

WACHUSETT REGIONAL SCHOOL DISTRICT
BASIC FINANCIAL STATEMENTS AND
MANAGEMENT'S DISCUSSION AND ANALYSIS
WITH INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED JUNE 30, 2017

WACHUSETT REGIONAL SCHOOL DISTRICT
BASIC FINANCIAL STATEMENTS AND
MANAGEMENT’S DISCUSSION AND ANALYSIS
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FOR THE YEAR ENDED JUNE 30, 2017

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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, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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, 2017, 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 - x, and Schedule of Changes in Net OPEB Liability and Related Ratios, the Schedule of Contributions – Other Postemployment Benefits, the Schedule of Investment Returns – Other Postemployment Benefits, the Schedule of Pension Plan Contributions and Budgetary Comparison Information and Notes on pages 31 to 37. 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 38 to 43 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 29, 2017 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 29, 2017

**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, 2017, 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 29, 2017.

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.

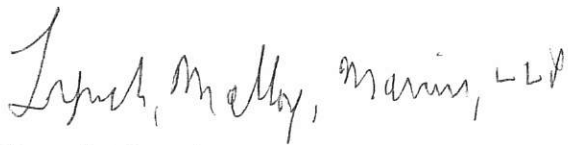
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not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



Norwell, Massachusetts
December 29, 2017



Lynch, Malloy, Marini, LLP
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MANAGEMENT'S DISCUSSION AND ANALYSIS

WACHUSETT REGIONAL SCHOOL DISTRICT

Management's Discussion and Analysis

June 30, 2017

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, 2017.

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 roughly \$48.8 million. The District's net investment in capital assets and restricted net position consisted of approximately \$53.8 million and \$1.1 million respectively. The \$103.7 million deficit balance reported in unrestricted net position classification is due in large part to the reporting of approximately \$82.1 million of net Other Postemployment Benefits (OPEB) obligations and \$24.6 million of net pension liability as of June 30, 2017. The change in the net OPEB obligation increased approximately \$9.1 million and the change in net pension liabilities increased \$3.1 million over the previous year.
- The total cost of all District services for fiscal year 2017 was \$121.4 million, which was an increase from the prior year amount of \$113.4 million. This increase is largely attributable to increases in both salaries and employee benefits and other charges (mostly comprised of OPEB expense and pension expense).
- As of the end of the current fiscal year, unassigned fund balance for the general fund was \$553,674, or approximately 0.6% 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 Changes in Net OPEB Liability and Related Ratios, the Schedule of Contributions – Other Postemployment Benefits, the Schedule of Investment Returns – Other Postemployment Benefits, the Schedule of Pension Plan Contributions and Budgetary Comparison Information and Notes 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, 2017

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 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, 2017

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 roughly \$48.8 million for the governmental activities at the close of the most recent fiscal year. The following tables demonstrate the net position of the District.

	FY2017 Governmental Activities	FY2016 Governmental Activities
Current assets	\$ 8,219,117	\$ 11,790,433
Capital assets	70,838,818	73,125,982
Total assets	79,057,935	84,916,415
Deferred outflows of resources	3,961,487	1,852,546
Total assets and deferred outflows	\$ 83,019,422	\$ 86,768,961
Current liabilities	\$ 8,210,469	11,803,185
Non-current liabilities	122,092,045	111,642,603
Total liabilities	130,302,514	123,445,788
Deferred inflows of resources	1,512,354	1,306,455
Net investment in capital assets	53,833,818	54,280,982
Restricted	1,101,455	1,286,748
Unrestricted	(103,730,719)	(93,551,012)
Total net position	(48,795,446)	(37,983,282)
Total liabilities, deferred inflows and net position	\$ 83,019,422	\$ 86,768,961

Governmental activities' current assets consisted of roughly \$7.5 million in cash and cash equivalents and roughly \$753,000 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, in 2016.

Deferred outflows of resources and deferred inflows of resources aggregating approximately \$4.0 million and \$1.5 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 changes in amounts associated with net pension which are explained in more detail in the footnotes.

WACHUSETT REGIONAL SCHOOL DISTRICT

Management's Discussion and Analysis

June 30, 2017

Governmental activity current liabilities consisted of \$792,000 of accounts payable, \$5.4 million of salaries and withholdings payable and \$160,000 of accrued interest. Long term liabilities consist primarily of about \$17 million in general obligation bonds (of which \$1.8 million is classified as due within one year), \$283,000 in compensated absences, about \$82.1 million in net other post-employment (OPEB) obligations, and roughly \$24.6 million in net pension liability. The net OPEB obligation increased by approximately \$9.1 million for the current fiscal year, and the net pension liability increased by approximately \$3.1 million for the current fiscal year.

The District's net investment in capital assets (e.g. land, building, machinery and equipment, etc., net of accumulated depreciation and related debt) was \$53.8 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, \$1.1 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 \$103.7 million. As noted above, the primary reason for the deficit is due to the significant net OPEB obligation reported at year-end of about \$82.1 million, as well as the net pension liability of about \$24.6 million.

A summary of revenues and major functional expenditures is presented below.

	FY2017 Governmental Activities	FY2016 Governmental Activities
Revenues:		
Charges for services	\$ 3,034,290	\$ 3,043,484
Operating grants and contributions	23,400,765	19,576,481
General revenues:		
Assessments to member towns	56,539,230	52,954,294
Grants and contributions unrestricted	27,278,446	26,125,692
Interest income	13,253	31,143
Premiums received on borrowings		122,876
Departmental and other	281,720	195,775
Total revenue	110,547,704	102,049,745
Expenses:		
Salaries	57,856,568	55,992,644
Employee benefits and fixed charges	39,468,049	34,146,007
Instructional support	4,640,964	4,771,955
Operations and maintenance of facilities	5,613,101	5,557,985
Pupil services	1,377,584	1,405,789
Special education tuition	4,351,856	3,693,726
Other operating costs	1,072,382	1,208,924
Transportation	6,283,641	5,638,811
Interest and other costs	695,723	1,013,184
Total expenses	121,359,868	113,429,025
Change in net position	\$ (10,812,164)	\$ (11,379,280)

WACHUSETT REGIONAL SCHOOL DISTRICT

Management's Discussion and Analysis

June 30, 2017

Governmental activities decreased the District's total net position by approximately \$10.8 million during fiscal year 2017. The decrease is due primarily to the increase in the net OPEB obligation of \$9.1 million and \$3.1 million net increase in the net pension liability for fiscal year 2017. 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 \$14.8 million for fiscal year 2017, an increase of approximately \$4.8 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 roughly \$1.1 million and \$385,000 has been restricted and assigned for specific purposes, respectively. The remaining balance of roughly \$542,000 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 about \$938,000. Of this amount, about \$385,000, or 41% of the total General Fund balance, has been assigned by the District for carried over appropriations of \$235,000 and \$150,000 of fund balance assigned to fund fiscal year 2018 operating budget. The remaining amount of about \$553,000, or 59% of the total, 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 0.6% of total general fund revenues and expenditures, respectively. Total fund balance represents 1.0% of total general fund revenues and expenditures, respectively.

As illustrated on page 4 of the financial statements, total general fund balance increased by approximately \$190,000, whereas general fund revenues of about \$93.7 million exceeded general fund expenditures of \$93.5 million.

WACHUSETT REGIONAL SCHOOL DISTRICT

Management's Discussion and Analysis

June 30, 2017

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, 2017 amounts to \$70.8 million which is net of accumulated depreciation of \$20.6 million. Capital assets, net of accumulated depreciation as of June 30, 2016 amounted to approximately \$73.1 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>2017</u>	<u>2016</u>
Land	\$ 0.7	\$ 0.7
Buildings	70.1	72.4
Total	<u>\$ 70.8</u>	<u>\$ 73.1</u>

Debt administration:

At the end of the current fiscal year, the District had total bonded debt outstanding of \$17.0 million. This is compared to \$18.8 million last year. This debt is a general obligation of the District.

On June 16, 2017, the District was downgraded to A2 from A1 rating by Moody's Investor Services, primarily due to the limited reserves and weakened financial and political support from member towns.

Economic Factors and Next Year's Budgets and Rates

The District School Committee proposed a budget for fiscal year 2018 of approximately \$90.4 million. The District budget was approved by the required majority of member towns on June 12, 2017.

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, 2017

	Primary Government Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 7,465,553
Receivables	753,564
Capital assets, net of accumulated depreciation	70,838,818
Total assets	79,057,935
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources associated with net pension liability	3,961,487
Total deferred outflows of resources	3,961,487
Total assets and deferred outflows of resources	\$ 83,019,422
LIABILITIES	
Accounts payable and other liabilities	\$ 792,143
Salaries and withholdings payable	5,398,873
Accrued interest	159,453
Long-term liabilities:	
Due within one year	1,860,000
Due in more than one year	122,092,045
Total liabilities	130,302,514
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources associated with net pension liability	1,512,354
Total deferred inflows of resources	1,512,354
NET POSITION	
Net investment in capital assets	53,833,818
Restricted	1,101,455
Unrestricted	(103,730,719)
Total net position	(48,795,446)
Total liabilities, deferred inflows of resources and net position	\$ 83,019,422

The accompanying notes are an integral part of these statements.

WACHUSETT REGIONAL SCHOOL DISTRICT

Statement of Activities
For the Year Ended June 30, 2017

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Capital Grants and Contributions</u>	<u>Net (Expense)</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>		<u>Revenue and Changes in Net Position</u>
Primary government					Total Governmental Activities
Governmental activities:					
Salaries	\$ 57,856,568	\$ 1,699,138	\$ 535,636	\$	\$ (55,621,794)
Employee benefits and other charges	39,468,049	249,969	15,686,540		(23,531,540)
Instructional support	4,640,964	223,357	1,927,929		(2,489,678)
Operations and maintenance of facilities	5,613,101	65,462	24,100		(5,523,539)
Pupil services	1,377,584	774,762	520,016		(82,806)
Special education tuition	4,351,856		2,330,270		(2,021,586)
Other operating costs	1,072,382	21,602			(1,050,780)
Transportation	6,283,641		2,376,274		(3,907,367)
Interest and other costs	695,723				(695,723)
Total governmental activities	<u>\$ 121,359,868</u>	<u>\$ 3,034,290</u>	<u>\$ 23,400,765</u>	<u>\$</u>	<u>(94,924,813)</u>
General revenues:					
Assessments to member towns					56,539,230
Grants and contributions not restricted to specific programs					27,278,446
Interest income					13,253
Departmental and miscellaneous					281,720
Total general revenues					<u>84,112,649</u>
Change in net position					<u>(10,812,164)</u>
Net position - beginning					<u>(37,983,282)</u>
Net position - ending					<u>\$ (48,795,446)</u>

The accompanying notes are an integral part of these statements.

WACHUSETT REGIONAL SCHOOL DISTRICT

Balance Sheet – Governmental Funds

June 30, 2017

	General	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 6,408,639	\$ 1,056,914	\$ 7,465,553
Receivables		753,564	753,564
Interfund receivables	637,960		637,960
Total assets	<u>\$ 7,046,599</u>	<u>\$ 1,810,478</u>	<u>\$ 8,857,077</u>
LIABILITIES			
Accounts payable and other liabilities	\$ 708,968	\$ 83,175	\$ 792,143
Salaries payable and withholdings payable	5,398,873		5,398,873
Interfund payables		637,960	637,960
Total liabilities	<u>6,107,841</u>	<u>721,135</u>	<u>6,828,976</u>
FUND BALANCE			
Restricted		1,101,455	1,101,455
Assigned	385,084		385,084
Unassigned	553,674	(12,112)	541,562
Total fund balances	<u>938,758</u>	<u>1,089,343</u>	<u>2,028,101</u>
Total liabilities and fund balances	<u>\$ 7,046,599</u>	<u>\$ 1,810,478</u>	<u>\$ 8,857,077</u>

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

Total fund balances of governmental funds	2,028,101
Capital assets used in governmental activities of \$91,450,709 net of accumulated depreciation of \$20,611,891 are not financial resources and not reported in funds.	70,838,818
Accrued interest recorded on the full accrual basis, not recognized on the modified accrual basis.	(159,453)
Deferred outflows of resources, not recognized on the modified accrual basis.	3,961,487
Deferred inflows of resources, not recognized on the modified accrual basis.	(1,512,354)
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>(123,952,045)</u>
Net position of governmental activities	<u>\$ (48,795,446)</u>

The accompanying notes are an integral part of these statements.

WACHUSETT REGIONAL SCHOOL DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2017

	General	Other Governmental Funds	Total Governmental Funds
REVENUES			
Town assessments	\$ 56,539,230	\$	\$ 56,539,230
Intergovernmental	36,916,100	5,979,329	42,895,429
Charges for services		2,177,174	2,177,174
Investment income	13,253	819	14,072
Departmental and miscellaneous	281,720	1,175,382	1,457,102
Total revenues	<u>93,750,303</u>	<u>9,332,704</u>	<u>103,083,007</u>
EXPENDITURES			
Salaries	55,571,893	2,261,675	57,833,568
Employee benefits and other charges	20,302,840	1,317,112	21,619,952
Instructional support	2,411,332	2,229,632	4,640,964
Operations and maintenance of facilities	3,281,118	44,819	3,325,937
Pupil services	74,826	1,302,758	1,377,584
Special education tuition	2,021,586	2,330,270	4,351,856
Other operating costs	1,061,890	10,492	1,072,382
Transportation	6,283,641		6,283,641
Debt service:			
Principal	1,840,000		1,840,000
Interest and other costs	711,056		711,056
Total expenditures	<u>93,560,182</u>	<u>9,496,758</u>	<u>103,056,940</u>
Excess (deficiency) of revenues over expenditures	190,121	(164,054)	26,067
Fund balances - beginning	<u>748,637</u>	<u>1,253,397</u>	<u>2,002,034</u>
Fund balances - ending	<u><u>\$ 938,758</u></u>	<u><u>\$ 1,089,343</u></u>	<u><u>\$ 2,028,101</u></u>

The accompanying notes are an integral part of these 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, 2017

Revenues and other financing sources over (under) expenditures and other financing uses - governmental funds	\$ 26,067
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 change in deferred outflows related to pension	2,108,941
Net change in deferred inflows related to pension	(205,899)
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	1,840,000
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	15,333
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	(9,155,075)
Net pension liability	(3,131,367)
Estimated compensated absences	(23,000)
Change in net position of governmental activities	<u>\$ (10,812,164)</u>

The accompanying notes are an integral part of these statements.

WACHUSETT REGIONAL SCHOOL DISTRICT

Statement of Net Position

Fiduciary Funds

June 30, 2017

	Private Purpose Trust Funds - Scholarships	Agency Amounts
ASSETS		
Cash and cash equivalents	\$ 191,095	\$ 524,954
Total assets	<u>191,095</u>	<u>524,954</u>
LIABILITIES		
Accounts payable	\$	\$ 50,315
Amounts due to students		474,639
Total liabilities		<u>\$ 524,954</u>
NET POSITION		
Total amounts held in trust for scholarships	191,095	
Total liabilities and net position	<u>\$ 191,095</u>	

The accompanying notes are an integral part of these statements.

WACHUSETT REGIONAL SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Position

Fiduciary Funds

June 30, 2017

	Other Postemployment Benefits Trust Fund	Private Purpose Trust Funds - Scholarships
ADDITIONS		
Employer contributions	\$ 2,922,743	\$
Donations		500
Interest		1,139
Total additions	2,922,743	1,639
DEDUCTIONS		
Benefit payments	2,922,743	
Scholarships and awards		105
Total deductions	2,922,743	105
Change in net position		1,534
Net position - beginning		189,561
Net position - ending	\$	\$ 191,095

The accompanying notes are an integral part of these statements.

NOTES TO FINANCIAL STATEMENTS

WACHUSETT REGIONAL SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2017

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, 2017, 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 below. 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>2017 District's payments</u>
Assabet Valley Collaborative	Special education services	57 Orchard Street, Marlborough, MA 01752	\$ 277,535
CAPS Education Collaborative	Special education services	53 School, St Gardner, MA 01440	\$ 165,582
Central Massachusetts Special			
Education Collaborative	Special education services	11 McKeon Rd, Worcester, MA 01610	\$ 257,402
FLLAC Education Collaborative	Special education services	2 Shaker Rd, Suite B210, Shirley, MA 01464	\$ 247,947

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, 2017

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, 2017

The following fund types 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 other 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. Since these funds cannot be used for providing District services, they are excluded from the District's government-wide financial statements.
- Other Postemployment Benefits Trust fund accounts for resources legally held in trust for the benefit of retirees of the District. Since these funds cannot be used for providing District services, they are excluded from the District's government-wide financial statements. This fund was established pursuant to District Meeting vote in accordance with provisions of MGL Chapter 32B, Section 20, which allows for establishment of a trust fund for other postemployment benefits.

WACHUSETT REGIONAL SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2017

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. Fair Value Measurement

The District measures assets and liabilities at fair value according to the hierarchy established by generally accepted accounting principles. 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 assumptions that market participants would use when pricing an asset or liability, including assumptions about risk. The following are levels considered:

- 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 for the asset or liability.

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.

WACHUSETT REGIONAL SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2017

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 interfund loans are reported as “interfund receivables and payables.” Long-term interfund loans (non-current portion) are reported as “advances from and to other funds.” 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 |
| ➤ | |

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.

WACHUSETT REGIONAL SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2017

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 postemployment 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:

- **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.

WACHUSETT REGIONAL SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2017

- 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.

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.

WACHUSETT REGIONAL SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2017

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 2017 and met the net school spending requirements.

The minimum, local contribution is computed by the Commonwealth of Massachusetts. The following are the fiscal year 2017 minimum local contributions and net school spending requirements for the District:

Holden	\$ 17,442,852
Paxton	4,194,000
Princeton	3,426,348
Rutland	6,813,218
Sterling	7,982,763
Total minimum local contribution	39,859,181
Regional Chapter 70 Aid	26,385,616
Total net school spending requirement	<u>\$ 66,244,797</u>

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

WACHUSETT REGIONAL SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2017

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 2017 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, 2017, the classification of the District’s fund balances can be detailed as follows:

	General Fund	Other Governmental Funds	Total Governmental Funds
Restricted:			
Instructional	\$	\$ 755,019	\$ 755,019
Pupil services		227,137	227,137
Operations and maintenance		43,172	43,172
Other operational costs		73,930	73,930
Capital projects		2,197	2,197
Subtotal		1,101,455	1,101,455
Assigned:			
FY18 budget	150,000		150,000
Employee benefits	64,196		64,196
Instructional	97,268		97,268
Operations and maintenance	71,975		71,975
Special education tuition	170		170
Transportation	1,475		1,475
Subtotal	385,084		385,084
Unassigned	553,674	(12,112)	541,562
Total fund balance	<u>\$ 938,758</u>	<u>\$ 1,089,343</u>	<u>\$ 2,028,101</u>

Deficit unassigned fund balance of \$12,112 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, 2017:

School revolving	\$ 662,444
Athletic revolving	185,362
Federal grants	85,571
District revolving	113,391
Other special revenue funds and grants	54,687
Total restricted net position	<u>\$ 1,101,455</u>

WACHUSETT REGIONAL SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2017

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, 2017, amounts on deposit totaled \$10,210,883 and had a carrying amount of \$8,181,602. The difference between deposit amounts and carrying amounts represents outstanding checks and other reconciling items. Of the \$10,210,883, \$6,022,008 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, 2017, \$2,855,471 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, 2017. At June 30, 2017, the District maintained \$5,960 in the MMDT.

Note 5. Receivables

The District reports the aggregate amount of receivables in the accompanying Statement of Net Position and Balance Sheet. At June 30, 2017, the District reported intergovernmental receivables in the amount of \$753,564 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.

WACHUSETT REGIONAL SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2017

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, 2017. 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 12.

<u>Deferred Outflows Associated with Net Pension Liability</u>	<u>Amount</u>
Net difference between expected and actual experience	\$ 200,466
Change in assumptions	2,907,927
Net difference between projected and actual investment earnings	853,094
Total deferred outflows of resources	<u>\$ 3,961,487</u>
<u>Deferred Inflows Associated with Net Pension Liability</u>	
Changes in allocated proportion	\$ 1,512,354
Total deferred inflows of resources	<u>\$ 1,512,354</u>

Note 7. Capital Assets

Capital asset activity for the year ended June 30, 2017 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	90,755,709			90,755,709
Total capital assets	91,450,709			91,450,709
Less: Accumulated Depreciation				
Buildings	18,324,727	2,287,164		20,611,891
Governmental capital assets, net	<u>\$ 73,125,982</u>	<u>\$ (2,287,164)</u>	<u>\$</u>	<u>\$ 70,838,818</u>

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

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 2017, 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	\$ 3,473,190
Sterling	1,034,230
Rutland	864,461
Paxton	338,045
	<u>\$ 5,709,926</u>

WACHUSETT REGIONAL SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2017

Note 9 Interfund Balances and Activity

The General fund is owed \$637,960 from various governmental funds as of June 30, 2017 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, 2017:

<u>Purpose</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>(Decreases)</u>	<u>Ending Balances</u>	<u>Current Portion</u>
Governmental activities:							
2009 Multipurpose bonds	3.12% - 4.50%	2029	\$ 3,965,000	\$	\$ (305,000)	\$ 3,660,000	\$ 305,000
2010 Multipurpose bonds	2.5% - 4.25%	2027	1,330,000		(130,000)	1,200,000	130,000
2011 Multipurpose bonds	3.00% - 5.25%	2030	2,265,000		(165,000)	2,100,000	165,000
2014 State qualified refunding bonds	1.50% - 4.00%	2024	9,325,000		(1,045,000)	8,280,000	1,060,000
2015 State qualified refunding bonds	2.00% - 4.00%	2024	1,960,000		(195,000)	1,765,000	200,000
Total bonds payable			18,845,000		(1,840,000)	17,005,000	1,860,000
Compensated absences			260,000	23,000		283,000	
Net OPEB obligation			72,924,477	12,077,818	(2,922,743)	82,079,552	
Net pension liability			21,453,126	4,763,002	(1,631,635)	24,584,493	
Total governmental activities - long term obligations			\$ 113,482,603	\$ 16,863,820	\$ (6,394,378)	\$ 123,952,045	\$ 1,860,000

The annual requirements to amortize all general obligation bonds and loans outstanding as of June 30, 2017, including interest, are as follows:

<u>Year ending</u>	<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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		2,040,000	346,106	2,386,106
2023-2027		6,195,000	733,659	6,928,659
2028-2030		1,090,000	77,651	1,167,651
Total	\$	17,005,000	\$ 3,315,003	\$ 20,320,003

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, 2017.

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, 2017.

WACHUSETT REGIONAL SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2017

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 District did not utilize short term borrowings during the year ended June 30, 2017.

Note 12. Employee Benefits

A. Retirement Benefits

1. 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, 2016, the Plan had 97 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, 2016, which may be obtained by contacting the Association directly at: Worcester Regional Retirement System, 23 Midstate State Drive, Suite 106, Auburn, Massachusetts 01501.

WACHUSETT REGIONAL SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2017

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.

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 \$1,425,736.

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, 2016, updated to the measurement date of December 31, 2016.

WACHUSETT REGIONAL SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2017

	<u>2016</u>
Total pension liability	\$ 1,444,178,575
Less: plan fiduciary net position	<u>606,584,812</u>
Net pension liability	837,593,763
Plan's fiduciary net position as a percentage of total pension liability	42.00%
Total employer pension expense	\$ 102,687,868
The District's proportionate share of the collective net pension liability	2.93513%
The District's percentage share of the collective net pension liability	\$ 24,584,493
District covered payroll	\$ 12,325,281
The District's proportionate share of pension expense recognized	\$ 2,654,061

The District's proportionate share of collective deferred outflows of resources aggregate of \$2,449,133 will be recognized in pension expense subsequent to June 30, 2017 as follows:

<u>For the year ended June 30,</u>	<u>Amount</u>
2017	\$ 585,308
2018	585,308
2019	583,685
2020	422,055
2021	<u>272,777</u>
Total	<u>\$ 2,449,133</u>

Actuarial Assumptions

Valuation Date	January 1, 2016
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:	3.0% per year
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 BB. For disabled lives, the mortality rates were based on the RP-2000 Mortality Table with full generational mortality improvement using Scale BB.

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, 2016 are summarized in the following table:

WACHUSETT REGIONAL SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2017

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return</u>
Global Equity	40%	4.97%
Fixed Income	22%	2.29%
Private Equity	11%	6.50%
Real Estate	10%	3.50%
Timber/Natural Resources	4%	3.00%
Hedge Funds	<u>13%</u>	3.48%
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, 2016:

	<u>1% Decrease to 6.75%</u>	<u>Current Discount Rate 7.75%</u>	<u>1% Increase to 8.75%</u>
Worcester Regional Retirement System - Total Plan	\$ 1,008,891,540	\$ 837,593,763	\$ 692,990,031
District's proportionate share	\$ 29,612,309	\$ 24,584,493	\$ 20,340,179

2. 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.

WACHUSETT REGIONAL SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2017

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.

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

WACHUSETT REGIONAL SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2017

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 \$7,261,380. 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 pension

The collective net pension liability of the MTRS was determined by an actuarial valuation as of January 1, 2016, rolled forward to June 30, 2016 (measurement date). The following table illustrates the Plan's net pension liability and the Commonwealth's proportionate share associated with the District.

	<u>2016</u>
Total pension liability	\$ 47,300,000,000
Less: plan fiduciary net position	<u>24,942,072,000</u>
Net pension liability	22,357,928,000
Plan's fiduciary net position as a percentage of total pension liability	52.73%
Commonwealth's proportionate share of collective net pension liability associated with the District	\$ 144,364,023
Commonwealth's proportionate share associated with the District as a percentage of the total net pension liability	0.645695%
Commonwealth's proportionate share of pension expense associated with the District	\$ 14,726,077

The Commonwealth's on-behalf contributions of \$7,261,380 have 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, the District's proportionate share of pension expense of \$14,726,077 is 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.

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.

WACHUSETT REGIONAL SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2017

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, 2016 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%	1.6%
Private Equity	10.0%	8.7%
Real Estate	10.0%	4.6%
Value Added Fixed Income	10.0%	4.8%
Hedge Funds	9.0%	4.0%
Portfolio Completion Strategies	4.0%	3.6%
Timber/Natural Resources	<u>4.0%</u>	5.4%
Total	<u>100.0%</u>	

Discount Rate

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

Sensitivity Analysis

The following illustrates the sensitivity of the collective net pension liability to changes in the discount rate. In particular, the table presents the MTRS collective net pension liability assuming it was calculated using a single discount rate that is one-percentage-point lower or one-percentage-point higher than the current discount rate at June 30, 2017:

	<u>1% Decrease to 6.50%</u>	<u>Current Discount Rate 7.50%</u>	<u>1% Increase to 8.50%</u>
Massachusetts Teacher's Retirement System - Total Plan	\$ 27,464,000,000	\$ 22,357,928,000	\$ 18,022,000,000
Proportionate share associated with the District	\$ 177,333,675	\$ 144,364,023	\$ 116,367,153

WACHUSETT REGIONAL SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2017

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, 2017, the District has estimated the potential accumulated sick leave liability associated with employees eligible for the retirement benefit to be approximately \$283,000. 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 (plan members). Eligibility to retire under the District's plan based upon meeting one of the following conditions:

- Group 4 employees hired before April 2, 2012; retire after attaining age 55 with 10 or more years of service or any age with 20 or more years of service;
- Group 1 employees hired after April 1, 2012; retire after attaining age 60 with 10 or more years of service.

At June 30, 2017, OPEB plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	478
Active plan members	<u>1,031</u>
Total	<u>1,509</u>

Contributions

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%, 72% or 78% (dependent on plan type and coverage) of the insurance premiums with the remainder funded through pension benefit deductions.

Investments

In fiscal year 2016, the District accepted provisions of Massachusetts General Laws (MGL) Chapter 32B, Section 20, enabling it to establish an other postemployment benefits liability trust fund. As of the date of these financial statements, the District has not proposed a funding schedule in accordance with the law's provisions. There is currently no amount reported as fiduciary net position in the OPEB trust fund as of June 30, 2017.

Net OPEB Liability of the District

The components of the net OPEB liability of the District at June 30, 2017 were as follows:

Total Net OPEB Liability	\$ 133,273,515
Less: Fiduciary Net Position	
Net OPEB Liability	<u>\$ 133,275,515</u>

WACHUSETT REGIONAL SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2017

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 No. 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. It should be noted that the discount rate used for purposes of calculating the Net OPEB obligation under GASB Statement No. 45 was 4 percent, which differs from the discount rate used to calculate the total OPEB liability under GASB Statement No. 74. The District will implement GASB Statement No. 75 during fiscal year 2018 whereby the net OPEB liability presented above will be reflected on the statement of net position.

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:

	<u>Governmental</u> <u>Activities</u>
Annual required contribution	\$ 13,378,565
Interest on net OPEB obligation	2,916,979
Adjustment to annual required contribution	<u>(4,217,726)</u>
Annual OPEB cost (expense)	12,077,818
Contributions made	<u>(2,922,743)</u>
Increase in net OPEB obligation	9,155,075
Net OPEB obligation - beginning of the year	<u>72,924,477</u>
Net OPEB obligation - end of year	<u><u>\$ 82,079,552</u></u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2017 and the two preceding years were as follows:

	<u>Year</u> <u>Ended</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Annual OPEB</u> <u>Cost Contributed</u>	<u>OPEB</u> <u>Obligation</u>
Governmental activities:				
	6/30/2017	\$ 12,077,818	24.2%	\$ 82,079,552
	6/30/2016	\$ 11,491,522	21.4%	\$ 72,924,477
	6/30/2015	\$ 10,976,266	22.4%	\$ 63,888,064

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.

WACHUSETT REGIONAL SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2017

Actuarial Cost Method:	Entry Age Normal
Investment Rate of Return:	4 percent, net of investment expense, including inflation
Medical Inflation Assumption:	8 percent for 2016, decreasing 1 percent per year to an ultimate rate of 5 percent for 2019 and later years.
Actuarial Value of Assets:	Market Value
Amortization of UAAL:	Level dollar amount over 30 years on an open amortization period
Remaining Amortization Period:	30 years
Mortality:	Pre-Retirement: General employees: RP-2000 Employees Mortality Table, base year 2009, projected with generational mortality improvement using scale BB. Teachers: RP-2014 Employees Mortality Table, base year 2014, projected with generational mortality improvement using scale BB; Post-Retirement: General employees: RP-2000 Healthy Annuitant Mortality Table, base year 2009, projected with generational mortality improvement scale BB. Teachers: RP-2014 Healthy Annuitant Mortality Table, base year 2014, with generational mortality improvement using scale BB.

Discount rate. The discount rate used to measure the total OPEB liability was 3.58 percent. The projection of cash flows used to determine the discount rate assumed that the District would make contributions equal to current year premium payments. Based on those assumptions, the OPEB plan's fiduciary net position was not projected to be available to make all projected future benefit payments of current plan members. Therefore, a 20-year, tax-exempt municipal bond rate was used to determine the total OPEB liability. The discount rate changed from 2.85 percent as of June 30, 2016 to 3.58 percent as of June 30, 2017 due to the implementation of GASB Statement No. 74. It should be noted that the discount rate used to calculate the net OPEB obligation under GASB Statement No. 45 was 4 percent. The net OPEB obligation under GASB Statement No. 45 is reflected on the statement of net position.

Sensitivity of the net OPEB liability to changes in the discount rate. The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.58 percent) or 1-percentage-point higher (4.58 percent) than the current discount rate:

	<u>1% Decrease (2.58%)</u>	<u>Discount Rate (3.58%)</u>	<u>1% Increase (4.58%)</u>
Net OPEB liability	\$ 161,258,665	\$ 133,275,515	\$111,684,272

Sensitivity of the net OPEB liability to change in healthcare trend rates. The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using a healthcare cost trend rates that are 1-percentage-point lower (7 percent decreasing to 4 percent) or 1-percentage-point higher (9 percent decreasing to 6 percent) for all years within the range than the current healthcare trend rates:

WACHUSETT REGIONAL SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2017

	<u>1% Decrease (7% (Decreasing to 4%))</u>	<u>Current Trend (8% Decreasing to 5%)</u>	<u>1% Increase (9% Decreasing to 6%)</u>
Net OPEB Liability	\$ 107,560,478	\$ 133,275,515	\$ 170,705,301

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 2017 the District paid \$15,682,000 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 two years of approximately \$120,760. 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, 2017, cannot be ascertained, management is in the process of contesting these claims and believes no resulting liability can reasonably be recorded at June 30, 2017.

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 No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This pronouncement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. The District has implemented this pronouncement.

WACHUSETT REGIONAL SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2017

The GASB issued Statement No. 80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 41*. The objective of this pronouncement is to improve financial reporting by clarifying the financial statement presentation for certain component units. The District has assessed this pronouncement and determined that it does not have an effect on financial reporting.

The GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. The pronouncement issues guidance improving accounting and financial reporting for these agreements which are used by donors to provide resources to two or more beneficiaries, including governments. The District has assessed this pronouncement and determined that it does not have a significant effect on financial reporting.

Future pronouncements

The GASB issued Statement No. 75, *Accounting and 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 No. 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.

The GASB issued Statement No. 83, *Certain Asset Retirement Obligations*, which is required to be implemented in fiscal year 2019. The pronouncement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations. The District does not expect this pronouncement to have a material effect on the financial statements.

The GASB issued Statement No. 84, *Fiduciary Activities*, which is required to be implemented in fiscal year 2020. The pronouncement establishes criteria for identifying fiduciary activities and its objective is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The District expects to implement the pronouncement as applicable.

The GASB issued Statement No. 85, *Omnibus 2017*, which is required to be implemented in fiscal year 2018. This pronouncement addresses practice issues that have been identified during implementation and application of certain GASB Statements. The District expects to implement the pronouncement as applicable.

The GASB issued Statement No. 86, *Certain Debt Extinguishing Issues*, which is required to be implemented in fiscal year 2018. This pronouncement improves the consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transaction in which cash and other monetary assets acquired with only existing resources – resources other than the proceeds of refunding debt – are placed in an irrevocable trust for the sole purpose of extinguishing debt. The District expects to implement the pronouncement as applicable.

The GASB issued Statement No. 87, *Leases*, which is required to be implemented in fiscal year 2021. This pronouncement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The District expects to implement the pronouncement as applicable.

REQUIRED SUPPLEMENTARY INFORMATION

WACHUSETT REGIONAL SCHOOL DISTRICT
Required Supplementary Information
Schedule of Changes in District's Net OPEB Liability and Related Ratios -
Other Postemployment Benefits
For the Year Ended June 30, 2017

Total OPEB liability	2017
Service cost	\$ 9,091,033
Interest	4,278,911
Changes of benefit terms	
Differences between expected and actual experience	
Changes of assumptions	(19,679,264)
Benefits payments	(2,922,743)
Net change in total OPEB liability	(9,232,063)
Total OPEB liability - beginning	142,507,576
Total OPEB liability - ending (a)	\$ 133,275,513
Plan fiduciary net position	
Contributions - employer	\$ 2,922,743
Net investment income	
Benefit payments	(2,922,743)
Administrative expense	
Net change in fiduciary net position	
Plan fiduciary net position - beginning	
Plan fiduciary net position - ending (b)	
District's net OPEB liability - ending (a-b)	\$ 133,275,513
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%
Covered - employee payroll	\$ 56,327,718
District's net OPEB liability as a percentage of covered-employee payroll	236.61%

*This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the District will present information for those years which is available.

See Independent Auditor's Report.

WACHUSETT REGIONAL SCHOOL DISTRICT
Required Supplementary Information
Schedule of Contributions – Other Postemployment Benefits
For the Year Ended June 30, 2017

	<u>2017</u>
Actuarially determined contribution	\$ 13,378,565
Contributions in relation to the actuarially determined contribution	<u>\$ 2,922,743</u>
Contribution deficiency (excess)	<u><u>\$ 10,455,822</u></u>
Covered-employee payroll	\$ 56,327,718
Contributions as a percentage of covered-employee payroll	5.19%

*This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the District will present information for those years which information is available.

Notes to the Schedule:

Valuation Date: Actuarially determined contribution rates are calculated as of July 1, and change based on biannual valuations. The date of the most recent valuation was July 1, 2016.

Actuarial Cost Method:	Entry Age Normal
Investment Rate of Return:	4 percent, net of investment expense, including inflation
Medical Inflation Assumption:	8 percent for 2016, decreasing 1 percent per year to an ultimate rate of 5 percent for 2019 and later years.
Actuarial Value of Assets:	Market Value
Amortization of UAAL:	Level dollar amount over 30 years on an open amortization period
Remaining Amortization Period:	30 years
Mortality:	Pre-Retirement: General employees: RP-2000 Employees Mortality Table, base year 2009, projected with generational mortality improvement using scale BB. Teachers: RP-2014 Employees Mortality Table, base year 2014, projected with generational mortality improvement using scale BB; Post-Retirement: General employees: RP-2000 Healthy Annuitant Mortality Table, base year 2009, projected with generational mortality improvement scale BB. Teachers: RP-2014 Healthy Annuitant Mortality Table, base year 2014, with generational mortality improvement using scale BB.

See Independent Auditor's Report.

WACHUSETT REGIONAL SCHOOL DISTRICT
Required Supplementary Information
Schedule of Investment Returns – Other Postemployment Benefits
For the Year Ended June 30, 2017

	<u>2017</u>
Annual money-weighted rate of return, net of investment expense	N/A

*This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the District will present information for those years which information is available.

See Independent Auditor's Report.

WACHUSETT REGIONAL SCHOOL DISTRICT

Required Supplementary Information Schedule of Pension Plan Contributions June 30, 2017

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, 2017, the following is presented.

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability	\$ 1,444,178,575	\$ 1,279,439,605	\$ 1,142,996,656
Less:			
Plan fiduciary net position	<u>(606,584,812)</u>	<u>(569,632,634)</u>	<u>(547,938,846)</u>
Net pension liability	<u>\$ 837,593,763</u>	<u>\$ 709,806,971</u>	<u>\$ 595,057,810</u>
 Plan fiduciary net position as a percentage of total pension liability	 42.00%	 44.52%	 47.94%
 District's proportionate/allocated share of collective net pension liability	 \$ 24,584,493	 \$ 21,453,126	 \$ 19,556,058
District's proportionate share of pension expense	\$ 2,654,061	\$ 2,722,389	\$ 1,749,597
District's share of collective net pension liability as a percentage of the total	2.935%	3.022%	3.286%
Actuarially determined contribution	\$ 1,425,736	\$ 1,359,653	\$ 1,298,737
Contributions in relation to actuarial determined contribution	<u>\$ (1,425,736)</u>	<u>\$ (1,359,653)</u>	<u>\$ (1,298,737)</u>
Contribution deficiency(excess)	<u>\$</u>	<u>\$</u>	<u>\$</u>
 District's covered payroll	 \$ 12,325,281	 \$ 10,975,602	 \$ 10,553,463
District's contributions as a percentage of covered payroll	11.57%	12.39%	12.31%
District's proportionate share of the collective net pension liability as a percentage of covered payroll	 199.46%	 195.46%	 185.31%

*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, 2017

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, 2016, the following is presented

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability	\$ 47,300,000,000	\$ 45,918,711,000	\$ 41,435,000,000
Less:			
Plan fiduciary net position	(24,942,072,000)	(25,429,068,000)	(25,538,646,000)
Net pension liability	<u>\$ 22,357,928,000</u>	<u>\$ 20,489,643,000</u>	<u>\$ 15,896,354,000</u>
 Plan fiduciary net position as a percentage of total pension liability	 52.73%	 55.38%	 61.64%
 Commonwealth's proportionate/allocated share of collective net pension liability associated with the District	 \$ 144,364,023	 \$ 131,776,121	 \$ 103,660,015
Commonwealth's proportionate share of collective pension expense associated with the District	\$ 14,726,077	\$ 10,688,216	\$ 7,201,759
Commonwealth's proportionate share of collective net pension liability as a percentage of the total	0.645695%	0.643135%	0.652099%
Actuarially determined contribution	\$ 7,261,380	\$ 6,572,392	\$ 6,112,644
Contributions in relation to actuarial determined contribution	<u>\$ (7,261,380)</u>	<u>\$ (6,572,392)</u>	<u>\$ (6,112,644)</u>
Contribution deficiency(excess)	<u>\$</u>	<u>\$</u>	<u>\$</u>
 District's covered payroll -approximate	 \$44.8 million	 \$41.0 million	 \$40.0 million
Commonwealth's contributions on behalf of the District as a percentage of covered payroll	16.21%	16.12%	15.28%
Commonwealth's proportionate share of the collective net pension liability as a percentage of covered payroll	322.24%	323.23%	259.15%

*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
 Budgetary Comparison Schedule – General Fund
 June 30, 2017

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Town assessments	\$ 56,539,230	\$ 56,539,230	\$ 56,539,230	\$
Intergovernmental	28,861,435	28,861,435	28,795,307	(66,128)
Interest income	25,000	25,000	13,253	(11,747)
Departmental and miscellaneous	1,300,000	1,300,000	1,141,133	(158,867)
Total revenues	<u>86,725,665</u>	<u>86,725,665</u>	<u>86,488,923</u>	<u>(236,742)</u>
EXPENDITURES				
Salaries	56,177,952	55,906,615	55,571,893	334,722
Employee benefits and other costs	13,254,409	13,090,213	13,041,460	48,753
Instructional support	2,938,690	2,437,343	2,411,332	26,011
Pupil services	71,186	74,690	74,826	(136)
Operations and maintenance of facilities	3,621,548	3,449,573	3,281,118	168,455
Special education tuition	1,548,797	2,134,617	2,100,826	33,791
Other operating costs	1,137,237	1,084,565	1,061,890	22,675
Transportation	5,965,064	6,302,183	6,283,641	18,542
Debt service	2,551,056	2,551,056	2,551,056	
Total expenditures	<u>87,265,939</u>	<u>87,030,855</u>	<u>86,378,042</u>	<u>652,813</u>
Excess (deficiency) of revenues over expenditures	(540,274)	(305,190)	<u>\$ 110,881</u>	<u>\$ 416,071</u>
OTHER BUDGETARY ITEMS				
Use of available fund balance	150,000	150,000		
Encumbrances	390,274	155,190		
Total other budgetary items	<u>540,274</u>	<u>305,190</u>		
Net Budget	<u>\$</u>	<u>\$</u>		

See Independent Auditor's Report.

WACHUSETT REGIONAL SCHOOL DISTRICT

Notes to the Required Supplementary Information

June 30, 2017

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, 2017, is presented in the following schedule.

	<u>Revenues</u>	<u>Expenditures</u>
As reported on a budgetary basis	\$ 86,488,923	\$ 86,378,042
Amounts previously recognized as expenditures per GAAP		(79,240)
State funded teacher's pension	<u>7,261,380</u>	<u>7,261,380</u>
As reported on a GAAP basis	<u>\$ 93,750,303</u>	<u>\$ 93,560,182</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, 2017

Schedule 1	Assets			Liabilities			Fund Balance	Total liabilities & fund balance
	Cash	Receivables	Total	Warrants Payable	Interfund payable	Total		
Capital projects	\$ 2,197	\$	\$ 2,197	\$	\$	\$	\$ 2,197	\$ 2,197
Federal grants:								
MASSexcels	\$	\$	\$	\$	\$	\$	\$	\$
Teacher quality		15,020	15,020	1,800	13,220	15,020	-	15,020
SPED 94-142		547,571	547,571	37,541	457,274	494,815	52,756	547,571
EEC		31,738	31,738		31,738	31,738	-	31,738
SPED program improvement		9,485	9,485		3,076	3,076	6,409	9,485
Title I		100,565	100,565	2,497	92,780	95,277	5,288	100,565
Title III		3,197	3,197		12,927	12,927	(9,730)	3,197
Total federal grants		707,576	707,576	41,838	611,015	652,853	54,723	707,576
Food service program	\$	\$ 45,988	\$ 45,988	\$	\$ 24,870	\$ 24,870	\$ 21,118	\$ 45,988
Athletic revolving funds:								
High school athletic fees	\$ 11,665	\$	\$ 11,665	\$ 3,672	\$	\$ 3,672	\$ 7,993	\$ 11,665
Mount View athletic fees	20,186		20,186	6,826		6,826	13,360	20,186
Paxton athletic fees	8,925		8,925	1,436		1,436	7,489	8,925
Princeton athletic fees	30,732		30,732	3,836		3,836	26,896	30,732
Central Tree athletic fees	27,437		27,437	342		342	27,095	27,437
Sterling athletic fees	28,749		28,749	2,650		2,650	26,099	28,749
High school athletic revolving	57,249		57,249	816		816	56,433	57,249
HS athletic transportation	15,031		15,031				15,031	15,031
HS athletic gatorade					314	314	(314)	
HS athletic invitational	3,568		3,568				3,568	3,568
HS athletic water	1,398		1,398				1,398	1,398
District revolving								
Total athletic revolving funds	204,940		204,940	19,578	314	19,892	185,048	204,940
State grants:								-
Essential school health services	\$ 424	\$	\$ 424	\$ 424	\$	\$ 424	\$	\$ 424
Academic support								
Total state grants	424		424	424		424		424
District revolving funds:								
EEC tuition	\$ 113,316	\$	\$ 113,316	\$	\$	\$	\$ 113,316	\$ 113,316
District tuition								
School choice								
Circuit breaker								
Professional development								
Insurance reimbursement	5,569		5,569	5,569		5,569		5,569
Adult education revolving	75		75				75	75
Total district revolving	118,960		118,960	5,569		5,569	113,391	118,960
Program initiatives:								
WRHS	\$ 30,002	\$	\$ 30,002	\$	\$	\$	\$ 30,002	\$ 30,002
Dawson	15,104		15,104				15,104	15,104
Mount View	1,245		1,245				1,245	1,245
Mayo	21		21				21	21
Paxton	1,081		1,081				1,081	1,081
Naquag					633	633	(633)	
Central Tree					127	127	(127)	
Glenwood	518		518	826		826	(308)	518
Chocksett	1,440		1,440				1,440	1,440
Davis Hill	3,598		3,598				3,598	3,598
Total program initiatives	53,009		53,009	826	760	1,586	51,423	53,009

See Independent Auditor's Report.

WACHUSETT REGIONAL SCHOOL DISTRICT
Combining Schedule of Assets, Liabilities and Fund Balance – Other Governmental Funds
June 30, 2017

	Assets			Liabilities			Total	
	Cash	Receivables	Total	Warrants	Interfund	Total	Fund	liabilities &
				Payable	payable		Balance	fund balance
School revolving funds:								
Admin bldg use	\$	\$	\$	\$	\$	\$	\$	\$
WRHS bldg use	4,376		4,376				4,376	4,376
Dawson bldg use	7,703		7,703				7,703	7,703
Mount View bldg use	11,398		11,398				11,398	11,398
Mayo bldg use	14,431		14,431				14,431	14,431
Davis Hill bldg use	8,385		8,385				8,385	8,385
Paxton bldg use	4,927		4,927				4,927	4,927
Thos. Prince bldg use	777		777				777	777
Naquag bldg use	2,894		2,894				2,894	2,894
Central Tree bldg use	1,856		1,856				1,856	1,856
Glenwood bldg use	3,090		3,090				3,090	3,090
Sterling bldg use	6,971		6,971				6,971	6,971
Houghton bldg use	2,105		2,105				2,105	2,105
WRHS damaged property	4,694		4,694				4,694	4,694
Mount View damaged property	208		208				208	208
Davis Hill damaged property	15		15				15	15
Central Tree damaged property	100		100				100	100
WRHS lost books	9,385		9,385				9,385	9,385
Dawson lost books	117		117				117	117
Mount View lost books	670		670				670	670
Davis Hill lost books	259		259				259	259
Mayo lost books	192		192				192	192
Paxton lost books	100		100				100	100
Thos. Prince lost books	18		18				18	18
Naquag lost books	115		115				115	115
Central Tree lost books	338		338				338	338
Glenwood lost books	779		779				779	779
Sterling lost books	170		170				170	170
Houghton lost books	99		99				99	99
Dawson gift & grant	16,838		16,838	12,151		12,151	4,687	16,838
Mount View gift & grant	800		800	374		374	426	800
Mayo gift & grant	488		488				488	488
Davis Hill gift & grant	17,194		17,194				17,194	17,194
Paxton gift & grant	9,434		9,434	270		270	9,164	9,434
Naquag gift & grant	1,995		1,995				1,995	1,995
Thos. Prince gift & grant	9,595		9,595				9,595	9,595
Central Tree gift & grant	2,487		2,487				2,487	2,487
Glenwood gift & grant	2,242		2,242				2,242	2,242
Sterling gift & grant	1,653		1,653				1,653	1,653
Houghton gift & grant	5,850		5,850	219		219	5,631	5,850
ECC gift & grant	2,020		2,020				2,020	2,020
Admin gift & grant	2,961		2,961				2,961	2,961
Dawson kindergarten tuition	10,665		10,665				10,665	10,665
Mayo kindergarten tuition	65,457		65,457				65,457	65,457
Davis Hill kindergarten tuition	107,232		107,232				107,232	107,232
Paxton kindergarten tuition	35,172		35,172				35,172	35,172
Princeton kindergarten tuition					1,001	1,001	(1,001)	
Naquag kindergarten tuition	114,085		114,085				114,085	114,085
Houghton kindergarten tuition	20,698		20,698				20,698	20,698
Davis Hill extended day tuition								
Princeton extended day tuition	25,647		25,647				25,647	25,647
Sterling extended day tuition	282		282				282	282
WRHS parking	45,094		45,094	1,922		1,922	43,172	45,094
WRHS performing arts								
WRHS summer school	4,961		4,961				4,961	4,961
WRHS locker fees	20,657		20,657				20,657	20,657
WRHS applied arts	35,590		35,590	4		4	35,586	35,590
WRHS driver's education	32,115		32,115				32,115	32,115
Total school revolving	677,384		677,384	14,940	1,001	15,941	661,443	677,384
Total Other governmental Funds	<u>\$ 1,056,914</u>	<u>\$ 753,564</u>	<u>\$ 1,810,478</u>	<u>\$ 83,175</u>	<u>\$ 637,960</u>	<u>\$ 721,135</u>	<u>\$ 1,089,343</u>	<u>\$ 1,810,478</u>

See Independent Auditor's Report.

WACHUSETT REGIONAL SCHOOL DISTRICT
Combining Schedule of Revenues, Expenditures and Changes in Fund Balance - Other Governmental Funds
June 30, 2017

Schedule 2	<u>Beginning Fund Balance</u>	<u>Revenue</u>	<u>(Expenses)</u>	<u>Transfers In(Out)</u>	<u>Net Change</u>	<u>Ending Fund Balance</u>
Capital projects	\$ 2,197	\$	\$	\$	\$	\$ 2,197
Federal grants:						
MASSexcels	\$ (11,315)	\$ 35,506	\$ (24,191)	\$	\$ 11,315	\$
Teacher quality	(840)	42,015	(41,175)		840	
SPED 94-142	199,784	1,604,698	(1,751,726)		(147,028)	52,756
EEC		63,477	(63,477)			
SPED program improvement	14,047	61,055	(68,693)		(7,638)	6,409
Title I		422,913	(417,625)		5,288	5,288
Title III	(951)	25,069	(33,848)		(8,779)	(9,730)
Total federal grants	200,725	2,254,733	(2,400,735)		(146,002)	54,723
Food service program	\$ 4,815	\$ 1,883,723	\$ (1,867,420)	\$	\$ 16,303	\$ 21,118
Athletic revolving funds:						
High school athletic fees	\$ 20,217	\$ 125,773	\$ (137,997)	\$	\$ (12,224)	\$ 7,993
Mount View athletic fees	25,556	29,203	(41,399)		(12,196)	13,360
Paxton athletic fees	9,184	6,188	(7,883)		(1,695)	7,489
Princeton athletic fees	27,108	17,538	(17,750)		(212)	26,896
Central Tree athletic fees	28,176	16,920	(18,001)		(1,081)	27,095
Sterling athletic fees	29,712	17,441	(21,054)		(3,613)	26,099
High school athletic revolving	63,049	103,731	(110,347)		(6,616)	56,433
HS athletic transportation	16,772	125,900	(127,641)		(1,741)	15,031
HS athletic gatorade	292	788	(1,394)		(606)	(314)
HS athletic invitational	4,284	3,031	(3,747)		(716)	3,568
HS athletic water	475	15,666	(14,743)		923	1,398
District revolving						
Total athletic revolving funds	224,825	462,179	(501,956)		(39,777)	185,048
State grants:						
Essential school health services	\$	\$ 3,000	\$ (3,000)	\$	\$	\$
Academic support	1,155		(1,155)		(1,155)	
Total state grants	1,155	3,000	(4,155)		(1,155)	
District revolving funds:						
EEC tuition	\$ 95,461	\$ 148,423	\$ (130,568)	\$	\$ 17,855	\$ 113,316
District tuition	(275)		275		275	
School choice		872,129	(872,129)			
Circuit breaker		2,330,270	(2,330,270)			
Professional development						
Insurance reimbursement	4,366	38,969	(43,335)		(4,366)	
Adult education revolving	75					75
Total district revolving	99,627	3,389,791	(3,376,027)		13,764	113,391
Program initiatives:						
WRHS	\$ 8,838	\$ 65,450	\$ (44,286)	\$	\$ 21,164	\$ 30,002
Dawson	17,657	49,987	(52,540)		(2,553)	15,104
Mount View	639	840	(234)		606	1,245
Mayo	(303)	1,125	(801)		324	21
Paxton	846	880	(645)		235	1,081
Naquag	(633)					(633)
Central Tree	(230)	3,080	(2,977)		103	(127)
Glenwood	(3,653)	18,555	(15,210)		3,345	(308)
Chocksett	1,440					1,440
Davis Hill	83	6,720	(3,205)		3,515	3,598
Total program initiatives	24,684	146,637	(119,898)		26,739	51,423

See Independent Auditor's Report.

WACHUSETT REGIONAL SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures and Changes in Fund Balance - Other Governmental Funds June 30, 2017

Schedule 2 (continued)	Beginning			Transfers	Net	Ending
	Fund Balance	Revenue	(Expenses)	In/Out	Change	Fund Balance
School revolving funds:						
Admin bldg use	\$ (11,891)	\$	\$ 11,891	\$	\$ 11,891	\$
WRHS bldg use	8,124	943	(4,691)		(3,748)	4,376
Dawson bldg use	5,853	5,520	(3,670)		1,850	7,703
Mount View bldg use	7,132	28,035	(23,769)		4,266	11,398
Mayo bldg use	11,171	6,880	(3,620)		3,260	14,431
Davis Hill bldg use	5,929	3,870	(1,414)		2,456	8,385
Paxton bldg use	4,249	2,225	(1,547)		678	4,927
Thos. Prince bldg use	1,549	2,835	(3,607)		(772)	777
Naquag bldg use	2,242	1,350	(698)		652	2,894
Central Tree bldg use	1,466	5,435	(5,045)		390	1,856
Glenwood bldg use	1,491	6,275	(4,676)		1,599	3,090
Sterling bldg use	9,035	3,310	(5,374)		(2,064)	6,971
Houghton bldg use	1,728	3,326	(2,949)		377	2,105
WRHS damaged property	5,281	125	(712)		(587)	4,694
Mount View damaged property	208					208
Davis Hill damaged property	15					15
Central Tree damaged property	100					100
WRHS lost books	6,913	8,987	(6,515)		2,472	9,385
Dawson lost books	132	59	(74)		(15)	117
Mount View lost books	611	59			59	670
Davis Hill lost books	563	144	(448)		(304)	259
Mayo lost books	186	6			6	192
Paxton lost books	92	8			8	100
Thos. Prince lost books	18					18
Naquag lost books	67	48			48	115
Central Tree lost books	290	48			48	338
Glenwood lost books	779					779
Sterling lost books	500	29	(359)		(330)	170
Houghton lost books	512	160	(573)		(413)	99
Dawson gift & grant	2,313	16,377	(14,003)		2,374	4,687
Mount View gift & grant	792	3,655	(4,021)		(366)	426
Mayo gift & grant	338	7,385	(7,235)		150	488
Davis Hill gift & grant	4,818	20,469	(8,093)		12,376	17,194
Paxton gift & grant	6,043	6,555	(3,434)		3,121	9,164
Naquag gift & grant	3,299	4,618	(5,922)		(1,304)	1,995
Thos. Prince gift & grant	7,252	18,389	(16,046)		2,343	9,595
Central Tree gift & grant	2,846		(359)		(359)	2,487
Glenwood gift & grant	2,119	4,910	(4,787)		123	2,242
Sterling gift & grant	253	8,912	(7,512)		1,400	1,653
Houghton gift & grant	2,060	14,636	(11,065)		3,571	5,631
ECC gift & grant	2,101	868	(949)		(81)	2,020
Admin gift & grant	2,844	24,100	(23,983)		117	2,961
Dawson kindergarten tuition	66,894	117,849	(174,078)		(56,229)	10,665
Mayo kindergarten tuition	60,375	102,060	(96,978)		5,082	65,457
Davis Hill kindergarten tuition	88,962	115,329	(97,059)		18,270	107,232
Paxton kindergarten tuition	25,826	55,012	(45,666)		9,346	35,172
Princeton kindergarten tuition	12,080	59,810	(72,891)		(13,081)	(1,001)
Naquag kindergarten tuition	142,450	156,236	(184,601)		(28,365)	114,085
Houghton kindergarten tuition	93,451	66,176	(138,929)		(72,753)	20,698
Davis Hill extended day tuition	145		(145)		(145)	
Princeton extended day tuition	12,419	47,583	(34,355)		13,228	25,647
Sterling extended day tuition	282					282
WRHS parking	22,654	65,337	(44,819)		20,518	43,172
WRHS performing arts	(3,260)	21,050	(17,790)		3,260	
WRHS summer school	4,711	1,000	(750)		250	4,961
WRHS locker fees	20,754	2,243	(2,340)		(97)	20,657
WRHS applied arts	37,127	61,991	(63,532)		(1,541)	35,586
WRHS driver's education	9,076	110,414	(87,375)		23,039	32,115
Total school revolving	695,369	1,192,641	(1,226,567)		(33,926)	661,443
Total Other governmental funds	\$ 1,253,397	\$ 9,332,704	\$ (9,496,758)	\$	\$ (164,054)	\$ 1,089,343

See Independent Auditor's Report.

WACHUSETT REGIONAL SCHOOL DISTRICT
Combining Schedules for Fiduciary Fund – Private Purpose Trust Funds
June 30, 2017

Schedule 3	Schedule of Assets, Liabilities and Net Position - Private Purpose Trust Funds - June 30, 2017				Schedule of Changes in Fiduciary Net Position - Private Purpose Trust Funds - For the Year Ended June 30, 2017				
			Amounts	Beginning				Net	Ending
	Cash	Accounts Payable	Held in Trust	Net Position	Donations	Interest	(Awards)	Change	Net Position
Scholarships:									
Atlas scholarship	\$ 10,789	\$	\$ 10,724	\$ 10,724	\$	\$ 65	\$	\$ 65	\$ 10,789
Bailey scholarship	2,130		2,117	2,117		13		13	2,130
Bradshaw scholarship	7,421		7,377	7,377		44		44	7,421
Finocchio scholarship	8,085		8,037	8,037		48		48	8,085
Early adopters									
Fitzgerald scholarship	9,224		9,169	9,169		55		55	9,224
Green scholarship	6,755		6,715	6,715		40		40	6,755
Griffin scholarship	18,658		18,650	18,650		113	(105)	8	18,658
Hayman scholarship	3,232		3,213	3,213		19		19	3,232
Hewson scholarship	16,388		15,793	15,793	500	95		595	16,388
Lionett scholarship	8,137		8,089	8,089		48		48	8,137
Ljunberg scholarship	2,182		2,169	2,169		13		13	2,182
Erickson scholarship									
Naroian scholarship	10,896		10,831	10,831		65		65	10,896
Shilale scholarship	4,734		4,706	4,706		28		28	4,734
Tarkiainen scholarship	7,407		7,363	7,363		44		44	7,407
Thibodeau scholarship	4,498		4,471	4,471		27		27	4,498
Wachusett scholarship	59,350		58,995	58,995		355		355	59,350
Wesley scholarship	6,053		6,017	6,017		36		36	6,053
White scholarship	1,172		1,165	1,165		7		7	1,172
D'Errico scholarship	3,984		3,960	3,960		24		24	3,984
Total scholarships	191,095		189,561	189,561	500	1,139	(105)	1,534	191,095
Total Private Purpose Trust Funds	\$ 191,095	\$	\$ 189,561	\$ 189,561	\$ 500	\$ 1,139	\$ (105)	\$ 1,534	\$ 191,095

See Independent Auditor's Report.

WACHUSETT REGIONAL SCHOOL DISTRICT
Combining Schedules for Fiduciary Fund – Agency Funds
June 30, 2017

Schedule 4

	Schedule of Assets and Liabilities - Agency Funds - June 30, 2017			Schedule of Changes in Amounts due to Students - For year ended June 30, 2017				
	<u>Cash</u>	<u>Accounts Payable</u>	<u>Due to Students</u>	<u>Beginning Balance</u>	<u>Increase</u>	<u>(Decrease)</u>	<u>Net Change</u>	<u>Ending Balance</u>
Student activities:								
WRHS	\$ 246,785	\$	\$ 246,785	\$ 228,572	\$ 405,931	\$ (387,718)	\$ 18,213	\$ 246,785
Dawson	3,498	342	3,156	3,374	10,339	(10,557)	(218)	3,156
Mount View	48,038	12,224	35,814	49,102	200,997	(214,285)	(13,288)	35,814
Mayo	10,031	3,909	6,122	4,825	19,550	(18,253)	1,297	6,122
Davis Hill	63,078	21,090	41,988	46,013	70,570	(74,595)	(4,025)	41,988
Paxton	26,160	5,968	20,192	31,912	72,893	(84,613)	(11,720)	20,192
Princeton	19,222		19,222	42,993	52,558	(76,329)	(23,771)	19,222
Naquag	10,506		10,506	12,254	11,852	(13,600)	(1,748)	10,506
Central Tree	28,476	2,645	25,831	18,074	73,277	(65,520)	7,757	25,831
Glenwood	19,657	2,141	17,516	15,672	28,151	(26,307)	1,844	17,516
Sterling	41,132		41,132	24,791	57,896	(41,555)	16,341	41,132
Houghton	2,510		2,510	4,395	7,865	(9,750)	(1,885)	2,510
ECC	<u>5,861</u>	<u>1,996</u>	<u>3,865</u>	<u>3,081</u>	<u>6,222</u>	<u>(5,438)</u>	<u>784</u>	<u>3,865</u>
Total student activities	<u>524,954</u>	<u>50,315</u>	<u>474,639</u>	<u>485,058</u>	<u>1,018,101</u>	<u>(1,028,520)</u>	<u>(10,419)</u>	<u>474,639</u>
Total Student Activities	<u>\$ 524,954</u>	<u>\$ 50,315</u>	<u>\$ 474,639</u>	<u>\$ 485,058</u>	<u>\$ 1,018,101</u>	<u>\$ (1,028,520)</u>	<u>\$ (10,419)</u>	<u>\$ 474,639</u>

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