

**MINUTEMAN REGIONAL VOCATIONAL  
TECHNICAL SCHOOL DISTRICT**

Annual Financial Statements

For the Year Ended June 30, 2018

**MINUTEMAN REGIONAL VOCATIONAL TECHNICAL SCHOOL DISTRICT**

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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, as of and for the year ended June 30, 2018, (except for the Minuteman Regional School District Contributory Retirement System, which is as of and for the year ended December 31, 2017) 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, 2018 (and the Minuteman Regional School District Contributory Retirement System as of December 31, 2017), 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 the pension and OPEB schedules appearing on pages 48 to 53 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*

December 3, 2018

## **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, 2018.

### **A. 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 the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

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

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

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

## **B. FINANCIAL HIGHLIGHTS**

- As of the close of the current fiscal year, the total of liabilities and deferred inflows exceeded assets and deferred outflows by \$(1,332,317) (i.e., net position), a change of \$8,879,348 in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$15,502,677, a change of \$12,004,589 in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$824,624, a change of \$12,524 in comparison to the prior year.

### C. GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

#### NET POSITION

	<u>Governmental Activities</u>	
	<u>2018</u>	<u>2017</u>
Current assets	\$ 22,162,110	\$ 13,263,615
Noncurrent assets	<u>48,880,666</u>	<u>13,969,513</u>
Total assets	71,042,776	27,233,128
Deferred outflows of resources	433,000	1,135,000
Current liabilities	7,374,055	10,073,273
Noncurrent liabilities	<u>63,506,786</u>	<u>19,975,156</u>
Total liabilities	70,880,841	30,048,429
Deferred inflows of resources	1,927,252	-
Net position:		
Net investment in capital assets	17,601,135	6,424,529
Restricted	10,277,884	2,241,412
Unrestricted	<u>(29,211,336)</u>	<u>(10,246,273)</u>
Total net position	<u>\$ (1,332,317)</u>	<u>\$ (1,580,332)</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 \$(1,332,317), a change of \$8,879,348 from the prior year.

The largest portion of net position, \$17,601,135, 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, \$10,277,884, 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 \$(29,211,336), primarily resulting from the unfunded net pension liability (see Note 11) and unfunded net OPEB liability (see Note 13).

CHANGE IN NET POSITION

	<u>Governmental Activities</u>	
	<u>2018</u>	<u>2017</u>
Revenues:		
Program revenues:		
Charges for services	\$ 5,220,135	\$ 4,700,694
Operating grants and contributions	3,873,659	5,356,954
General revenues:		
Assessments to members	12,072,132	11,512,468
Grants and contributions not restricted to specific programs	3,194,678	3,336,148
Massachusetts School Building Authority	10,949,804	1,543,226
Investment income	134,796	53,224
Miscellaneous	338,408	400,886
Total revenues	<u>35,783,612</u>	<u>26,903,600</u>
Expenses:		
Administration	1,608,527	1,698,097
Instruction	10,678,333	10,763,116
Other school services	2,341,733	2,579,793
Operation and maintenance	1,929,676	2,080,459
Fixed charges	7,811,870	8,440,679
Community services	645,219	455,469
Miscellaneous	97,225	169,617
Interest	1,195,607	190,643
Depreciation	595,265	561,608
Total expenses	<u>26,903,455</u>	<u>26,939,481</u>
Change in net position before transfers	8,880,157	(35,881)
Transfers to fiduciary funds	<u>(809)</u>	<u>(6,607)</u>
Change in net position	8,879,348	(42,488)
Net position - beginning of year	<u>(10,211,665) *</u>	<u>(1,537,844)</u>
Net position - end of year	<u>\$ (1,332,317)</u>	<u>\$ (1,580,332)</u>

\*Fiscal year 2017 amounts above were not restated. See Note 15.

**Governmental activities.** Governmental activities for the year resulted in a change in net position of \$8,879,348. Key elements of this change are as follows:

Operating Results:	
General Fund	\$ (241,580)
Capital Projects Fund	12,615,777
Nonmajor Governmental Funds	<u>(369,608)</u>
Subtotal operating results	12,004,589
Purchase of fixed assets	35,506,417
Depreciation	(595,265)
Bond issuance	(36,573,270)
Change in accrued interest liability	(353,418)
Repayments of capital lease	307,745
Change in compensated absence liability	(4,416)
Change related to net pension liability and related deferrals	(228,000)
Change in net OPEB liability and related deferrals	<u>(1,185,034)</u>
Total	<u>\$ 8,879,348</u>

#### **D. FINANCIAL ANALYSIS OF FUNDS**

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

**Governmental funds.** The focus of governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing financing requirements. In particular, unassigned fund balance may serve as a useful measure of 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 \$15,502,677 a change of \$12,004,589 in comparison to the prior year. Key elements of this change are as follows:

Operating Results:	
General Fund	\$ (241,580)
Capital Projects Fund	12,615,777
Nonmajor Governmental Funds	<u>(369,608)</u>
Total	<u>\$ 12,004,589</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 \$824,624, while total fund balance was \$5,276,726. 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>06/30/18</u>	<u>06/30/17</u>	<u>Change</u>	% of Total General <u>Fund Expenditures</u>
Unassigned fund balance	\$ 824,624	\$ 812,100	\$ 12,524	4%
Total fund balance	\$ 5,276,726	\$ 5,518,306	\$ (241,580)	25%

The total fund balance of the General Fund changed by \$(241,580) during the current fiscal year. Key factors in this change are as follows:

Revenues in excess of budget	\$ 399,100
Expenditures less than budget	3,915
Use of fund balance - prior year tuition	(3,380,021)
Use of fund balance - operations	(695,000)
Current year tuition received - assigned to 2019 budget	3,571,673
Other GAAP adjustments	<u>(141,247)</u>
Total	\$ <u>(241,580)</u>

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

	<u>6/30/18</u>	<u>6/30/17</u>	<u>Change</u>
Building stabilization	\$ <u>458,200</u>	\$ <u>351,825</u>	\$ <u>106,375</u>

#### **E. GENERAL FUND BUDGETARY HIGHLIGHTS**

During fiscal year 2018, there was no overall change to the original budget; however, there were line item transfers voted by the School Committee.

#### **F. CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital assets.** Total investment in capital assets at year-end amounted to \$48,880,666 (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 \$39,650,501, 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 the 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:

Assistant Superintendent of Finance  
Minuteman Regional Vocational  
Technical School District  
758 Marrett Road  
Lexington, Massachusetts 02713

**MINUTEMAN REGIONAL VOCATIONAL TECHNICAL SCHOOL DISTRICT**

STATEMENT OF NET POSITION

JUNE 30, 2018

	<u>Governmental Activities</u>
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	
Current:	
Cash and short-term investments	\$ 21,865,398
Intergovernmental receivables	<u>296,712</u>
Total current assets	22,162,110
Noncurrent:	
Capital assets:	
Land	668,673
Construction in progress	41,296,613
Other capital assets, net of accumulated depreciation	<u>6,915,380</u>
Total noncurrent assets	<u>48,880,666</u>
Total Assets	71,042,776
Deferred Outflows of Resources:	
Related to pensions	<u>433,000</u>
Total deferred outflows of resources	433,000
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u><b>71,475,776</b></u>
<b>LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>	
Current:	
Accounts payable	3,643,849
Accrued payroll and withholdings	1,462,985
Other current liabilities	1,467,801
Bond anticipation notes payable	84,800
Accrued interest on bonds payable	353,418
Current portion of noncurrent liabilities:	
Bonds payable	24,768
Capital lease payable	<u>336,434</u>
Total current liabilities	7,374,055
Noncurrent:	
Bonds payable	36,548,502
Capital lease payable	2,740,797
Compensated absences	221,485
Net pension liability	1,201,000
Net OPEB liability	<u>22,795,002</u>
Total noncurrent liabilities	<u>63,506,786</u>
Total Liabilities	70,880,841
Deferred Inflows of Resources:	
Related to pensions	1,077,000
Related to OPEB	<u>850,252</u>
Total deferred inflows of resources	1,927,252
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>	<u><b>72,808,093</b></u>
<b>NET POSITION</b>	
Net investment in capital assets	17,601,135
Restricted for grants and other statutory restrictions	10,277,884
Unrestricted	<u>(29,211,336)</u>
<b>TOTAL NET POSITION</b>	<u><b>\$ (1,332,317)</b></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, 2018

	<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	\$ 1,608,527	\$ -	\$ -	\$ (1,608,527)
Instruction	10,678,333	4,812,185	499,649	(5,366,499)
Other school services	2,341,733	273,050	88,616	(1,980,067)
Operation and maintenance	1,929,676	134,900	-	(1,794,776)
Fixed charges	7,811,870	-	3,285,394	(4,526,476)
Community services	645,219	-	-	(645,219)
Other	97,225	-	-	(97,225)
Interest	1,195,607	-	-	(1,195,607)
Depreciation	595,265	-	-	(595,265)
Total	<u>\$ 26,903,455</u>	<u>\$ 5,220,135</u>	<u>\$ 3,873,659</u>	(17,809,661)
<b>General Revenues and Transfers:</b>				
				12,072,132
Assessments to members				
Grants and contributions not restricted to specific programs				3,194,678
Massachusetts School Building Authority				10,949,804
Investment income				134,796
Miscellaneous				338,408
Transfers to fiduciary funds				<u>(809)</u>
Total general revenues and transfers				<u>26,689,009</u>
Change in Net Position				8,879,348
<b>Net Position:</b>				
Beginning of year, as restated				<u>(10,211,665)</u>
End of year				<u>\$ (1,332,317)</u>

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

**MINUTEMAN REGIONAL VOCATIONAL TECHNICAL SCHOOL DISTRICT**

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2018

	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and short-term investments	\$ 9,973,367	\$ 9,982,800	\$ 1,909,231	\$ 21,865,398
Intergovernmental receivables	<u>282,506</u>	<u>-</u>	<u>14,206</u>	<u>296,712</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 10,255,873</u></b>	<b><u>\$ 9,982,800</u></b>	<b><u>\$ 1,923,437</u></b>	<b><u>\$ 22,162,110</u></b>
<b>LIABILITIES</b>				
Accounts payable	\$ 3,643,849	\$ -	\$ -	\$ 3,643,849
Accrued payroll and withholdings	1,335,298	-	127,685	1,462,983
Other current liabilities	-	1,442,230	25,571	1,467,801
Bond anticipation notes payable	<u>-</u>	<u>84,800</u>	<u>-</u>	<u>84,800</u>
<b>TOTAL LIABILITIES</b>	<b>4,979,147</b>	<b>1,527,030</b>	<b>153,256</b>	<b>6,659,433</b>
<b>FUND BALANCES</b>				
Restricted	15,478	8,455,770	1,806,636	10,277,884
Committed	458,200	-	-	458,200
Assigned	3,978,424	-	-	3,978,424
Unassigned	<u>824,624</u>	<u>-</u>	<u>(36,455) *</u>	<u>788,169</u>
<b>TOTAL FUND BALANCES</b>	<b><u>5,276,726</u></b>	<b><u>8,455,770</u></b>	<b><u>1,770,181</u></b>	<b><u>15,502,677</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 10,255,873</u></b>	<b><u>\$ 9,982,800</u></b>	<b><u>\$ 1,923,437</u></b>	<b><u>\$ 22,162,110</u></b>

\* See Note 2.

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

**MINUTEMAN REGIONAL VOCATIONAL TECHNICAL SCHOOL DISTRICT**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND  
BALANCES TO NET POSITION OF GOVERNMENTAL  
ACTIVITIES IN THE STATEMENT OF NET POSITION**

JUNE 30, 2018

<b>Governmental fund balances</b>	\$ 15,502,677
•	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.	48,880,666
• In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.	(353,418)
• 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	(36,573,269)
Capital lease payable	(3,077,231)
Compensated absences	(221,485)
• 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.	(1,845,000)
• 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>(23,645,257)</u>
<b>Net position of governmental activities</b>	<u>\$ (1,332,317)</u>

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, 2018

	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Assessments to members	\$ 11,551,484	\$ -	\$ 520,648	\$ 12,072,132
Intergovernmental revenues	4,894,054	10,949,804	588,265	16,432,123
Charges for services	3,971,673	-	1,248,462	5,220,135
Investment income	74,210	58,796	1,790	134,796
Miscellaneous	<u>103,186</u>	<u>-</u>	<u>215,454</u>	<u>318,640</u>
Total Revenues	20,594,607	11,008,600	2,574,619	34,177,826
<b>Expenditures:</b>				
Current:				
Administration	1,608,527	-	-	1,608,527
Instruction	9,502,446	-	1,692,033	11,194,479
Other school services	1,922,075	-	419,658	2,341,733
Operation and maintenance	1,668,531	-	125,917	1,794,448
Fixed charges	4,691,522	-	121,296	4,812,818
Community services	100,149	-	545,070	645,219
Capital acquisitions	135,225	34,985,860	-	35,121,085
Other	56,972	-	40,253	97,225
Debt service	<u>1,149,931</u>	<u>-</u>	<u>-</u>	<u>1,149,931</u>
Total Expenditures	<u>20,835,378</u>	<u>34,985,860</u>	<u>2,944,227</u>	<u>58,765,465</u>
Excess (deficiency) of revenues over expenditures	(240,771)	(23,977,260)	(369,608)	(24,587,639)
<b>Other Financing Sources (Uses):</b>				
Transfers - agency funds deficits	(809)	-	-	(809)
Bond proceeds and premium	<u>-</u>	<u>36,593,037</u>	<u>-</u>	<u>36,593,037</u>
Total Other Financing Sources (Uses)	<u>(809)</u>	<u>36,593,037</u>	<u>-</u>	<u>36,592,228</u>
Change in fund balance	(241,580)	12,615,777	(369,608)	12,004,589
Fund Balance, at Beginning of Year, as restated	<u>5,518,306</u>	<u>(4,160,007)</u>	<u>2,139,789</u>	<u>3,498,088</u>
Fund Balance, at End of Year	<u>\$ 5,276,726</u>	<u>\$ 8,455,770</u>	<u>\$ 1,770,181</u>	<u>\$ 15,502,677</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, 2018

<b>Changes in fund balances - governmental funds</b>	\$ 12,004,589																		
<ul style="list-style-type: none"> <li>• Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense: <table border="0" style="margin-left: 40px;"> <tr> <td>Capital outlay</td> <td align="right">35,506,417</td> </tr> <tr> <td>Depreciation</td> <td align="right">(595,265)</td> </tr> </table> </li>   <li>• 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: <table border="0" style="margin-left: 40px;"> <tr> <td>Issuance of bonds and receipt of premium</td> <td align="right">(36,593,037)</td> </tr> <tr> <td>Amortization of bond premiums</td> <td align="right">19,767</td> </tr> </table> </li>   <li>• In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due. <table border="0" style="margin-left: 40px;"> <tr> <td></td> <td align="right">(353,418)</td> </tr> </table> </li>   <li>• Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds: <table border="0" style="margin-left: 40px;"> <tr> <td>Repayments of capital lease</td> <td align="right">307,745</td> </tr> <tr> <td>Change in compensated absence liability</td> <td align="right">(4,416)</td> </tr> <tr> <td>Net pension liability and related deferred outflows/inflows of resources</td> <td align="right">(228,000)</td> </tr> <tr> <td>Net OPEB liability and related deferred outflows/inflows of resources</td> <td align="right"><u>(1,185,034)</u></td> </tr> </table> </li> </ul>		Capital outlay	35,506,417	Depreciation	(595,265)	Issuance of bonds and receipt of premium	(36,593,037)	Amortization of bond premiums	19,767		(353,418)	Repayments of capital lease	307,745	Change in compensated absence liability	(4,416)	Net pension liability and related deferred outflows/inflows of resources	(228,000)	Net OPEB liability and related deferred outflows/inflows of resources	<u>(1,185,034)</u>
Capital outlay	35,506,417																		
Depreciation	(595,265)																		
Issuance of bonds and receipt of premium	(36,593,037)																		
Amortization of bond premiums	19,767																		
	(353,418)																		
Repayments of capital lease	307,745																		
Change in compensated absence liability	(4,416)																		
Net pension liability and related deferred outflows/inflows of resources	(228,000)																		
Net OPEB liability and related deferred outflows/inflows of resources	<u>(1,185,034)</u>																		
<b>Change in net position of governmental activities</b>	\$ <u><u>8,879,348</u></u>																		

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, 2018

	Original Budget	Final Budget	Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>Revenues and Other Sources:</b>				
Assessments to members	\$ 11,551,484	\$ 11,551,484	\$ 11,551,484	\$ -
Intergovernmental revenues	2,972,974	2,972,974	3,194,678	221,704
Charges for services	400,000	400,000	400,000	-
Investment income	-	-	74,210	74,210
Miscellaneous	-	-	103,186	103,186
Use of fund balance - prior year tuition	3,380,021	3,380,021	3,380,021	-
Use of fund balance - operations	695,000	695,000	695,000	-
Total Revenues and Other Sources	<u>18,999,479</u>	<u>18,999,479</u>	<u>19,398,579</u>	<u>399,100</u>
<b>Expenditures and Other Uses:</b>				
Administration	1,507,999	1,460,468	1,463,379	(2,911)
Instruction	9,500,132	9,412,707	9,443,747	(31,040)
Other school services	1,902,488	1,936,280	1,920,094	16,186
Operation and maintenance	1,773,420	1,682,289	1,646,888	35,401
Fixed charges	2,767,268	2,877,268	2,992,146	(114,878)
Community services	100,000	100,000	100,000	-
Capital acquisitions	162,623	127,623	122,407	5,216
Other	30,000	7,295	56,972	(49,677)
Debt service	1,155,549	1,295,549	1,149,931	145,618
Transfers - building stabilization	100,000	100,000	100,000	-
Total Expenditures and Other Uses	<u>18,999,479</u>	<u>18,999,479</u>	<u>18,995,564</u>	<u>3,915</u>
Excess of revenues and other sources over expenditures and other uses	\$ <u>-</u>	\$ <u>-</u>	\$ <u>403,015</u>	\$ <u>403,015</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, 2018

	Pension and OPEB <u>Trust Funds</u>	Private Purpose Trust <u>Funds</u>	Agency <u>Funds</u>
<b>ASSETS</b>			
Cash and short-term investments	\$ 414,729	\$ 150,723	\$ 51,036
Investments, at fair value	14,045,606	-	-
Receivables	<u>17,115</u>	<u>-</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<b>14,477,450</b>	<b>150,723</b>	<b>51,036</b>
<b>LIABILITIES</b>			
Due to student groups	<u>-</u>	<u>-</u>	<u>51,036</u>
<b>TOTAL LIABILITIES</b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>51,036</u></b>
<b>NET POSITION</b>			
Restricted for pension purposes	14,327,581	-	-
Restricted for OPEB purposes	149,869	-	-
Restricted for other purposes	<u>-</u>	<u>150,723</u>	<u>-</u>
<b>TOTAL NET POSITION</b>	<b><u><u>\$ 14,477,450</u></u></b>	<b><u><u>\$ 150,723</u></u></b>	<b><u><u>\$ -</u></u></b>

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, 2018

	<u>Pension and OPEB Trust Funds</u>	<u>Private Purpose Trust Funds</u>
<b>Additions:</b>		
Contributions:		
Employer	\$ 250,000	\$ -
Plan members	207,303	-
Other systems and Commonwealth of Massachusetts	161,463	-
Other	<u>-</u>	<u>35,161</u>
Total contributions	618,766	35,161
Investment income, net	<u>2,092,193</u>	<u>2,782</u>
Total investment income	<u>2,092,193</u>	<u>2,782</u>
Total additions	2,710,959	37,943
<b>Deductions:</b>		
Benefit payments to plan members and beneficiaries	1,118,848	-
Refunds to plan members	7,016	-
Transfers to other systems	103,635	-
Administrative expenses	36,994	-
Scholarships and other	<u>-</u>	<u>92,686</u>
Total deductions	<u>1,266,493</u>	<u>92,686</u>
Net increase (decrease)	1,444,466	(54,743)
<b>Net position:</b>		
Beginning of year, as restated	<u>13,032,984</u>	<u>205,466</u>
End of year	<u>\$ 14,477,450</u>	<u>\$ 150,723</u>

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

# MINUTEMAN REGIONAL VOCATIONAL TECHNICAL SCHOOL DISTRICT

## Notes to the 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 2018, 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>Assets</u>	<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 actual revenues and other sources, and expenditures and other uses, to conform to the budgetary basis of accounting.

<u>General Fund</u>	<u>Revenues and Other Financing Sources</u>	<u>Expenditures and Other Financing Uses</u>
Revenues/Expenditures (GAAP Basis)	\$ 20,594,607	\$ 20,835,378
To record budgeted transfer to building stabilization	-	100,000
Reverse beginning of year appropriation carryforwards from expenditures	-	(240,438)
Recognize use of fund balance as funding source - prior year tuition	3,380,021	-
Current year tuition received - assigned to 2019 budget	(3,571,673)	-
Recognize use of fund balance as funding source - operations	695,000	-
To reverse MTRS for budget purposes	(1,699,376)	(1,699,376)
Budgetary Basis	<u>\$ 19,398,579</u>	<u>\$ 18,995,564</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	\$ 191,296	\$ 191,296
Town of Acton	1,072,928	1,072,928
Town of Arlington	4,291,333	4,291,333
Town of Belmont	910,185	910,185
Town of Bolton	480,787	480,787
Town of Boxborough	7,948	7,948
Town of Carlisle	7,948	7,948
Town of Concord	599,179	599,179
Town of Dover	63,533	63,533
Town of Lancaster	1,274,369	1,274,369
Town of Lexington	1,670,351	1,670,351
Town of Lincoln	12,717	12,717
Town of Needham	801,331	801,331
Town of Stow	630,999	630,999
Town of Sudbury	34,972	34,972
Town of Wayland	11,128	11,128
Town of Weston	11,128	11,128
Total	<u>\$ 12,072,132</u>	<u>\$ 12,072,132</u>

Deficit Fund Equity

The following funds had deficits as of June 30, 2018:

<u>Fund Name</u>	<u>Fund Number</u>	
Food service	2000000	\$ (34,705)
Title IIA Teacher Quality	4014017	(61)
Title IIA Teacher Quality	4014018	(29)
SPED FY17	4024017	(98)
Title I FY17	4030517	(300)
Academic Support FY16	5063216	(90)
Mass Skills Capital Grant Adv Mfg	5520917	(1,148)
CA Stem CVTE FY17	5542617	(24)
Total		<u>\$ (36,455)</u>

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	\$ 15,031,092	\$ 250,000
MMDT*	4,402,732	-
Uninsured or uncollateralized	<u>2,982,899</u>	<u>180,443</u>
	<u>\$ 22,416,723</u>	<u>\$ 430,443</u>

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

### 4. Investments

#### 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 (NRSROs).

##### Pension Trust Fund 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.

Investment ratings are as follows:

<u>Fund</u>	<u>Investment Type</u>	<u>Amount</u>	<u>Exempt From Disclosure</u>	<u>Aaa</u>	<u>Aa</u>	<u>Not Rated</u>
OPEB Trust Fund	MMDT Short-Term Bond Fund	\$ 149,869	\$ 149,869	\$ -	\$ -	\$ 149,869
Pension Trust Fund	PRIT	<u>13,895,737</u>	<u>13,895,737</u>	<u>-</u>	<u>-</u>	<u>13,895,737</u>
Total		<u>\$ 14,045,606</u>	<u>\$ 14,045,606</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,045,606</u>

### 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 does not have policies for custodial credit risk.

The Districts are exposed to custodial credit risk, as they are not insured or collateralized. However, the investments are held in MMDT and PRIT, which are State investment pools.

### Concentration of Credit Risk

The District does not have an investment (other than PRIT funds) in one issuer greater than 5% of total investments.

### 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.

### 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 does not have a policy 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.

Fair value measurements are as follows:

Fund	Investment Type	Fair Value	Fair Value Measurements Using:		
			Quoted prices in active markets for identical assets (Level 1)	Significant observable inputs (Level 2)	Significant observable inputs (Level 3)
OPEB Trust Fund	MMDT Short-Term Bond Fund	\$ 149,869	\$ -	\$ 149,869	\$ -
Pension Trust Fund	PRIT	13,895,737	-	13,895,737	-
Total		\$ 14,045,606	\$ -	\$ 14,045,606	\$ -

## 5. Intergovernmental Receivables

This balance represents reimbursements requested from federal, state, and local agencies for expenditures incurred in fiscal year 2018.

## 6. Capital Assets

Capital asset activity for the year ended June 30, 2018 was as follows (in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>				
Capital assets, being depreciated:				
Buildings and improvements	\$ 23,326	\$ -	\$ -	\$ 23,326
Furniture and equipment	3,629	520	-	4,149
Total capital assets, being depreciated	26,955	520	-	27,475
Less accumulated depreciation for:				
Buildings and improvements	(17,433)	(403)	-	(17,836)
Furniture and equipment	(2,532)	(192)	-	(2,724)
Total accumulated depreciation	(19,965)	(595)	-	(20,560)
Total capital assets, being depreciated, net	6,990	(75)	-	6,915
Capital assets, not being depreciated:				
Land	669	-	-	669
Construction in progress	6,311	34,986	-	41,297
Total capital assets, not being depreciated	6,980	34,986	-	41,966
Governmental activities capital assets, net	\$ 13,970	\$ 34,911	\$ -	\$ 48,881

**7. Deferred Outflows 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 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. Bond Anticipation Notes Payable**

The following summarizes notes payable activity during fiscal year 2018:

Issue Amount	Issue Date	Maturity Date	Interest Rate	Balance Beginning of Year	Advances	Repayments	Balance End of Year
\$ 169,600	11/18/16	11/17/17	0.95%	169,600	-	(169,600)	-
\$ 8,000,000	12/20/16	09/27/17	1.60%	8,000,000	-	(8,000,000)	-
\$ 60,000	06/23/17	06/22/18	1.24%	60,000	-	(60,000)	-
\$ 84,800	11/17/17	11/16/18	1.30%	-	84,800	-	84,800
Totals				\$ 8,229,600	\$ 84,800	\$ (8,229,600)	\$ 84,800

**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 currently outstanding are as follows:

<u>Governmental Activities:</u>	<u>Serial Maturities Through</u>	<u>Interest Rate(s) %</u>	<u>Amount Outstanding as of 06/30/18</u>
School construction	9/15/2047	3-5%	\$ <u>36,000,000</u>
Total			\$ <u>36,000,000</u>

The annual payments to retire all general obligation bonds outstanding as of June 30, 2018 are as follows:

<u>Fiscal</u> <u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 5,000	\$ 1,211,606	\$ 1,216,606
2020	5,000	1,211,356	1,216,356
2021	820,000	1,190,731	2,010,731
2022	860,000	1,148,731	2,008,731
2023	900,000	1,104,731	2,004,731
2024 - 2028	4,605,000	4,886,656	9,491,656
2029 - 2033	8,855,000	3,834,181	12,689,181
Thereafter	<u>19,950,000</u>	<u>4,765,041</u>	<u>24,715,041</u>
Total	\$ <u>36,000,000</u>	\$ <u>19,353,033</u>	\$ <u>55,353,033</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 leases consisted of the following at June 30, 2018:

<u>Fiscal</u> <u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 336,434	\$ 156,323	\$ 492,757
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 - 2025	<u>1,066,732</u>	<u>82,365</u>	<u>1,149,097</u>
Total	\$ <u>3,077,231</u>	\$ <u>676,954</u>	\$ <u>3,754,185</u>

Equipment financed by the lease totaling \$5,000,000 is reported in capital assets, net of \$2,261,420 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, 2018, the following changes occurred in long-term liabilities:

	Total Balance 7/1/17	Additions	Reductions	Total Balance 6/30/18	Less Current Portion	Equals Long-Term Portion 6/30/18
<u>Governmental Activities</u>						
Bonds payable	\$ -	\$ 36,000,000	\$ -	\$ 36,000,000	\$ (5,000)	\$ 35,995,000
Unamortized premium	-	593,037	(19,767)	573,270	(19,768)	553,502
Subtotal	-	36,593,037	(19,767)	36,573,270	(24,768)	36,548,502
Capital leases	3,384,976	-	(307,745)	3,077,231	(336,434)	2,740,797
Compensated absences	217,069	4,416	-	221,485	-	221,485
Net pension liability	2,752,000	-	(1,551,000)	1,201,000	-	1,201,000
Total OPEB liability*	22,460,220	2,606,403	(2,271,621)	22,795,002	-	22,795,002
Totals	\$ 28,814,265	\$ 39,203,856	\$ (4,150,133)	\$ 63,867,988	\$ (361,202)	\$ 63,506,786

\*as restated

## 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, 2018:

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 is a breakdown of the District's fund balances at June 30, 2018:

	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Restricted:</b>				
Capital projects funds	\$ -	\$ 8,455,770	\$ -	\$ 8,455,770
Grants and revolving funds	-	-	1,806,636	1,806,636
Retirement plan funds	<u>15,478</u>	<u>-</u>	<u>-</u>	<u>15,478</u>
Total Restricted	15,478	8,455,770	1,806,636	10,277,884
<b>Committed:</b>				
Building stabilization fund	<u>458,200</u>	<u>-</u>	<u>-</u>	<u>458,200</u>
Total Committed	458,200	-	-	458,200
<b>Assigned:</b>				
Reserve for expenditures - tuition	3,438,424	-	-	3,438,424
Reserve for expenditures - operations	<u>540,000</u>	<u>-</u>	<u>-</u>	<u>540,000</u>
Total Assigned	3,978,424	-	-	3,978,424
<b>Unassigned:</b>				
Funds in deficit	-	-	(36,455)	(36,455)
Unassigned	<u>824,624</u>	<u>-</u>	<u>-</u>	<u>824,624</u>
Total Unassigned	<u>824,624</u>	<u>-</u>	<u>(36,455)</u>	<u>788,169</u>
Total	<u>\$ 5,276,726</u>	<u>\$ 8,455,770</u>	<u>\$ 1,770,181</u>	<u>\$ 15,502,677</u>

## **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, 2018/2017.

### 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 (PERS). 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>
Number of participating employers	1

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, 2018 was \$200,000, 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, 2017 conform to generally accepted accounting principles for public employee retirement systems (PERS). 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, 2017, 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, 2018, the District reported a liability of \$1,201,000, representing the total net pension liability of the MMCRS. The net pension liability was measured as of December 31, 2016, 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, 2017.

For the year ended June 30, 2018, the District recognized total pension expense of \$429,000. In addition, the District reported deferred outflows of resources related to pensions from the following:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 100,000	\$ 528,000
Net difference between the projected and actual earnings on pension investments	-	549,000
Changes in assumptions	<u>333,000</u>	<u>-</u>
Total	<u>\$ 433,000</u>	<u>\$ 1,077,000</u>

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

Year ended June 30:

2018	\$ 68,000
2019	(221,000)
2020	(259,000)
2021	<u>(232,000)</u>
Total	<u>\$ (644,000)</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, 2017.

The components of the net pension liability of the District at June 30, 2018 are as follows:

Total pension liability	\$ 15,529,000
Plan fiduciary net position	<u>14,328,000</u>
District's net pension liability	<u>\$ 1,201,000</u>
 Plan fiduciary net position as a percentage of total pension liability	 92.3%

Actuarial Assumptions

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

Valuation Date	January 1, 2017
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 –
  - 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>
Large Cap Equities	14.50%	7.50%
Small/Mid Cap Equities	3.50%	7.75%
Int'l Equities (Unhedged)	16.00%	7.80%
Emerging Int'l Equities	6.00%	9.30%
Core Bonds	5.00%	3.75%
20+ Year Treasury STIPS	2.00%	3.50%
TIPS	5.00%	3.75%
High-Yield Bonds	1.50%	5.50%
Bank Loans	2.50%	5.50%
EMD (External)	1.00%	5.00%
EMD (Local Currency)	0.00%	6.50%
Distressed Debt	3.00%	8.80%
Other Credit Opportunities	2.00%	6.50%
Private Equity	11.00%	9.50%
Real Estate	10.00%	6.70%
Timberland	4.00%	6.25%
Hedge Funds & Portfolio Completion (PCS)	13.00%	6.40%
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 (6.40%)	Current Discount Rate (7.40%)	1% Increase (8.40%)
\$ 2,825	\$ 1,201	\$ (174)

**12. Massachusetts Teachers' Retirement System (MTRS)**

Plan Description

The Massachusetts Teachers' Retirement System (MTRS) is a public employee retirement system (PERS) that administers a cost-sharing multi-employer defined benefit plan, as defined in Governmental Accounting Standards Board (GASB) Statement No. 67, Financial Reporting for Pension Plans. MTRS is managed by the Commonwealth 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 stand-alone audited financial report.

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

Benefits Provided

MTRS provides retirement, disability, survivor, and death benefits to members and their beneficiaries. Massachusetts General Laws (MGL) 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, 2017 measurement date was determined by an actuarial valuation as of January 1, 2017 rolled forward to June 30, 2017. This valuation used the following assumptions:

- (a) 7.50% investment rate of return, (b) 3.50% interest rate credited to the annuity savings fund and (c) 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 4.0% to 7.5% depending on length of service.
- Experience study is dated July 21, 2014 and encompasses the period January 1, 2006 to December 31, 2011.

- Mortality rates were as follows:
  - Pre-retirement - reflects RP-2014 White Collar 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 Healthy Annuitant table projected generationally with Scale BB and base year of 2014 set forward four years.

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, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global equity	40.0%	5.0%
Portfolio completion strategies	13.0%	3.6%
Core fixed income	12.0%	1.1%
Private equity	11.0%	6.6%
Real estate	10.0%	3.8%
Value added fixed income	10.0%	3.6%
Timber/natural resources	4.0%	3.2%
Hedge funds	0.0%	3.6%
Total	<u>100.0%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.50%. 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 6.50%</u>	<u>Current Discount Rate 7.50%</u>	<u>1% Increase to 8.50%</u>
\$28,424,000	\$22,885,391	\$18,193,400

### 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 2017 (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 \$31,477,463 and \$3,285,394, respectively, based on a proportionate share of 0.137544%. 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 in the governmental activities.

## **13. Other Post-Employment Benefits (GASB 74 and GASB 75)**

*GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)*, replaces the requirements of *Statement No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This applies if a trust fund has been established to fund future OPEB costs. In fiscal year 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, 2018.

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, 2016, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries	
currently receiving benefit payments	110
Active employees	<u>151</u>
Total	<u>261</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, 2018, 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, 2016, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.5%
Salary increases	2.5% average, including inflation
Investment rate of return	3.87% net of OPEB plan investment expense
Discount rate	3.87%
Healthcare cost trend rates	7.5% for 2018 to an ultimate rat of 5.0% as of 2022
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, 2018, were as follows:

Total OPEB liability	\$ 22,944,871
Plan fiduciary net position	<u>149,869</u>
Net OPEB liability	<u>\$ 22,795,002</u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.66%

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at 06/30/17	\$ 22,560,189	\$ 99,969	\$ 22,460,220
Changes for the year:			
Service cost	1,168,517	-	1,168,517
Interest	838,862	-	838,862
Contributions - employer	-	648,924	(648,924)
Change in assumptions and other inputs	(1,023,773)		(1,023,773)
Net investment income	-	(100)	100
Benefit payments	(598,924)	(598,924)	-
Net changes	<u>384,682</u>	<u>49,900</u>	<u>334,782</u>
Balances at 06/30/18	<u>\$ 22,944,871</u>	<u>\$ 149,869</u>	<u>\$ 22,795,002</u>

There were no changes in benefit terms.

Changes of assumptions and other inputs reflect a change in the discount rate from 3.58% in fiscal year 2017 to 3.87% in fiscal year 2018.

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
\$26,626,807	\$22,795,002	\$19,722,207

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:

<u>1% Decrease</u>	Current Healthcare Cost Trend Rates	<u>1% Increase</u>
\$19,033,297	\$22,795,002	\$27,663,216

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

For the year ended June 30, 2018, the District recognized OPEB expense of \$598,924. At June 30, 2018, the District reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ <u>-</u>	\$ <u>850,282</u>
Total	\$ <u>-</u>	\$ <u>850,282</u>

Year ended June 30:

2019	\$ 212,571
2020	212,571
2021	212,570
2022	<u>212,570</u>
Total	<u>\$ 850,282</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.

## 15. Beginning Fund Balance/Net Position Restatement

The beginning (July 1, 2017) fund balance/net position of the District has been restated as follows:

### Fund Basis Financial Statements:

	Fund Equity 06/30/17 (as previously reported)	Reclassification	Fund Equity 6/30/17 (as restated)
General Fund	\$ 5,618,275	\$ (99,969)	\$ 5,518,306
Pension and OPEB Trust Fund	<u>12,933,015</u>	<u>99,969</u>	<u>13,032,984</u>
Total	\$ <u>18,551,290</u>	\$ <u>-</u>	\$ <u>18,551,290</u>

### Government-Wide Financial Statements:

	Governmental Activities
As previously reported	\$ (1,580,332)
Implementation of GASB 75 OPEB	<u>(8,631,333)</u>
As restated	\$ <u>(10,211,665)</u>

**MINUTEMAN REGIONAL VOCATIONAL TECHNICAL SCHOOL DISTRICT**

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

REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2018

(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, 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, 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, 2018

(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, 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%

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See Independent Auditors' Report.

**MINUTEMAN REGIONAL VOCATIONAL TECHNICAL SCHOOL DISTRICT**

SCHEDULE OF CHANGES IN NET PENSION LIABILITY

June 30, 2018

(In Thousands)

(Unaudited)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>Total pension liability</b>				
Service cost	\$ 307	\$ 354	\$ 338	\$ 291
Interest on unfunded liability - time value of money	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>(1,057)</u>	<u>(866)</u>	<u>(880)</u>	<u>(816)</u>
Net change in total pension liability	(156)	612	1,589	474
Total pension liability - beginning	<u>15,685</u>	<u>15,073</u>	<u>13,484</u>	<u>13,010</u>
<b>Total pension liability - ending (a)</b>	<u>\$ 15,529</u>	<u>\$ 15,685</u>	<u>\$ 15,073</u>	<u>\$ 13,484</u>
<b>Plan fiduciary net position</b>				
Contributions - employer	\$ 200	\$ 185	\$ 170	\$ 150
Contributions - member	196	49	194	268
Contributions - other additions	-	4	-	933
Net investment income	2,093	889	88	(816)
Benefit payments, including refunds/transfers of member contributions	(1,057)	(866)	(880)	(46)
Administrative expense	<u>(37)</u>	<u>(34)</u>	<u>(40)</u>	<u>(5)</u>
Net change in plan fiduciary net position	1,395	227	(468)	484
Plan fiduciary net position - beginning	<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>\$ 14,328</u>	<u>\$ 12,933</u>	<u>\$ 12,706</u>	<u>\$ 13,174</u>
<b>Net pension liability - ending (a-b)</b>	<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 INVESTMENT RETURNS**

June 30, 2018

(In Thousands)

(Unaudited)

<b>Schedule of Net Pension Liability</b>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total pension liability	\$ 15,529	\$ 15,685	\$ 15,073	\$ 13,484
Plan fiduciary net position	<u>14,328</u>	<u>12,933</u>	<u>12,706</u>	<u>13,174</u>
Net pension liability (asset)	<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	92.3%	82.5%	84.3%	97.7%
Covered employee payroll	\$ 2,209	\$ 2,745	\$ 2,745	\$ 2,238
Net pension liability (asset) as a percentage of covered employee payroll	54.4%	100.3%	86.2%	13.3%
<b>Schedule of Contributions</b>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 200	\$ 185	\$ 170	\$ 150
Contributions in relation to the actuarially determined contribution	<u>200</u>	<u>185</u>	<u>170</u>	<u>150</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 2,209	\$ 2,745	\$ 2,745	\$ 2,238
Contributions as a percentage of covered employee payroll	9.1%	6.7%	6.2%	6.4%
<b>Schedule of Investment Returns</b>				
<i>Year Ended December 31</i>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Annual money weighted rate of return, net of investment expense	7.40%	7.50%	0.71%	7.74%

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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 GASB 75)

June 30, 2018

(Unaudited)

	<u>2018</u>
<b>Total OPEB liability</b>	
Service cost	\$ 1,168,517
Interest on unfunded liability - time value of money	838,862
Change in assumptions and other inputs	(1,023,773)
Benefit payments, including refunds of member contributions	<u>(598,924)</u>
Net change in total OPEB liability	384,682
Total OPEB liability - beginning	<u>22,560,189</u>
<b>Total OPEB liability - ending (a)</b>	\$ <u><u>22,944,871</u></u>
<b>Plan fiduciary net position</b>	
Contributions - employer	648,924
Net investment income	(100)
Benefit payments, including refunds of member contributions	<u>(598,924)</u>
Net change in plan fiduciary net position	49,900
Plan fiduciary net position - beginning, as restated	<u>99,969</u>
<b>Plan fiduciary net position - ending (b)</b>	\$ <u><u>149,869</u></u>
<b>Net OPEB liability (asset) - ending (a - b)</b>	\$ <u><u>22,795,002</u></u>

*Schedule is 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)

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

June 30, 2018

(Unaudited)

<b>Schedule of Net OPEB Liability</b>	<u>2018</u>
Total OPEB liability	\$ 22,944,871
Plan fiduciary net position	<u>149,869</u>
Net OPEB liability (asset)	<u>\$ 22,795,002</u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.65%
Covered payroll	\$ Unavailable
Participating employer net OPEB liability (asset) as a percentage of covered payroll	Unavailable

<b>Schedule of Contributions</b>	<u>2018</u>
Actuarially determined contribution	\$ 598,924
Contributions in relation to the actuarially determined contribution	<u>648,924</u>
Contribution deficiency (excess)	<u>\$ (50,000)</u>
Covered payroll	\$ N/A
Contributions as a percentage of covered payroll	N/A

<b>Schedule of Investment Returns</b>	<u>2018</u>
Annual money weighted rate of return, net of investment expense	Unavailable

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

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