



**MINUTEMAN REGIONAL VOCATIONAL  
TECHNICAL SCHOOL DISTRICT**

Financial Statements

For the Year Ended June 30, 2019  
(With Independent Auditors' Report Thereon)

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## INDEPENDENT AUDITORS' REPORT

To the School Committee  
Minuteman Regional Vocational  
Technical School District

**Additional Offices:**

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Minuteman Regional Vocational Technical School District (the District), as of and for the year ended June 30, 2019, (except for the Minuteman Regional School District Contributory Retirement System, which is as of and for the year ended December 31, 2018) and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the

circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Minuteman Regional Vocational Technical School District, as of June 30, 2019 (and the Minuteman Regional School District Contributory Retirement System as of December 31, 2018), and the respective changes in financial position thereof, and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

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

*Melanson Heath*

March 12, 2020

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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

### OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

***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. The District's funds are reported in two categories: governmental funds and fiduciary funds.

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

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

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

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

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information which is required to be disclosed by accounting principles generally accepted in the United States of America.

## FINANCIAL HIGHLIGHTS

- As of the close of the current fiscal year, the total of liabilities and deferred inflows exceeded assets and deferred outflows by \$16,866,544 (i.e., net position), a change of \$18,198,861 in comparison to the prior year. This is primarily related to the District's major capital project.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$8,259,824, a change of \$(7,242,853) in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$829,129, a change of \$4,505 in comparison to the prior year.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

	<u>NET POSITION</u>	
	Governmental <u>Activities</u>	
	<u>2019</u>	<u>2018</u>
Current assets	\$ 19,073,449	\$ 22,162,110
Noncurrent assets	<u>122,439,847</u>	<u>48,880,666</u>
Total assets	141,513,296	71,042,776
Deferred outflows of resources	4,174,850	433,000
Current liabilities	11,986,043	7,374,055
Noncurrent liabilities	<u>111,029,043</u>	<u>63,506,786</u>
Total liabilities	123,015,086	70,880,841
Deferred inflows of resources	5,806,516	1,927,252
Net position:		
Net investment in capital assets	38,058,329	17,601,135
Restricted	3,477,037	10,277,884
Unrestricted	<u>(24,668,822)</u>	<u>(29,211,336)</u>
Total net position	<u>\$ 16,866,544</u>	<u>\$ (1,332,317)</u>

As noted earlier, net position may serve over time as a useful indicator of the District's financial position. At the close of the most recent fiscal year, total net position was \$16,866,544, a change of \$18,198,861 from the prior year.

The largest portion of net position, \$38,058,329, reflects our investment in capital assets (e.g., land, buildings and improvements, furniture and equipment, and construction in progress); less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net position, \$3,477,037, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position is in a deficit of \$(24,668,227), primarily resulting from the unfunded net pension liability (see Note 11) and unfunded net OPEB liability (see Note 13).

CHANGE IN NET POSITION

	Governmental Activities	
	<u>2019</u>	<u>2018</u>
Revenues:		
Program revenues:		
Charges for services	\$ 4,364,953	\$ 5,220,135
Operating grants and contributions	3,979,727	3,873,659
General revenues:		
Assessments to members	14,341,696	12,072,132
Grants and contributions not restricted to specific programs	3,120,875	3,194,678
Massachusetts School Building Authority	20,097,451	10,949,804
Investment income	312,636	134,796
Miscellaneous	<u>379,077</u>	<u>338,408</u>
Total revenues	46,596,415	35,783,612
Expenses:		
Administration	1,449,754	1,608,527
Instruction	11,418,252	10,678,333
Other school services	2,318,806	2,341,733
Operation and maintenance	1,711,059	1,929,676
Fixed charges	7,362,583	7,811,870
Community services	602,313	645,219
Miscellaneous	159,153	97,225
Interest	2,665,832	1,195,607
Depreciation	<u>594,811</u>	<u>595,265</u>
Total expenses	<u>28,397,554</u>	<u>26,903,455</u>
Change in net position before transfers	18,198,861	8,880,157
Transfers to fiduciary funds	<u>-</u>	<u>(809)</u>
Change in net position	18,198,861	8,879,348
Net position - beginning of year	<u>(1,332,317)</u>	<u>(10,211,665)</u>
Net position - end of year	<u>\$ 16,866,544</u>	<u>\$ (1,332,317)</u>

Governmental activities for the year resulted in a change in net position of \$18,198,861. Key elements of this change are as follows:

Operating Results:	
General Fund	\$ (84,834)
Capital Projects Fund	(6,706,451)
Nonmajor Governmental Funds	<u>(451,568)</u>
Subtotal operating results	(7,242,853)
Purchase of fixed assets	74,181,528
Depreciation	(594,811)
Disposal of fixed assets	(27,536)
Bond issuance	(46,821,771)
Change in accrued interest liability	(393,108)
Repayments of capital lease	336,434
Repayment of bonds	5,000
Change in compensated absence liability	(59,358)
Change related to net pension liability and related deferrals	(333,000)
Change in net OPEB liability and related deferrals	<u>(851,664)</u>
Total	<u>\$ 18,198,861</u>

## FINANCIAL ANALYSIS OF FUNDS

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

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

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$8,259,824 a change of \$(7,242,853) in comparison to the prior year. Key elements of this change are as follows:

Operating Results:	
General Fund	\$ (84,834)
Capital Projects Fund	(6,706,451)
Nonmajor Governmental Funds	<u>(451,568)</u>
Total	<u>\$ (7,242,853)</u>

The General Fund is the chief operating fund. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$829,129, while total fund balance was \$5,191,892. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total General Fund expenditures. Refer to the table below.

<u>General Fund</u>	<u>06/30/19</u>	<u>06/30/18</u>	<u>Change</u>	<u>% of Total General Fund Expenditures</u>
Unassigned fund balance	\$ 829,129	\$ 824,624	\$ 4,505	4%
Total fund balance	\$ 5,191,892	\$ 5,276,726	\$ (84,834)	23%

The total fund balance of the General Fund changed by \$(84,834) during the current fiscal year. Key factors in this change are as follows:

Revenues in excess of budget	\$ 377,344
Expenditures less than budget	434,372
Use of fund balance - prior year tuition	(3,438,424)
Use of fund balance - operations	(540,000)
Current year tuition received - assigned to 2020 budget	2,859,147
Transfers to grants and revolving funds	(94,705)
Transfers to stabilization	300,000
Stabilization interest	<u>17,432</u>
Total	<u>\$ (84,834)</u>

Included in the total General Fund balance is the District's building stabilization fund with the following balance:

	<u>6/30/19</u>	<u>6/30/18</u>	<u>Change</u>
Building stabilization	\$ <u>775,632</u>	\$ <u>458,200</u>	\$ <u>317,432</u>

## GENERAL FUND BUDGETARY HIGHLIGHTS

During fiscal year 2019, there was no overall change to the original budget; however, there were line item transfers voted by the School Committee.

## CAPITAL ASSET AND DEBT ADMINISTRATION

**Capital assets.** Total investment in capital assets at year-end amounted to \$122,439,847 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings and improvements, and furniture and equipment.

**Long-term debt.** At the end of the current fiscal year, total long-term debt outstanding (bonds and capital leases) was \$86,130,837, all of which was backed by the full faith and credit of the District.

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

## **REQUESTS FOR INFORMATION**

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

Minuteman Regional Vocational  
Technical School District  
758 Marrett Road  
Lexington, Massachusetts 02713

**MINUTEMAN REGIONAL VOCATIONAL TECHNICAL SCHOOL DISTRICT**

**STATEMENT OF NET POSITION**

June 30, 2019

	<u>Governmental Activities</u>
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	
Current:	
Cash and short-term investments	\$ 18,256,389
Receivables	<u>817,060</u>
Total current assets	19,073,449
Noncurrent:	
Capital assets:	
Land	668,673
Construction in progress	115,174,901
Other capital assets, net of accumulated depreciation	<u>6,596,273</u>
Total noncurrent assets	<u>122,439,847</u>
Total Assets	141,513,296
Deferred Outflows of Resources:	
Related to pensions	1,347,000
Related to OPEB	<u>2,827,850</u>
Total deferred outflows of resources	4,174,850
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>145,688,146</u>
<b>LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>	
Current:	
Accounts payable	4,625,371
Accrued payroll and withholdings	1,247,560
Retainage payable	4,940,694
Accrued interest on bonds payable	746,531
Current portion of noncurrent liabilities:	
Bonds payable	58,786
Capital lease payable	<u>367,101</u>
Total current liabilities	11,986,043
Noncurrent:	
Bonds payable	83,331,254
Capital lease payable	2,373,696
Compensated absences	280,843
Net pension liability	2,540,000
Net OPEB liability	<u>22,503,250</u>
Total noncurrent liabilities	<u>111,029,043</u>
Total Liabilities	123,015,086
Deferred Inflows of Resources:	
Related to pensions	985,000
Related to OPEB	<u>4,821,516</u>
Total deferred inflows of resources	5,806,516
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	<u>128,821,602</u>
<b>NET POSITION</b>	
Net investment in capital assets	38,058,329
Restricted for grants and other statutory restrictions	3,477,037
Unrestricted	<u>(24,668,822)</u>
TOTAL NET POSITION	\$ <u>16,866,544</u>

The accompanying notes are an integral part of these financial statements

**MINUTEMAN REGIONAL VOCATIONAL TECHNICAL SCHOOL DISTRICT**

**STATEMENT OF ACTIVITIES**

For the Year Ended June 30, 2019

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expenses) Revenues and Change in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
<b>Governmental Activities:</b>				
Administration	\$ 1,449,754	\$ -	\$ -	\$ (1,449,754)
Instruction	11,418,252	4,037,616	639,746	(6,740,890)
Other school services	2,318,806	248,930	79,517	(1,990,359)
Operation and maintenance	1,711,059	78,407	-	(1,632,652)
Fixed charges	7,362,583	-	3,260,464	(4,102,119)
Community services	602,313	-	-	(602,313)
Other	159,153	-	-	(159,153)
Interest	2,665,832	-	-	(2,665,832)
Capital outlay	114,991	-	-	(114,991)
Depreciation	594,811	-	-	(594,811)
Total	<u>\$ 28,397,554</u>	<u>\$ 4,364,953</u>	<u>\$ 3,979,727</u>	(20,052,874)
<b>General Revenues:</b>				
Assessments to members				14,341,696
Grants and contributions not restricted to specific programs				3,120,875
Massachusetts School Building Authority				20,097,451
Investment income				312,636
Miscellaneous				<u>379,077</u>
Total general revenues				<u>38,251,735</u>
Change in Net Position				18,198,861
<b>Net Position:</b>				
Beginning of year				<u>(1,332,317)</u>
End of year				<u>\$ 16,866,544</u>

The accompanying notes are an integral part of these financial statements

**MINUTEMAN REGIONAL VOCATIONAL TECHNICAL SCHOOL DISTRICT**

**GOVERNMENTAL FUNDS**

**BALANCE SHEET**

June 30, 2019

	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and short-term investments	\$ 5,777,377	\$ 11,048,418	\$ 1,430,594	\$ 18,256,389
Receivables	<u>740,996</u>	<u>-</u>	<u>76,064</u>	<u>817,060</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 6,518,373</u></b>	<b><u>\$ 11,048,418</u></b>	<b><u>\$ 1,506,658</u></b>	<b><u>\$ 19,073,449</u></b>
<b>LIABILITIES</b>				
Accounts payable	\$ 211,587	\$ 4,358,405	\$ 55,379	\$ 4,625,371
Accrued payroll and withholdings	1,114,894	-	132,666	1,247,560
Retainage payable	<u>-</u>	<u>4,940,694</u>	<u>-</u>	<u>4,940,694</u>
<b>TOTAL LIABILITIES</b>	<b>1,326,481</b>	<b>9,299,099</b>	<b>188,045</b>	<b>10,813,625</b>
<b>FUND BALANCES</b>				
Restricted	-	1,749,319	1,727,718	3,477,037
Committed	775,632	-	-	775,632
Assigned	3,587,131	-	-	3,587,131
Unassigned	<u>829,129</u>	<u>-</u>	<u>(409,105)</u>	<u>420,024</u>
<b>TOTAL FUND BALANCES</b>	<b><u>5,191,892</u></b>	<b><u>1,749,319</u></b>	<b><u>1,318,613</u></b>	<b><u>8,259,824</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 6,518,373</u></b>	<b><u>\$ 11,048,418</u></b>	<b><u>\$ 1,506,658</u></b>	<b><u>\$ 19,073,449</u></b>

The accompanying notes are an integral part of these financial statements

**MINUTEMAN REGIONAL VOCATIONAL TECHNICAL SCHOOL DISTRICT**

**GOVERNMENTAL FUNDS**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**

June 30, 2019

<b>Governmental fund balances</b>	\$ 8,259,824
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.	122,439,847
In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.	(746,531)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in governmental funds.	
Bonds payable and unamortized premium	(83,390,040)
Capital lease payable	(2,740,797)
Compensated absences	(280,843)
Net pension liability and related deferred outflows/inflows of resources are not due and payable in the current period nor require the use of current financial resources and, therefore, are not reported in governmental funds.	(2,178,000)
Net OPEB liability and related deferred outflows/inflows of resources are not due and payable in the current period nor requires the use of current financial resources and, therefore, are not reported in governmental funds.	<u>(24,496,916)</u>
<b>Net position of governmental activities</b>	<b>\$ <u><u>16,866,544</u></u></b>

The accompanying notes are an integral part of these financial statements

**MINUTEMAN REGIONAL VOCATIONAL TECHNICAL SCHOOL DISTRICT**

**GOVERNMENTAL FUNDS**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**

For the Year Ended June 30, 2019

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
Assessments to members	\$ 13,819,620	\$ -	\$ 522,076	\$ 14,341,696
Intergovernmental revenues	4,904,965	20,097,451	719,263	25,721,679
Charges for services	3,259,147	-	1,105,806	4,364,953
Investment income	107,304	203,829	1,503	312,636
Miscellaneous	<u>128,693</u>	<u>-</u>	<u>229,134</u>	<u>357,827</u>
Total Revenues	22,219,729	20,301,280	2,577,782	45,098,791
<b>Expenditures:</b>				
Current:				
Administration	1,449,754	-	-	1,449,754
Instruction	9,831,086	-	1,831,047	11,662,133
Other school services	1,929,630	-	389,176	2,318,806
Operation and maintenance	1,496,515	-	214,543	1,711,058
Fixed charges	4,569,033	-	132,514	4,701,547
Community services	100,000	-	502,313	602,313
Capital acquisitions	114,991	73,878,288	-	73,993,279
Other	104,691	-	54,462	159,153
Debt service	<u>2,614,158</u>	<u>-</u>	<u>-</u>	<u>2,614,158</u>
Total Expenditures	<u>22,209,858</u>	<u>73,878,288</u>	<u>3,124,055</u>	<u>99,212,201</u>
Excess (deficiency) of revenues over expenditures	9,871	(53,577,008)	(546,273)	(54,113,410)
<b>Other Financing Sources (Uses):</b>				
Transfers to grants and revolving funds	(94,705)	-	94,705	-
Bond proceeds and premium	<u>-</u>	<u>46,870,557</u>	<u>-</u>	<u>46,870,557</u>
Total Other Financing Sources (Uses)	<u>(94,705)</u>	<u>46,870,557</u>	<u>94,705</u>	<u>46,870,557</u>
Change in fund balance	(84,834)	(6,706,451)	(451,568)	(7,242,853)
Fund Balance, at Beginning of Year	<u>5,276,726</u>	<u>8,455,770</u>	<u>1,770,181</u>	<u>15,502,677</u>
Fund Balance, at End of Year	<u>\$ 5,191,892</u>	<u>\$ 1,749,319</u>	<u>\$ 1,318,613</u>	<u>\$ 8,259,824</u>

The accompanying notes are an integral part of these financial statements

**MINUTEMAN REGIONAL VOCATIONAL TECHNICAL SCHOOL DISTRICT**

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

For the Year Ended June 30, 2019

**Changes in fund balances - governmental funds** \$ (7,242,853)

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	74,181,528
Depreciation	(594,811)
Disposal of fixed assets	(27,536)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes financial resources of governmental funds. Neither transaction, however, has any effect on net position:

Issuance of bonds and receipt of premium	(46,870,557)
Amortization of bond premiums	48,786

In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due. (393,108)

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

Repayments of capital lease	336,434
Repayment of bonds	5,000
Change in compensated absence liability	(59,358)
Net pension liability and related deferred outflows/inflows of	(333,000)
Net OPEB liability and related deferred outflows/inflows of resources	<u>(851,664)</u>

**Change in net position of governmental activities** \$ 18,198,861

The accompanying notes are an integral part of these financial statements

**MINUTEMAN REGIONAL VOCATIONAL TECHNICAL SCHOOL DISTRICT**

**GENERAL FUND**

**STATEMENT OF REVENUES AND OTHER SOURCES,  
AND EXPENDITURES AND OTHER USES – BUDGET AND ACTUAL**

For the Year Ended June 30, 2019

	Original Budget	Final Budget	Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>Revenues and Other Sources:</b>				
Assessments to members	\$ 13,819,620	\$ 13,819,620	\$ 13,819,620	\$ -
Intergovernmental revenues	2,962,096	2,962,096	3,120,875	158,779
Charges for services	400,000	400,000	400,000	-
Investment income	-	-	89,872	89,872
Miscellaneous	-	-	128,693	128,693
Use of fund balance - prior year tuition	3,438,424	3,438,424	3,438,424	-
Use of fund balance - operations	<u>540,000</u>	<u>540,000</u>	<u>540,000</u>	<u>-</u>
Total Revenues and Other Sources	21,160,140	21,160,140	21,537,484	377,344
<b>Expenditures and Other Uses:</b>				
Administration	1,439,784	1,476,134	1,449,754	26,380
Instruction	9,821,057	9,835,884	9,831,086	4,798
Other school services	1,942,355	1,942,355	1,929,630	12,725
Operation and maintenance	1,795,723	1,675,883	1,496,515	179,368
Fixed charges	2,994,698	2,994,698	2,784,943	209,755
Community services	100,000	100,000	100,000	-
Capital acquisitions	110,360	124,360	114,991	9,369
Other	20,000	11,663	104,691	(93,028)
Debt service	2,636,163	2,699,163	2,614,158	85,005
Transfers - building stabilization	<u>300,000</u>	<u>300,000</u>	<u>300,000</u>	<u>-</u>
Total Expenditures and Other Uses	<u>21,160,140</u>	<u>21,160,140</u>	<u>20,725,768</u>	<u>434,372</u>
Excess of revenues and other sources over expenditures and other uses	\$ <u>-</u>	\$ <u>-</u>	\$ <u>811,716</u>	\$ <u>811,716</u>

The accompanying notes are an integral part of these financial statements

**MINUTEMAN REGIONAL VOCATIONAL TECHNICAL SCHOOL DISTRICT**

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET POSITION

June 30, 2019

	<u>Pension and OPEB Trust Funds</u>	<u>Private Purpose Trust Funds</u>	<u>Agency Funds</u>
<b>ASSETS</b>			
Cash and short-term investments	\$ 627,023	\$ 145,325	\$ 55,669
Investments, at fair value	12,940,995	-	-
Receivables	<u>17,909</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS	13,585,927	145,325	55,669
<b>LIABILITIES</b>			
Due to external parties	<u>3,406</u>	<u>-</u>	<u>55,669</u>
TOTAL LIABILITIES	<u>3,406</u>	<u>-</u>	<u>55,669</u>
<b>NET POSITION</b>			
Restricted for pension purposes	13,372,785	-	-
Restricted for OPEB purposes	209,736	-	-
Restricted for other purposes	<u>-</u>	<u>145,325</u>	<u>-</u>
TOTAL NET POSITION	\$ <u><u>13,582,521</u></u>	\$ <u><u>145,325</u></u>	\$ <u><u>-</u></u>

The accompanying notes are an integral part of these financial statements

**MINUTEMAN REGIONAL VOCATIONAL TECHNICAL SCHOOL DISTRICT**

FIDUCIARY FUNDS

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

For the Year Ended June 30, 2019

	Pension and OPEB <u>Trust Funds</u>	Private Purpose <u>Trust Funds</u>
<b>Additions:</b>		
Contributions:		
Employer	\$ 250,000	\$ -
Plan members	204,415	-
Transfers from other systems	75,230	-
Other	<u>80,188</u>	<u>20,790</u>
Total contributions	609,833	20,790
Investment income, net	<u>(222,719)</u>	<u>3,943</u>
Total investment income	<u>(222,719)</u>	<u>3,943</u>
Total additions	387,114	24,733
<b>Deductions:</b>		
Benefit payments to plan members and beneficiaries	1,089,767	-
Transfers to other systems	66,403	-
Administrative expenses	125,873	-
Scholarships and other	<u>-</u>	<u>30,131</u>
Total deductions	<u>1,282,043</u>	<u>30,131</u>
Net increase (decrease)	(894,929)	(5,398)
<b>Net position:</b>		
Beginning of year	<u>14,477,450</u>	<u>150,723</u>
End of year	\$ <u><u>13,582,521</u></u>	\$ <u><u>145,325</u></u>

The accompanying notes are an integral part of these financial statements

# MINUTEMAN REGIONAL VOCATIONAL TECHNICAL SCHOOL DISTRICT

## Notes to Financial Statements

### 1. Summary of Significant Accounting Policies

The accounting policies of the Minuteman Regional Vocational Technical School District (the District) conform to Generally Accepted Accounting Principles (GAAP) as applicable to governmental units. The following is a summary of the significant policies:

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

The District is a municipal corporation governed by an appointed School Committee. As required by Generally Accepted Accounting Principles, these financial statements present the District and applicable component units for which the District is considered to be financially accountable. In fiscal year 2019, it was determined that no entities met the required GASB 14 (as amended) criteria of component units.

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

#### ***Government-wide and Fund Financial Statements***

##### *Government-wide Financial Statements*

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

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

##### *Fund Financial Statements*

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

## ***Measurement Focus, Basis of Accounting, and Financial Statement Presentation***

### *Government-wide Financial Statements*

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

### *Fund Financial Statements*

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

The District reports the following major governmental funds:

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

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

The District reports the following fiduciary funds:

- *Pension and Other Post-Employment Benefits Trust Funds* include retirement trust fund accounts for the activities of the Minuteman Regional School District Contributory Retirement System, which accumulates resources for pension benefit payments to qualified employees, and other post-employment benefits trust funds used to accumulate resources for health and life insurance benefits for retired employees.

- *Private Purpose Trust Funds* are used to account for trust arrangements, under which principal and investment income exclusively benefit individuals.
- *Agency Funds* are used to account for money held by the District on behalf of others (e.g., student activity funds). Agency funds report only assets and liabilities and, therefore, have no measurement focus.

### ***Cash and Short-Term Investments***

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

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

### ***Investments***

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

### ***Capital Assets***

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

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

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

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

	<u>Years</u>
Buildings and improvements	20 - 40
Furniture and equipment	2 - 20

### ***Compensated Absences***

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

### ***Long-Term Liabilities***

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

### ***Fund Equity***

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

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

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

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

### ***Use of Estimates***

The preparation of basic financial statements in conformity with Generally Accepted Accounting Principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures for contingent assets and liabilities at the date of the basic financial statements and the reported amounts of revenues and expenditures/expenses during the fiscal year. Actual results could vary from estimates.

## **2. Stewardship, Compliance, and Accountability**

### ***Budgetary Information***

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

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

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

### ***Budgetary Basis***

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

### ***Budget/GAAP Reconciliation***

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

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

	Revenues and Other <u>Financing Sources</u>	Expenditures and Other <u>Financing Uses</u>
GAAP Basis	\$ 22,219,729	\$ 22,209,858
To record budgeted transfer to building stabilization	-	300,000
Stabilization fund interest	(17,432)	-
Recognize use of fund balance as funding source - prior year tuition	3,438,424	-
Current year tuition received - assigned to 2020 budget	(2,859,147)	-
Recognize use of fund balance as funding source - operations	540,000	-
To reverse MTRS for budget purposes	(1,784,090)	(1,784,090)
Budgetary Basis	<u>\$ 21,537,484</u>	<u>\$ 20,725,768</u>

***Assessments of Member Communities***

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

	<u>Minimum Contribution</u>	<u>Total Assessment</u>
Acton-Boxborough RSD	\$ 201,840	\$ 201,840
Town of Acton	1,303,814	1,303,814
Town of Arlington	4,936,724	4,936,724
Town of Belmont	846,771	846,771
Town of Bolton	586,136	586,136
Town of Boxborough	7,345	7,345
Town of Carlisle	7,345	7,345
Town of Concord	742,679	742,679
Town of Dover	96,218	96,218
Town of Lancaster	1,780,470	1,780,470
Town of Lexington	2,126,219	2,126,219
Town of Lincoln	11,753	11,753
Town of Needham	914,236	914,236
Town of Stow	727,258	727,258
Town of Sudbury	32,320	32,320
Town of Wayland	10,284	10,284
Town of Weston	<u>10,284</u>	<u>10,284</u>
Total	<u>\$ 14,341,696</u>	<u>\$ 14,341,696</u>

### ***Deficit Fund Equity***

At June 30, 2019, there were grant and revolving fund deficits totaling \$409,105. These deficits will be eliminated through future departmental revenues and transfers from other funds.

### **3. Cash and Short-Term Investments**

***Custodial Credit Risk - Deposits.*** Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned. Massachusetts General Law Chapter 44, Section 55, limits the District's deposits, "in a bank or trust company or banking company to an amount not exceeding sixty percent of the capital and surplus of such bank or trust company or banking company, unless satisfactory security is given to it by such bank or trust company or banking company for such excess."

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

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

Bank balances are categorized as follows:

	<u>District</u>	<u>MMCRS</u>
FDIC/DIF	\$ 12,806,954	\$ 250,000
MMDT*	4,179,345	-
Uninsured or uncollateralized	<u>2,311,731</u>	<u>176,953</u>
 Total	 <u>\$ 19,298,030</u>	 <u>\$ 426,953</u>

\*MMDT – Massachusetts Municipal Depository Trust Fund cash portfolio is an external investment pool measured at amortized cost.

#### 4. Investments

At December 31, 2018, the MMCRS had \$12,940,995 invested in the Pension Reserves Investment Trust (PRIT). The Pension Reserves Investment Trust was created under Massachusetts general law, Chapter 32, Section 22, in December 1983. The Pension Reserves Investment Trust is operated under contract with a private investment advisor, approved by the Pension Reserves Investment Management Board. The Pension Reserves Investment Management Board shall choose an investment advisor by requesting proposals from advisors and reviewing such proposals based on criteria adopted under Massachusetts general law, Chapter 30B.

##### ***Credit Risk***

###### *District Investments*

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. For short-term investments that are purchased using surplus revenues, Massachusetts General Law, Chapter 44, Section 55, limits the District's investments to the top rating issued by at least one nationally recognized statistical rating organization (NRSRO).

###### *MMCRS Investments*

Massachusetts General Law, Chapter 32, Section 23, limits the investment of pension trust funds, to the extent not required for current disbursements, to investment in the PRIT (Pension Reserves Investment Trust) Fund or in securities, other than mortgages or collateral loans, which are legal for the investment of funds in savings banks under the

laws of the Commonwealth, provided that no more than the established percentage of assets is invested in any one security.

### ***Custodial Credit Risk***

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

### ***Concentration of Credit Risk***

The District and MMCRS do not have an investment (other than PRIT funds) in one issuer greater than 5% of total investments. The District and MMCRS do not have policies for concentration of credit risk.

### ***Interest Rate Risk***

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District and MMCRS do not have policies for interest rate risk.

### ***Foreign Currency Risk***

Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair value of an investment. The District and MMCRS do not have policies for foreign currency risk.

### ***Fair Value***

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

## **5. Receivables**

Receivables are comprised primarily of reimbursements requested from federal, state, and local agencies for expenditures incurred in fiscal year 2019 and State aid.

## 6. Capital Assets

Capital asset activity for the year ended June 30, 2019 was as follows (in thousands):

	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
<b>Governmental Activities:</b>				
Capital assets, being depreciated:				
Buildings and improvements	\$ 23,327	\$ -	\$ (120)	\$ 23,207
Furniture and equipment	<u>4,150</u>	<u>303</u>	<u>(1,792)</u>	<u>2,661</u>
Total capital assets, being depreciated	27,477	303	(1,912)	25,868
Less accumulated depreciation for:				
Buildings and improvements	(17,837)	(404)	96	(18,145)
Furniture and equipment	<u>(2,725)</u>	<u>(191)</u>	<u>1,789</u>	<u>(1,127)</u>
Total accumulated depreciation	<u>(20,562)</u>	<u>(595)</u>	<u>1,885</u>	<u>(19,272)</u>
Total capital assets, being depreciated, net	6,915	(292)	(27)	6,596
Capital assets, not being depreciated:				
Land	669	-	-	669
Construction in progress	<u>41,297</u>	<u>73,878</u>	<u>-</u>	<u>115,175</u>
Total capital assets, not being depreciated	<u>41,966</u>	<u>73,878</u>	<u>-</u>	<u>115,844</u>
Governmental activities capital assets, net	<u>\$ 48,881</u>	<u>\$ 73,586</u>	<u>\$ (27)</u>	<u>\$ 122,440</u>

## 7. Deferred Outflows and (Inflows) of Resources

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

## 8. Notes Payable

The following summarizes notes payable activity during fiscal year 2019:

Issue <u>Amount</u>	Issue <u>Date</u>	Maturity <u>Date</u>	Interest <u>Rate</u>	Balance Beginning <u>of Year</u>	<u>Advances</u>	<u>Repayments</u>	Balance End <u>of Year</u>
\$ 84,800	11/17/17	11/16/18	1.30%	\$ <u>84,800</u>	\$ <u>-</u>	\$ <u>(84,800)</u>	\$ <u>-</u>

**9. Long-Term Liabilities**

***General Obligation Bonds***

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

<u>Governmental Activities:</u>	<u>Serial Maturities Through</u>	<u>Interest Rate(s) %</u>	<u>Amount Outstanding as of 06/30/19</u>
School construction	9/15/2047	3-5%	\$ 35,995,000
School construction	10/15/2048	3-5%	<u>46,000,000</u>
Total			<u>\$ 81,995,000</u>

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 10,000	\$ 3,098,500	\$ 3,108,500
2021	825,000	3,077,625	3,902,625
2022	1,850,000	3,010,750	4,860,750
2023	1,890,000	2,917,250	4,807,250
2024	1,835,000	2,824,125	4,659,125
2025 - 2029	11,650,000	12,581,775	24,231,775
2030 - 2034	17,070,000	9,918,247	26,988,247
Thereafter	<u>46,865,000</u>	<u>12,966,559</u>	<u>59,831,559</u>
Total	<u>\$ 81,995,000</u>	<u>\$ 50,394,831</u>	<u>\$ 132,389,831</u>

The General Fund has been designated as the source to repay the bonds payable.

### **Capital Lease Obligation**

The District is the lessee of certain equipment under a capital lease agreement that expires in fiscal year 2025. Future minimum lease payments under the capital lease agreement are as follows at June 30, 2019:

<u>Fiscal</u> <u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 367,101	\$ 139,233	\$ 506,334
2021	399,869	120,584	520,453
2022	434,866	100,270	535,136
2023	472,229	78,179	550,408
2024	512,100	54,190	566,290
2025	<u>554,632</u>	<u>28,175</u>	<u>582,807</u>
Total	\$ <u>2,740,797</u>	\$ <u>520,631</u>	\$ <u>3,261,428</u>

Equipment financed by the lease totaling \$5,000,000 is reported in capital assets, net of \$2,514,147 of accumulated depreciation. The General Fund has been designated as the source to repay the outstanding capital lease.

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

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

	Total Balance <u>Beginning</u>	<u>Additions</u>	<u>Reductions</u>	Total Balance <u>Ending</u>	Less Current <u>Portion</u>	Equals Long-Term Portion <u>Ending</u>
<u>Governmental Activities</u>						
Bonds payable	\$ 36,000,000	\$ 46,000,000	\$ (5,000)	\$ 81,995,000	\$ (10,000)	\$ 81,985,000
Unamortized premium	<u>573,270</u>	<u>870,557</u>	<u>(48,787)</u>	<u>1,395,040</u>	<u>(48,786)</u>	<u>1,346,254</u>
Subtotal	36,573,270	46,870,557	(53,787)	83,390,040	(58,786)	83,331,254
Capital leases	3,077,231	-	(336,434)	2,740,797	(367,101)	2,373,696
Compensated absences	221,485	59,358	-	280,843	-	280,843
Net pension liability	1,201,000	1,339,000	-	2,540,000	-	2,540,000
Net OPEB liability	<u>22,795,002</u>	<u>-</u>	<u>(291,752)</u>	<u>22,503,250</u>	<u>-</u>	<u>22,503,250</u>
Totals	\$ <u>63,867,988</u>	\$ <u>48,268,915</u>	\$ <u>(681,973)</u>	\$ <u>111,454,930</u>	\$ <u>(425,887)</u>	\$ <u>111,029,043</u>

## **10. Fund Balances**

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

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

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

**Nonspendable** - Represents amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. This fund balance classification includes prepaid expenditures.

**Restricted** - Represents amounts that are restricted to specific purposes by constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation.

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

**Assigned** - Represents amounts that are constrained by the District's intent to use these resources for a specific purpose. This fund balance classification includes General Fund encumbrances for the expenditure of current year budgetary financial resources upon vendor performance in the subsequent budgetary period, and surplus set aside to be used in the subsequent year's budget.

**Unassigned** - Represents amounts that are available to be spent in future periods and deficit funds.

The following are the District's fund balances at June 30, 2019:

	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Restricted:				
Capital projects funds	\$ -	\$ 1,749,319	\$ -	\$ 1,749,319
Grants and revolving funds	-	-	1,727,718	1,727,718
Total Restricted	-	1,749,319	1,727,718	3,477,037
Committed:				
Building stabilization fund	775,632	-	-	775,632
Total Committed	775,632	-	-	775,632
Assigned:				
Reserve for expenditures - tuition	3,047,131	-	-	3,047,131
Reserve for expenditures - operations	540,000	-	-	540,000
Total Assigned	3,587,131	-	-	3,587,131
Unassigned:				
Funds in deficit	-	-	(409,105)	(409,105)
Unassigned	829,129	-	-	829,129
Total Unassigned	829,129	-	(409,105)	420,024
Total	\$ 5,191,892	\$ 1,749,319	\$ 1,318,613	\$ 8,259,824

## 11. Minuteman Regional School District Contributory Retirement System

The District follows the provisions of GASB Statement No. 67, *Financial Reporting for Pension Plans* – an amendment of GASB Statement No. 25 and GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* – an amendment of GASB Statement No. 27, with respect to employees’ retirement funds. The following disclosures reflect a measurement date of December 31, 2018.

### ***Plan Description***

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

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

Membership of the plan consisted of the following at January 1, 2017 (the latest actuarial valuation):

Retirees and beneficiaries receiving benefits	42
Inactive members with a vested right to a deferred or immediate benefit	4
Inactive members entitled to a return of employee contributions	44
Active plan members	<u>47</u>
Total	<u><u>137</u></u>

### ***Benefits Provided***

A member’s annual allowance is determined by multiplying average salary by a benefit rate related to the member’s age and job classification at retirement, and the resulting product by his creditable service. The amount determined by the benefit formula cannot exceed 80% of the member’s highest three year (or five year salary as discussed below) average

salary. For veterans as defined in G.L. c. 32, s. 1, there is an additional benefit of \$15 per year for each year of creditable service, up to a maximum of \$300.

- Salary is defined as gross regular compensation. For employees who become members after January 1, 2011, regular compensation is limited to 64% of the federal limit found in 26 U.S.C. 401(a)(17). In addition, regular compensation for members who retire after April 2, 2012 will be limited to prohibit “spiking” of a member’s salary to increase the retirement benefit.
- For persons who became members prior to April 2, 2012, average salary is the average annual rate of regular compensation received during the three consecutive years that produce the highest average, or, if greater, during the last three years (whether or not consecutive) preceding retirement.
- For persons who became members on or after April 2, 2012, average salary is the average annual rate of regular compensation received during the five consecutive years that produce the highest average, or, if greater, during the last five years (whether or not consecutive) preceding retirement.
- The benefit rate varies with the member’s retirement age. For persons who became members prior to April 2, 2012, the highest rate of 2.5% applies to Group 1 employees who retire at or after age 65, Group 2 employees who retire at or after age 60, and to Group 4 employees who retire at or after age 55. A .1% reduction is applied for each year of age under the maximum age for the member’s group. For Group 2 employees who terminate from service under age 55, the benefit rate for a Group 1 employee shall be used.
- For persons who became members on or after April 2, 2012 and retire with less than 30 years of creditable service, the highest rate of 2.5% applies to Group 1 employees who retire at or after age 67, Group 2 employees who retire at or after age 62, and to Group 4 employees who retire at or after age 57. A .15% reduction is applied for each year of age under the maximum age for the member’s group.
- For persons who became members on or after April 2, 2012 and retire with more than 30 years of creditable service, the highest rate of 2.5% applies to Group 1 employees who retire at or after age 67, Group 2 employees who retire at or after age 62, and to Group 4 employees who retire at or after age 55. A .125% reduction is applied for each year of age under the maximum age for the member’s group.
- A participant who has attained the requisite years of creditable service can elect to defer his or her retirement until a later date. Group 4 employees cannot defer beyond age 65.
- All participants must begin to receive a retirement allowance or withdraw their accumulated deductions no later than April 15 of the calendar year following the year they reach age 70½.

**Contributions**

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

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

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

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

The District’s contribution to the MMCRS for the year ended June 30, 2019 was \$250,000, which was equal to its annual required contribution.

**Summary of Significant Accounting Policies**

The accounting policies of the MMCRS used in the accompanying financial statements for the year ended December 31, 2018 conform to generally accepted accounting principles for public employee retirement systems. The more significant accounting policies of the MMCRS are summarized below:

*Basis of Accounting*

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

### *Investments*

Investments are reported at fair value in accordance with PERAC requirements. MMCRS assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension plan.

### *Rate of Return*

For the year ended December 31, 2018, the money weighted rate of return on investments, net of investment expenses including inflation, was 7.40%.

### *Net Pension Liability*

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

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

At June 30, 2019, the District reported a liability of \$2,540,000, representing the total net pension liability of the MMCRS. The net pension liability was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2017 rolled forward to December 31, 2018.

For the year ended June 30, 2019, the District recognized total pension expense of \$577,000. In addition, the District reported deferred outflows and deferred (inflows) of resources related to pensions from the following:

	Deferred Outflows <u>of Resources</u>	Deferred (Inflows) <u>of Resources</u>
Differences between expected and actual experience	\$ 1,000	\$ 288,000
Net difference between the projected and actual earnings on pension investments	1,263,000	697,000
Changes in assumptions	<u>83,000</u>	<u>-</u>
Total	\$ <u><u>1,347,000</u></u>	\$ <u><u>985,000</u></u>

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

<u>Year ended June 30:</u>		
2020	\$	48,000
2021		9,000
2022		36,000
2023		<u>269,000</u>
Total	\$	<u><u>362,000</u></u>

***Net Pension Liability of the District***

The net pension liability was based on an actuarial valuation dated January 1, 2017 and rolled forward to December 31, 2018.

The components of the net pension liability of the District at June 30, 2019 are as follows (in thousands):

Total pension liability	\$	15,913
Plan fiduciary net position		<u>13,373</u>
District's net pension liability	\$	<u><u>2,540</u></u>
Plan fiduciary net position as a percentage of total pension liability		84.0%

***Actuarial Assumptions***

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

Valuation Date	January 1, 2017
Rolled forward to	December 31, 2018
Actuarial cost method	Entry Age Normal Cost
Actuarial assumptions:	
Investment rate of return	7.40%
Projected salary increases	4.25% for Group 1 and 4.75% for Group 4
Inflation rate	Not explicitly assumed
Post-retirement cost-of-living adjustment	3% of first \$13,000

Actuarial valuation of the MMCRS involves estimates of the reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality and future salary increases. Amounts determined regarding the net pension liability are subject to continual revision, as actual results are compared with past expectations and new estimates are made about the future. The actuarial assumptions used in the MMCRS valuation were based on the results of the most recent actuarial experience study, which was as of January 1, 2017. Mortality assumptions are as follows:

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

### ***Target Allocations***

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

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	17.50%	7.62%
Int'l Equities	15.50%	7.80%
Emerging Int'l Equities	6.00%	9.31%
Core Bonds	5.00%	4.37%
20+ Year Treasury STIPS	2.00%	3.50%
TIPS	5.00%	4.00%
Value-Added Fixed Income	10.00%	7.58%
Private Equity	12.00%	11.15%
Real Estate	10.00%	6.59%
Timberland	4.00%	7.00%
Portfolio Completion	<u>13.00%</u>	6.83%
Total	<u>100.00%</u>	

### ***Discount Rate***

The discount rate used to measure the total pension liability was 7.40%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

### ***Sensitivity of the Net Pension Liability to Changes in the Discount Rate***

The following presents the District's net pension liability calculated using the discount rate of 7.40%, as well as what the District's the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower (6.40%) or one percentage-point higher (8.40%) than the current rate (in thousands):

1% Decrease	Current Discount Rate	1% Increase
<u>(6.40%)</u>	<u>(7.40%)</u>	<u>(8.40%)</u>
\$ 4,196	\$ 2,540	\$ 1,123

## 12. Massachusetts Teachers' Retirement System

### *Plan Description*

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

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

### *Benefits Provided*

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

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

MTRS funding policies have been established by Chapter 32 of Massachusetts General Laws. The Legislature has the authority to amend these policies. The annuity portion of

the MTRS retirement allowance is funded by employees, who contribute a percentage of their regular compensation. Costs of administering the plan are funded out of plan assets.

**Contributions**

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

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

**Actuarial Assumptions**

The total pension liability for the June 30, 2018 measurement date was determined by an actuarial valuation as of January 1, 2018 rolled forward to June 30, 2018. This valuation used the following assumptions:

- 7.35% investment rate of return.
- 3.50% interest rate credited to the annuity savings fund.
  - 3.00% cost of living increase on the first \$13,000 per year.
  - Salary increases are based on analyses of past experience but range from 4.00% to 7.50% depending on length of service.
  - Experience study is dated July 21, 2014 and encompasses the period January 1, 2006 to December 31, 2011.
  - Mortality rates were as follows:

*Pre-retirement* – reflects RP-2014 White Collar Employees table projected generationally with Scale MP-2016 (gender distinct).

*Post-retirement* – reflects RP-2014 White Collar Healthy Annuitant table projected generationally with Scale MP -2016 (gender distinct).

*Disability* – assumed to be in accordance with the RP-2014 White Collar Healthy Annuitant table projected generationally with Scale MP-2016 (gender distinct).

### ***Target allocations***

Investment assets of the MTRS are with the Pension Reserves Investment Trust (PRIT) Fund. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage. Best estimates of geometric rates of return for each major asset class included in the PRIT Fund's target asset allocation as of June 30, 2018 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global equity	39.00%	5.00%
Portfolio completion strategies	13.00%	3.70%
Core fixed income	12.00%	0.90%
Private equity	12.00%	6.60%
Real estate	10.00%	3.80%
Value added fixed income	10.00%	3.80%
Timber/natural resources	4.00%	3.40%
Total	<u>100.00%</u>	

### ***Discount Rate***

The discount rate used to measure the total pension liability was 7.35%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the Commonwealth's contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rates. Based on those assumptions, the net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

### ***Sensitivity Analysis***

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

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

### ***Special Funding Situation***

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

### ***District Proportions***

In fiscal year 2018 (the most recent measurement period), the Commonwealth's proportionate share of the MTRS' collective net pension liability and pension expense associated with the District was \$32,174,938 and \$3,260,464, respectively, based on a proportionate share of 0.135695%. As required by GASB 68, the District has recognized its portion of the Commonwealth's contribution as both a revenue and expenditure in the General Fund, and its portion of the collective pension expense as both a revenue and expense for governmental activities.

## **13. Other Post-Employment Benefits**

*GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)*, replaces the requirements of *Statement No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This applies if a trust fund has been established to fund future OPEB costs. In fiscal year 2017, the District established an OPEB Trust Fund to provide funding for future employee health care costs.

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

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

## **General Information about the OPEB Plan**

### *Plan Description*

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

### *Benefits Provided*

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

### *Plan Membership*

As of July 1, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries	
currently receiving benefit payments	110
Active employees	<u>140</u>
Total	<u>250</u>

### *Investments*

The OPEB trust fund assets are held in the Massachusetts Municipal Depository Trust (MMDT) in the MMDT's short-term bond portfolio. For the year ended June 30, 2019, the annual rate of return was not available.

### *Actuarial Assumptions and Other Inputs*

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

Salary increases	3.50% annually
Investment rate of return	3.87% net of OPEB plan investment expense
Discount rate	3.87% June 30, 2018 Bond Buyer's 20 Bond Index
Healthcare cost trend rates	8.00% for 2019 to an ultimate rate of 5.0% in 2024 and later
Retiree's share of benefit-related costs	40% medical 50% life

Mortality rates were based on the RP-2000 combined mortality table projected on a generational basis using projection scale AA.

*Discount Rate*

The discount rate used to measure the net OPEB liability was 3.87%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate.

Based on those assumptions, the OPEB plan fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

*Net OPEB Liability*

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

Total OPEB liability	\$ 22,712,987
Plan fiduciary net position	<u>209,737</u>
Net OPEB liability	<u><u>\$ 22,503,250</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.93%

*Changes in the Net OPEB Liability*

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at 06/30/18	\$ 22,944,871	\$ 149,869	\$ 22,795,002
Changes for the year:			
Service cost	977,751	-	977,751
Interest	855,485	9,868	845,617
Contributions - employer	-	541,472	(541,472)
Difference between expected and actual experience	(4,937,651)	-	(4,937,651)
Change in assumptions and other inputs	3,364,003	-	3,364,003
Net investment income	-	-	-
Benefit payments	<u>(491,472)</u>	<u>(491,472)</u>	<u>-</u>
Net changes	<u>(231,884)</u>	<u>59,868</u>	<u>(291,752)</u>
Balances at 06/30/19	<u><u>\$ 22,712,987</u></u>	<u><u>\$ 209,737</u></u>	<u><u>\$ 22,503,250</u></u>

There were no changes in benefit terms.

Changes of assumptions and other inputs reflect changes in healthcare cost trend mortality, retirement, and termination rates.

*Sensitivity of the Net OPEB Liability to Changes in the Discount Rate*

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

1% Decrease	Current Discount Rate	1% Increase
\$26,890,362	\$22,503,250	\$19,073,689

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

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

1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
\$18,541,032	\$22,503,250	\$27,760,700

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

For the year ended June 30, 2019, the District recognized OPEB expense of \$598,924. At June 30, 2019, the District reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Change in benefit terms	\$ -	\$ -
Difference between expected and actual experience	-	4,132,161
Changes in assumptions	2,827,850	689,355
Net difference between projected and actual OPEB investment earnings	-	-
Total	\$ 2,827,850	\$ 4,821,516

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

<u>Year ended June 30:</u>	
2020	\$ (430,234)
2021	(430,234)
2022	(430,234)
2023	(412,881)
2024	(256,713)
Thereafter	<u>(33,370)</u>
Total	\$ <u>(1,993,666)</u>

#### 14. Commitments and Contingencies

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

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

**MINUTEMAN REGIONAL VOCATIONAL TECHNICAL SCHOOL DISTRICT**

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

**REQUIRED SUPPLEMENTARY INFORMATION**

June 30, 2019

(Unaudited)

**Minuteman Regional School District Contributory Retirement Plan**

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Proportion of the Net Pension Liability</u>	<u>Proportionate Share of the Net Pension Liability</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position Percentage of the Total Pension Liability</u>
June 30, 2019	December 31, 2018	100%	\$ 2,540,000	\$ 2,209,000	115.0%	84.1%
June 30, 2018	December 31, 2017	100%	\$ 1,201,000	\$ 2,209,000	54.4%	92.3%
June 30, 2017	December 31, 2016	100%	\$ 2,752,000	\$ 2,745,000	100.3%	82.5%
June 30, 2016	December 31, 2015	100%	\$ 2,367,000	\$ 2,745,000	86.2%	84.3%
June 30, 2015	December 31, 2014	100%	\$ 310,000	\$ 2,338,000	13.3%	97.7%

**Massachusetts Teachers' Retirement System**

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Proportion of the Net Pension Liability</u>	<u>Proportionate Share of the Net Pension Liability</u>	<u>Commonwealth of Massachusetts' Total Proportionate Share of the Net Pension Liability Associated with the District</u>	<u>Total Net Pension Liability Associated with the District</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position Percentage of the Total Pension Liability</u>
June 30, 2019	June 30, 2018	0.135695%	\$ -	\$ 32,174,938	\$ 32,174,938	\$ 9,329,177	0.00%	58.84%
June 30, 2018	June 30, 2017	0.137544%	\$ -	\$ 31,477,463	\$ 31,477,463	\$ 9,157,556	0.00%	54.25%
June 30, 2017	June 30, 2016	0.145840%	\$ -	\$ 32,606,846	\$ 32,606,846	\$ 9,292,274	0.00%	52.73%
June 30, 2016	June 30, 2015	0.151304%	\$ -	\$ 31,001,679	\$ 31,001,679	\$ 9,308,132	0.00%	55.38%
June 30, 2015	June 30, 2014	0.150000%	\$ -	\$ 23,845,878	\$ 23,845,878	\$ 7,722,908	0.00%	61.64%

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

See Independent Auditors' Report.

**MINUTEMAN REGIONAL VOCATIONAL TECHNICAL SCHOOL DISTRICT**

SCHEDULE OF PENSION CONTRIBUTIONS (GASB 68)

REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2019

(Unaudited)

**Minuteman Regional School District Contributory Retirement Plan**

<u>Fiscal Year</u>	<u>Contractually Required Contribution</u>	<u>Contributions in Relation to the Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
June 30, 2019	\$ 250,000	\$ 250,000	\$ -	\$ 2,209,000	11.3%
June 30, 2018	\$ 200,000	\$ 200,000	\$ -	\$ 2,209,000	9.1%
June 30, 2017	\$ 185,000	\$ 185,000	\$ -	\$ 2,745,000	6.7%
June 30, 2016	\$ 170,000	\$ 170,000	\$ -	\$ 2,745,000	6.2%
June 30, 2015	\$ 150,000	\$ 150,000	\$ -	\$ 2,338,000	6.4%

**Massachusetts Teachers' Retirement System**

<u>Fiscal Year</u>	<u>Contractually Required Contribution</u>	<u>Contributions in Relation to the Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
June 30, 2019	\$ 1,784,090	\$ 1,784,090	\$ -	\$ 9,329,177	19.1%
June 30, 2018	\$ 1,699,376	\$ 1,699,376	\$ -	\$ 9,157,556	18.6%
June 30, 2017	\$ 1,640,094	\$ 1,640,094	\$ -	\$ 9,292,274	17.7%
June 30, 2016	\$ 1,546,222	\$ 1,546,222	\$ -	\$ 9,308,132	16.6%
June 30, 2015	\$ 1,406,148	\$ 1,406,148	\$ -	\$ 7,722,908	18.2%

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

See Independent Auditors' Report.

**MINUTEMAN REGIONAL VOCATIONAL TECHNICAL SCHOOL DISTRICT**

**SCHEDULE OF CHANGES IN NET PENSION LIABILITY (GASB 67)**

**REQUIRED SUPPLEMENTARY INFORMATION**

June 30, 2019

(In Thousands)

(Unaudited)

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>Total pension liability</b>					
Service cost	\$ 322	\$ 307	\$ 354	\$ 338	\$ 291
Interest on unfunded liability - time value of money	1,133	1,144	1,124	1,004	999
Changes of benefit terms	-	-	-	-	-
Differences between expected and actual experience	-	(767)	-	397	-
Changes of assumptions	-	217	-	730	-
Benefit payments, including refunds/transfers of member contributions	<u>(1,071)</u>	<u>(1,057)</u>	<u>(866)</u>	<u>(880)</u>	<u>(816)</u>
Net change in total pension liability	384	(156)	612	1,589	474
Total pension liability - beginning	<u>15,529</u>	<u>15,685</u>	<u>15,073</u>	<u>13,484</u>	<u>13,010</u>
<b>Total pension liability - ending (a)</b>	<u>\$ 15,913</u>	<u>\$ 15,529</u>	<u>\$ 15,685</u>	<u>\$ 15,073</u>	<u>\$ 13,484</u>
<b>Plan fiduciary net position</b>					
Contributions - employer	\$ 250	\$ 200	\$ 185	\$ 170	\$ 150
Contributions - member	204	196	49	194	268
Contributions - other additions	105	-	4	-	933
Net investment income	(232)	2,093	889	88	(816)
Benefit payments, including refunds/transfers of member contributions	(1,156)	(1,057)	(866)	(880)	(46)
Administrative expense	<u>(126)</u>	<u>(37)</u>	<u>(34)</u>	<u>(40)</u>	<u>(5)</u>
Net change in plan fiduciary net position	(955)	1,395	227	(468)	484
Plan fiduciary net position - beginning	<u>14,328</u>	<u>12,933</u>	<u>12,706</u>	<u>13,174</u>	<u>12,690</u>
<b>Plan fiduciary net position - ending (b)</b>	<u>\$ 13,373</u>	<u>\$ 14,328</u>	<u>\$ 12,933</u>	<u>\$ 12,706</u>	<u>\$ 13,174</u>
<b>Net pension liability - ending (a-b)</b>	<u>\$ 2,540</u>	<u>\$ 1,201</u>	<u>\$ 2,752</u>	<u>\$ 2,367</u>	<u>\$ 310</u>

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

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

See Independent Auditors' Report.

**MINUTEMAN REGIONAL VOCATIONAL TECHNICAL SCHOOL DISTRICT**

**SCHEDULE OF NET PENSION LIABILITY, CONTRIBUTIONS, AND INVESTMENTS RETURNS (GASB 67)**

**REQUIRED SUPPLEMENTARY INFORMATION**

June 30, 2019

(In Thousands)

(Unaudited)

<b>Schedule of Net Pension Liability</b>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total pension liability	\$ 15,913	\$ 15,529	\$ 15,685	\$ 15,073	\$ 13,484
Plan fiduciary net position	<u>13,373</u>	<u>14,328</u>	<u>12,933</u>	<u>12,706</u>	<u>13,174</u>
Net pension liability (asset)	\$ <u>2,540</u>	\$ <u>1,201</u>	\$ <u>2,752</u>	\$ <u>2,367</u>	\$ <u>310</u>
Plan fiduciary net position as a percentage of the total pension liability	84.0%	92.3%	82.5%	84.3%	97.7%
Covered employee payroll	\$ 2,209	\$ 2,209	\$ 2,745	\$ 2,745	\$ 2,238
Net pension liability (asset) as a percentage of covered employee payroll	115.0%	54.4%	100.3%	86.2%	13.9%
 <b>Schedule of Contributions</b>	 <u>2019</u>	 <u>2018</u>	 <u>2017</u>	 <u>2016</u>	 <u>2015</u>
Actuarially determined contribution	\$ 250	\$ 200	\$ 185	\$ 170	\$ 150
Contributions in relation to the actuarially determined contribution	<u>250</u>	<u>200</u>	<u>185</u>	<u>170</u>	<u>150</u>
Contribution deficiency (excess)	\$ <u>-</u>				
Covered employee payroll	\$ 2,209	\$ 2,209	\$ 2,745	\$ 2,745	\$ 2,238
Contributions as a percentage of covered employee payroll	11.3%	9.1%	6.7%	6.2%	6.4%
 <b>Schedule of Investment Returns</b>	 <u>2019</u>	 <u>2018</u>	 <u>2017</u>	 <u>2016</u>	 <u>2015</u>
<i>Year Ended December 31</i>					
Annual money weighted rate of return, net of investment expense	-2.26%	7.40%	7.50%	0.71%	7.74%

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

See Independent Auditors' Report.

**MINUTEMAN REGIONAL VOCATIONAL TECHNICAL SCHOOL DISTRICT**

OTHER POST-EMPLOYMENT BENEFITS (OPEB)

SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY (GASB 74 AND 75)

REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2019

(Unaudited)

	<u>2019</u>	<u>2018</u>
<b>Total OPEB liability</b>		
Service cost	\$ 977,751	\$ 1,168,517
Interest on unfunded liability - time value of money	855,485	838,862
Change in assumptions and other inputs	(1,573,648)	(1,023,773)
Benefit payments, including refunds of member contributions	<u>(491,472)</u>	<u>(598,924)</u>
Net change in total OPEB liability	(231,884)	384,682
Total OPEB liability - beginning	<u>22,944,871</u>	<u>22,560,189</u>
<b>Total OPEB liability - ending (a)</b>	\$ <u><u>22,712,987</u></u>	\$ <u><u>22,944,871</u></u>
<b>Plan fiduciary net position</b>		
Contributions - employer	541,472	648,924
Net investment income	9,868	(100)
Benefit payments, including refunds of member contributions	<u>(491,472)</u>	<u>(598,924)</u>
Net change in plan fiduciary net position	59,868	49,900
Plan fiduciary net position - beginning	<u>149,869</u>	<u>99,969</u>
<b>Plan fiduciary net position - ending (b)</b>	\$ <u><u>209,737</u></u>	\$ <u><u>149,869</u></u>
<b>Net OPEB liability (asset) - ending (a - b)</b>	\$ <u><u>22,503,250</u></u>	\$ <u><u>22,795,002</u></u>

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

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

See Independent Auditors' Report.

**MINUTEMAN REGIONAL VOCATIONAL TECHNICAL SCHOOL DISTRICT**

OTHER POST-EMPLOYMENT BENEFITS (OPEB)

SCHEDULE OF NET OPEB LIABILITY, CONTRIBUTIONS, AND INVESTMENT RETURNS (GASB 74 AND 75)

REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2019

(Unaudited)

<b>Schedule of Net OPEB Liability</b>	<u>2019</u>	<u>2018</u>
Total OPEB liability	\$ 22,712,987	\$ 22,944,871
Plan fiduciary net position	<u>209,737</u>	<u>149,869</u>
Net OPEB liability (asset)	\$ <u>22,503,250</u>	\$ <u>22,795,002</u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.92%	0.65%
Covered payroll	\$ Unavailable	\$ Unavailable
Participating employer net OPEB liability (asset) as a percentage of covered payroll	Unavailable	Unavailable
 <b>Schedule of Contributions</b>	 <u>2019</u>	 <u>2018</u>
Actuarially determined contribution*	\$ 491,472	\$ 598,924
Contributions in relation to the actuarially determined contribution	<u>541,472</u>	<u>648,924</u>
Contribution deficiency (excess)	\$ <u>(50,000)</u>	\$ <u>(50,000)</u>
Covered payroll	\$ N/A	\$ N/A
Contributions as a percentage of covered payroll	N/A	N/A
 <b>Schedule of Investment Returns</b>	 <u>2019</u>	 <u>2018</u>
Annual money weighted rate of return, net of investment expense	Unavailable	Unavailable

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

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

See Independent Auditors' Report.