

DUDLEY-CHARLTON REGIONAL SCHOOL DISTRICT

***REPORT ON EXAMINATION OF
BASIC FINANCIAL STATEMENTS***

YEAR ENDED JUNE 30, 2015

DUDLEY-CHARLTON REGIONAL SCHOOL DISTRICT

REPORT ON EXAMINATION OF BASIC FINANCIAL STATEMENTS

JUNE 30, 2015

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Independent Auditor's Report

To the Honorable School Committee
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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 Dudley-Charlton Regional School District (District), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our 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, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 11, 2016, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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.



February 11, 2016

Management's Discussion and Analysis

Management's Discussion and Analysis

As management of the Dudley-Charlton Regional School District, we offer readers of these financial statements this narrative overview and analysis of the financial activities for the year ended June 30, 2015. The District complies with financial reporting requirements issued by the Governmental Accounting Standards Board (GASB). Management's discussion and analysis are part of these requirements.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Dudley-Charlton Regional School District's basic financial statements. These basic financial statements comprise of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

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

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

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

Both of the government-wide financial statements distinguish functions that are principally supported by member town assessments and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities include providing pupil education at the seven District schools, facility maintenance, employee benefits, and central services. The District had no business-type activities.

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

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

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

The District adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

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 propriety funds.

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

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. Assets and deferred outflows exceeded liabilities and deferred inflows by \$24.6 million at the close of 2015.

Governmental Net position

	<u>2015</u>	<u>(As Revised) 2014</u>
Assets:		
Current assets.....	\$ 12,162,901	\$ 13,274,557
Noncurrent assets (excluding capital).....	6,038,595	8,098,226
Capital assets.....	48,470,033	47,878,850
Total assets.....	66,671,529	69,251,633
Deferred Outflows of Resources.....	5,780	-
Liabilities:		
Current liabilities (excluding debt).....	5,205,020	5,485,534
Noncurrent liabilities (excluding debt).....	22,713,226	21,544,140
Current debt.....	3,019,985	2,730,000
Noncurrent debt.....	11,095,000	12,280,000
Total liabilities.....	42,033,231	42,039,674
Deferred Inflows of Resources.....	87,013	-
Net Position:		
Invested in capital assets, net of related debt.....	43,021,027	32,868,850
Restricted.....	1,875,174	12,511,051
Unrestricted.....	(20,339,136)	(18,167,942)
Total net position.....	\$ 24,557,065	\$ 27,211,959

Net position of \$43 million reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that are still outstanding. The District uses these capital assets to provide services to pupils; consequently, these assets are not available for future spending. Although the investment in its capital assets is reported net of its related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the net position, \$1.9 million, represents resources that are subject to external restrictions on how they may be used. The remaining balance *unrestricted net position*, a deficit of \$20.3 million, reflects the impact of the \$11.8 million other postemployment benefit liability and the recognition of the net pension liability of \$9.6 million.

	2015	(As Revised) 2014
Program revenues:		
Charges for services.....	\$ 1,868,382	\$ 1,058,268
Operating grants and contributions.....	16,101,301	20,787,248
Capital grants and contributions.....	546,104	635,376
General Revenues:		
Member town assessments.....	18,028,824	17,419,859
Intergovernmental.....	192,330	87,881
Grants and contributions not restricted to specific programs.....	23,843,857	23,837,398
Unrestricted investment income.....	13,811	18,600
Other revenues.....	40,892	79,923
Total revenues.....	60,635,501	63,924,553
Expenses.....	63,290,395	67,966,764
Change in net position.....	\$ (2,654,894)	\$ (4,042,211)
Net position at beginning of year (as revised).....	27,211,959	31,254,170
Net position at end of year.....	24,557,065	27,211,959

The beginning net position of governmental activities has been revised to reflect the implementation of GASB Statements #67, #68, and #71. To reflect this change, the District has recorded a net pension liability and a deferred outflow of resources, which has resulted in the revision of the June 30, 2014 balance of the governmental activities by \$9,382,685. Previously reported net position of \$36,594,644 has been revised to \$27,211,959.

The governmental activities net position decreased \$2.7 million in 2015. The decrease is due to an increase in the other postemployment benefits liability of \$1.4 million, a decrease in the health trust of \$420,000, the use of some E&D to fund the FY15 budget as well as an increase in the net pension liability of \$227,000.

Financial Analysis of the Governmental Funds

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

Governmental funds. The focus of 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. In particular, unassigned fund balance may serve as a useful measure of the District's net resources available for spending at the end of the year.

At the end of the current year, governmental funds reported combined ending fund balances of \$4.8 million, a decrease of \$716,000 in comparison with the prior year.

The general fund is the chief operating fund. At the end of the current year, unassigned fund balance of the general fund was \$1.8 million. Assigned fund balance totaled \$1 million. See Note 8 for further details.

The health trust fund had a total fund balance at the end of the current year of a deficit \$222,000, a decrease of \$420,000 over the prior year. This decrease was the result of health insurance claims of \$8 million exceeded revenues of \$7.6 million.

The nonmajor governmental funds ended the year with a fund balance of \$2.2 million, an increase of \$179,000 over the prior year.

General Fund Budgetary Highlights

There was no change between the \$47 million original budget and the final budget in 2015. All budgetary transfers between line items were approved by the School Committee.

General fund revenues came in approximately \$263,000 more than budgeted, while general fund expenditures came in \$785,000 less than budgeted. Mostly all departments came in under budget. The exceptions were preschool and special education, which exceeded the appropriation by \$63,000 and other school services, which exceeded the appropriation by \$28,000.

Capital Asset and Debt Administration

Capital Assets

The District's investment in capital assets as of June 30, 2015, amounts to \$48.5 million (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, equipment, and vehicles.

Capital asset additions during the year consisted of \$2.3 million related to the high school athletic field.

Debt Administration

The District maintains a AA Bond Rating with Moody's Investors Service, Inc. on its long-term debt. At the end of the year the District had total long-term bonded debt outstanding of \$14.1 million. During 2015, the District issued \$1.8 million of general obligation bonds related to the high school athletic field and paid down \$2.7 million in debt principal.

Please refer to notes 4, 6 and 7 for further discussion of the major capital and debt activity.

Requests for Information

This financial report is designed to provide a general overview of the Dudley-Charlton Regional School District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Finance and Operations, Dudley-Charlton Regional School District, 68 Dudley-Oxford Road, Dudley, MA 01571.

Basic Financial Statements

STATEMENT OF NET POSITION

JUNE 30, 2015

		<u>Primary Government</u>
		<u>Governmental Activities</u>
ASSETS		
CURRENT:		
Cash and cash equivalents.....	\$	8,480,416
Receivables, net of allowance for uncollectibles:		
Departmental and other.....		386,315
Intergovernmental.....		3,006,077
Inventory.....		15,093
Other assets.....		275,000
NONCURRENT:		
Receivables, net of allowance for uncollectibles:		
Intergovernmental.....		6,038,595
Capital assets, net of accumulated depreciation:		
Nondepreciable.....		500,000
Depreciable.....		47,970,033
TOTAL ASSETS.....		<u>66,671,529</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources related to pensions.....		<u>5,780</u>
LIABILITIES		
CURRENT:		
Warrants payable.....		492,368
Accrued payroll.....		3,295,496
Health claims payable.....		582,739
Accrued interest.....		29,231
Accrued vacation and other benefits.....		382,540
Compensated absences.....		422,646
Bonds payable.....		3,019,985
NONCURRENT:		
Compensated absences.....		1,267,939
Net pension liability.....		9,610,022
Other postemployment benefits.....		11,835,265
Bonds payable.....		11,095,000
TOTAL LIABILITIES.....		<u>42,033,231</u>
DEFERRED INFLOWS OF RESOURCES		
Advance payments.....		<u>87,013</u>
NET POSITION		
Invested in capital assets, net of related debt.....		43,021,027
Restricted for:		
Other purposes.....		1,875,174
Unrestricted.....		(20,339,136)
TOTAL NET POSITION.....	\$	<u><u>24,557,065</u></u>

See notes to basic financial statements.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2015

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue
Primary Government:				
Governmental Activities:				
Undesignated and regular administration:				
District administration.....	\$ 984,501	\$ -	\$ -	\$ (984,501)
Instructional support.....	20,668,956	-	1,613,008	(19,055,948)
Preschool and special education.....	8,836,384	-	1,723,627	(7,112,757)
Transportation services.....	2,747,684	-	138,333	(2,609,351)
Athletics & Student activities.....	337,628	1,212,357	9,934	884,663
Facilities.....	3,142,981	5,825	-	(3,137,156)
Benefits.....	16,971,072	-	7,628,292	(9,342,780)
Other school services.....	1,798,123	-	14,721	(1,783,402)
Cafeteria services.....	1,010,413	650,200	465,083	104,870
Depreciation.....	1,699,063	-	-	(1,699,063)
Federal and state grants.....	4,440,984	-	4,436,081	(4,903)
Interest.....	652,606	-	-	(652,606)
Capital outlay.....	-	-	72,222	72,222
Total.....	\$ 63,290,395	\$ 1,868,382	\$ 16,101,301	\$ (45,320,712)

See notes to basic financial statements.

(Continued)

STATEMENT OF ACTIVITIES (Continued)

YEAR ENDED JUNE 30, 2015

	Governmental Activities
Changes in net position:	
Net (expense) revenue from previous page.....	\$ <u>(45,320,712)</u>
<i>General revenues:</i>	
Member town assessments.....	18,028,824
Intergovernmental.....	192,330
Massachusetts school building assistance.....	546,104
Grants and contributions not restricted to specific programs.....	23,843,857
Unrestricted investment income.....	13,811
Miscellaneous revenues.....	<u>40,892</u>
Total general revenues.....	<u>42,665,818</u>
Change in net position.....	(2,654,894)
NET POSITION:	
Beginning of year (as revised).....	<u>27,211,959</u>
End of year.....	\$ <u><u>24,557,065</u></u>
	(Concluded)

**GOVERNMENTAL FUNDS
BALANCE SHEET**

JUNE 30, 2015

	General	Health Trust Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents.....	\$ 6,584,222	\$ -	\$ 1,896,194	\$ 8,480,416
Receivables, net of uncollectibles:				
Departmental and other.....	10,068	376,247	-	386,315
Intergovernmental.....	8,715,210	-	306,372	9,021,582
Due from other funds.....	209,935	-	-	209,935
Inventory.....	-	-	15,093	15,093
Other assets.....	-	275,000	-	275,000
TOTAL ASSETS.....	\$ 15,519,435	\$ 651,247	\$ 2,217,659	\$ 18,388,341
LIABILITIES				
Warrants payable.....	\$ 492,368	\$ -	\$ -	\$ 492,368
Accrued payroll.....	3,295,496	-	-	3,295,496
Health claims payable.....	-	582,739	-	582,739
Accrued vacation and other benefits.....	382,540	-	-	382,540
Due to other funds.....	-	209,935	-	209,935
TOTAL LIABILITIES.....	4,170,404	792,674	-	4,963,078
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue.....	8,564,509	-	18,548	8,583,057
Advance payments.....	5,973	81,040	-	87,013
TOTAL DEFERRED INFLOWS OF RESOURCES.....	8,570,482	81,040	18,548	8,670,070
FUND BALANCES				
Restricted.....	-	-	2,199,111	2,199,111
Assigned.....	1,024,778	-	-	1,024,778
Unassigned.....	1,753,771	(222,467)	-	1,531,304
TOTAL FUND BALANCES.....	2,778,549	(222,467)	2,199,111	4,755,193
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES.....	\$ 15,519,435	\$ 651,247	\$ 2,217,659	\$ 18,388,341

See notes to basic financial statements.

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

JUNE 30, 2015

Total governmental fund balances.....	\$ 4,755,193
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....	48,470,033
Accounts receivable are not available to pay for current-period expenditures and, therefore, are deferred in the funds.....	8,606,147
In the statement of activities, deferred outflows of resources related to pensions are reported for the net difference between projected and actual investment earnings on pension plan investments, which are amortized over four years.....	5,780
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.....	(29,231)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.	
Bonds payable.....	(14,114,985)
Other postemployment benefits.....	(11,835,265)
Compensated absences.....	(1,690,585)
Pension liability.....	(9,610,022)
Net effect of reporting long-term liabilities.....	(37,250,857)
Net position of governmental activities.....	\$ <u>24,557,065</u>

See notes to basic financial statements.

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

YEAR ENDED JUNE 30, 2015

	General	Health Trust Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:				
Member town assessments.....	\$ 17,816,537	\$ -	\$ 212,287	\$ 18,028,824
Intergovernmental.....	28,085,893	-	6,736,436	34,822,329
Other revenues.....	5,825	-	1,845,171	1,850,996
Contributions.....	-	7,628,292	114,263	7,742,555
Investment income.....	13,811	-	-	13,811
Miscellaneous.....	40,892	-	-	40,892
TOTAL REVENUES.....	45,962,958	7,628,292	8,908,157	62,499,407
EXPENDITURES:				
District administration.....	945,691	-	38,810	984,501
Instructional support.....	19,600,495	-	1,084,927	20,685,422
Preschool and special education.....	7,159,197	-	1,678,284	8,837,481
Transportation services.....	2,747,684	-	-	2,747,684
Athletics & Student activities.....	-	-	337,628	337,628
Facilities and maintenance.....	3,143,636	-	-	3,143,636
Benefits.....	7,322,459	8,047,936	-	15,370,395
Other school services.....	1,791,031	-	7,447	1,798,478
Cafeteria services.....	-	-	1,010,413	1,010,413
Federal and state grants.....	-	-	4,440,984	4,440,984
Capital outlay.....	-	-	2,286,398	2,286,398
Debt Service:				
Principal.....	2,730,000	-	-	2,730,000
Interest.....	788,026	-	5,648	793,674
TOTAL EXPENDITURES.....	46,228,219	8,047,936	10,890,539	65,166,694
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	(265,261)	(419,644)	(1,982,382)	(2,667,287)
OTHER FINANCING SOURCES (USES):				
Proceeds from bonds and notes.....	-	-	1,834,985	1,834,985
Premium from issuance of bonds.....	-	-	116,652	116,652
Transfers in.....	-	-	210,000	210,000
Transfers out.....	(210,000)	-	-	(210,000)
TOTAL OTHER FINANCING SOURCES (USES).....	(210,000)	-	2,161,637	1,951,637
NET CHANGE IN FUND BALANCES.....	(475,261)	(419,644)	179,255	(715,650)
FUND BALANCES AT BEGINNING OF YEAR.....	3,253,810	197,177	2,019,856	5,470,843
FUND BALANCES AT END OF YEAR.....	\$ 2,778,549	\$ (222,467)	\$ 2,199,111	\$ 4,755,193

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2015

Net change in fund balances - total governmental funds..... \$ (715,650)

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay.....	2,290,246
Depreciation expense.....	<u>(1,699,063)</u>

Net effect of reporting capital assets..... 591,183

Revenues in the Statement of Activities that do not provide current financial resources are unavailable in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in unavailable.....

(1,834,456)

The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.

Proceeds from bonds and notes.....	(1,834,985)
Debt service principal payments.....	<u>2,730,000</u>

Net effect of reporting long-term debt..... 895,015

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Net change in compensated absences accrual.....	(14,725)
Net change in accrued interest on long-term debt.....	24,416
Other postemployment benefits.....	(1,379,120)
Net change in deferred outflow/(inflow) of resources related to pensions.....	5,780
Net change in pension liability.....	<u>(227,337)</u>

Net effect of recording expenses..... (1,590,986)

Change in net position of governmental activities..... \$ (2,654,894)

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2015

	Private Purpose Trust Funds	Agency Funds
ASSETS		
CURRENT:		
Cash and cash equivalents.....	\$ 54,009	\$ 243,730
LIABILITIES		
Liabilities due depositors.....	-	\$ 233,290
Other liabilities.....	-	10,440
TOTAL LIABILITIES.....	-	243,730
NET POSITION		
Held in trust for education scholarships.....	\$ 54,009	\$ -

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

YEAR ENDED JUNE 30, 2015

	Private Purpose Trust Funds
<u>ADDITIONS:</u>	
Contributions:	
Private donations.....	\$ 9,839
Net investment income (loss):	
Interest.....	59
TOTAL ADDITIONS.....	9,898
<u>DEDUCTIONS:</u>	
Educational scholarships.....	4,634
CHANGE IN NET POSITION.....	5,264
NET POSITION AT BEGINNING OF YEAR.....	48,745
NET POSITION AT END OF YEAR.....	\$ 54,009

See notes to basic financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying basic financial statements of the Dudley-Charlton Regional School District (District) have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the recognized standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies are described herein.

A. Reporting Entity

The Dudley-Charlton Regional School District began operations in 1971, and operates under a regional agreement. The District is comprised of the Towns of Dudley and Charlton and serves the educational needs of students in grades Pre-K through 12. The form of government is an elected seven-member School Committee, which is responsible for appointing a Superintendent who is the chief operating official for the District.

The District operates seven schools. The District is responsible for the operating costs that are apportioned among the member towns based on State law, student enrollment, and the regional agreement. Capital costs are apportioned to the Town based on the regional agreement.

As required by GAAP, these financial statements present the District (the primary government) and its component units. It has been determined that there are no component units that meet the requirements for inclusion in the District's financial statements.

Joint Venture

The District is a member of the Southern Worcester County Educational Collaborative (Collaborative). The Collaborative provides various educational programs and transportation to its members which would not be feasible for individual school systems to provide. The District incurred \$1.3 million of expenditures associated with services provided by the Collaborative in 2015. The Collaborative issues a publicly available financial report. That report may be obtained by contacting the Collaborative at 185 Southbridge Road, Dudley, Massachusetts 01550.

B. Government-Wide and Fund Financial Statements***Government-Wide Financial Statements***

The government-wide financial statements (i.e., statement of net position and the statement of changes in net position) report information on all of the non-fiduciary activities of the primary government and its component units. *Governmental activities* are primarily supported by taxes and intergovernmental revenues.

Fund Financial Statements

Separate financial statements are provided for governmental funds and fiduciary funds even though fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and displayed in a single column.

Major Fund Criteria

Major funds must be reported if the following criteria are met:

- If the total assets and deferred outflows, liabilities and deferred inflows, revenues, or expenditures/expenses of an individual governmental fund are at least 10 percent of the corresponding element (assets, liabilities, etc.) for all funds of that category or type (total governmental funds), *and*
- If the total assets and deferred outflows, liabilities and deferred inflows, revenues, or expenditures/expenses of the individual governmental fund are at least 5 percent of the corresponding element for all governmental funds combined.

Additionally, any other governmental fund that management believes is particularly significant to the basic financial statements may be reported as a major fund.

Fiduciary funds are reported by fund type.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation*Government-Wide Financial Statements*

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when the liabilities are incurred. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of activities demonstrates the degree to which the direct expenses of a particular function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include the following:

- Charges to consumers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment.
- Grants and contributions that are restricted to meeting the operational requirements of a particular function or segment.

Other items not identifiable as program revenues are reported as general revenues.

The effect of interfund activity has been removed from the government-wide financial statements.

Fund Financial Statements

Governmental fund financial statements are reported using the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences, claims and judgments which are recognized when the obligations are expected to be liquidated with current expendable available resources.

Investment income is susceptible to accrual. Other receipts and revenues become measurable and available when the cash is received and are recognized as revenue at that time.

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

The following major governmental funds are reported:

The *general fund* is the primary operating fund. It is used to account for all financial resources, except those that are required to be accounted for in another fund.

The *health insurance fund* is used to account for health insurance provided to District employees and retirees who elect coverage.

The nonmajor governmental funds consist of other special revenue and capital projects that are aggregated and presented in the *nonmajor governmental funds* column on the governmental funds financial statements. The following describes the general use of these fund types:

The *special revenue fund* is used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than permanent funds or capital projects.

The *capital project fund* is used to account for financial resources to be used for the acquisition or construction of major capital facilities.

Fiduciary fund financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting. Fiduciary funds are used to account for assets held in a trustee capacity for others that cannot be used to support the governmental programs.

The following fiduciary fund types are reported:

The *private-purpose trust fund* is used to account for trust arrangements under which principal and investment income exclusively benefit individuals, private organizations, or other governments.

The *agency fund* is used to account for assets held in a purely custodial capacity.

Government-Wide and Fund Financial Statements

For the government-wide financial statements and fiduciary fund accounting, all applicable Financial Accounting Standards Board (FASB) pronouncements issued on or prior to November 30, 1989, are applied, unless those pronouncements conflict with or contradict GASB pronouncements.

D. Cash and Investments

Government-Wide and Fund Financial Statements

Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with an original maturity of three months or less from the date of acquisition. Investments are carried at fair value.

E. Accounts Receivable*Government-Wide and Fund Financial Statements*

The recognition of revenue related to accounts receivable reported in the government-wide financial statements and fiduciary funds financial statements are reported under the accrual basis of accounting. The recognition of revenue related to accounts receivable reported in the governmental funds financial statements are reported under the modified accrual basis of accounting.

Intergovernmental

Various federal and state grants for operating and capital purposes are applied for and received annually. For non-expenditure driven grants, receivables are recorded as soon as all eligibility requirements imposed by the provider have been met. For expenditure driven grants, receivables are recorded when the qualifying expenditures are incurred and all other grant requirements are met.

Departmental

Departmental receivables consist of student services, facilities rentals, childcare, and school lunch local receipts, among others.

These receivables are considered 100% collectible and therefore do not report an allowance for uncollectibles.

F. Inventories*Government-Wide and Fund Financial Statements*

Inventories are recorded as expenditures at the time of purchase. Such inventories are not material in total to the government-wide and fund financial statements, and therefore are not reported.

G. Capital Assets*Government-Wide Financial Statements*

Capital assets, which include land, buildings and improvements, and equipment, are reported in the government-wide financial statements. Capital assets are recorded at historical cost, or at estimated historical cost, if actual historical cost is not available. Donated capital assets are recorded at the estimated fair market value at the date of donation. Except for the capital assets of the governmental activities column in the government-wide financial statements, construction period interest is capitalized on constructed capital assets.

All purchases and construction costs greater than \$5,000 with expected useful lives of greater than one year are capitalized at the date of acquisition or construction.

Capital assets (excluding land) are depreciated on a straight-line basis. The estimated useful lives, in years, of capital assets are as follows:

Capital Asset Type	Estimated Useful Life
Land improvements.....	20
Buildings.....	50
Machinery and equipment.....	5-15
Vehicles.....	5-8
Computer equipment.....	5
Leasehold improvements.....	50

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized and are treated as expenses when incurred. Improvements are capitalized.

Governmental Fund Financial Statements

Capital asset costs are recorded as expenditures in the acquiring fund in the year of the purchase.

H. Deferred Outflows/Inflows of Resources

Government-Wide Financial Statements (Net Position)

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The District reports deferred outflows of resources related to pensions in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District reports advance payments of health insurance premiums in this category.

Governmental Fund Financial Statements

In addition to liabilities, the governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents assets that have been recorded in the governmental fund financial statements but the revenue is not available and so will *not* be recognized as an inflow of resources (revenue) until it becomes available. The District reports advance payments of health insurance premiums in this category.

I. Interfund Receivables and Payables

During the course of its operations, transactions occur between and within individual funds that may result in amounts owed between funds.

Government-Wide Financial Statements

Transactions of a buyer/seller nature between and within governmental funds are eliminated from the governmental activities in the statement of net position. Any residual balances outstanding between the governmental activities are reported in the statement of net position as "internal balances".

Fund Financial Statements

Transactions of a buyer/seller nature between and within funds are not eliminated from the individual fund statements. Receivables and payables resulting from these transactions are classified as "Due from other funds" or "Due to other funds" on the balance sheet.

J. Interfund Transfers

During the course of its operations, resources are permanently reallocated between and within funds. These transactions are reported as operating transfers in and operating transfers out.

Government-Wide Financial Statements

Operating transfers between and within governmental funds and internal service funds are eliminated from the governmental activities in the statement of net position. Any residual balances outstanding between the governmental activities and business-type activities are reported in the statement of activities as "Transfers, net".

Fund Financial Statements

Operating transfers between and within funds are not eliminated from the individual fund statements and are reported as operating transfers in and operating transfers out.

K. Net Position and Fund Equity*Government-Wide Financial Statements (Net position)*

Net position is reported as restricted when amounts that are not available for appropriation or are legally restricted by outside parties for a specific future use.

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g. restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Fund Financial Statements (Fund Balances)

Governmental fund balances are classified as nonspendable, restricted, committed, assigned, or unassigned based on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

The governmental fund balance classifications are as follows:

"Nonspendable" fund balance includes amounts that cannot be spent because they are either not in spendable form or they are legally or contractually required to be maintained intact.

"Restricted" fund balance includes amounts subject to constraints placed on the use of resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or that are imposed by law through constitutional provisions or enabling legislation.

"Committed" fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority. The School Committee is the highest level of decision making authority that can commit funds for a specific purpose. Only voted, the limitation imposed by the vote remains in place until the funds are used for their intended purpose or a vote is taken to rescind the commitment.

"Assigned" fund balance includes amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. The Director of Administrative Services is authorized to assign fund balance. Assignments generally only exist temporarily. Additional action does not have to be taken for the removal of an assignment.

"Unassigned" fund balance includes the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

The District's spending policy is to spend restricted fund balance first, followed by committed, assigned and unassigned fund balance. Most governmental funds are designated for one purpose at the time of their creation. Therefore, any expenditure from the fund will be allocated to the applicable fund balance classifications in the order of the aforementioned spending policy. The general fund and certain other funds may have more than one purpose.

L. Long-Term Debt

Government-Wide Financial Statements

Long-term debt is reported as liabilities in the government-wide statement of net position. Material bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

Governmental Fund Financial Statements

The face amount of governmental funds long-term debt is reported as other financing sources. Bond premiums and discounts, as well as issuance costs, are recognized in the current period. Bond premiums are reported as other financing sources and bond discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual bond proceeds received, are reported as general government expenditures.

M. Pensions

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

N. Investment Income

Investment income derived from major and nonmajor governmental funds is legally assigned to the general fund unless otherwise directed by Massachusetts General Law (MGL).

O. Compensated Absences

Employees are granted vacation and sick leave in varying amounts based on collective bargaining agreements, state laws and executive policies.

Government-Wide Financial Statements

Vested or accumulated vacation and sick leave are reported as liabilities and expensed as incurred.

Governmental Fund Financial Statements

Vested or accumulated vacation and sick leave, which will be liquidated with expendable available financial resources, are reported as expenditures and fund liabilities.

P. Use of Estimates*Government-Wide and Fund Financial Statements*

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

Q. Total Column*Government-Wide Financial Statements*

The total column presented on the government-wide financial statements represents consolidated financial information.

Fund Financial Statements

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

NOTE 2 - CASH AND INVESTMENTS

Statutes authorize the investment in obligations of the U.S. Treasury, agencies and instrumentalities, certificates of deposit, repurchase agreements, money market accounts, bank deposits and the State Treasurer's Investment Pool (Pool). In addition, there are various restrictions limiting the amount and length of deposits and investments.

The District maintains a cash and investment pool that is available for use by all funds, except the Trust Funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Cash and Cash Equivalents". The deposits and investments of the Trust Funds are held separately from those of other Town funds.

Custodial credit risk for deposits is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The District has not formally adopted a policy for custodial credit risk of deposits. At year-end, the carrying amount of deposits totaled \$8,778,155 and the bank balance totaled \$9,886,625. Of the bank balance, \$555,056 was covered by Federal Depository Insurance and \$9,331,569 was covered by the Depositor's Insurance Fund.

NOTE 3 – RECEIVABLES

Receivable activity for the year ended June 30, 2015, included \$10,000 related to flexible spending accounts, \$376,000 related to insurance claims, \$457,000 related to various federal and state grants, and \$8,565,000 related to contract assistance payments from the Massachusetts School Building Authority for school construction projects.

NOTE 4 – CAPITAL ASSETS

Governmental activities capital asset activity for the year ended June 30, 2015, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 500,000	\$ -	\$ -	\$ 500,000
<u>Capital assets being depreciated:</u>				
Land improvements.....	\$ 1,868,821	\$ 2,279,076	\$ -	\$ 4,147,897
Buildings and improvements.....	75,589,198	-	-	75,589,198
Machinery and equipment.....	2,468,523	41,264	(26,355)	2,483,432
Vehicles.....	173,152	10,500	(14,239)	169,413
Total capital assets being depreciated.....	80,099,694	2,330,840	(40,594)	82,389,940
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(1,128,966)	(76,860)	-	(1,205,826)
Buildings and improvements.....	(29,415,419)	(1,226,733)	-	(30,642,152)
Machinery and equipment.....	(2,038,977)	(407,501)	26,355	(2,420,123)
Vehicles.....	(137,482)	(28,563)	14,239	(151,806)
Total accumulated depreciation.....	(32,720,844)	(1,739,657)	40,594	(34,419,907)
Total capital assets being depreciated, net.....	47,378,850	591,183	-	47,970,033
Total governmental activities capital assets, net.....	\$ 47,878,850	\$ 591,183	\$ -	\$ 48,470,033

Depreciation expense is unallocated and presented as a separate line on the statement of activities.

NOTE 5 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

An interfund receivable/payable of \$210,000 exists between the general fund and the health trust fund at June 30, 2015.

Interfund transfers for the year ended June 30, 2015, consisted of a transfer from the general fund to the capital project fund for \$210,000 related to the high school athletic field project.

NOTE 6 – SHORT-TERM FINANCING

Short-term debt may be authorized and issued to fund the following:

- Current operating costs prior to the collection of revenues through issuance of revenue or tax anticipation notes (RANS or TANS).
- Capital project costs and other approved expenditures incurred prior to obtaining permanent financing through issuance of bond anticipation notes (BANS) or grant anticipation notes (GANS).

Short-term loans are general obligations and carry maturity dates that are limited by statute. Interest expenditures and expenses for short-term borrowings are accounted for in the general fund. Details related to the District's short-term loans are as follows:

Type	Purpose	Rate (%)	Due Date	Balance at June 30, 2014	Renewed/ Issued	Retired/ Redeemed	Balance at June 30, 2015
BAN	School Bond Anticipation Note.....	0.5%	04/15/15	\$ 150,000	\$ -	\$ 150,000	\$ -
BAN	School Bond Anticipation Note.....	0.5%	04/02/15	-	1,950,000	1,950,000	-
				<u>\$ 150,000</u>	<u>\$ 1,950,000</u>	<u>\$ 2,100,000</u>	<u>\$ -</u>

NOTE 7 - LONG-TERM DEBT

State law permits the District, under the provisions of Chapter 71, Section 16, to authorize indebtedness not to exceed an amount approved by the Emergency Finance Board. Furthermore, written notice of the amount of debt authorized and general purpose of the debt must be given to the Board of Selectmen in each of the member town's comprising the District.

Details related to the outstanding indebtedness at June 30, 2015, and the debt service requirements are as follows:

Purpose	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2014	Issued	Redeemed	Outstanding at June 30, 2015
New School Series A.....	2018	\$ 41,415,000	4.82%	\$ 11,725,000	\$ -	\$ 2,730,000	\$ 8,995,000
New School Series B.....	2019	3,285,000	5.25%	3,285,000	-	-	3,285,000
Athletic Field.....	2029	1,834,985	2%-5%	-	1,834,985	-	1,834,985
Total Bonds Payable.....				<u>\$ 15,010,000</u>	<u>\$ 1,834,985</u>	<u>\$ 2,730,000</u>	<u>\$ 14,114,985</u>

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

Year	Principal	Interest	Total
2016.....	\$ 3,019,985	\$ 704,938	\$ 3,724,923
2017.....	3,145,000	551,426	3,696,426
2018.....	3,285,000	386,688	3,671,688
2019.....	3,435,000	214,599	3,649,599
2020.....	150,000	37,638	187,638
2021.....	150,000	31,637	181,637
2022.....	150,000	25,637	175,637
2023.....	150,000	19,638	169,638
2024.....	150,000	13,638	163,638
2025.....	125,000	10,638	135,638
2026.....	105,000	8,137	113,137
2027.....	100,000	5,906	105,906
2028.....	75,000	3,656	78,656
2029.....	75,000	1,874	76,874
Total.....	\$ 14,114,985	\$ 2,016,050	\$ 16,131,035

The District is subject to various debt limits by statute and may issue additional general obligation debt under the normal debt limit. At June 30, 2015, the District had \$382,072 of authorized and unissued debt related to the high school athletic fields.

Changes in Long-term Liabilities

During the year ended June 30, 2015, the following changes occurred in long-term liabilities:

	Balance June 30, 2014	Additions	Reductions	Balance June 30, 2015	Due in One Year
Long-term bonds.....	\$ 15,010,000	\$ 1,834,985	\$ 2,730,000	\$ 14,114,985	\$ 3,019,985
Compensated absences.....	1,705,310	-	14,725	1,690,585	422,646
Other postemployment benefits.....	10,456,145	1,379,120	-	11,835,265	-
Net pension liability.....	9,382,685	227,337	-	9,610,022	-
Total.....	\$ 36,554,140	\$ 3,441,442	\$ 2,744,725	\$ 37,250,857	\$ 3,442,631

NOTE 8 – GOVERNMENTAL FUND BALANCE CLASSIFICATIONS

GASB 54 provides for two major types of fund balances, which are nonspendable and spendable. Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. Examples of this classification are prepaid items, inventories, and principal (corpus) of an endowment fund.

In addition to the nonspendable fund balance, GASB 54 has provided a hierarchy of spendable fund balances, based on a hierarchy of spending constraints.

- Restricted: fund balances that are constrained by external parties, constitutional provisions, or enabling legislation.
- Committed: fund balances that contain self-imposed constraints of the government from its highest level of decision making authority.
- Assigned: fund balances that contain self-imposed constraints of the government to be used for a particular purpose.
- Unassigned: fund balance of the general fund that is not constrained for any particular purpose.

The District has classified its fund balances with the following hierarchy:

	General	Health Trust Fund	Nonmajor Governmental Funds	Total Governmental Funds
FUND BALANCES				
Restricted for:				
School choice.....	\$ -	\$ -	\$ 765,420	\$ 765,420
Cafeteria.....	-	-	183,438	183,438
Federal grants.....	-	-	6,515	6,515
School revolving.....	-	-	262,148	262,148
Other Special Revenue Funds.....	-	-	880,120	880,120
School capital projects.....	-	-	101,470	101,470
Assigned to:				
Sewer fees.....	24,778	-	-	24,778
To balance the FY2016 operating budget....	1,000,000	-	-	1,000,000
Unassigned.....	1,753,771	(222,467)	-	1,531,304
TOTAL FUND BALANCES.....	\$ 2,778,549	\$ (222,467)	\$ 2,199,111	\$ 4,755,193

NOTE 9 – RISK FINANCING

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance. The District participates in a self-insured health care plan for its active employees and a portion of its retirees. The plan is accounted for in a special revenue account where revenues are recorded when earned and expenses are recorded when the liability is incurred.

The estimate of Incurred But Not Reported (IBNR) claims is based on a one and one half-month claims paid average. The District purchases individual stop loss insurance for claims in excess of the coverage provided by the Town in the amount of \$100,000 per claim.

This liability is the best estimate based on available information. Changes in the reported liability since July 1, 2013, are as follows:

	Balance at Beginning of Fiscal Year	Current Year Claims and Changes in Estimate	Claims Payments	Balance at Fiscal Year-End
Fiscal Year 2015.....	\$ 792,965	\$ 7,837,710	\$ (8,047,936)	\$ 582,739
Fiscal Year 2014.....	541,211	9,920,321	(9,668,567)	792,965

NOTE 10 - PENSION PLAN

Plan Descriptions

The District is a member of the Worcester Regional Retirement System (WRRS), a cost-sharing multiple-employer defined benefit pension plan covering eligible employees of the 98 member units. The System is administered by five board members (Board) on behalf of all current employees and retirees except for current teachers and retired teachers. Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan. The System issues a publicly available financial report in accordance with guidelines established by the Commonwealth's Public Employee Retirement Administration Commission (PERAC). That report may be obtained by contacting the System located at 23 Midstate Drive Suite #106 Auburn, MA 01501 or its website <http://worcesterregionalretirement.org/>.

The District is a member of the Massachusetts Teachers' Retirement System (MTRS), a cost-sharing multi-employer defined benefit plan. MTRS is managed by the Commonwealth of Massachusetts (Commonwealth) on behalf of municipal teachers and municipal teacher retirees. The Commonwealth is a nonemployer contributor and is responsible for 100% of the contributions and future benefit requirements of the MTRS. The MTRS covers certified teachers in cities (except Boston), towns, regional school districts, charter schools, educational collaboratives and Quincy College. The MTRS is part of the Commonwealth's reporting entity and the audited financial report may be obtained by visiting <http://www.mass.gov/osc/publications-and-reports/financial-reports/>.

Special Funding Situation

The Commonwealth is a nonemployer contributor and is required by statute to make 100% of all actuarially determined employer contributions on behalf of the District to the MTRS. Therefore, the District is considered to be in a special funding situation as defined by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and the Commonwealth is a nonemployer contributor in MTRS. Since the District does not contribute directly to MTRS, there is no net pension liability to recognize. The total of the Commonwealth provided contributions have been allocated based on each employer's covered payroll to the total covered payroll of employers in MTRS as of the measurement date of June 30, 2014. The District's portion of the collective pension expense, contributed by the Commonwealth, of \$3,925,048 is reported in the general fund as intergovernmental revenue and employee benefits and other fixed charges in the current year. The portion of the Commonwealth's collective net pension liability associated with the District is \$56,495,993 as of the measurement date.

Benefits Provided

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

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

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

Contributions

Chapter 32 of the MGL governs the contributions of plan members and member units. Active plan members are required to contribute to the System at rates ranging from 5% to 9% of gross regular compensation with an additional 2% contribution required for compensation exceeding \$30,000. The percentage rate is keyed to the date upon which an employee's membership commences. The member units are required to pay into the WRRS a legislatively mandated actuarial determined contribution that is apportioned among the employers based on active current payroll. The District's proportionate share of the required contribution equaled its actual contribution for the year ended December 31, 2014, was \$638,211, 13.21% of covered payroll, actuarially determined as an amount that, when combined with plan member contributions, is expected to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability.

Pension Liability

At June 30, 2015, the District reported a liability of \$9,610,022 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2014. Accordingly, update procedures were used to roll forward the total pension liability to the measurement date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At December 31, 2014, the District's proportion was 1.615%, which did not change from its proportion measured at December 31, 2013.

Pension Expense

For the year ended June 30, 2015, the District recognized a pension expense of \$859,768. At June 30, 2015, the District reported deferred outflows of resources related to pensions of \$5,780, from the net difference between projected and actual investment earnings on pension plan investments. Since the System performs an actuarial valuation bi-annually, there are not reported differences between expected and actual experience or a change of assumptions as of December 31, 2014.

The District's deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2016.....	\$	1,445
2017.....		1,445
2018.....		1,445
2019.....		<u>1,445</u>
Total.....	\$	<u><u>5,780</u></u>

Actuarial Assumptions – The total pension liability in the January 1, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement that was updated to December 31, 2014:

Valuation date.....	January 1, 2014
Actuarial cost method.....	Entry Age Normal Cost Method.
Amortization method.....	<i>Unfunded Actuarial Accrued Liability (UAL)</i> Increasing dollar amount at 4.0% per year to reduce the UAL to zero on or before June 30, 2035. <i>Early Retirement Incentive (ERI) for 2002 and 2003</i> Increasing dollar amount at 4.5% per year to reduce the ERI to zero on or before June 30, 2038 <i>Early Retirement Incentive (ERI) for 2010</i> Level dollar amount to reduce the ERI to zero on or before June 30, 2022
Asset valuation method.....	Market value of assets at valuation date reduced by the sum of: a) 80% of gains and losses of the prior year; b) 60% of the gains and losses of the second prior year; c) 40% of the gains and losses of the third year prior year and; d) 20% of the gains and losses of the fourth prior year.
Inflation rate.....	4.0%
Projected salary increases.....	3.0%
Cost of living adjustments.....	3.0% of pension amount capped at \$480
Rates of retirement.....	Varies based upon age for general employees, police and fire employees.
Rates of disability.....	For general employees 55% deaths are job related. For police and fire employees 90% of deaths are job related.

Mortality Rates:

Healthy Retiree.....	The RP-2000 Mortality Table projected to 2014 with Scale AA.
Disabled Retiree.....	The RP-2000 Mortality Table set forward two years.
Investment rate of return/Discount rate.....	8.0 % per year

Investment Policy – The pension plan's policy in regard to the allocation of invested assets is established by 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 long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of January 1, 2014, are summarized in the following table:

Asset Class	Long-Term Expected Rate Real of Return	Long-Term Expected Asset Allocation
Global equity.....	8.23%	43.00%
Fixed income.....	5.05%	23.00%
Private equity.....	9.75%	10.00%
Real estate.....	6.50%	10.00%
Timber/Natural resources.....	6.88%	4.00%
Hedge funds.....	7.00%	10.00%

Rate of return

For the year ended December 31, 2014, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 7.79%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount rate

The discount rate used to measure the total pension liability was 8%. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that contributions will be made at rates equal to the actuarially determined contribution 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 of the net pension liability to changes in the discount rate

The following presents the net pension liability, calculated using the discount rate of 8%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7%) or 1-percentage-point higher (9%) than the current rate:

	1% Decrease (7%)	Current Discount (8%)	1% Increase (9%)
The District's proportionate share of the net pension liability.....	\$ 11,700,608	\$ 9,610,022	\$ 7,834,789

NOTE 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

The District implemented GASB Statement 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions (GASB 45). As allowed by GASB 45, the District has established the net Other Postemployment Benefits (OPEB) obligation at zero at the beginning of the transition year and has applied the measurement and recognition requirements of GASB 45 on a prospective basis.

Plan Description – The Dudley-Charlton Regional School District administers a single-employer defined benefit healthcare plan (Plan). The Plan provides lifetime healthcare insurance for eligible retirees and their spouses through two separate plans. The District's group health insurance plan covers its active member and the Group Insurance Commission covers its retired members. Chapter 32B of the MGL assigns authority to establish and amend benefit provisions of the plan. Benefit provisions are negotiated between the District and the unions representing District employees and are renegotiated each bargaining period. The Plan does not issue a publicly available financial report.

Funding Policy – Contribution requirements are also negotiated between the District and union representatives. The required contribution is based on a pay-as-you-go financing requirement. The District contributes 90 percent of the cost of current-year premiums for eligible retired plan members and their spouses. Plan members receiving benefits contribute the remaining 10 percent of their premium costs. For 2015, the contributions to the plan totaled \$838,000.

Annual OPEB Cost and Net OPEB Obligation – The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation are summarized in the following table:

Annual required contribution.....	\$ 2,502,456
Interest on net OPEB obligation.....	313,684
Adjustment to annual required contribution.....	<u>(599,425)</u>
Annual OPEB cost (expense).....	2,216,715
Contributions made.....	<u>(837,595)</u>
Increase in net OPEB obligation.....	1,379,120
Net OPEB obligation--beginning of year.....	<u>10,456,145</u>
Net OPEB obligation--end of year.....	<u>\$ 11,835,265</u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2015 was as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2015	\$ 2,216,715	37.8%	\$ 11,835,265
6/30/2014	2,539,783	31.7%	10,456,145
6/30/2013	2,491,431	30.8%	8,721,991
6/30/2012	2,792,374	29.3%	6,997,827

Funded Status and Funding Progress – As of June 30, 2015, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$30,029,817, all of which was unfunded.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions – Projections of benefits for financial reporting purposes are based on the substantive Plan (the Plan as understood by the employer and the Plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and Plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2015, actuarial valuation, actuarial liabilities were determined using the projected unit credit cost method. The actuarial assumptions included a 3.0% investment return assumption, which is based on the expected yield on the assets of the District, calculated based on the funded level of the Plan at the valuation date, and an annual medical/drug cost trend rate of 5.0% to 5.5% over the next five years. The UAAL is being amortized over a 30 year period, open period. The remaining amortization period at June 30, 2015 is 30 years.

NOTE 12 - CONTINGENCIES

The District participates in a number of federal award programs. Although the grant programs have been audited in accordance with the provisions of the Single Audit Act Amendments of 1996 through June 30, 2015, these programs are still subject to financial and compliance audits. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although it is expected such amounts, if any, to be immaterial.

The District is not aware of any pending legal actions or claims.

NOTE 13 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through February 11, 2016, which is the date the financial statements were available to be issued.

NOTE 14 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

During 2015, the following GASB pronouncements were implemented:

- GASB Statement #67, *Financial Reporting for Pension Plans*; GASB Statement #68, *Accounting and Financial Reporting for Pensions*; and GASB Statement #71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Financial statement changes include the recognition of a net pension liability, pension expense and deferred outflows/inflows of resources depending on the nature of the change each year. The financial statements also recognized a restatement of the beginning net position to reflect the net pension liability at the beginning of the year. The notes to the basic financial statements and the required supplementary information were expanded to include additional required schedules and disclosures.
- GASB Statement #69, *Governmental Combinations and Disposals of Government Operations*. This pronouncement did not impact the basic financial statements.

The following GASB pronouncements will be implemented in the future:

- The GASB issued Statement #72, *Fair Value Measurement and Application*, which is required to be implemented in 2016.
- The GASB issued Statement #73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The provisions of this Statement are effective for 2016—except those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement #68, which is required to be implemented in 2017.

- The GASB issued Statement #74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which is required to be implemented in 2017.
- The GASB issued Statement #75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which is required to be implemented in 2018.
- The GASB issued Statement #76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, which is required to be implemented in 2016.
- The GASB issued Statement #77, *Tax Abatement Disclosures*, which is required to be implemented in 2017.

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

NOTE 15 – REVISION OF NET POSITION

The beginning net position of governmental activities has been revised to reflect the implementation of GASB Statements #67, #68, and #71. To reflect this change, the District has recorded a net pension liability, which has resulted in the June 30, 2014, balance of the governmental activities to be revised by \$9,382,685. Previously reported governmental activities net position of \$36,594,644 has been revised to \$27,211,959.

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Required Supplementary Information

General Fund Budgetary Comparison Schedule

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

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

YEAR ENDED JUNE 30, 2015

	Budgeted Amounts			
	Original Budget	Final Budget	Actual Budgetary Amounts	Variance to Final Budget
REVENUES:				
Member town assessments.....	\$ 17,816,537	\$ 17,816,537	\$ 17,816,537	\$ -
Intergovernmental.....	27,883,588	27,883,588	28,085,893	202,305
Departmental and other.....	-	-	5,825	5,825
Investment income.....	-	-	13,811	13,811
Miscellaneous.....	-	-	40,892	40,892
TOTAL REVENUES.....	45,700,125	45,700,125	45,962,958	262,833
EXPENDITURES:				
Education:				
District Administration.....	1,038,686	1,038,686	945,691	92,995
Instructional support.....	19,910,198	19,910,198	19,600,495	309,703
Preschool and special education.....	7,096,641	7,096,641	7,159,197	(62,556)
Transportation services.....	2,853,306	2,853,306	2,747,684	105,622
Facilities.....	3,455,439	3,455,439	3,143,636	311,803
Benefits.....	7,377,952	7,377,952	7,322,459	55,493
Other school services.....	1,762,876	1,762,876	1,791,031	(28,155)
Debt Service:				
Principal.....	2,730,000	2,730,000	2,730,000	-
Interest.....	788,026	788,026	788,026	-
TOTAL EXPENDITURES.....	47,013,124	47,013,124	46,228,219	784,905
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	(1,312,999)	(1,312,999)	(265,261)	1,047,738
OTHER FINANCING SOURCES (USES):				
Transfers out.....	-	-	(210,000)	(210,000)
NET CHANGE IN FUND BALANCE BEFORE OTHER FUNDING SOURCES.....	(1,312,999)	(1,312,999)	(475,261)	837,738
OTHER FUNDING SOURCES				
Reserve to reduce assessments.....	1,300,000	1,300,000	-	-
Reserve for sewer assessment.....	12,999	12,999	-	-
TOTAL OTHER FUNDING SOURCES.....	1,312,999	1,312,999	-	-
NET CHANGE IN FUND BALANCE.....	-	-	(475,261)	837,738
BUDGETARY FUND BALANCE, Beginning of year.....	3,253,810	3,253,810	3,253,810	-
BUDGETARY FUND BALANCE, End of year.....	\$ 3,253,810	\$ 3,253,810	\$ 2,778,549	\$ 837,738

See notes to required supplementary information.

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Pension Plan Schedules

The Schedule of Proportionate Share of the Net Pension Liability presents multi-year trend information relating to the District's proportion of the net pension liability and related ratios.

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

The Schedule of the Special Funding Amounts of the Net Pension Liability for the Massachusetts Teachers Contributory Retirement System presents multi-year trend information on the liability and expense assumed by the Commonwealth of Massachusetts on behalf of the District along with related ratios.

These schedules are intended to present information for ten years. Until a ten-year trend is compiled, information is presented for those years for which information is available.

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
WORCESTER REGIONAL RETIREMENT SYSTEM**

	December 31, 2014
District's proportion of the net pension liability (asset).....	1.615%
District's proportionate share of the net pension liability (asset)..... \$	9,610,022
District's covered employee payroll (*)..... \$	4,833,047
Net pension liability as a percentage of covered-employee payroll.....	198.84%
Plan fiduciary net position as a percentage of the total pension liability.....	47.94%

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.

*Covered employee payroll as reported in January 1, 2014 funding
valuation report.

See notes to required supplementary information.

SCHEDULE OF DISTRICT CONTRIBUTIONS

	December 31, 2014
Actuarially determined contribution (a).....	\$ 638,211
Contributions in relation to the actuarially determined contribution.....	\$ 638,211
Contribution deficiency (excess).....	\$ -
Covered-employee payroll (*).....	\$ 4,833,047
Contributions as a percentage of covered- employee payroll.....	13.21%

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.

(a) Based on the results of the January 1, 2012 actuarial
valuation (including assumptions and methods) which
determined budgeted appropriations for fiscal 2015.

*Covered employee payroll as reported in January 1, 2014 funding

**SCHEDULE OF THE SPECIAL FUNDING AMOUNTS
OF THE NET PENSION LIABILITY
MASSACHUSETTS TEACHERS' RETIREMENT SYSTEM**

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

<u>Fiscal Year</u>	<u>Commonwealth's 100% Share of the Net Pension Liability Associated with the District</u>	<u>District's Expense and Revenue Recognized for the Commonwealth's Support</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Liability</u>
2015	\$ 56,495,993	\$ 3,925,048	61.64%

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

See notes to required supplementary information.

Other Postemployment Benefit Plan Schedules

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

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

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

OTHER POSTEMPLOYMENT BENEFIT PLAN
SCHEDULE OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS

JUNE 30, 2015

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Projected Unit Credit (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
7/30/2015	\$ -	\$ 30,029,817	\$ 30,029,817	0%	\$ N/A	N/A
7/1/2012	-	31,187,059	31,187,059	0%	27,606,263	113.0%
7/1/2010	-	26,279,971	26,279,971	0%	27,349,862	96.1%
12/30/2009	-	20,236,112	20,236,112	0%	27,042,659	74.8%

Schedule of Employer Contributions

Year Ended	Annual Required Contribution (ARC)	Actual Contributions Made	Percentage of the ARC Contributed
2015	\$ 2,502,456	\$ 837,595	33.5%
2014	2,764,420	805,629	29.1%
2013	2,661,541	767,266	28.8%

The District implemented GASB Statement No. 45 for the fiscal year ended June 30, 2009.
Information for prior years is not available.

See notes to required supplementary information.

**OTHER POSTEMPLOYMENT BENEFIT PLAN
ACTUARIAL METHODS AND ASSUMPTIONS**

YEAR ENDED JUNE 30, 2015

Actuarial Methods:

Valuation date.....	June 30, 2015
Actuarial cost method.....	Projected Unit Credit
Amortization method.....	30 year amortization payments, Closed
Remaining amortization period.....	30 years as of June 30, 2015
Asset valuation method.....	Market value

Actuarial Assumptions:

Investment rate of return.....	3.0%, pay-as-you-go scenario
Medical/drug cost trend rate.....	5.0% to 5.5% over the next 5 years

Plan Membership:

Current retirees, beneficiaries, and dependents.....	273
Current active members.....	<u>363</u>
Total.....	<u>636</u>

See notes to required supplementary information.

NOTE A - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**A. Budgetary Information**

The District adopts a balanced budget that is approved by the School Committee. The Superintendent of Schools presents an annual budget to the School Committee, which includes estimates of revenues and other financing sources and recommendations of expenditures and other financing uses. The School Committee, which has full authority to amend and/or reject the budget or any appropriation category, adopts the expenditure budget by 2/3 vote. Increases in the budget subsequent to the approval of the annual budget require 2/3 Committee and member town approval.

The majority of the District's appropriations are non-continuing which lapse at the end of the year.

The original 2015 approved budget for the General Fund authorized approximately \$47 million in appropriations.

The District's accounting office has the responsibility to ensure that budgetary control is maintained in accordance with the Appropriation Control Report and parameters for transfers as set by the School Committee.

B. Budgetary - GAAP Reconciliation

For budgetary financial reporting purposes, the Uniform Municipal Accounting System basis of accounting (established by the Commonwealth) is followed, which differs from the GAAP basis of accounting. A reconciliation of budgetary-basis to GAAP-basis results for the general fund for the year ended June 30, 2015, is presented below:

Net change in fund balance, budgetary basis.....	\$	(210,000)
<u>Basis of accounting differences:</u>		
Recognition of revenue for on-behalf payments.....		3,925,048
Recognition of expenditures for on-behalf payments.....		<u>(3,925,048)</u>
Net change in fund balance, GAAP basis.....	\$	<u>(210,000)</u>

NOTE B – OTHER POST-RETIREMENT BENEFITS

The District administers a single-employer defined benefit healthcare plan (Plan). The Plan provides lifetime healthcare insurance for eligible retirees and their spouses through two separate plans. The District's group health insurance plan covers its active members and the Group Insurance Commission covers its retired members.

The District currently finances its other postemployment benefits (OPEB) on a pay-as-you-go basis. As a result, the funded ratio (actual value of assets expressed as a percentage of the actuarial accrued liability) is 0%. In accordance with *Governmental Accounting Standards*, the District has recorded its OPEB cost equal to the actuarial determined annual required contribution (ARC) which includes the normal cost of providing benefits for the year and a component for the amortization of the total unfunded actuarial accrued liability of the Plan.

The Schedule of Funding Progress presents multi-year trend information which compares, over time, the actuarial accrued liability for benefits with the actuarial value of accumulated plan assets.

Projections of benefits for financial reporting purposes are based on the substantive plan and included the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and Plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

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

NOTE C – PENSION PLAN

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

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

Schedule of District's Contributions

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

Schedule of the Special Funding Amounts of the Net Pension Liabilities

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

Changes in Assumptions - None

Changes in Plan Provisions - None

