015. Disabled teachers: RP-2014 Healthy Annuitant Mortality Table set forward 4 years and projected generationally with Scale BB2D from 2014.

Rate of return:

For the year ended June 30, 2018, the annual money-weighted rate of return on investments, net of investment expense, was 7.0%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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 pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return of by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and subtracting expected investment expenses and a risk margin. The target asset allocation as of June 30, 2017 and the projected arithmetic real rates of return for each major asset class, after deducting inflation, but before investment expenses, used in derivation of the long-term expected investment rate of return assumption are summarized below:

Asset Class	Long-term Expected Real Rate of Return
Domestic equity	6.44%
International developed markets equity	7.40%
International emerging markets equity	9.42%
Core fixed income	2.02%
High-yield fixed income	4.43%
Real estate	5.00%
Commodities	4.43%
Hedge funds	3.75%
Private equity	10.47%

Discount rate:

The discount rate used to measure the total OPEB liability was 3.58% as of June 30, 2017 and 2.85% as of June 30, 2016. The projection of cash flows used to determine the discount rate assumed that contributions will be made in accordance with the Plan's funding policy. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be insufficient to make all projected benefit payments to current plan members. Therefore the long-term expected rate of return on the OPEB plan assets was applied to all periods of projected future benefits payments as of June 30, 2017.

Sensitivity of the net OPEB liability to changes in the discount rate:

The following table presents the Plan's net OPEB liability, calculated using the discount rate of 3.58%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate.

	1.0% Decrease to 2.58%	Current Discount Rate 3.58%	1% Increase to 4.58%
Net OPEB Liability	\$ 44,212,718	\$ 37,352,465	\$ 31,921,972

Sensitivity of the net OPEB liability to changes in the healthcare trend:

The following table presents the net other postemployment benefit liability, calculated the healthcare trend rate if it was 1-percentage-point lower or 1-percentage-point higher than the current rate.

	1.0% Decrease	Current Trend Rates	1% Increase
Net OPEB Liability	\$ 30,993,389	\$ 37,352,465	\$ 45,619,183

Changes of Assumptions:

- The discount rate was increased from 2.85% as of June 30, 2016 to 3.58% as of June 30, 2017.

Changes in Plan Provisions:

There were not any changes in plan provisions in the current year.

Summary of Significant Accounting Policies:

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts (repurchase agreements) that have a maturity at the time of purchase of one year or less, which are reported at cost.

Changes in the Net OPEB Liability:

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a)-(b)
Balance as of June 30, 2016	\$ 39,384,542	\$ 124,477	\$ 39,260,065
Changes for the year:			
Service cost	2,491,755	-	2,491,755
Interest	1,184,692	-	1,184,692
Differences between expected and actual experience	-	-	-
Changes in assumptions	(4,842,633)	-	(4,842,633)
Contributions - employer	-	720,645	(720,645)
Net investment income	-	20,769	(20,769)
Benefit payments	(620,645)	(620,645)	-
Administrative expenses	-	-	-
Net changes	(1,786,831)	120,769	(1,907,600)
Balance as of June 30, 2017	\$ 37,597,711	\$ 245,246	\$ 37,352,465

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

For the year ended June 30, 2017, the GASB Statement #75 measurement date, the District recognized OPEB expense of \$3,057,194. The District reported deferred inflows of resources as related to OPEB in the amount of \$4,244,149 (see Note 6). Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30,	
2019	\$ (607,040)
2020	(607,040)
2021	(607,040)
2022	(607,041)
2023	(605,329)
2024	(605,329)
Thereafter	(605,330)
	<u>\$ (4,244,149)</u>

Note 12. Risk Management

The District is exposed to various risks of loss related to torts: theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The District carries commercial insurance for all risks.

As discussed in Note 1, the District participates in the Cape Cod Municipal Health Group, a municipal joint-purchasing group consisting of 53 governmental units formed pursuant to Massachusetts General Law Chapter 32B to provide employee and retiree insurance benefits. Employees and the District both contribute toward the annual premiums paid to the Group. The District budgets, annually, in the general fund for its estimated share of contributions. During the year, the District's share of premiums paid to the Group were approximately \$4.3 million. Additional information related to the Group may be obtained by contacting the Group directly.

Worker's compensation coverage is purchased through the Massachusetts Education and Government Association Worker's Compensation Group, Inc. (MEGA) (a Massachusetts not for profit corporation) which operates in accordance with Massachusetts General Laws, Chapter 180.

Note 13. Commitments and Contingencies

The District receives significant financial assistance from Federal and State governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by grantor agencies, principally the Federal and State governments. Any disallowed claims, including amounts already collected, may constitute a liability of the General Fund or other applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor agencies cannot be determined at this time although the District expects such amounts, if any, to be immaterial.

Note 14: Subsequent Events

Management has evaluated subsequent events through January 10, 2019, which is the date the financial statements were available to be issued.

Note 15: Revision of Net Position

Beginning net position of governmental activities have been revised to reflect the implementation of GASB Statement #75. The revised balances are summarized in the following table:

	07/01/2017 Previously Reported Balances	Implementation of GASB #75	07/01/2017 Revised Balances
Government-Wide Financial Statements			
Governmental activities	<u>\$ 5,612,153</u>	<u>\$ (30,186,501)</u>	<u>\$ (24,574,348)</u>

Note 16. Implementation of New GASB Pronouncements

The following are pronouncements issued by the Governmental Accounting Standards Board (GASB), which the District believes are applicable to its financial statements.

Current pronouncements

The GASB issued Statement #75, *Financial Reporting for Postemployment Benefit Plans Other Than Pensions*, this pronouncement replaces previously issued guidance and establishes new accounting and financial reporting requirements for governments whose employees are provided other post-employment benefits. The basic financials, related notes and required supplementary information were updated to be in compliance with this pronouncement.

The GASB issued Statement #81, *Irrevocable Split-Interest Agreements*, the pronouncement issues guidance improving accounting and financial reporting for these agreements which are used by donors to provide resources to two or more beneficiaries, including governments. This pronouncement did not impact the basic financial statements.

The GASB issued Statement #85, *Omnibus 2017*, the objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This pronouncement did not impact the basic financial statements.

The GASB issued Statement #86, *Certain Debt Extinguishments*, the objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt. This pronouncement did not impact the basic financial statements.

Future pronouncements

The GASB issued Statement #83, *Certain Asset Retirement Obligations*, which is generally required to be implemented in fiscal year 2019. The objective of the Statement is to address accounting and financial reporting for certain asset retirement obligations that have legally enforceable liability associated with the retirement of a tangible capital asset. The District will evaluate the implementation of the pronouncement as applicable.

The GASB issued Statement #84, *Fiduciary Activities*, which is generally required to be implemented in fiscal year 2020. The objective for this Statement is to improvement guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how these activities should be reported. The District will evaluate the implementation of the pronouncement as applicable.

The GASB issued Statement #87, *Leases*, which is generally required to be implemented in fiscal year 2021. This Statement redefines the manner in which long-term leases are accounted and reported. The District will evaluate the implementation of the pronouncement as applicable.

The GASB issued Statement #88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, which is generally required to be implemented in fiscal year 2019. This Statement redefines the term debt and may require additional disclosures. The District will evaluate the implementation of the pronouncement as applicable.

The GASB issued Statement #89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which is generally required to be implemented in fiscal year 2021. This Statement redefines the manner in which interest costs are accounted and reported. The District will evaluate the implementation of the pronouncement as applicable.

The GASB issued Statement #90, *Majority Equity Interests*, which is generally required to be implemented in fiscal year 2020. This Statement amends GASB Statements #14 and #61 regarding the accounting and financial reporting of majority equity interests. The District will evaluate the implementation of the pronouncement as applicable.

REQUIRED SUPPLEMENTARY INFORMATION

MONOMOY REGIONAL SCHOOL DISTRICT
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budgetary Basis - General Fund - Budget and Actual
For the year ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
Member town assessments	33,738,886	33,700,886	33,700,886	-
Intergovernmental	3,526,855	3,526,855	3,532,768	5,913
Investment earnings	7,500	7,500	35,448	27,948
Departmental and other	14,000	14,000	5,442	(8,558)
Total revenues	37,287,241	37,249,241	37,274,544	25,303
Expenditures:				
Leadership and administration	1,385,048	1,373,962	1,327,857	46,105
Instructional services	18,371,031	18,356,178	18,320,846	35,332
School services	2,623,088	2,623,088	2,417,260	205,828
Operations and maintenance	3,137,313	2,949,202	2,833,933	115,269
Employee benefits and other insurances	7,032,145	7,041,115	6,990,925	50,190
Capital outlay	305,000	281,008	281,008	-
Programs with other schools	2,988,784	3,147,889	3,147,156	733
Debt service	2,324,931	2,324,931	2,324,930	1
Total expenditures	38,167,340	38,097,373	37,643,915	453,458
Revenues over (under) expenditures	(880,099)	(848,132)	(369,371)	478,761
Other financing sources (uses):				
Transfers in	494,498	494,498	420,702	(73,796)
Transfers out	-	-	(116)	(116)
Total other financing sources (uses)	494,498	494,498	420,586	(73,912)
Revenues and other financing sources over (under) expenditures and other financing uses	(385,601)	(353,634)	<u>\$ 51,215</u>	<u>\$ 404,849</u>
Other budget items:				
Available fund balance	333,326	371,326		
Carryover encumbrances	52,275	(17,692)		
Total other budget items	385,601	353,634		
Net budget	<u>\$ -</u>	<u>\$ -</u>		

See accompanying independent auditors' report.

See accompanying notes to required supplementary information.

MONOMOY REGIONAL SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY BASIS OF ACCOUNTING YEAR ENDED JUNE 30, 2018

I. Budgetary Basis of Accounting

Budgetary Information – The District School Committee annually determines the amount to be raised (after deducting the amount of anticipated revenues the District expects to receive) to maintain and operate the District during the next fiscal year and apportions the amount among the member towns in accordance with the terms of the district agreement. The amounts apportioned to each town are certified by the District Treasurer to the Treasurer of each member town. Each town takes action on the amounts so certified at the towns' next annual town meeting. Changes between functions in the original appropriation are voted by the District School Committee. Supplemental appropriations are acted upon through Special Town Meetings of the member towns.

Budgets for grants and certain revenues from revolving funds accounted for in special revenue funds are not required to be prepared under the General Laws of Massachusetts. Accordingly, a comparison of actual to budgeted results of operations for the special revenue funds is not presented. Budgets for various special revenue funds utilized to account for specific grant programs are established in accordance with the requirements of the Commonwealth or other grantor agencies.

Budgetary-to-GAAP Reconciliation – Budgets are prepared on a basis other than GAAP. The “actual” results column of the Budgetary Comparison Schedule – General Fund are presented on a “budgetary basis” to provide a meaningful comparison with the budget. A reconciliation of the budgetary-basis to GAAP-basis results for the General Fund for the fiscal year ended June 30, 2018, is as follows:

	Basis of Accounting Differences	Total
Revenues on a budgetary basis		\$ 37,274,544
State funded teachers' pension	5,777,844	5,777,844
Revenues on a GAAP basis	<u>\$ 5,777,844</u>	<u>\$ 43,052,388</u>
Expenditures on a budgetary basis		\$ 37,643,915
State funded teachers' pension	\$ 5,777,844	5,777,844
Expenditures on a GAAP basis	<u>\$ 5,777,844</u>	<u>\$ 43,421,759</u>

MONOMOY REGIONAL SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION - PENSIONS
YEAR ENDED JUNE 30, 2018

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

	<u>12/31/2017</u>	<u>12/31/2016</u>	<u>12/31/2015</u>	<u>12/31/2014</u>
District's proportion of the net pension liability (asset)	1.536%	1.506%	1.571%	1.658%
District's proportionate share of the net pension liability (asset)	10,449,951	10,581,661	9,893,662	9,358,122
District's covered-employee payroll	4,371,317	4,260,830	4,357,269	4,347,808
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	239.1%	248.3%	227.1%	215.2%
Plan fiduciary net position as a percentage of the total pension liability	61.9%	57.3%	58.1%	60.4%

SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS TO THE PENSION PLAN

	<u>12/31/2017</u>	<u>12/31/2016</u>	<u>12/31/2015</u>	<u>12/31/2014</u>
Actuarially determined contribution	916,502	853,628	848,550	866,145
Contributions in relation to the actuarially determined contribution	916,502	853,628	848,550	866,145
Contribution deficiency (excess)	-	-	-	-
District's covered-employee payroll	4,371,317	4,260,830	4,357,269	4,347,808
Contributions as a percentage of covered-employee payroll	20.97%	20.03%	19.47%	19.92%

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

See accompanying independent auditors' report.

MONOMOY REGIONAL SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION - MTRS PENSION
YEAR ENDED JUNE 30, 2018

Special Funding Situation - MTRS

The Commonwealth of Massachusetts is a nonemployer contributor and is required by statute to make all actuarially determined employer contributions on behalf of member employers. Therefore, these employers are considered to be in a special funding situation as defined by GASB Statement 68 Accounting and Financial Reporting for Pensions and the Commonwealth is a nonemployer contributing entity in MTRS (the Plan). Since the Town does not contribute directly to MTRS, there is no net pension liability to recognize for each employer. Based upon the actuarial valuation of the Plan as of June 30, 2014, the following is presented:

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

	12/31/2017	12/31/2016	12/31/2015	12/31/2014
Total pension liability	\$50,024,000,000	\$47,300,000,000	\$45,918,711,000	\$41,435,000,000
Less: Plan fiduciary net position	(27,138,609,000)	(24,942,072,000)	(25,429,068,000)	(25,538,646,000)
Net pension liability	<u>\$22,885,391,000</u>	<u>\$22,357,928,000</u>	<u>\$20,489,643,000</u>	<u>\$15,896,354,000</u>
Plan fiduciary net position as a percentage of the total pension liability	54.25%	52.73%	55.38%	61.64%

SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS TO THE PENSION PLAN

	12/31/2017	12/31/2016	12/31/2015	12/31/2014
Commonwealth's proportionate/allocated share of collective net pension liability associated with the District	\$ 55,357,695	\$ 53,006,926	\$ 51,912,762	\$ 41,838,366
Commonwealth's proportionate share of collective net pension liability as a percent of the the total	0.24189%	0.23708%	0.25336%	0.26319%
Commonwealth's actuarial determined contribution on behalf of the District	\$ 5,777,844	\$ 5,407,054	\$ 4,210,587	\$ 2,906,712
Actuarially determined contributions	\$ 2,988,599	\$ 2,666,199	\$ 2,589,172	\$ 2,467,133
Contributions in relation to the actuarial determined contributions	2,988,599	2,666,199	2,589,172	2,467,133
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	13,788,201	15,594,502	16,060,270	16,137,786
District's contribution as a percentage of covered payroll	21.68%	17.10%	16.12%	15.29%
District's proportionate share of the collective net pension liability as a percentage of covered payroll	401.49%	339.91%	323.24%	259.26%

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

See accompanying independent auditors' report.

MONOMOY REGIONAL SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION PLAN YEAR ENDED JUNE 30, 2018

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

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

Schedule of the District's Contributions

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

Schedule of the Special Funding Amounts of the Net Pension Liabilities

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

Changes in Assumptions

The mortality tables for healthy participants were changed from the RP-2000 Employee and Healthy Annuitant Mortality Tables projected generationally using Scale BB2D from 2009 to the RP-2014 Blue Collar Employee and Healthy Annuitant Mortality Tables projected generationally using Scale MP-2017.

The mortality tables for disabled participants were changed from the RP-2000 Healthy Annuitant Mortality Table projected generationally using Scale BB2D from 2015 to the RP-2014 Blue Collar Healthy Annuitant Mortality Table set forward 1 year projected generationally using Scale MP-2017.

The long-term salary increase assumption was lowered by 0.25%, to 4.00% for Group 1 participants, 4.25% for Group 2 participants, and 4.50% for Group 4 participants.

The investment rate of return assumption was reduced from 7.625% to 7.375%.

Changes in Plan Provisions

None.

MONOMOY REGIONAL SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION - OPEB
IN ACCORDANCE WITH GASB 74
YEAR ENDED JUNE 30, 2018

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OTHER POST-EMPLOYMENT BENEFIT LIABILITY

	June 30, 2018	June 30, 2017
Total OPEB Liability		
Service cost	\$ 2,136,258	\$ 2,491,755
Interest	1,410,969	1,184,692
Changes in benefit terms	-	-
Differences between expected and actual experience	-	-
Changes in assumptions	(1,340,246)	(4,842,633)
Benefit payments	(248,575)	(620,645)
Net change in total OPEB liability	1,958,406	(1,786,831)
Total OPEB Liability - Beginning	37,597,711	39,384,542
Total OPEB Liability - Ending (a)	<u>\$ 39,556,117</u>	<u>\$ 37,597,711</u>
Plan fiduciary net position		
Contributions - employer	\$ 748,646	\$ 720,645
Net investment income	35,670	20,769
Benefit payments	(648,574)	(620,645)
Administrative expenses	-	-
Net change in fiduciary net position	135,742	120,769
Plan fiduciary net position - Beginning	245,246	124,477
Plan fiduciary net position - Ending (b)	<u>\$ 380,988</u>	<u>\$ 245,246</u>
District's net OPEB Liability - ending (a)-(b)	<u>\$ 39,175,129</u>	<u>\$ 37,352,465</u>
Plan fiduciary net position as a percent of total OPEB liability	0.96%	0.65%
Covered-employee payroll	N/A	N/A
Plan's net OPEB liability as a percentage of covered-employee payroll	N/A	N/A

SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS

Actuarially determined contribution	\$ 2,209,910	\$ 2,135,179
Contributions in relation to the actuarially determined contribution	748,646	720,645
Contribution deficiency (excess)	<u>\$ 1,461,264</u>	<u>\$ 1,414,534</u>
Covered employee payroll	N/A	N/A
Contributions as a percentage of covered employee payroll	N/A	N/A

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

See accompanying independent auditors' report.

MONOMOY REGIONAL SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – OTHER POST-EMPLOYMENT BENEFITS PLAN YEAR ENDED JUNE 30, 2018

The District administers a single-employer defined benefit healthcare plan (“the Other Post Employment Benefit Plan”). The plan provides lifetime healthcare and dental insurance for eligible retirees and their spouses through the District’s health insurance plan, which covers both active and retired members, including teachers.

The Other Postemployment Benefit Plan

Schedule of the District’s Proportionate Share of the Net Other Postemployment Benefit Liability

The Schedule of the District’s Proportionate Share of the Net Other Postemployment Benefit Liability details the Plan’s net other postemployment benefit liability (asset) and the covered employee payroll. It also demonstrates the Plan’s net position as a percentage of the total liability and the Plan’s net other postemployment benefit liability as a percentage of covered payroll.

Schedule of the District’s Contributions

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

Changes in Assumptions:

The discount rate was increased from 2.85% as of June 30, 2016 to 3.58% as of June 30, 2017.

Changes in Plan Provisions:

None.