

WACHUSETT REGIONAL SCHOOL DISTRICT
BASIC FINANCIAL STATEMENTS AND
MANAGEMENT'S DISCUSSION AND ANALYSIS
WITH INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED JUNE 30, 2016

WACHUSETT REGIONAL SCHOOL DISTRICT
BASIC FINANCIAL STATEMENTS AND
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016

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INDEPENDENT AUDITOR'S REPORT

To the Honorable School Committee
Wachusett Regional School District
Jefferson, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Wachusett Regional School District, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those 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 the 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 Wachusett Regional School District, as of June 30, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages v - xi, and the schedule of funding progress for the District's Plan (OPEB) - other post employment benefits, schedule of pension plan contributions and budgetary comparison information and notes on pages 31 to 35. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

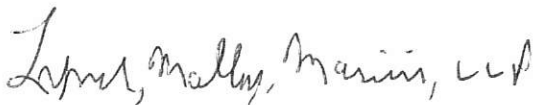
Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Wachusett Regional School District's basic financial statements. The combining schedules for nonmajor governmental funds and fiduciary funds on pages 36 to 41 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining schedules for nonmajor governmental funds and fiduciary funds are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting records and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining schedules for nonmajor governmental funds and fiduciary funds are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2016 on our consideration of the Wachusett Regional School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Wachusett Regional School District's internal control over financial reporting and compliance.



Norwell, Massachusetts
December 19, 2016

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Honorable School Committee
Wachusett Regional School District
Jefferson, Massachusetts

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Wachusett Regional School District, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Wachusett Regional School District's basic financial statements, and have issued our report thereon dated December 19, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Wachusett Regional School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Wachusett Regional School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Wachusett Regional School District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Wachusett Regional School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Lynch, Malloy, Marini, and

Norwell, Massachusetts
December 19, 2016



MANAGEMENT'S DISCUSSION AND ANALYSIS

WACHUSETT REGIONAL SCHOOL DISTRICT

Management's Discussion and Analysis

June 30, 2016

As management of the Wachusett Regional School District (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the year ended June 30, 2016.

Financial Highlights:

- The liabilities and deferred inflows of resources of the District exceeded its' assets and deferred outflows of resources at the close of the most recent fiscal year by \$38.0 million. The District's net investment in capital assets and restricted net position consisted of approximately \$54.3 million and \$1.3 million respectively. The \$93.6 million deficit balance reported in unrestricted net position classification is due in large part to the reporting of approximately \$72.9 million of net "Other Post-Employment Benefits (OPEB) obligations and \$21.5 million of net pension liabilities as of June 30, 2016. The change in the net OPEB obligation increased approximately \$9.0 million and the change in net pension liabilities increased \$1.9 million over the previous year.
- The total cost of all District services for fiscal year 2016 was \$113.4 million, which was consistent with the prior year of \$113.2 million.
- As of the end of the current fiscal year, unassigned fund balance for the general fund was \$208,000, or approximately .2% of general fund expenditures.

Overview of the Financial Statements:

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, 3) notes to financial statements. Required supplementary information as provided by the Governmental Accounting Standards Board (GASB), including schedule of funding progress for the District's pension and Other Post-Employment (OPEB) plans, and budgetary comparison schedules are presented following the notes to the financial statements. Additionally, certain combining schedules have been presented as other information that is not a required part of the District's basic financial statements in accordance with GASB standards, but has been presented for additional analysis.

Government-Wide Financial Statements: The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. The *statement of net position* presents information on all of the District's assets plus deferred outflows of resources, less liabilities, less deferred inflows of resources resulting in the aggregate net position of the District. Over time increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

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

Both of the government-wide financial statements distinguish functions of the District that are principally supported by member community assessments, fees and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the District include general District administrative services, education services for grades K-12 and maintenance and operation of school facilities. The District does not maintain any business-type activities.

WACHUSETT REGIONAL SCHOOL DISTRICT

Management's Discussion and Analysis

June 30, 2016

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

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

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

The District maintains many individual funds. The General Fund is considered a major fund for presentation purposes. The remaining funds (non-major) are aggregated and shown as Other Governmental Funds.

The basic fund financial statements can be found in the accompanying pages of this report.

Proprietary funds: Proprietary funds focus on the determination of operating income, changes in net assets, financial position, and cash flows. These funds measure economic resources using the full accrual basis of accounting. The District does not report any funds as proprietary funds.

Fiduciary funds: *Fiduciary funds* are used to report assets held in a trustee or agency capacity for others and therefore not available to support District programs. The reporting focus is on net position and changes in net position.

The District's fiduciary funds are private purpose trust funds and an agency funds. The private purpose trust funds account for resources legally held in trust for the benefit of persons and organizations other than the District. Since these funds cannot be used for providing District services, they are excluded from the District's government-wide financial statements.

The Agency fund is used to hold funds on the behalf of parties other than the District, more specifically of funds related to student activities. Agency funds are custodial in nature and do not involve measurement of results of operations.

The basic fiduciary fund financial statements can be found in the accompanying pages of this report.

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. The notes to the financial statements follow the basic financial statements described above.

WACHUSETT REGIONAL SCHOOL DISTRICT

Management's Discussion and Analysis

June 30, 2016

Required supplementary information: Budgetary comparison information, schedule of funding progress for the District's Other Post-Employment Benefit Plan (OPEB), schedule of pension plan contributions and related notes are presented following the basic financial statements and notes as required by *Governmental Accounting Standards Board (GASB)*.

Other information: Combining schedules for other governmental funds and fiduciary funds have been presented for additional analysis.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Wachusett Regional School District, liabilities and deferred inflows of resources exceeded assets by \$38.0 million for the governmental activities at the close of the most recent fiscal year. The following tables demonstrate the net position of the District.

	FY2016	FY2015
	Governmental	Governmental
	<u>Activities</u>	<u>Activities</u>
Current assets	\$ 11,790,433	\$ 9,650,695
Capital assets	<u>73,125,982</u>	<u>75,413,146</u>
Total assets	84,916,415	85,063,841
Deferred outflows of resources	<u>1,852,546</u>	<u>11,763</u>
Total assets and deferred outflows	<u>\$ 86,768,961</u>	<u>\$ 85,075,604</u>
Current liabilities	\$ 11,803,185	\$ 9,050,484
Non-current liabilities	<u>111,642,603</u>	<u>102,629,122</u>
Total liabilities	123,445,788	111,679,606
Deferred inflows of resources	1,306,455	
Net investment in capital assets	54,280,982	54,753,146
Restricted	1,286,748	1,173,529
Unrestricted	<u>(93,551,012)</u>	<u>(82,530,677)</u>
Total net position	<u>(37,983,282)</u>	<u>(26,604,002)</u>
Total liabilities, deferred inflows, net position	<u>\$ 86,768,961</u>	<u>\$ 85,075,604</u>

Governmental activities' current assets consisted of \$11.2 million in cash and cash equivalents and \$617,000 of intergovernmental receivables due from the state and federal agencies. The change in cash primarily represent amounts held at year end which are owed in the future year and are reflected as accounts payable at year end.

Deferred outflows of resources and deferred inflows of resources aggregating \$1.9 million and \$1.3 million respectively, represent the District's proportionate share of these amounts as a participant in the Worcester County Retirement System, a cost sharing plan. These amounts are required to be included in future pension expense and are amortized over future periods. The significant increases in these amounts result primarily due to the second year of implementation of GASB Statement #68, associated with pension obligation reporting and the associated changes related thereto.

WACHUSETT REGIONAL SCHOOL DISTRICT

Management's Discussion and Analysis

June 30, 2016

Governmental activity current liabilities consisted of \$3.2 million of accounts payable, \$6.6 million of salaries and withholdings payable and \$175,000 of accrued interest. Long term liabilities consist primarily of \$18.8 million in general obligation bonds (of which \$1.8 million is classified as due within one year), \$260,000 in compensated absences, \$72.9 million in net other post-employment (OPEB) obligations, and \$21.5 million in net pension liability. The net OPEB obligation increased by approximately \$9.0 million for the current fiscal year, and the net pension liability increased by approximately \$2.0 million for the current fiscal year.

The District's net investment in capital assets (e.g. land, building, machinery and equipment, etc) was \$54.3 million. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the District investment in its capital assets is reported net of related any related debt, deferred outflows or inflows of resources associated with the acquisition of those assets, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the District's total net position, \$1.3 million, represents resources that are subject to restrictions placed on how they may be used. The remaining portion of the District's net position, which may be used to meet the District's ongoing obligations to citizens and creditors, was in a deficit of approximately \$93.6 million. As noted above, the primary reason for the deficit is due to the significant net OPEB obligation reported at year-end of \$72.9 million, as well as the net pension liability of \$21.5 million.

A summary of revenues and major functional expenditures is presented below. Certain amounts have been reclassified to correspond to current year presentation.

		(reclassified) FY2015
	FY2016	FY2015
	Governmental	Governmental
	<u>Activities</u>	<u>Activities</u>
Revenues:		
Charges for services	\$ 3,043,484	\$ 2,855,214
Operating grants and contributions	19,576,481	16,177,347
Capital grants and contributions		
General revenues:		
Assessments to member towns	52,954,294	50,863,356
Grants and contributions unrestricted	26,125,692	26,050,090
Interest income	31,143	23,855
Premiums received on borrowings	122,876	290,009
Departmental and other	<u>195,775</u>	<u>256,084</u>
Total revenue	102,049,745	96,515,955
Expenses:		
Salaries	55,992,644	53,765,379
Employee benefits and fixed charges	34,146,007	29,463,892
Instructional	4,771,955	4,616,993
Operations and maintenance	5,557,985	6,009,393
Pupil services	1,405,789	1,266,792
Special education tuitions	3,693,726	3,942,271
Other operating costs	1,208,924	1,326,975
Transportation	5,638,811	5,705,898
Interest and other costs	<u>1,013,184</u>	<u>1,008,638</u>
Total expenses	<u>113,429,025</u>	<u>107,106,231</u>
Change in net position	<u>\$ (11,379,280)</u>	<u>\$ (10,590,276)</u>

WACHUSETT REGIONAL SCHOOL DISTRICT

Management's Discussion and Analysis

June 30, 2016

Governmental activities decreased the District's total net position by approximately \$11.4 million during fiscal year 2016. The decrease is due primarily to the increase in the net OPEB obligation of \$9.0 million and \$1.4 million net increase in the net pension liability for fiscal year 2016. Additionally, the District belongs to the Massachusetts Teachers Retirement System (MTRS). The Commonwealth of Massachusetts contributes directly to the MTRS, however, pursuant to GASB pronouncements, the District's proportionate share of the MTRS pension expense is required to be reported as revenue and expense. This amount is included in intergovernmental revenues and employee benefits expense and was approximately \$10.0 million for fiscal year 2016, an increase of approximately \$3.0 million from the prior year. This accounts for the significant change on both the government-wide financial statements and the General fund fund basis statements, in operating grants and employee benefits and fixed charges.

Financial Analysis of the Government's Funds

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

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. Fund balance for governmental funds is reported in a classification hierarchy which is based upon the extent to which the District is bound to honor constraints on the specific purposes for which the amounts in those funds can be spent. These classifications are non-spendable, restricted, committed, assigned and unassigned fund balance.

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

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of approximately \$2.0 million. Of this combined amount \$1.3 million and \$540,000 has been restricted and assigned for specific purposes, respectively. The remaining balance of \$175,000 is unassigned at year end.

The general fund is the chief operating fund of the District. At the end of the current fiscal year, the District reported total general fund balance of \$749,000. Of this amount \$540,000, or 72.2% of the total general fund balance, has been assigned by the District for carried over appropriations of \$390,000 and \$150,000 of fund balance assigned to fund fiscal year 2017 operating budget. The remaining \$208,000, or 27.8%, is unassigned at year end. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance and total fund balance to total fund revenues and expenditures. General fund unassigned fund balance represents .2% of total general fund revenues and expenditures, respectively. Total fund balance represents .8% of total general fund revenues and expenditures, respectively.

As illustrated on page 4 of the financial statements, total general fund balance decreased by approximately \$718,000, whereas general fund expenditures of \$93.3 million exceeded general fund revenues and other financing sources of \$92.6 million.

WACHUSETT REGIONAL SCHOOL DISTRICT
Management's Discussion and Analysis
June 30, 2016

General Fund Budgetary Highlights

The District adopts an annual expenditure budget for its General Fund. A budgetary comparison schedule has been provided for the General Fund to demonstrate compliance with the budget. The difference between the original budget and the amended final budget is primarily due to School committee votes between appropriations and encumbrances.

Capital Asset and Debt Administration

Capital assets:

In conjunction with the operating budget, the District annually prepares a capital budget by individual school and collectively by member Town. The capital budget is reviewed and approved by the School Committee annually.

The District's investment in capital assets for governmental activities as of June 30, 2016 amounts to \$73.1 million which is net of accumulated depreciation of \$18.4 million. Capital assets, net of accumulated depreciation as of June 30, 2015 amounted to approximately \$75.4 million. The District had no capital asset additions or disposals during the year. The change represented depreciation of \$2.3 million.

The District's capital assets, net of accumulated depreciation consist of the following (in millions):

	<u>2016</u>	<u>2015</u>
Land	\$.7	\$.7
Buildings	<u>72.4</u>	<u>74.7</u>
Total	<u>\$ 73.1</u>	<u>\$ 75.4</u>

Debt administration:

At the end of the current fiscal year, the District had total bonded debt outstanding of \$18.8 million. This is compared to \$20.7 million last year. This debt is a general obligation of the District.

The District maintains an A1 bond rating with Moody's as of January 13, 2015

Economic Factors and Next Year's Budgets and Rates

The District School Committee has proposed a budget for fiscal year 2017 of approximately \$86.9 million. The District budget has not yet been approved by the required majority of member towns. Pursuant to Massachusetts General Law, the member town have until December 1, 2016 to agree on the budget. Pursuant to statute, the Commissioner of the Massachusetts Department of Elementary and Secondary Education has approved the District to operate on an interim monthly budget which is one-twelfth (1/12th) of the fiscal year 2016 budget and may spend up to approximately \$6.9 million a month until the fiscal year 2017 budget is adopted or December 1, whichever is first.

WACHUSETT REGIONAL SCHOOL DISTRICT

Management's Discussion and Analysis

June 30, 2016

Requests for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Wachusett Regional School District, Attn: Director Finance & Operations, 1745 Main Street, Jefferson, MA 01522.

BASIC FINANCIAL STATEMENTS

WACHUSETT REGIONAL SCHOOL DISTRICT

Statement of Net Position

June 30, 2016

	Primary Government Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 11,173,736
Receivables	616,697
Capital assets, net of accumulated depreciation	73,125,982
Total assets	<u>84,916,415</u>
DEFERRED OUTFLOWS OF RESOURCES	
Changes in pension plan assumption:	793,189
Net difference between projected and actual pension earning	1,059,357
Total deferred outflows of resource:	<u>1,852,546</u>
Total assets and deferred outflows of resources	<u><u>\$ 86,768,961</u></u>
LIABILITIES	
Accounts payable and other liabilities	\$ 3,232,384
Salaries and withholdings payable	6,556,015
Accrued interest	174,786
Long-term liabilities:	
Due within one year	1,840,000
Due in more than one year	111,642,603
Total liabilities	<u>123,445,788</u>
DEFERRED INFLOWS OF RESOURCES	
Change in proportion related to pension obligations	1,306,455
Total deferred inflows of resources	<u>1,306,455</u>
NET POSITION	
Net investment in capital assets	54,280,982
Restricted	1,286,748
Unrestricted	(93,551,012)
Total net position	<u>(37,983,282)</u>
Total liabilities, deferred inflows of resources and net position	<u><u>\$ 86,768,961</u></u>

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

WACHUSETT REGIONAL SCHOOL DISTRICT

Statement of Activities
For the Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities
Primary government					
Governmental activities:					
Salaries	\$ 55,992,644	\$ 1,613,036	\$ 347,434	\$	\$ (54,032,174)
Employee benefits and other charges	34,146,007	262,409	11,754,382		(22,129,216)
Instructional support	4,771,955	247,232	2,176,177		(2,348,546)
Operations and maintenance of facilities	5,557,985	66,611			(5,491,374)
Pupil services	1,405,789	831,145	345,931		(228,713)
Special education tuition	3,693,726		2,510,375		(1,183,351)
Other operating costs	1,208,924	23,051			(1,185,873)
Transportation	5,638,811		2,442,182		(3,196,629)
Interest and other costs	1,013,184				(1,013,184)
Total governmental activities	<u>\$ 113,429,025</u>	<u>\$ 3,043,484</u>	<u>\$ 19,576,481</u>	<u>\$</u>	<u>(90,809,060)</u>
General revenues:					
Assessments to member towns					52,954,294
Grants and contributions not restricted to specific programs					26,125,692
Interest income					31,143
Premiums received on borrowings					122,876
Departmental and miscellaneous					195,775
Total general revenues					<u>79,429,780</u>
Change in net position					(11,379,280)
Net position - beginning					(26,604,002)
Net position - ending				\$	<u>(37,983,282)</u>

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

WACHUSETT REGIONAL SCHOOL DISTRICT

Balance Sheet
Governmental Funds
June 30, 2016

	General	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 10,078,791	\$ 1,094,945	\$ 11,173,736
Receivables		616,697	616,697
Interfund receivables	439,613		439,613
Total assets	<u>\$ 10,518,404</u>	<u>\$ 1,711,642</u>	<u>\$ 12,230,046</u>
LIABILITIES			
Accounts payable and other liabilities	\$ 3,213,752	\$ 18,632	\$ 3,232,384
Salaries payable and withholdings payable	6,556,015		6,556,015
Interfund payables		439,613	439,613
Total liabilities	<u>9,769,767</u>	<u>458,245</u>	<u>10,228,012</u>
FUND BALANCE			
Restricted		1,286,748	1,286,748
Assigned	540,273		540,273
Unassigned	208,364	(33,351)	175,013
Total fund balances	<u>748,637</u>	<u>1,253,397</u>	<u>2,002,034</u>
Total liabilities and fund balances	<u>\$ 10,518,404</u>	<u>\$ 1,711,642</u>	<u>\$ 12,230,046</u>

Amounts reported for net position of governmental activities in the statement of net position are different because:

Total fund balances of governmental funds	2,002,034
Capital assets used in governmental activities of \$91,488,851 net of accumulated depreciation of \$18,362,869, are not financial resources and not reported in funds.	73,125,982
Accrued interest recorded on the full accrual basis, not recognized on the modified accrual basis.	(174,786)
Deferred outflows of resources, not recognized on the modified accrual basis.	1,852,546
Deferred inflows of resources, not recognized on the modified accrual basis.	(1,306,455)
Long-term liabilities, including debt, compensated absences, net OPEB obligation, and net pension liabilities are not due and payable in the current period and are not included in funds.	<u>(113,482,603)</u>
Net position of governmental activities	<u>\$ (37,983,282)</u>

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

WACHUSETT REGIONAL SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2016

	General	Other Governmental Funds	Total Governmental Funds
REVENUES			
Town assessments	\$ 52,954,294	\$	\$ 52,954,294
Intergovernmental	39,256,089	6,203,103	45,459,192
Charges for services		2,323,514	2,323,514
Investment income	31,143	833	31,976
Departmental and miscellaneous	195,775	962,118	1,157,893
Total revenues	<u>92,437,301</u>	<u>9,489,568</u>	<u>101,926,869</u>
EXPENDITURES			
Salaries	53,798,213	2,194,431	55,992,644
Employee benefits and other charges	22,438,524	1,388,330	23,826,854
Instructional support	2,940,184	1,831,771	4,771,955
Operations and maintenance of facilities	3,189,366	81,455	3,270,821
Pupil services	82,531	1,323,258	1,405,789
Special education tuition	1,183,351	2,510,375	3,693,726
Other operating costs	1,167,519	41,405	1,208,924
Transportation	5,638,811		5,638,811
Debt service:			
Principal	1,815,000		1,815,000
Interest and other costs	1,024,599		1,024,599
Total expenditures	<u>93,278,098</u>	<u>9,371,025</u>	<u>102,649,123</u>
Excess (deficiency) of revenues over expenditures	<u>(840,797)</u>	<u>118,543</u>	<u>(722,254)</u>
OTHER FINANCING SOURCES (USES)			
Premiums received on temporary borrowing	122,876		122,876
Total other financing sources and uses	<u>122,876</u>		<u>122,876</u>
Net change in fund balances	<u>(717,921)</u>	<u>118,543</u>	<u>(599,378)</u>
Fund balances - beginning	1,466,558	1,134,854	2,601,412
Fund balances - ending	<u><u>\$ 748,637</u></u>	<u><u>\$ 1,253,397</u></u>	<u><u>\$ 2,002,034</u></u>

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

WACHUSETT REGIONAL SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2016

Revenues and other financing sources over (under) expenditures and other financing uses - governmental funds	\$ (599,378)
Governmental funds report capital outlays as expenditures, however, the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense in the Statement of Activities.	
Depreciation expense recorded for the fiscal year	(2,287,164)
Certain deferred outflows of resources and deferred inflows of resources are recognized on the government-wide financial statements, which are applicable to future periods.	
Net difference between projected and actual pension earnings	1,047,594
Change in pension plan assumptions	793,189
Change in proportion related to pension obligations	(1,306,455)
The issuance and repayment of long-term debt are recorded as other financing sources or uses in the fund financial statements, but have no effect on net position in the government-wide financial statements. Also, governmental funds report issuance costs, premiums, discounts and similar items as expenditures when paid, whereas these amounts are deferred and amortized on a government-wide basis.	
Principal payments on long term debt	1,815,000
The fund financial statements record interest on long-term debt when due. The government-wide financial statements report interest on long-term debt when incurred.	
Net change in accrued interest	11,415
Certain liabilities are not funded through the use of current financial resources and, therefore, are not reported in the fund financial statements; however, these liabilities are reported in the government-wide financial statements. The change in these liabilities is reflected as an expense in the Statement of Activities. Net changes in these liabilities are as follows:	
Other postemployment benefits obligation	(9,036,413)
Net pension liability	(1,897,068)
Estimated compensated absences	80,000
Change in net position of governmental activities	<u>\$ (11,379,280)</u>

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

WACHUSETT REGIONAL SCHOOL DISTRICT

Statement of Fiduciary Net Position

Fiduciary Funds

June 30, 2016

	Private Purpose Trust Funds - Scholarships	Agency Amounts
ASSETS		
Cash and cash equivalents	\$ 189,561	\$ 533,022
Total assets	<u>\$ 189,561</u>	<u>\$ 533,022</u>
LIABILITIES		
Accounts payable	\$	\$ 47,964
Amounts due to students		485,058
Total liabilities		<u>\$ 533,022</u>
NET POSITION		
Total amounts held in trust	<u>189,561</u>	
Total liabilities and net position	<u>\$ 189,561</u>	

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

WACHUSETT REGIONAL SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2016

	Private Purpose Trust Funds - Scholarships
ADDITIONS	
Interest	\$ 1,129
Total additions	<u>1,129</u>
DEDUCTIONS	
Scholarships and awards	<u>115</u>
Total deductions	115
Change in net position	1,014
Net position - beginning	<u>188,547</u>
Net position - ending	<u><u>\$ 189,561</u></u>

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

NOTES TO FINANCIAL STATEMENTS

WACHUSETT REGIONAL SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2016

Note 1. Organization and Reporting Entity

A. Organization

The Wachusett Regional School District (the District), Jefferson, Massachusetts, was originally formed in 1950 as a grade 9-12 school district under Chapter 71 of the Massachusetts General Laws for the member towns of Holden, Paxton, Princeton, Rutland and Sterling. In 1994, the member towns as amended and supplemented the Agreement for the District to operate the public school system, consisting of grades from pre-kindergarten through grade twelve (12) for the benefit of its member towns. The District operates 13 schools within the member towns. The District is governed by a representative School Committee comprised of twenty-two individuals elected from its member towns.

B. Reporting Entity

As required by accounting principles generally accepted in the United States of America (GAAP) and in accordance with the *Governmental Accounting Standards Board*, the accompanying financial statements present the Wachusett Regional School District (the primary government) and its component units.

Primary Government - The District is governed by the School Committee, which consists of (22) members elected on staggered terms every three years by registered voters of each member town. The number of seats each community elects is based on its population in accordance with the Regional Agreement.

Component Units - Component units are included in the District's reporting entity if their operational and financial relationships with the school district are significant. No component units are identified for the year ended June 30, 2016, which meet the criteria for inclusion in the accompanying basic financial statements.

Joint Ventures - Municipal joint ventures pool resources to share the costs, risks, and rewards of providing services to its participants, the public, or others. The following table identifies the most significant joint ventures of the District. Financial information may be obtained from each joint venture by contacting them at the above addresses. The District has no equity in the joint ventures. The District also participates in cost-sharing groups for retirement benefits.

<u>Name</u>	<u>Purpose</u>	<u>Address</u>	<u>2016 District's payments</u>
Assabet Valley Collaborative	Special education services	57 Orchard Street, Marlborough, MA 01752	\$ 378,780
CAPS Education Collaborative	Special education services	53 School, St Gardner, MA 01440	\$ 48,316
Central Massachusetts Special Education Collaborative	Special education services	11 McKeon Rd, Worcester, MA 01610	\$ 153,688
FLLAC Education Collaborative	Special education services	2 Shaker Rd, Suite B210, Shirley, MA 01464	\$ 382,449

Note 2. Summary of Significant Accounting Policies

A. Basis of Presentation

The District's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). *The Governmental Accounting Standards Board* (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the District is discussed below.

WACHUSETT REGIONAL SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2016

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

Government-wide Statements

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

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

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

Certain costs, such as employee benefits, property and liability insurance, among other costs are not allocated among the District's functions and are included in employee benefits and other charges expense in the Statement of Activities. Interest on general long-term liabilities is considered an indirect expense and is reported in the Statement of Activities as a separate line. Depreciation expense has been included with Operations and Maintenance functions as a direct expense.

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

Fund Financial Statements

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

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

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

WACHUSETT REGIONAL SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2016

The following fund types which may be used by the District:

Governmental Funds:

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

Major Funds

- General fund is the primary operating fund of the District. It is used to account for and report all financial resources not accounted for and reported in another fund.

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

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

Fiduciary Funds:

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

- Private purpose trust funds account for resources legally held in trust for the benefit of persons and organizations other than the District. Since these funds cannot be used for providing District services, they are excluded from the District's government-wide financial statements.
- Agency funds are used to hold funds on behalf of parties other than the District. The District maintains funds for school student activities. Agency funds are custodial in nature and do not involve measurement of results of operations.

WACHUSETT REGIONAL SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2016

B. Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are proprietary and 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.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter (60 days) to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt which is recognized when due, certain compensated absences, claims and judgments, and post-employment health care benefits, which are recognized when the obligations are expected to be liquidated with current expendable available resources.

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

C. Cash and Cash Equivalents

The District maintains deposits in accordance with established policies and Massachusetts General Laws (MGL). The District considers cash and cash equivalents to be cash on hand, demand deposits, and certificates of deposit. Cash and cash equivalents are reported at carrying amount, which reasonably approximates fair value.

The cash balances of substantially all funds are pooled and invested by the District for the purpose of increasing earnings through banking activities and providing efficient management of temporary investment of funds as may be applicable. Additional cash disclosures are presented in these Notes.

D. Investments

The District maintains investments according to Massachusetts General Laws and District policies. Investments are reported according to the fair value measurement hierarchy established by generally accepted accounting principles. Investments are defined as securities or other assets that (a) a government holds primarily for the purpose of income or profit and (b) has a present service capacity based solely on its ability to generate cash or to be sold to generate cash. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The hierarchy is based upon valuation inputs, which are the assumptions that market participants would use when pricing an asset or liability, including assumptions about risk. Level 1 inputs are quoted prices in active markets for identical assets or liabilities at the measurement date. Level 2 inputs are directly observable for an asset or liability (including quoted prices for similar assets or liabilities), as well as inputs that are indirectly observable for the asset or liability. Level 3 inputs are unobservable inputs for an asset or a liability and are used only if relevant Level 1 and level 2 inputs are not available. Certain investments, such as money market investments, 2a-7 like external investment pools are reported at amortized cost. 2a7-like pools are external investment pools that operate in conformity with the Securities and Exchange Commission's (SEC) Rule 2a7 as promulgated under the Investment Company Act of 1940, as amended and should be measured at the net asset value per share provided by the pool. Additional investment disclosures are presented in these Notes.

WACHUSETT REGIONAL SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2016

E. Inventories

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

F. Interfund Receivables and Payables

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

G. Receivables

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

H. Capital Assets

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

Government-wide Statements

All capital assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated capital assets, which are recorded at acquisition value (entry price) at the date of donation. Acquisition value is defined as the price that would be paid to acquire an asset with equivalent service potential in an orderly market transaction at the acquisition date, or the amount at which a liability could be liquidated with the counterparty at the acquisition date. The District defines capital assets, which includes land, building and improvements, and furniture and equipment, as assets with an initial, individual cost of more the \$25,000 and an estimated useful life in excess of one year. The cost 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.

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

➤ Land improvements	5-50 years
➤ Buildings	40 years
➤ Machinery and equipment	5-10 years
➤ Vehicles	5 years

WACHUSETT REGIONAL SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2016

Fund Financial Statements

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

I. Deferred Outflows and Deferred Inflows

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

J. Liabilities

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

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

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

K. Compensated Absences

The District's policies and provisions of certain bargaining unit contracts regarding vacation and sick time permit employees to accumulate earned but unused vacation and sick leave. The liability for estimated payout of accumulated sick time upon retirement or death pursuant to certain collective bargaining agreements is recorded as long-term obligations in the government-wide statements.

L. Equity Classifications

Government-wide Statements

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

WACHUSETT REGIONAL SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2016

- Net investment in capital assets— This component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position.
- Restricted — This component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. These assets may be restricted by constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- Unrestricted—This component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

Fund Financial Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified based on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in the funds can be spent.

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

Fund balance can be classified in the following components:

- Nonspendable fund balance – consists of amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
- Restricted fund balance – consists of amounts upon which constraints have been placed on their use either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; (b) imposed by law through constitutional provisions or enabling legislation.
- Committed fund balance – consist of amounts which can only be used for specific purposes pursuant to constraints imposed by the District's highest level of decision making, the District School Committee. Any modification or rescission must also be made by District School Committee vote.
- Assigned fund balance – consist of amounts that are constrained by the District's intent to be used for a specific purpose. Intent is expressed by (a) the governing body itself, or (b) a body, or official to which the governing body has delegated the authority to assign amounts to be used for specific purposes. Amounts are assigned based upon vote of the School Committee, or approval by the Director of Finance and Operations and the Superintendent through the District's procurement and budgeting processes.
- Unassigned fund balance – represents the residual classification for the remaining fund balance. It represents amounts that have not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes.

WACHUSETT REGIONAL SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2016

M. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results will differ from those estimates.

N. Total Columns

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

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

Note 3. Stewardship, Compliance and Accountability

A. Budget Process

The School Committee annually determines the amount to be raised to maintain and operate the District during the next fiscal year and apportions the amount among the member towns in accordance with the terms of the district agreement and provisions of MGL. The amounts apportioned to each town are certified by the District Treasurer to the Treasurers of each member town. Each town takes action on the amounts so certified at the town's next Annual Town Meeting. Changes in the originally adopted appropriations are voted by the School Committee. Supplemental appropriations are acted upon through Special Town Meetings of the member towns. Enacted appropriations cannot legally be exceeded; any savings from annual general fund appropriations lapse at fiscal year-end with the exception of those indicated as a fund balance reserve. Amounts assessed to the member towns are due semi-annually on the first day of each November and May.

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

Massachusetts General Law, Chapter 70, as amended by the Education Reform Act of 1993, provides for a minimum amount of spending for local and regional school districts. This net school-spending requirement is made up of the minimum local contribution and Chapter 70 state aid. The District appropriated sufficient funds in fiscal year 2016 and met the net school spending requirements.

The minimum, local contribution is computed by the Commonwealth of Massachusetts. The following are the fiscal year 2016 minimum local contributions and net school spending requirements for the District:

Holden	\$ 17,312,246
Paxton	4,506,979
Princeton	3,527,209
Rutland	6,790,981
Sterling	<u>8,081,045</u>
Total minimum local contribution	40,218,460
Regional Chapter 70 Aid	<u>25,438,325</u>
Total net school spending requirement	<u><u>\$ 65,656,785</u></u>

WACHUSETT REGIONAL SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2016

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

B. Budgetary basis of accounting

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

C. Fund equities

Operations of the various District funds for fiscal 2016 were funded in accordance with the General Laws of Massachusetts. The District classifies fund equity in the fund financial statements as either nonspendable, restricted, committed, or assigned for specific purposes. As of June 30, 2016, the classification of the District's fund balances can be detailed as follows:

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Restricted:			
Instructional	\$	\$ 941,565	\$ 941,565
Pupil services		250,394	250,394
Operations and maintenance		22,654	22,654
Other operational costs		69,938	69,938
Capital projects	<u>-</u>	<u>2,197</u>	<u>2,197</u>
subtotal		1,286,748	1,286,748
Assigned:			
FY2017 budget	150,000		150,000
Employee benefits	38,234		38,234
Instructional	237,263		237,263
Operations and maintenance	84,777		84,777
Pupil services	319		319
Special education tuition	26,940		26,940
Transportation	<u>2,740</u>	<u>-</u>	<u>2,740</u>
subtotal	540,273		540,273
Unassigned	<u>208,364</u>	<u>(33,351)</u>	<u>175,013</u>
Total fund balance	<u>\$ 748,637</u>	<u>\$ 1,253,397</u>	<u>\$ 2,002,034</u>

Deficit unassigned fund balance of approximately \$33,000 represents deficits in certain special revenue funds for which funds have not yet been received.

D. Restricted Net Position

The following table illustrates the District's restricted net position as reported on the government-wide financial statements as of June 30, 2016:

WACHUSETT REGIONAL SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2016

Special Revenue Funds:	
School revolving	\$ 710,520
Athletic revolving	224,825
Federal grants	213,831
District revolving	99,902
Other special revenue funds and grants	<u>37,670</u>
Total restricted net position	<u>\$ 1,286,748</u>

Note 4. Cash and Cash Equivalents and Investments

District policies and Massachusetts General Laws, Chapter 44, Section 54 and 55, place certain limitations on cash deposits and investments available to the District. Authorized deposits include demand deposits, term deposits, and certificates of deposit in trust companies, national banks, savings banks, and certain other financial institutions. The District may also invest in securities issued by or unconditionally guaranteed by the U.S. Government or an agency thereof, and having a maturity from date of purchase of one year or less. The District may also invest in repurchase agreements guaranteed by such government securities with maturity dates of not more than ninety days from date of purchase. The District may invest in units of the Massachusetts Municipal Depository Trust (MMDT), a 2a7-like external investment pool managed by the Treasurer of the Commonwealth of Massachusetts.

The following are risks associated with the District's deposits:

Custodial credit risk for investments is the risk that, in the event of the failure of the counter party to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Deposited amounts are to be secured by depository insurance, collateralization agreement, irrevocable letters of credit or pledges of U.S. government securities by the financial institution involved.

Interest rate risk is the risk that changes in market interest rates that will adversely affect the fair market value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair market value to changes in market interest rates. The District's investment policy limits all investments to under two years.

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

Concentration of credit risk – The District's investment policy limits the no more than 60% of District funds in one bank or financial institution.

At June 30, 2016, amounts on deposit totaled \$12.8 million and had a carrying amount of \$11.9 million. The difference between deposit amounts and carrying amounts represents outstanding checks and other reconciling items. Of the \$12.8 million, approximately \$2.8 million was invested in a sweep accounts which are invested in U.S. government securities. For financial reporting purposes, the District has classified this sweep account and MMDT as cash equivalents. At June 30, 2016, approximately \$5.5 million was exposed to custodial credit risk because it was not covered by depository insurance or other instruments. The District reported no other amounts as investments at June 30, 2016. At June 30, 2016, the District maintained \$5,906 in the MMDT.

WACHUSETT REGIONAL SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2016

Note 5. Receivables

The District reports the aggregate amount of receivables in the accompanying Statement of Net Position and Balance Sheet. At June 30, 2016, the District reported intergovernmental receivables in the amount of \$616,697 which represented amounts due for various state and federal grants. All of these amounts have been accrued for financial reporting purposes and are considered fully collectible; and accordingly, have no allowances for uncollectible associated with them.

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

The District reported the following deferred outflows and deferred inflows of resources at June 30, 2016. Deferred outflows of resources and deferred inflows of resources associated with the District's participation in the Worcester Regional Retirement System (the pension Plan) are to be recognized in future pension expense in subsequent years. Refer to Note 11.

<u>Deferred Outflows of Resources</u>	<u>Amount</u>
Changes in pension plan assumptions	\$ 793,189
Net difference between projected and actual pension earnings	<u>1,059,357</u>
Total deferred outflows of resources	<u>\$ 1,852,546</u>

Deferred Inflows of Resources

Changes in proportionate share of collective pension amounts of net pension liability (NPL) at the beginning of the measurement period	<u>\$ 1,306,455</u>
Total deferred inflows of resources	<u>\$ 1,306,455</u>

Note 7. Capital Assets

Capital asset activity for the year ended June 30, 2016 is as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>(Decreases)</u>	<u>Ending Balances</u>
<u>Governmental activities:</u>				
Capital assets not being depreciated:				
Land	\$ 695,000	\$	\$	\$ 695,000
Capital assets being depreciated:				
Buildings	<u>90,755,709</u>	<u> </u>	<u> </u>	<u>90,755,709</u>
Total capital assets	90,755,709			90,755,709
Less Accumulated Depreciation:				
Buildings	<u>16,037,563</u>	<u>2,287,164</u>	<u> </u>	<u>18,324,727</u>
Subtotal	<u>16,037,563</u>	<u>2,287,164</u>	<u> </u>	<u>18,324,727</u>
Governmental capital assets, net	<u>\$ 75,413,146</u>	<u>\$ (2,287,164)</u>	<u>\$ -</u>	<u>\$ 73,125,982</u>

Depreciation expense of \$2,287,164 was charged to operations and maintenance functions.

WACHUSETT REGIONAL SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2016

Note 8. Leased Facilities

The School District leases the elementary and middle schools from the various Towns for one dollar annual pursuant to the Regional Agreement. The District owns the high school and administration buildings. Under the terms of the agreement the School District is responsible for the cost of operations including utilities, insurance, and maintenance of these facilities. The member Towns perform any significant capital improvements. During fiscal year 2016, the various member Towns have received funding through the Massachusetts School Building Authority (MSBA) for capital improvement projects to their facilities, which have been passed through the District. These amounts are as follows:

<u>Member Town</u>	<u>Amount</u>
Holden	\$ 15,040,971
Sterling	1,034,230
Rutland	864,461
Paxton	<u>338,045</u>
Total	<u>\$ 17,277,707</u>

Note 9 Interfund Balances and Activity

The General fund is owed approximately \$440,000 from various governmental funds as of June 30, 2016 for deficit spending.

Note 10. Long Term Obligations

The following is a summary of changes in long-term obligations of the District for the year ending June 30, 2016:

<u>Purpose</u>	<u>Beginning Balances</u>	<u>Increases</u>	<u>(Decreases)</u>	<u>Ending Balances</u>	<u>Current Portion</u>
Governmental activities:					
2009 Multipurpose bonds,					
3.12%-4.50%, maturities 2029	\$ 4,270,000	\$	\$ (305,000)	\$ 3,965,000	\$ 305,000
2010 Multipurpose bonds,					
2.50%-4.25%, maturities 2027	1,460,000		(130,000)	1,330,000	130,000
2011 Multipurpose bonds,					
3.00%-5.25%, maturities 2030	2,430,000		(165,000)	2,265,000	165,000
2014 State qualified refunding bonds,					
1.50%-4.00%, maturities 2024	10,345,000		(1,020,000)	9,325,000	1,045,000
2015 State qualified refunding bonds,					
2.00%-4.00%, maturities 2024	<u>2,155,000</u>	<u> </u>	<u>(195,000)</u>	<u>1,960,000</u>	<u>195,000</u>
Total bonds payable	20,660,000		(1,815,000)	18,845,000	1,840,000
Compensated absences	340,000		(80,000)	260,000	
Net OPEB obligation	63,888,064	9,036,413		72,924,477	
Net pension liability	<u>19,556,058</u>	<u>1,897,068</u>		<u>21,453,126</u>	
Total governmental activities -					
long term obligations	<u>\$ 104,444,122</u>	<u>\$ 10,933,481</u>	<u>\$ (1,895,000)</u>	<u>\$ 113,482,603</u>	<u>\$ 1,840,000</u>

WACHUSETT REGIONAL SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2016

The annual requirements to amortize all general obligation bonds and loans outstanding as of June 30, 2016, including interest, are as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 1,840,000	\$ 711,056	\$ 2,551,056
2018	1,860,000	650,894	2,510,894
2019	1,895,000	578,856	2,473,856
2020	1,935,000	502,106	2,437,106
2021	1,990,000	425,731	2,415,731
2022-2026	7,670,000	1,010,128	8,680,128
2027-2030	<u>1,655,000</u>	<u>147,288</u>	<u>1,802,288</u>
Total	<u>\$ 18,845,000</u>	<u>\$ 4,026,059</u>	<u>\$ 22,871,059</u>

Lease obligations

A. Operating leases

The District has entered into a number of operating leases for copier equipment to support governmental activities, subject to annual appropriation. The District has determined these lease payments to be immaterial to the District at June 30, 2016.

B. Capital leases

In accordance with Massachusetts General Laws, the District may enter into lease agreements for a period not exceed five years and subject to annual appropriation. The District has no capital leases at June 30, 2016.

Note 11. Temporary Debt Obligations

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

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

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

The following is a summary of changes in temporary debt obligations of the District for the year ending June 30, 2016:

<u>Purpose</u>	<u>Beginning Balances</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>Ending Balances</u>
Revenue anticipation notes, 2.25%, issued 7/2/2015, matured 5/27/2016	\$ _____	\$ 16,500,000	\$ 16,500,000	\$ _____

WACHUSETT REGIONAL SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2016

The member Towns have agreed to begin paying annual assessments on a quarterly basis beginning in fiscal year 2017. The District is in the process of formally revising the Regionalization Agreement to reflect this change. While the School Committee has authorized a borrowing of a revenue anticipation note for fiscal year 2017, with this change the District anticipates such a borrowing may not be needed with the increase cash flow.

Note 12. Employee Benefits

A. Retirement Benefits

Worcester Regional Retirement System

Plan Description

The Worcester Regional Retirement System (the System) is a multiple-employer, cost sharing, contributory defined benefit pension plan covering all employees of the governmental member units deemed eligible by the Worcester Regional Retirement Board (the Board), with the exception of school department employees who serve in a teaching capacity. The pensions for these school employees are administered by the Commonwealth of Massachusetts' Teachers Retirement System (MTRS). Membership in the System is mandatory immediately upon the commencement of employment for all permanent employees working a minimum of 20 hours per week. As of December 31, 2015, the Plan had 95 participating employers.

The System is a member of the Massachusetts Contributory Retirement System and is governed by Chapter 32 of the Massachusetts General Laws (MGL). The Public Employee Retirement Administration Commission (PERAC) is the state agency responsible for oversight of the Commonwealth's public retirement systems. The Plan is governed by a five member Board comprised of the Chairman/Chief Executive Officer, who serves ex-officio and is appointed by the other members of the board; two members who are elected by the participants in or retired from the services of the System; a fourth member appointed by the member employers; and a fifth member appointed by the other members of the board.

The System issued an audited financial statement for the year ended December 31, 2015, which may be obtained by contacting the Association directly at: Worcester Regional Retirement System, 23 Midstate State Drive, Suite 106, Auburn, Massachusetts 01501.

Benefits Provided

The System 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 public employee retirement systems (PERS). Those requirements provide for an annual retirement allowance based upon the member's final three year salary multiplied by (1) the number of years and full months of creditable service at the time of retirement, and (2), a percentage based on age at retirement in accordance with a schedule provided by state law. Assuming normal retirement at age 65, this percentage is 2.5%, which is reduced for individual who retire prior to age 65 to reflect the longer payout period. A member's final three-year average salary is defined as the greater of the highest consecutive three-year average annual rate of regular compensation and the average annual rate of regular compensation received during the last three years of creditable service prior to retirement.

For employees hired after April 1, 2012, retirement allowances are calculated on the basis of the member's final five-year average multiplied by (1) the number of years and full months of creditable services at the time of retirement and (2) a percentage based on age at retirement in accordance with a schedule provided by state law. Assuming normal retirement at age 67, this percentage is 2.5%. A member's final five-year average salary is defined as the greater of the highest consecutive five-year average annual rate of regular compensation and the average annual rate of regular compensation received during the last five years of creditable service prior to retirement.

WACHUSETT REGIONAL SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2016

Contributions

Chapter 32 of MGL governs the contributions of plan members and member employers. Depending on their employment date, active System members must contribute anywhere between 5%-9% of their gross regular compensation. Members hired after December 31, 1978 must contribute an additional 2% of regular compensation in excess of \$30,000. Employees in Group 1 hired on or after April 2, 2012 with 30 years of creditable service or greater will pay a base contribution rate of 6%. These deductions earn interest at a rate determined by PERAC that vests based upon years of service. Employers are required to pay into the System its share of the system-wide actuarial determined contribution, in accordance with Chapter 32, Section 22D of MGL, apportioned among the employers based on annual employer normal cost and amortization payments to pay the unfunded actuarial accrued liability. The District's contributions to the System for the year was \$1,359,653.

Pension Liabilities, Expenses, and Deferred Outflows of Resources Related to Pension

The collective net pension liability of the System was determined by an actuarial valuation as of January 1, 2014, updated to the measurement date of December 31, 2015.

	<u>2015</u>
Total pension liability	\$ 1,279,439,605
Less: plan fiduciary net position	<u>(569,632,634)</u>
Net pension liability	<u>\$ 709,806,971</u>
Plan's fiduciary net position as a percentage of total pension liability	44.52%
Total employer pension expense	\$ 98,788,988
The District's proportionate share of the collective net pension liability	\$ 21,453,126
The District's percentage share of the collective net pension liability	3.022%
District covered payroll	\$ 10,975,602
The District's proportionate share of pension expense recognized	\$ 2,722,389

The District's proportionate share of collective deferred outflows of resources aggregate of \$1,852,546 as a result of the net difference between projected and actual investment earnings of the pension plan investments, was \$1,059,357 and changes in plan assumptions was \$793,189. The District's deferred inflows of resources associated with changes in its proportionate share was \$1,306,455. These amounts net to \$546,092 which are to be recognized in future pension expense as follows:

<u>Year</u>	<u>Amount</u>
June 30, 2017	\$ 162,035
June 30, 2018	162,035
June 30, 2019	162,035
June 30, 2020	159,330
June 30, 2021	<u>(99,343)</u>
Total	<u>\$ 546,092</u>

WACHUSETT REGIONAL SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2016

Actuarial Assumptions

Valuation Date	January 1, 2014
Actuarial cost method:	Entry Age Normal Cost Method
Amortization method:	Payments to increase at 4.0%, except for Early Retirement (ERI) Programs for 2002 and 2003 (4.5%) and 2010 (level dollar)
Inflation rate:	3.5% per year (not explicitly assumed for the update to December 31, 2015)
Asset valuation method:	5-year smoothed market value
Projected salary increases:	3.0% per year, including longevity
Mortality rates:	Based on the RP-2000 Mortality Table projected to 2014 with Scale AA. For disabled lives, the mortality rates were based on the RP-2000 Mortality Table set forward two years.

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 (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in the pension plan's target asset allocation as of December 31, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return</u>
Global Equity	40%	8.02%
Fixed Income	23%	5.09%
Private Equity	10%	9.50%
Real Estate	10%	6.50%
Timber/Natural Resources	4%	7.07%
Hedge Funds	9%	6.50%
Other	<u>4%</u>	6.18%
Total	<u>100%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.75%. 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 that member employer contributions will be made in accordance with Sections 22D and 22F of Chapter 32 of the Massachusetts General Laws. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity Analysis

The following illustrates the sensitivity of the collective net pension liability to changes in the discount rate. In particular, the table presents the System's and the District's proportionate share of the collective net pension liability assuming it was calculated using a single discount rate that is one-percentage-point lower or one-percentage-point higher than the current discount rate at December 31, 2015:

WACHUSETT REGIONAL SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2016

	<u>1% Decrease</u> <u>to 6.75%</u>	<u>Current Discount</u> <u>Rate 7.75%</u>	<u>1% increase</u> <u>to 8.75%</u>
Worcester Regional Retirement System - Total Plan	\$854,617,684	\$709,806,971	\$586,845,887
District's proportionate share	\$ 25,829,871	\$ 21,453,126	\$ 17,736,766

Massachusetts Teachers Retirement System - Special Funding Situation

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*. The MTRS is managed by the Commonwealth of Massachusetts (Commonwealth) on behalf of municipal teachers and municipal teacher retirees. The MTRS covers certified teachers in cities (except Boston), towns, regional school districts, charter schools, educational collaborative and Quincy College. The MTRS is part of the Commonwealth's reporting entity and does not issue a stand-alone audited financial report. Financial information of the MTRS' Pension Trust fund financial statements are contained in the Commonwealth's Comprehensive Annual Financial Report (CAFR). The Commonwealth's CAFR may be obtained by contacting the Comptroller's office directly at One Ashburton Place #919, Boston, MA 02108.

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

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

Benefits Provided

MTRS provides retirement, disability, survivor and death benefits to members and their beneficiaries. Massachusetts General Laws (MGL) establishes uniform benefit and contribution requirements for all contributory public employee retirement systems (PERS). Those requirements provide for superannuation retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular 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 credible 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.

WACHUSETT REGIONAL SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2016

The MTRS' funding policies have been established by Chapter 32 of the MGL. The Legislature has the authority to amend these policies. The annuity portion of the MTRS retirement allowance is funded by employees, who contribute a percentage of their regular compensation. Costs of administering the plan are funded out of plan assets.

Contributions

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

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

Contributions are provided by the Commonwealth on behalf of the District based upon actuarially determined amounts. The nonemployer contributions made by the Commonwealth to the MTRS on behalf of the District was \$6,572,392. The annuity portion of the MTRS retirement is funded by employees, through a contribution of a percentage of their compensation as indicated above.

Pension Liabilities and expenses related to pensions

The collective net pension liability of the MTRS was determined by an actuarial valuation as of January 1, 2015, rolled forward to June 30, 2015 (measurement date). The following table illustrates the Plan's net pension liability and the Commonwealth's proportionate share associated with the District.

	<u>2015</u>
Total pension liability	\$ 45,918,711,000
Less: plan fiduciary net position	<u>(25,429,068,000)</u>
Net pension liability	<u>\$ 20,489,643,000</u>
Plan's fiduciary net position as a percentage of total pension liability	55.38%
Commonwealth's proportionate share of collective net pension liability associated with the District	\$ 131,776,121
Commonwealth's proportionate share associated with the District as a percentage of the total net pension liability	.643135%
Commonwealth's proportionate share of pension expense associated with the District	\$ 10,688,216

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

WACHUSETT REGIONAL SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2016

Actuarial Assumptions

The calculation used the following assumptions:

- (1) (a) 7.5% investment rate of return, (b) 3.5% interest rate credited to the annuity savings fund and (c) 3.0% cost of living increase per year.
- (2) Salary increases are based on analyses of past experience but range from 4.0% to 7.5% depending on length of service.
- (3) Mortality rates were as follows:
 - a. Pre-retirement: reflects RP-2014 Employees table projected generationally with Scale BB and a base year of 2014 (gender distinct).
 - b. Post-retirement: reflects RP-2014 Healthy Annuitant table projected generationally with Scale BB and a base year of 2014 (gender distinct).
 - c. Disability: assumed to be in accordance with RP-2014 Healthy Annuitant table projected generationally with Scale BB and a base year 2014 set forward 4 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 rates are combined to produce the long-term expected rate of return by weighing the expected future rates of return by the target asset allocation percentage. Best estimates of geometric rates of return for each major asset class included in the PRIT Fund's target asset allocation as of June 30, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return</u>
Global Equity	40.0%	6.9%
Core Fixed Income	13.0%	2.4%
Private Equity	10.0%	8.5%
Real Estate	10.0%	6.3%
Value Added Fixed Income	10.0%	5.8%
Hedge Funds	9.0%	5.8%
Portfolio Completion Strategies	4.0%	5.5%
Timber/Natural Resources	4.0%	6.6%
Total	<u>100.0%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the Commonwealth's contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rates. Based on those assumptions, the net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the total pension liability.

Sensitivity Analysis

The following illustrates the sensitivity of the collective net pension liability to changes in the discount rate. In particular, the table presents the MTRS collective net pension liability assuming it was calculated using a single discount rate that is one-percentage-point lower or one-percentage-point higher than the current discount rate at June 30, 2015:

WACHUSETT REGIONAL SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2016

	<u>1% Decrease to</u>	<u>Current Discount</u>	<u>1% Increase to</u>
<u>June 30, 2015</u>	<u>6.5%</u>	<u>Rate 7.5%</u>	<u>8.5%</u>
MTRS- Total	\$25,449,000,000	\$20,489,643,000	\$16,221,000,000
Proportionate share associated with District	\$ 163,667,768	\$ 131,773,120	\$ 104,320,597

B. Compensated Absences

Upon retirement or the death of an employee, the District shall pay a retirement benefits for accumulated sick leave days at the date of retirement or death pursuant to collective bargaining agreements. Certain employees may carryover vacation days. The District has determined the vacation liability to be immaterial to the financial statements. As of June 30, 2016, the District has estimated the potential accumulated sick leave liability associated with employees eligible for the retirement benefit to be approximately \$260,000. The amount associated with accumulated sick leave to be paid upon retirement or death has been reported as a long-term liability in the Statement of Net Position.

C. Other Post-Employment Benefits

Plan Description

The District administers a single employer defined benefit healthcare plan (the Plan) which provides lifetime health and life insurance for eligible retirees and their spouses through the District's group health and life insurance plans, which cover both active and retired members. Total plan participants are 834, comprised of 1,015 active members and 367 retirees and beneficiaries. The District pays health care and life insurance premiums for retirees and beneficiaries on a pay as you go basis. These benefits are provided for and amended under various provisions of Massachusetts General Law (MGL), District Ordinances and the terms of collective bargaining agreements. The Plan does not issue separate financial statements.

Funding Policy

The contribution rates of retirees are established by collective-bargaining agreements, Massachusetts General Law, and District ordinances. The required contribution is based on pay as you go financing requirements. All benefits are provided through a third-party joint purchasing group that administers, assumes, and pays all claims. The District contributes 50% of the insurance premiums with the remainder funded through pension benefit deductions.

Annual OPEB Cost and Net OPEB Obligation

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

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

WACHUSETT REGIONAL SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2016

	Governmental Activities
Annual required contribution	\$ 12,631,087
Interest on net OPEB obligation	2,555,523
Adjustment to annual required contribution	<u>(3,695,088)</u>
Annual OPEB cost (expense)	11,491,522
Contributions made	<u>(2,455,109)</u>
Increase in net OPEB obligation	9,036,413
Net OPEB obligation – beginning of year	<u>63,888,064</u>
Net OPEB obligation – end of year	<u><u>\$ 72,924,477</u></u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2016 and the two preceding years were as follows:

Year Ended	Annual OPEB Cost	Annual OPEB Cost Contributed	OPEB Obligation
Governmental activities:			
6/30/2016	\$ 11,491,522	21.4%	\$ 72,924,477
6/30/2015	10,976,266	22.4%	63,888,064
6/30/2014	11,669,007	23.1%	55,369,311

Funding Status and Schedule of Funding Progress

The unfunded actuarial accrued liability was determined using the level dollar thirty year open amortization basis.

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b)-(a)]/(c)
Governmental Activities:						
7/1/2014	\$ -	\$ 107,124,001	\$ 107,124,001	0%	\$66,633,913	160.76%
7/1/2012	\$ -	\$ 99,201,962	\$ 99,201,962	0%	\$50,650,294	195.86%
7/1/2010	\$ -	\$ 101,521,284	\$ 101,521,284	0%	\$46,154,418	219.96%

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

Actuarial Methods and Assumptions

Projections of the benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. In the July 1, 2014, actuarial valuation, the projected unit credit actuarial cost method was used.

WACHUSETT REGIONAL SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2016

The actuarial assumptions included a 4.0% investment rate of return, on the pay-as-you go method. Additionally, medical/drug cost trend rate utilized was 9.0% decreasing by 1% to the ultimate level of 5.0% per year. The UAAL is being amortized over a 30 year period on an open basis, with 29 years remaining.

Note 13. Risk Management

The District is exposed to various risks of loss related to general liability, property and casualty, workers' compensation, unemployment, and employee health claims.

The District carries commercial insurance for general liabilities and property, plant and equipment. Losses are insured to the extent the losses exceed the deductibles.

The District participates in premium based health care plans for its employees and retirees. The District pays premiums for active and retired employees on a pay-as-you go-basis. For fiscal year 2015 the District paid approximately \$10 million for benefits on a pay-as-you-go basis.

Note 14. Commitments and Contingencies

The District receives significant financial assistance from Federal and State governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by grantor agencies, principally the federal and state government. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable fund. The amount, if any, of expenditures which may be disallowed by the grantor agencies cannot be determined at this time, although the District believes such disallowance, if any, would be immaterial.

The District entered into an agreement related to tuition reimbursement for special education services and placement at a boarding school for a student. The agreement provides that the District will pay placement tuitions over the next three years of approximately \$200,000. This obligation has been included in other liabilities for financial reporting purposes.

The District is subject to legal actions and claims that are subject to many uncertainties. Although the amount of the liability, unless otherwise mentioned, if any, at June 30, 2016, cannot be ascertained, management is in the process of contesting these claims and believes no resulting liability can reasonably be recorded at June 30, 2016.

Note 15. Implementation of GASB pronouncements

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

Current pronouncements

The GASB issued Statement #72, Fair Value Measurement and Application, which was required to be implemented in fiscal year 2016. The pronouncement addressed accounting and financial reporting issues related to fair value measurements. The District implemented the pronouncement.

The GASB issued Statement #76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments, which was required to be implemented in fiscal year 2016. The pronouncement replaced previously issued guidance and improves financial reporting by redefining the hierarchy of generally accepted accounting principles (GAAP).

WACHUSETT REGIONAL SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2016

The GASB issued Statement #79, *Certain External Investment Pools and Pool Participants*, which was required to be implemented in fiscal year 2016. The pronouncement issued accounting and financial reporting guidance regarding qualifying external investment pools and state and local governments that participate in such external investment pools. The pronouncement had no effect on the District's financial statements.

Future pronouncements

The GASB issued Statement #75, *Financial Reporting for Postemployment Benefit Plans Other Than Pensions*, which is required to be implemented in fiscal year 2018. The pronouncement replaces previously issued guidance and establishes new accounting and financial reporting requirements for governments whose employees are provided other post-employment benefits. The District expects the implementation of the pronouncement to have a material effect on the financial statements.

The GASB issued Statement #81, *Irrevocable Split-Interest Agreements*, which is required to be implemented in fiscal year 2017. The pronouncement issues guidance improving accounting and financial reporting for these agreements which are used by donors to provide resources to two or more beneficiaries, including governments. The District will evaluate the implementation of the pronouncement as applicable, but doesn't expect the pronouncement to be applicable.

The GASB issued Statement #82, *Pension Issues - An Amendment of GASB Statement No. 67, No. 68 and No. 73* which is generally required to be implemented in fiscal year 2018. The pronouncement addresses certain classification, presentation and other issues raised with previous Statements addressing pension obligations. The District expects to implement the pronouncement as applicable.

REQUIRED SUPPLEMENTARY INFORMATION

WACHUSETT REGIONAL SCHOOL DISTRICT
Required Supplementary Information - Schedule of Funding Progress –
District's Other Post-employment Benefit Plan (OPEB)
June 30, 2016

Schedule of Funding Progress – District's Other Post Employment Benefits Plan (OPEB)

The schedule of funding progress presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

The unfunded actuarial accrued liability was determined using the level dollar thirty year open amortization basis. The results of the most recent valuation, July 1, 2014 and previous two valuations is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b)-(a)]/(c)
Governmental Activities:						
7/1/2014 \$		\$ 107,124,001	\$ 107,124,001	0%	\$ 66,633,913	160.8%
7/1/2012 \$		\$ 99,201,962	\$ 99,201,962	0%	50,650,294	195.9%
7/1/2010 \$		\$ 101,521,284	\$ 101,521,284	0%	46,154,418	220.0%

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

Actuarial Methods and Assumptions

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

In the July 1, 2014, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.0% investment rate of return on the pay-as-you go method. Additionally, a 3% consumer price index, medical/drug cost trend rate utilized was 8.0% decreasing by 1% to the ultimate level of 5.0% per year. Health plan and life insurance plan participation for retirees is expected at 80% and 85%, respectively. The UAAL is being amortized over a 30 year period on an open basis, recalculated at each valuation.

See Independent Auditor's Report.

WACHUSETT REGIONAL SCHOOL DISTRICT

Required Supplementary Information Schedule of Pension Plan Contributions June 30, 2016

Schedule of pension plan contributions

A. Worcester Regional Retirement System

The Worcester Regional Retirement System (the Plan) is a multiple-employer, cost sharing contributory defined benefit pension plan covering eligible employees (except for school department employees who serve in a teaching capacity). Based upon the actuarial valuation date of the Plan as of December 31, 2015, the following is presented.

	<u>2015</u>	<u>2014</u>
Total pension liability	\$ 1,279,439,605	\$ 1,142,996,656
Less:		
Plan fiduciary net position	(569,632,634)	(547,938,846)
Net pension liability	<u>\$ 709,806,971</u>	<u>\$ 595,057,810</u>
Plan fiduciary net position as a percentage of total pension liability	44.52%	47.94%
District's proportionate/allocated share of collective net pension liability	\$ 21,453,126	\$ 19,556,058
District's proportionate share of pension expense	\$ 2,722,389	\$ 1,749,597
District's share of collective net pension liability as a percentage of the total	3.022%	3.286%
Actuarially determined contribution	\$ 1,359,653	\$ 1,298,737
Contributions in relation to actuarial determined contribution	<u>\$ (1,359,653)</u>	<u>\$ (1,298,737)</u>
Contribution deficiency(excess)	<u>\$</u>	<u>\$</u>
District's covered payroll	\$ 10,975,602	\$ 10,553,463
District's contributions as a percentage of covered payroll	12.39%	12.31%
District's proportionate share of the collective net pension liability as a percentage of covered payroll	195.46%	185.31%

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

See Independent Auditor's Report.

WACHUSETT REGIONAL SCHOOL DISTRICT

Required Supplementary Information Schedule of Pension Plan Contributions June 30, 2016

Schedule of pension plan contributions

B. Special Funding Situation - Massachusetts Teachers Retirement System (MTRS)

The Commonwealth of Massachusetts is a nonemployer contributor and is required by statute to make all actuarially determined employer contributions on behalf of member employers. Therefore, these employers are considered to be in a special funding situation as defined by GASB and the Commonwealth is a nonemployer contributing entity in the MTRS (the Plan). Since the District does not contribute directly to the MTRS, there is no net pension liability to recognize for each employer. Based upon the actuarial valuation of the Plan as of January 1, 2015, the following is presented.

	<u>2015</u>	<u>2014</u>
Total pension liability	\$ 45,918,711,000	\$ 41,435,000,000
Less:		
Plan fiduciary net position	<u>(25,429,068,000)</u>	<u>(25,538,646,000)</u>
Net pension liability	<u>\$ 20,489,643,000</u>	<u>\$ 15,896,354,000</u>
 Plan fiduciary net position as a percentage of total pension liability	 55.38%	 61.64%
 Commonwealth's proportionate/allocated share of collective net pension liability associated with the District	 \$ 131,776,121	 \$ 103,660,015
Commonwealth's proportionate share of collective pension expense associated with the District	\$ 10,688,216	\$ 7,201,759
Commonwealth's proportionate share of collective net pension liability as a percentage of the total	0.643135%	0.652099%
Actuarially determined contribution	\$ 6,572,392	\$ 6,112,644
Contributions in relation to actuarial determined contribution	<u>\$ (6,572,392)</u>	<u>\$ (6,112,644)</u>
Contribution deficiency(excess)	<u>\$</u>	<u>\$</u>
 District's covered payroll -approximate	 \$41.0 million	 \$40.0 million
Commonwealth's contributions on behalf of the District as a percentage of covered payroll	16.12%	15.28%
District's proportionate share of the collective net pension liability as a percentage of covered payroll	323.23%	259.15%

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

See Independent Auditor's Report.

WACHUSETT REGIONAL SCHOOL DISTRICT
 Budgetary Comparison Schedule - General Fund
 For the year ended June 30, 2016

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Town assessments	\$ 52,954,294	\$ 52,954,294	\$ 52,954,294	\$
Intergovernmental	28,179,953	28,179,953	28,151,614	(28,339)
Interest income	15,000	15,000	31,143	16,143
Departmental and miscellaneous	924,999	924,999	843,683	(81,316)
Total revenues	<u>82,074,246</u>	<u>82,074,246</u>	<u>81,980,734</u>	<u>(93,512)</u>
EXPENDITURES				
Salaries	53,335,118	53,894,737	53,798,213	96,524
Employee benefits and other costs	12,822,319	11,762,304	11,750,308	11,996
Instructional support	2,463,947	2,767,125	2,740,184	26,941
Pupil services	199,160	98,943	82,531	16,412
Operations and maintenance of facilities	3,446,645	3,205,311	3,189,366	15,945
Special education tuition	1,510,597	1,443,044	1,464,951	(21,907)
Other operating costs	1,118,200	1,336,989	1,313,530	23,459
Transportation	5,743,452	5,740,711	5,638,811	101,900
Debt service	2,570,711	2,570,711	2,570,711	
Total expenditures	<u>83,210,149</u>	<u>82,819,875</u>	<u>82,548,605</u>	<u>271,270</u>
Excess (deficiency) of revenues over expenditure:	<u>(1,135,903)</u>	<u>(745,629)</u>	<u>\$ (567,871)</u>	<u>\$ 177,758</u>
OTHER BUDGETARY ITEMS				
Use of available fund balance	850,000	850,000		
Encumbrances	285,903	(104,371)		
Total other budgetary items	<u>1,135,903</u>	<u>745,629</u>		
Net Budget	<u>\$</u>	<u>\$</u>		

See Independent Auditor's Report.

WACHUSETT REGIONAL SCHOOL DISTRICT

Notes to Required Supplementary Information

June 30, 2016

Note 1. Budgetary Basis of Accounting

Budgets are prepared on a basis other than accounting principles generally accepted in the United States of America (GAAP). The “actual” results column of the Budgetary Comparison Schedule - General Fund, are presented on a “budget basis” to provide a meaningful comparison with the budget. The major differences between the budget and GAAP basis is all budgeted revenues are recorded when cash is received, as opposed to when susceptible to accrual (GAAP). A reconciliation of the budgetary-basis to GAAP-basis results for the General Fund for the year ended June 30, 2016, is presented in the following schedule.

	<u>Revenues</u>	<u>Expenditures</u>	Other financing sources (Uses), Net
As reported on a budgetary basis	\$ 81,980,734	\$ 82,548,605	\$
State funded teachers' pension	10,688,216	10,688,216	
Timing on accrual of revenues and expenditures	(231,649)	(81,599)	
Premiums received on issuance of temporary borrowing netted with interest and costs	<u>-</u>	<u>122,876</u>	<u>122,876</u>
As reported on a GAAP basis	<u>\$ 92,437,301</u>	<u>\$ 93,278,098</u>	<u>\$ 122,876</u>

See Independent Auditor's Report

OTHER INFORMATION

WACHUSETT REGIONAL SCHOOL DISTRICT
Combining Schedule of Assets, Liabilities and Fund Balance - Other Governmental Funds
June 30, 2016

Schedule 1	Assets			Liabilities			Fund Balance
	Cash	Receivables	Total	Warrants Payable	Interfund payable	Total	
Capital projects	\$ 2,197	\$	\$ 2,197	\$	\$	\$	\$ 2,197
Federal grants:							
MASSexcels	\$	\$	\$	\$	\$ 11,315	\$ 11,315	\$ (11,315)
Teacher quality		9,024	9,024		9,864	9,864	(840)
SPED 94-142		375,912	375,912	2,762	173,366	176,128	199,784
EEC		25,258	25,258		25,258	25,258	
SPED program improvement	13,968	15,991	29,959		15,991	15,991	13,968
SPED program improvement	79		79				79
Title I		86,187	86,187	2,415	83,772	86,187	
Title III	694		694		1,645	1,645	(951)
Total federal grants	14,741	512,372	527,113	5,177	321,211	326,388	200,725
Food service program	\$	\$ 96,818	\$ 96,818	\$	\$ 92,003	\$ 92,003	\$ 4,815
Athletic revolving funds:							
High school athletic fees	\$ 20,217	\$	\$ 20,217	\$	\$	\$	\$ 20,217
Mount View athletic fees	25,556		25,556				25,556
Paxton athletic fees	9,184		9,184				9,184
Princeton athletic fees	27,108		27,108				27,108
Central Tree athletic fees	28,176		28,176				28,176
Sterling athletic fees	29,712		29,712				29,712
High school athletic revolving	64,356		64,356	1,307		1,307	63,049
HS athletic transportation	19,425		19,425	2,653		2,653	16,772
HS athletic gatorade	292		292				292
HS athletic invitational	4,284		4,284				4,284
HS athletic water	475		475				475
District revolving							
Total athletic revolving funds	228,785		228,785	3,960		3,960	224,825
State grants:							
Essential school health services	\$	\$ 3,000	\$ 3,000	\$	\$ 3,000	\$ 3,000	\$
Academic support		4,507	4,507		3,352	3,352	1,155
Total state grants		7,507	7,507		6,352	6,352	1,155
District revolving funds:							
EEC tuition	\$ 95,461	\$	\$ 95,461	\$	\$	\$	\$ 95,461
District tuition					275	275	(275)
School choice							
Circuit breaker							
Professional development							
Insurance reimbursement	4,366		4,366				4,366
Adult education revolving	75		75				75
Total district revolving	99,902		99,902		275	275	99,627
Program initiatives:							
WRHS	\$ 8,838	\$	\$ 8,838	\$	\$	\$	\$ 8,838
Dawson	17,657		17,657				17,657
Mount View	639		639				639
Mayo				57	246	303	(303)
Paxton	846		846				846
Naquag					633	633	(633)
Central Tree					230	230	(230)
Glenwood				141	3,512	3,653	(3,653)
Chocksett	1,440		1,440				1,440
Davis Hill	83		83				83
Total program initiatives	29,503		29,503	198	4,621	4,819	24,684

WACHUSETT REGIONAL SCHOOL DISTRICT
Combining Schedule of Assets, Liabilities and Fund Balance - Non-Major Governmental Funds
June 30, 2015

	Assets			Liabilities			Fund Balance
	Cash	Receivables	Total	Warrants Payable	Interfund payable	Total	
Schedule 1							
School revolving funds:							
Admin bldg use	\$	\$	\$	\$	\$ 11,891	\$ 11,891	\$ (11,891)
WRHS bldg use	8,124		8,124				8,124
Dawson bldg use	5,853		5,853				5,853
Mount View bldg use	7,132		7,132				7,132
Mayo bldg use	11,621		11,621	450		450	11,171
Davis Hill bldg use	5,929		5,929				5,929
Paxton bldg use	4,249		4,249				4,249
Thos. Prince bldg use	1,549		1,549				1,549
Naquag bldg use	2,242		2,242				2,242
Central Tree bldg use	1,466		1,466				1,466
Glenwood bldg use	1,941		1,941	450		450	1,491
Sterling bldg use	9,035		9,035				9,035
Houghton bldg use	1,728		1,728				1,728
WRHS damaged property	5,281		5,281				5,281
Mount View damaged property	208		208				208
Davis Hill damaged property	15		15				15
Central Tree damaged property	100		100				100
WRHS lost books	6,913		6,913				6,913
Dawson lost books	132		132				132
Mount View lost books	611		611				611
Davis Hill lost books	563		563				563
Mayo lost books	186		186				186
Paxton lost books	92		92				92
Thos. Prince lost books	18		18				18
Naquag lost books	67		67				67
Central Tree lost books	290		290				290
Glenwood lost books	779		779				779
Sterling lost books	500		500				500
Houghton lost books	512		512				512
Dawson gift & grant	2,313		2,313				2,313
Mount View gift & grant	792		792				792
Mayo gift & grant	338		338				338
Davis Hill gift & grant	4,818		4,818				4,818
Paxton gift & grant	6,243		6,243	200		200	6,043
Naquag gift & grant	3,299		3,299				3,299
Thos. Prince gift & grant	15,237		15,237	7,985		7,985	7,252
Central Tree gift & grant	2,846		2,846				2,846
Glenwood gift & grant	2,119		2,119				2,119
Sterling gift & grant	253		253				253
Houghton gift & grant	2,060		2,060				2,060
ECC gift & grant	2,101		2,101				2,101
Admin gift & grant	2,844		2,844				2,844
Dawson kindergarten tuition	66,894		66,894				66,894
Mayo kindergarten tuition	60,375		60,375				60,375
Davis Hill kindergarten tuition	88,962		88,962				88,962
Paxton kindergarten tuition	25,826		25,826				25,826
Princeton kindergarten tuition	12,080		12,080				12,080
Naquag kindergarten tuition	142,450		142,450				142,450
Houghton kindergarten tuition	93,451		93,451				93,451
Davis Hill extended day tuition	145		145				145
Princeton extended day tuition	12,419		12,419				12,419
Sterling extended day tuition	282		282				282
WRHS parking	22,654		22,654				22,654
WRHS performing arts					3,260	3,260	(3,260)
WRHS summer school	4,711		4,711				4,711
WRHS locker fees	20,754		20,754				20,754
WRHS applied arts	37,339		37,339	212		212	37,127
WRHS driver's education	9,076		9,076				9,076
Total school revolving	719,817		719,817	9,297	15,151	24,448	695,369
Total Other governmental Funds	<u>\$ 1,094,945</u>	<u>\$ 616,697</u>	<u>\$ 1,711,642</u>	<u>\$ 18,632</u>	<u>\$ 439,613</u>	<u>\$ 458,245</u>	<u>\$ 1,253,397</u>

See Independent Auditor's Report.

WACHUSETT REGIONAL SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures and Fund Balance - Other Governmental Funds
For the Year ended June 30, 2016

Schedule 2	Beginning Fund Balance	Revenue	(Expenses)	Transfers In(Out)	Net Change	Ending Fund Balance
Capital projects	\$ 2,197	\$	\$	\$	\$	\$ 2,197
Federal grants:						
MASSexcells	\$ (10,322)	\$ 64,075	\$ (65,068)	\$	\$ (993)	\$ (11,315)
Teacher quality	2,480	84,827	(88,147)		(3,320)	(840)
SPED 94-142	15,831	1,542,370	(1,358,417)		183,953	199,784
EEC		63,146	(63,146)			
SPED program improvement	11,226	58,335	(55,593)		2,742	13,968
SPED program improvement	39	3,500	(3,460)		40	79
Title I	25,742	393,626	(419,368)		(25,742)	
Title III	2,187	12,038	(15,176)		(3,138)	(951)
Total federal grants	47,183	2,221,917	(2,068,375)		153,542	200,725
Food service program	\$ 7,343	\$ 1,818,378	\$ (1,820,906)	\$	\$ (2,528)	\$ 4,815
Athletic revolving funds:						
High school athletic fees	\$ 42,314	\$ 135,406	\$ (157,503)	\$	\$ (22,097)	\$ 20,217
Mount View athletic fees	27,567	30,047	(32,058)		(2,011)	25,556
Paxton athletic fees	9,878	7,676	(8,370)		(694)	9,184
Princeton athletic fees	23,309	14,227	(10,428)		3,799	27,108
Central Tree athletic fees	27,272	18,684	(17,780)		904	28,176
Sterling athletic fees	36,697	21,831	(28,816)		(6,985)	29,712
High school athletic revolving	77,561	91,462	(105,974)		(14,512)	63,049
HS athletic transportation	29,401	121,401	(134,030)		(12,629)	16,772
HS athletic gatorade	447	300	(455)		(155)	292
HS athletic invitational	3,851	3,987	(3,554)		433	4,284
HS athletic water	(150)	14,863	(14,238)		625	475
District revolving	16		(16)		(16)	
Total athletic revolving funds	278,163	459,884	(513,222)		(53,338)	224,825
State grants:						
Essential school health services	\$ (3,000)	\$ 6,000	\$ (3,000)	\$	\$ 3,000	\$
Academic support	(1,955)	10,086	(6,976)		3,110	1,155
Total state grants	(4,955)	16,086	(9,976)		6,110	1,155
District revolving funds:						
EEC tuition	\$ 92,667	\$ 116,785	\$ (113,991)	\$	\$ 2,794	\$ 95,461
District tuition	(275)					(275)
School choice		1,012,789	(1,012,789)			
Circuit breaker		2,510,375	(2,510,375)			
Professional development	1,319		(1,319)		(1,319)	
Insurance reimbursement	37,709	48,036	(81,379)		(33,343)	4,366
Adult education revolving	75					75
Total district revolving	131,495	3,687,985	(3,719,853)		(31,868)	99,627
Program initiatives:						
WRHS	\$ 12,933	\$ 39,605	\$ (43,700)	\$	\$ (4,095)	\$ 8,838
Dawson	1,404	36,443	(20,190)		16,253	17,657
Mount View	630	2,584	(2,575)		9	639
Mayo	(667)	1,750	(1,386)		364	(303)
Paxton	96	750			750	846
Naquag	(633)					(633)
Central Tree	907	1,385	(2,522)		(1,137)	(230)
Glenwood	(2,658)	7,480	(8,475)		(995)	(3,653)
Chocksett	1,440					1,440
Davis Hill	83					83
Total program initiatives	13,535	89,997	(78,848)		11,149	24,684

WACHUSETT REGIONAL SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures and Fund Balance - Other Governmental Funds

For the Year ended June 30, 2015

Schedule 2	Beginning Fund Balance	Revenue	(Expenses)	Transfers In(Out)	Net Change	Ending Fund Balance
School revolving funds:						
Admin bldg use	\$ (11,891)	\$	\$	\$	\$	\$ (11,891)
WRHS bldg use	8,341	675	(892)		(217)	8,124
Dawson bldg use	6,936	6,798	(7,881)		(1,083)	5,853
Mount View bldg use	6,184	5,455	(4,507)		948	7,132
Mayo bldg use	12,672	14,577	(16,078)		(1,501)	11,171
Davis Hill bldg use	6,875	3,865	(4,811)		(946)	5,929
Paxton bldg use	4,655	2,990	(3,396)		(406)	4,249
Thos. Prince bldg use	7,269	2,477	(8,197)		(5,720)	1,549
Naquag bldg use	1,539	855	(152)		703	2,242
Central Tree bldg use	8,278	4,775	(11,587)		(6,812)	1,466
Glenwood bldg use	5,628	4,670	(8,807)		(4,137)	1,491
Sterling bldg use	8,771	3,835	(3,571)		264	9,035
Houghton bldg use	802	3,745	(2,819)		926	1,728
WRHS damaged property	3,170	3,309	(1,198)		2,111	5,281
Mount View damaged property	208					208
Davis Hill damaged property	15					15
Central Tree damaged property	100					100
WRHS lost books	4,786	3,697	(1,570)		2,127	6,913
Dawson lost books	132					132
Mount View lost books	413	198			198	611
Davis Hill lost books	534	29			29	563
Mayo lost books	162	24			24	186
Paxton lost books	92					92
Thos. Prince lost books	18					18
Naquag lost books	45	22			22	67
Central Tree lost books	290					290
Glenwood lost books	779					779
Sterling lost books	373	127			127	500
Houghton lost books	437	75			75	512
WRHS gift & grant						
Dawson gift & grant	3,945	11,592	(13,224)		(1,632)	2,313
Mount View gift & grant	962	695	(865)		(170)	792
Mayo gift & grant	328	6,150	(6,140)		10	338
Davis Hill gift & grant	4,941		(123)		(123)	4,818
Paxton gift & grant	5,538	1,770	(1,265)		505	6,043
Naquag gift & grant	3,887	2,978	(3,566)		(588)	3,299
Thos. Prince gift & grant	6,157	11,055	(9,960)		1,095	7,252
Central Tree gift & grant	2,867	197	(218)		(21)	2,846
Glenwood gift & grant	1,961	10,628	(10,470)		158	2,119
Sterling gift & grant	999	649	(1,395)		(746)	253
Houghton gift & grant	6,042	30,802	(34,784)		(3,982)	2,060
ECC gift & grant	1,531	838	(268)		570	2,101
Admin gift & grant	2,844					2,844
Dawson kindergarten tuition	61,783	163,294	(158,183)		5,111	66,894
Mayo kindergarten tuition	43,464	121,964	(105,053)		16,911	60,375
Davis Hill kindergarten tuition	67,073	122,891	(101,002)		21,889	88,962
Paxton kindergarten tuition	26,009	49,982	(50,165)		(183)	25,826
Princeton kindergarten tuition	(5,103)	80,967	(63,784)		17,183	12,080
Naquag kindergarten tuition	112,339	152,232	(122,121)		30,111	142,450
Houghton kindergarten tuition	110,556	98,891	(115,996)		(17,105)	93,451
Davis Hill extended day tuition	145					145
Princeton extended day tuition	16,346	37,104	(41,031)		(3,927)	12,419
Sterling extended day tuition	282					282
WRHS parking	40,807	63,302	(81,455)		(18,153)	22,654
WRHS performing arts	(2,094)	21,476	(22,642)		(1,166)	(3,260)
WRHS summer school	8,097	2,839	(6,225)		(3,386)	4,711
WRHS locker fees	18,227	2,743	(216)		2,527	20,754
WRHS applied arts	33,747	49,929	(46,549)		3,380	37,127
WRHS driver's education	8,600	88,155	(87,679)		476	9,076
Total school revolving	659,893	1,195,321	(1,159,845)		35,476	695,369
Total Other governmental funds	\$ 1,134,854	\$ 9,489,568	\$ (9,371,025)	\$ -	\$ 118,543	\$ 1,253,397

See Independent Auditor's Report

WACHUSETT REGIONAL SCHOOL DISTRICT
Combining Schedules for Fiduciary Funds- Private Purpose Trust Funds
June 30, 2016

Schedule 3

	Schedule of Assets, Liabilities and Net Position - Private Purpose Trust Funds - June 30, 2016			Schedule of Changes in Fiduciary Net Position - Private Purpose Trust Funds - For the Year Ended June 30, 2016				
	Cash	Accounts Payable	Amounts Held in Trust	Beginning Net Position	Interest	(Awards)	Net Change	Ending Net Position
Scholarships:								
Atlas scholarship	\$ 10,724	\$	\$ 10,724	\$ 10,660	\$ 64	\$	\$ 64	\$ 10,724
Bailey scholarship	2,117		2,117	2,106	11		11	2,117
Bradshaw scholarship	7,377		7,377	7,338	39		39	7,377
Finocchio scholarship	8,037		8,037	7,989	48		48	8,037
Fitzgerald scholarship	9,169		9,169	9,114	55		55	9,169
Green scholarship	6,715		6,715	6,675	40		40	6,715
Griffin scholarship	18,650		18,650	18,653	112	(115)	(3)	18,650
Hayman scholarship	3,213		3,213	3,194	19		19	3,213
Hewson scholarship	15,793		15,793	15,698	95		95	15,793
Lionett scholarship	8,089		8,089	8,040	49		49	8,089
Ljunberg scholarship	2,169		2,169	2,156	13		13	2,169
Naroian scholarship	10,831		10,831	10,766	65		65	10,831
Shilale scholarship	4,706		4,706	4,678	28		28	4,706
Tarkiainen scholarship	7,363		7,363	7,319	44		44	7,363
Thibodeau scholarship	4,471		4,471	4,444	27		27	4,471
Wachusett scholarship	58,995		58,995	58,642	353		353	58,995
Wesley scholarship	6,017		6,017	5,981	36		36	6,017
White scholarship	1,165		1,165	1,158	7		7	1,165
D'Errico scholarship	3,960		3,960	3,936	24		24	3,960
Total scholarships	189,561		189,561	188,547	1,129	(115)	1,014	189,561
Total Private Purpose Trust Funds	\$ 189,561	\$	\$ 189,561	\$ 188,547	\$ 1,129	\$ (115)	\$ 1,014	\$ 189,561

See Independent Auditor's Report.

WACHUSETT REGIONAL SCHOOL DISTRICT
Combining Schedules for Fiduciary Funds- Agency Funds

Schedule 4

	Schedule of Assets and Liabilities - Agency Funds - June 30, 2016			Schedule of Changes in Amounts due to Students - For year ended June 30, 2016				
	Cash	Accounts Payable	Due to Students	Beginning Balance	Increase	(Decrease)	Net Change	Ending Balance
Student activities:								
WRHS	\$ 232,567	\$ 3,995	\$ 228,572	\$ 211,044	\$ 432,173	\$ (414,645)	\$ 17,528	\$ 228,572
Dawson	3,569	195	3,374	4,116	10,471	(11,213)	(742)	3,374
Mount View	63,547	14,445	49,102	54,678	208,091	(213,667)	(5,576)	49,102
Mayo	7,069	2,244	4,825	10,719	20,110	(26,004)	(5,894)	4,825
Davis Hill	67,995	21,982	46,013	32,688	85,573	(72,248)	13,325	46,013
Paxton	32,110	198	31,912	34,712	103,387	(106,187)	(2,800)	31,912
Princeton	47,726	4,733	42,993	45,179	48,008	(50,194)	(2,186)	42,993
Naquag	12,254		12,254	10,306	19,332	(17,384)	1,948	12,254
Central Tree	18,074		18,074	22,809	66,766	(71,501)	(4,735)	18,074
Glenwood	15,672		15,672	12,800	30,636	(27,764)	2,872	15,672
Sterling	24,963	172	24,791	22,703	46,944	(44,856)	2,088	24,791
Houghton	4,395		4,395	5,266	4,537	(5,408)	(871)	4,395
ECC	3,081		3,081	2,153	5,605	(4,677)	928	3,081
Total student activities	533,022	47,964	485,058	469,173	1,081,633	(1,065,748)	15,885	485,058
Total Student Activities	<u>\$ 533,022</u>	<u>\$ 47,964</u>	<u>\$ 485,058</u>	<u>\$ 469,173</u>	<u>\$ 1,081,633</u>	<u>\$ (1,065,748)</u>	<u>\$ 15,885</u>	<u>\$ 485,058</u>

See Independent Auditor's Report.