



## **WACHUSETT REGIONAL SCHOOL DISTRICT**

Financial Statements  
For the Year Ended June 30, 2020

(With Independent Auditors' Report Thereon)

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## INDEPENDENT AUDITORS' REPORT

To the School Committee  
Wachusett Regional School District

### 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 (the District), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

#### ***Management's Responsibility for the Financial Statements***

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

#### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the

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

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

### ***Opinion***

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, 2020, 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 Management's Discussion and Analysis, the Budgetary Comparison for the General Fund and certain Pension and OPEB schedules be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2021 on our consideration of the 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial



reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Melanson*

Greenfield, Massachusetts  
March 26, 2021



## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Wachusett Regional School District (the District), we offer readers this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2020.

### **Overview of the Financial Statements**

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

#### ***Government-Wide Financial Statements***

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

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

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

#### ***Fund Financial Statements***

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. The District's funds are categorized in two categories: governmental funds and fiduciary funds.

#### ***Governmental Funds***

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Reconciliations are provided to facilitate the comparison between governmental funds and governmental activities.

### ***Fiduciary Funds***

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

### ***Notes to the Financial Statements***

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

### ***Required Supplementary Information (other than MD&A)***

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

### **Financial Highlights**

- As of the close of the current fiscal year, net position in governmental activities was a deficit of \$(142,242,801), a change of \$(16,455,650) as further discussed in the Government-Wide Financial Analysis Section.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$5,260,200, a change of \$3,415,503 in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$1,408,047, a change of \$106,996 in comparison to the prior year.



## Government-Wide Financial Analysis

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

	<b>NET POSITION</b>	
	<u>Governmental Activities</u>	
	<u>2020</u>	<u>2019</u>
Current assets	\$ 11,652,996	\$ 8,498,034
Capital assets	<u>64,727,054</u>	<u>66,582,959</u>
Total Assets	76,380,050	75,080,993
Deferred Outflows of Resources	67,398,002	30,390,840
Current liabilities	8,647,239	8,733,429
Noncurrent liabilities	<u>269,667,005</u>	<u>214,530,832</u>
Total Liabilities	278,314,244	223,264,261
Deferred Inflows of Resources	7,706,609	7,994,723
Net investment in capital assets	52,993,058	53,333,526
Restricted	2,249,458	485,764
Unrestricted	<u>(197,485,317)</u>	<u>(179,606,441)</u>
Total Net Position	\$ <u>(142,242,801)</u>	\$ <u>(125,787,151)</u>

As noted earlier, net position may serve over time as a useful indicator of the District's financial position. At the close of the most recent fiscal year, total net position was \$(142,242,801), a change of \$(16,455,650) in comparison to the prior year.

The largest portion of net position, \$52,993,058, reflects our investment in capital assets (e.g., land and buildings), less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to individuals served by the District; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net position, \$2,249,458, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position reflects a deficit of \$(197,485,317), primarily resulting from unfunded pension and OPEB liabilities.

## CHANGES IN NET POSITION

	<u>Governmental Activities</u>	
	<u>2020</u>	<u>2019</u>
<b>Revenues</b>		
Program revenues:		
Charges for services	\$ 2,068,227	\$ 3,285,093
Operating grants and contributions	25,385,200	20,970,916
General revenues:		
Assessments to members	65,526,418	62,670,743
Grants and contributions not restricted to specific programs	31,673,347	30,616,170
Investment income	99,520	102,387
Miscellaneous	<u>156,237</u>	<u>286,056</u>
Total Revenues	124,908,949	117,931,365
<b>Expenses</b>		
Administration	2,751,826	2,940,015 *
Instruction	109,126,152	99,214,544 *
Other school services	10,468,453	12,663,683 *
Operation and maintenance	8,881,987	8,315,308 *
Fixed charges	1,075,930	1,279,236 *
Programs with other districts	6,229,049	6,723,957
Interest on long-term debt	474,627	560,953
Depreciation	<u>2,356,575</u>	<u>2,272,441</u>
Total Expenses	<u>141,364,599</u>	<u>133,970,137</u>
Change in Net Position	(16,455,650)	(16,038,772)
Net Position - Beginning of Year	<u>(125,787,151)</u>	<u>(109,748,379)</u>
Net Position - End of Year	<u>\$ (142,242,801)</u>	<u>\$ (125,787,151)</u>

\* Fiscal year 2019 amounts above reflect certain reclassifications from the 2019 audited financial statements to be consistent with the current year presentation.

### ***Governmental Activities***

Governmental activities for the year resulted in a change in net position of \$(16,455,650). Key elements of this change are as follows:

General fund operations	\$ 1,651,809
Other governmental funds operations	1,763,694
Depreciation expense in excess of principal debt service	(421,575)
Capital asset purchases	500,670
Change in accrued interest liability	27,479
Change in pension expense from GASB 68	(1,299,536)
Change in OPEB expense from GASB 75	(18,363,311)
Change in capital lease liability	(301,950)
Change in compensated absence liability	<u>(12,930)</u>
Total	<u>\$ (16,455,650)</u>

## Financial Analysis of the District's Funds

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

### **Governmental Funds**

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

#### *General Fund*

The general fund is the chief operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was \$1,408,047, while total fund balance was \$3,010,175. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to General Fund expenditures. Refer to the table below.

<u>General Fund</u>	<u>06/30/20</u>	<u>06/30/19</u>	<u>Change</u>	<u>% of General Fund Expenditures*</u>
Unassigned Fund Balance	\$ 1,408,047	\$ 1,301,051	\$ 106,996	1.5%
Total Fund Balance	\$ 3,010,175	\$ 1,358,366	\$ 1,651,809	3.1%

\* Expenditure amounts used to calculate the above percentages have been adjusted to exclude the on-behalf payment from the Commonwealth to the Massachusetts Teachers Retirement System of \$9,196,366.

The total fund balance of the General Fund changed by \$1,651,809 during the current fiscal year. Key factors in this change are as follows:

Revenues less than budget	\$ (397,435)
Expenditures less than budget	504,431
Current year encumbrances	1,602,128
Prior year encumbrances	<u>(57,315)</u>
Total	\$ <u>1,651,809</u>

### **General Fund Budgetary Highlights**

There was no overall change in the General Fund budget; however, there were line items transfers approved by the School Committee as needed during the fiscal year.

## **Capital Asset and Debt Administration**

### ***Capital Assets***

Total investment in capital assets at year-end amounted to \$64,727,054 (net of accumulated depreciation). This investment in capital assets includes land, buildings, and machinery and equipment.

Additional information on capital assets can be found in the Notes to the Financial Statements.

### ***Long-Term Debt***

At the end of the current fiscal year, total bonded debt outstanding was \$11,315,000, all of which was backed by the full faith and credit of the District.

Additional information on long-term debt can be found in the Notes to the Financial Statements.

## **Requests for Information**

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

Wachusett Regional School District  
1745 Main Street  
Jefferson, Massachusetts 01522

**WACHUSETT REGIONAL SCHOOL DISTRICT**

Statement of Net Position  
June 30, 2020

	<u>Governmental Activities</u>
<b>Assets</b>	
Current:	
Cash and short-term investments	\$ 11,286,169
Intergovernmental receivables	<u>366,827</u>
Total Current Assets	11,652,996
Noncurrent:	
Capital assets:	
Land	695,000
Capital assets, net of accumulated depreciation	<u>64,032,054</u>
Total Noncurrent Assets	<u>64,727,054</u>
Total Assets	76,380,050
<b>Deferred Outflows of Resources</b>	
Related to pensions	1,622,574
Related to OPEB	<u>65,775,428</u>
Total Deferred Outflows of Resources	67,398,002
<b>Liabilities</b>	
Current:	
Warrants payable	554,673
Accrued payroll and related liabilities	5,838,123
Accrued interest on bonds payable	117,613
Current portion of long-term liabilities:	
Bonds payable	1,990,000
Capital leases	<u>146,830</u>
Total Current Liabilities	8,647,239
Noncurrent:	
Bonds payable, net of current portion	9,325,000
Capital leases, net of current portion	155,120
Net pension liability	27,581,353
Net OPEB liability	232,334,002
Compensated absences	<u>271,530</u>
Total Noncurrent Liabilities	<u>269,667,005</u>
Total Liabilities	278,314,244
<b>Deferred Inflows of Resources</b>	
Related to pensions	1,461,052
Related to OPEB	<u>6,245,557</u>
Total Deferred Inflows of Resources	7,706,609
<b>Net Position</b>	
Net investment in capital assets	52,993,058
Restricted for:	
Grants and other statutory restrictions	2,249,458
Unrestricted	<u>(197,485,317)</u>
Total Net Position	<u>\$ (142,242,801)</u>

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

**WACHUSETT REGIONAL SCHOOL DISTRICT**

Statement of Activities  
For the Year Ended June 30, 2020

		Program Revenues		Net (Expenses) Revenues and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>				
Administration	\$ 2,751,826	\$ -	\$ -	\$ (2,751,826)
Instruction	109,126,152	713,723	24,843,024	(83,569,405)
Other school services	10,468,453	1,354,504	542,176	(8,571,773)
Operation and maintenance	8,881,987	-	-	(8,881,987)
Fixed charges	1,075,930	-	-	(1,075,930)
Programs with other districts	6,229,049	-	-	(6,229,049)
Interest on long-term debt	474,627	-	-	(474,627)
Depreciation	<u>2,356,575</u>	<u>-</u>	<u>-</u>	<u>(2,356,575)</u>
Total Governmental Activities	\$ <u>141,364,599</u>	\$ <u>2,068,227</u>	\$ <u>25,385,200</u>	(113,911,172)
		<b>General Revenues</b>		
				65,526,418
				31,673,347
				99,520
				<u>156,237</u>
			Total General Revenues	<u>97,455,522</u>
			Change in Net Position	(16,455,650)
		<b>Net Position</b>		
			Beginning of Year	<u>(125,787,151)</u>
			End of Year	\$ <u>(142,242,801)</u>

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

**WACHUSETT REGIONAL SCHOOL DISTRICT**

Governmental Funds  
Balance Sheet  
June 30, 2020

	General Fund	District-Wide Revolving Funds	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Cash and short-term investments	\$ 9,402,971	\$ 1,444,269	\$ 438,929	\$ 11,286,169
Intergovernmental receivables	-	29,011	337,816	366,827
Total Assets	<u>\$ 9,402,971</u>	<u>\$ 1,473,280</u>	<u>\$ 776,745</u>	<u>\$ 11,652,996</u>
<b>Liabilities</b>				
Warrants payable	\$ 554,673	\$ -	\$ -	\$ 554,673
Accrued payroll and related liabilities	5,838,123	-	-	5,838,123
Total Liabilities	6,392,796	-	-	6,392,796
<b>Fund Balances</b>				
Restricted	-	1,473,280	776,745	2,250,025
Assigned	1,602,128	-	-	1,602,128
Unassigned	1,408,047	-	-	1,408,047
Total Fund Balances	<u>3,010,175</u>	<u>1,473,280</u>	<u>776,745</u>	<u>5,260,200</u>
Total Liabilities and Fund Balances	<u>\$ 9,402,971</u>	<u>\$ 1,473,280</u>	<u>\$ 776,745</u>	<u>\$ 11,652,996</u>

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

**WACHUSETT REGIONAL SCHOOL DISTRICT**

Reconciliation of Total Governmental Fund Balances to Net Position  
of Governmental Activities in the Statement of Net Position  
June 30, 2020

<b>Total Governmental Fund Balances</b>	\$ 5,260,200
• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.	64,727,054
• In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.	(117,613)
• Long-term liabilities, including bonds payable, net pension liability, and net OPEB liability are not due and payable in the current period and, therefore, are not reported in governmental funds.	(211,538,962)
• Other.	<u>(573,480)</u>
<b>Net Position of Governmental Activities</b>	<u>\$ (142,242,801)</u>

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



**WACHUSETT REGIONAL SCHOOL DISTRICT**

Governmental Funds  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
For the Year Ended June 30, 2020

	General <u>Fund</u>	District-Wide Revolving <u>Funds</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
<b>Revenues</b>				
Assessments to members	\$ 65,526,418	\$ -	\$ -	\$ 65,526,418
Intergovernmental	40,869,713	3,196,887	2,711,303	46,777,903
Charges for services	-	87,726	1,980,501	2,068,227
Investment income	98,416	-	1,104	99,520
Miscellaneous	<u>140,589</u>	<u>15,648</u>	<u>-</u>	<u>156,237</u>
Total Revenues	106,635,136	3,300,261	4,692,908	114,628,305
<b>Expenditures</b>				
Current:				
Administration	2,200,788	-	-	2,200,788
Instruction	65,787,421	96,912	2,256,180	68,140,513
Other school services	6,578,268	-	2,669,538	9,247,806
Operation and maintenance	6,849,251	-	40,266	6,889,517
Fixed charges	16,478,078	11,620	35,925	16,525,623
Programs with other districts	4,502,415	1,726,634	-	6,229,049
Debt service:				
Principal	1,935,000	-	-	1,935,000
Interest	<u>502,106</u>	<u>-</u>	<u>-</u>	<u>502,106</u>
Total Expenditures	<u>104,833,327</u>	<u>1,835,166</u>	<u>5,001,909</u>	<u>111,670,402</u>
Excess (Deficiency) of Revenues over Expenditures	1,801,809	1,465,095	(309,001)	2,957,903
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	-	150,000	150,000
Transfers out	(150,000)	-	-	(150,000)
Issuance of capital lease	<u>-</u>	<u>-</u>	<u>457,600</u>	<u>457,600</u>
Total Other Financing Sources (Uses)	<u>(150,000)</u>	<u>-</u>	<u>607,600</u>	<u>457,600</u>
Change in Fund Balance	1,651,809	1,465,095	298,599	3,415,503
Fund Balance, at Beginning of Year, as reclassified	<u>1,358,366</u>	<u>8,185</u>	<u>478,146</u>	<u>1,844,697</u>
Fund Balance, at End of Year	\$ <u><u>3,010,175</u></u>	\$ <u><u>1,473,280</u></u>	\$ <u><u>776,745</u></u>	\$ <u><u>5,260,200</u></u>

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

**WACHUSETT REGIONAL SCHOOL DISTRICT**

Reconciliation of the Statement of Revenues, Expenditures, and Changes  
In Fund Balance of Governmental Funds To the Statement of Activities  
For the Year Ended June 30, 2020

<b>Net Changes in Fund Balances - Total Governmental Funds</b>	<b>\$ 3,415,503</b>
• Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:	
Capital asset purchases	500,670
Depreciation	(2,356,575)
• The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position:	
Repayments of bonds	1,935,000
Issuance of capital lease	(457,600)
Repayment of capital lease	155,650
• Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:	
Change in pension expense from GASB 68	(1,299,536)
Change in OPEB expense from GASB 75	(18,363,311)
Other	<u>14,549</u>
<b>Change in Net Position of Governmental Activities</b>	<b>\$ <u>(16,455,650)</u></b>

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

**WACHUSETT REGIONAL SCHOOL DISTRICT**

Fiduciary Funds  
Statement of Fiduciary Net Position  
June 30, 2020

	<u>OPEB Trust Fund</u>	<u>Private Purpose Trust Funds</u>	<u>Agency Funds</u>
<b>Assets</b>			
Cash and short term investments	\$ <u>10,446</u>	\$ <u>221,936</u>	\$ <u>388,266</u>
Total Assets	10,446	221,936	388,266
<b>Liabilities</b>			
Due to student organizations	<u>-</u>	<u>-</u>	<u>388,266</u>
Total Liabilities	<u>-</u>	<u>-</u>	\$ <u><u>388,266</u></u>
<b>Net Position</b>			
Restricted for OPEB purposes	10,446	-	
Restricted for individual organizations and other governments	<u>-</u>	<u>221,936</u>	
Total Net Position	\$ <u><u>10,446</u></u>	\$ <u><u>221,936</u></u>	

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

**WACHUSETT REGIONAL SCHOOL DISTRICT**

Fiduciary Funds  
Statement of Changes in Fiduciary Net Position  
For the Year Ended June 30, 2020

	<u>OPEB Trust Fund</u>	<u>Private Purpose Trust Funds</u>
<b>Additions</b>		
Contributions	\$ 3,541,068	\$ 20,920
Investment income	<u>110</u>	<u>3,533</u>
Total Additions	3,541,178	24,453
<b>Deductions</b>		
Benefit payments to plan members, beneficiaries and other systems	3,541,109	-
Awards and scholarships	<u>-</u>	<u>4,427</u>
Total Deductions	<u>3,541,109</u>	<u>4,427</u>
Net Increase	69	20,026
<b>Net Position Restricted for OPEB and Other Purposes</b>		
Beginning of Year	<u>10,377</u>	<u>201,910</u>
End of Year	<u>\$ 10,446</u>	<u>\$ 221,936</u>

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

## WACHUSETT REGIONAL SCHOOL DISTRICT

### Notes to the Financial Statements

#### 1. Summary of Significant Accounting Policies

The accounting policies of the Wachusett Regional School District (the District) conform to generally accepted accounting principles (GAAP) as applicable to governmental units. The following is a summary of significant policies:

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

The District is a municipal corporation governed by an elected Regional School Committee. As required by generally accepted accounting principles, these financial statements present the District and applicable component units for which the District is considered to be financially accountable. In fiscal year 2020, it was determined that no entities met the required GASB 14 (as amended) criteria of component units.

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

###### *Government-Wide Financial Statements*

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

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

###### *Fund Financial Statements*

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

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

###### *Government-Wide Financial Statements*

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability

is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

#### *Fund Financial Statements*

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

The District reports the following major governmental fund:

- The *general fund* is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The *district-wide revolving fund* accounts for various revolving funds that serve the District. This includes School Choice, which accounts for revenue from other communities whose students chose to attend the District, and Circuit Breaker, which accounts for state revenue received by the District for special education costs.

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

The District reports the following fiduciary funds:

- The *other post-employment benefits trust fund* is used to accumulate resources for health and life insurance benefits for retired employees.
- The *private-purpose trust funds* are used to account for trust arrangements, under which principal and investment income exclusively benefits individuals, private organizations, or other governments.
- The *agency funds* are used to account for fiduciary assets held by the District in a custodial capacity as an agent on behalf of others (e.g., student activity funds). Agency funds report only assets and liabilities and, therefore, have no measurement focus.

***Cash and Investments***

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

Deposits with financial institutions consist primarily of demand deposits, certificates of deposits, and savings accounts. Generally, a cash and investment pool is maintained that is available for use by all funds. Each fund’s portion of this pool is reflected on the combined financial statements under the caption “cash and short-term investments”.

***Capital Assets***

Capital assets, which include land, buildings, and machinery and equipment are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial individual cost of more than \$25,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

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

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

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

<u>Assets</u>	<u>Years</u>
Buildings	40
Machinery and Equipment	5 - 10

***Compensated Absences***

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

***Long-Term Obligations***

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

***Fund Equity***

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

### *Fund Balance*

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

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

### *Net Position*

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

### *Use of Estimates*

The preparation of basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures for contingent assets and liabilities at the date of the basic financial statements, and the reported amounts of revenues and expenditures/expenses during the fiscal year. Actual results could vary from estimates.

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

### ***Budgetary Information***

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

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



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

**Assessments of Member Communities**

Most capital and operating costs of the District in excess of each member’s net minimum contribution are apportioned to the members on the basis of their respective pupil enrollments in the District on October 1 of the preceding year. Certain costs, such as transportation and debt service, are outside of the net school spending requirements established by the Commonwealth of Massachusetts. These costs are apportioned to the members based on either a percentage or on a member-specific basis. For the year ended June 30, 2020, the assessments were as follows:

<u>Member Community</u>	<u>Minimum Contribution</u>	<u>Contribution Outside Net Sch. Spending</u>	<u>Additional Contribution</u>	<u>Total Assessments</u>
Holden	\$ 19,225,254	\$ 7,306,064	\$ 3,294,492	\$ 29,825,810
Paxton	4,397,455	1,466,595	679,964	6,544,014
Princeton	3,565,466	948,577	439,788	4,953,831
Rutland	7,226,608	3,614,910	1,677,787	12,519,305
Sterling	<u>8,220,062</u>	<u>2,377,050</u>	<u>1,086,346</u>	<u>11,683,458</u>
Total	\$ <u>42,634,845</u>	\$ <u>15,713,196</u>	\$ <u>7,178,377</u>	\$ <u>65,526,418</u>

**3. Deposits**

State statutes (MGL Chapter 44, Section 55) place certain limitation on the nature of deposits and investments available to the District. Deposits, including demand deposits, money markets, certificates of deposits in any one financial institution, may not exceed 60% of the capital and surplus of such institution unless collateralized by the institution involved. Investments may be made in unconditionally guaranteed U.S. government obligations have maturities of a year or less from the date of purchase, or through repurchase agreements with maturities of no greater than 90 days in which the underlying securities consists of such obligations. Other allowable investments include certificates of deposits having a maturity date of up to 3 years from the date of purchase, national banks and Massachusetts Municipal Depository Trust (MMDT). MMDT, which is an external investment pool overseen by the Treasurer of the Commonwealth of Massachusetts, meets the criteria established by GASB 79, *Certain External Investment Pools and Pool Participants*, to report its investments at amortized cost, which approximates the net asset value of 1.00 per share. MMDT has a maturity of less than 1 year and is not rated or subject to custodial credit risk disclosure. MGL Chapter 44, Section 54 provides additional investment options for certain special revenue, trust and OPEB funds.

### ***Custodial Credit Risk – Deposits***

Custodial credit risk is the risk that in the event of a bank failure, the District’s deposits may not be returned. The District’s policy related to the custodial credit risk of deposits states that all deposits, to the extent allowed shall be insured under the provisions of Federal Deposit Insurance Corporation (FDIC) and/or the Deposit Insurance Fund of Massachusetts (DIFM). These deposits shall be secured by either a pledge of U.S. Government Securities; an eligible irrevocable letter of credit issued by a qualifying bank; or an eligible surety bond payable to the District for an amount at least equal to or 100% of the aggregate amount of the deposit and the agreed upon interest.

As of June 30, 2020, \$804,691 if the District’s bank balance of \$7,679,652 was exposed to custodian credit risk as uninsured and uncollateralized. In addition, the District also had \$5,117,638 held in MMDT.

## **4. Intergovernmental Receivables**

This balance represents reimbursements requested from Federal and State agencies for expenditures incurred in fiscal year 2020.

## **5. Capital Assets**

Capital asset activity for the year ended June 30, 2020 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Convert CIP</u>	<u>Ending Balance</u>
<b>Governmental Activities</b>					
Capital assets, being depreciated:					
Buildings and improvements	\$ 90,755,709	\$ -	\$ -	\$ 440,000	\$ 91,195,709
Machinery and equipment	<u>73,617</u>	<u>310,670</u>	<u>-</u>	<u>-</u>	<u>384,287</u>
Total capital assets, being depreciated	90,829,326	310,670	-	440,000	91,579,996
Less accumulated depreciation for:					
Buildings and improvements	(25,149,677)	(2,290,893)	-	-	(27,440,570)
Machinery and equipment	<u>(41,690)</u>	<u>(65,682)</u>	<u>-</u>	<u>-</u>	<u>(107,372)</u>
Total accumulated depreciation	<u>(25,191,367)</u>	<u>(2,356,575)</u>	<u>-</u>	<u>-</u>	<u>(27,547,942)</u>
Total capital assets, being depreciated, net	65,637,959	(2,045,905)	-	440,000	64,032,054
Capital assets, not being depreciated:					
Land	695,000	-	-	-	695,000
Construction in progress (CIP)	<u>250,000</u>	<u>190,000</u>	<u>-</u>	<u>(440,000)</u>	<u>-</u>
Total capital assets, not being depreciated	<u>945,000</u>	<u>190,000</u>	<u>-</u>	<u>(440,000)</u>	<u>695,000</u>
Governmental activities capital assets, net	<u>\$ 66,582,959</u>	<u>\$ (1,855,905)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 64,727,054</u>

**6. Deferred Outflows of Resources**

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

**7. Warrants Payable**

Warrants payable represent 2020 expenditures paid by July 15, 2020.

**8. Capital Lease Obligations**

The District is the lessee of certain equipment and improvements under capital leases expiring in fiscal year 2022. Future minimum lease payments under the capital leases consisted of the following as of June 30, 2020:

Fiscal <u>Year</u>	
2021	\$ 162,748
2022	<u>162,748</u>
Total payments	325,496
Less amounts representing interest	<u>(23,546)</u>
Present Value of Minimum Lease Payments	\$ <u><u>301,950</u></u>

The following is an analysis for the leased assets included in capital assets at June 30, 2020:

Building and improvements	\$ 190,000
Machinery and equipment	267,600
Less: accumulated depreciation	<u>(63,020)</u>
Capital assets under capital leases, net	\$ <u><u>394,580</u></u>

## 9. Long-Term Debt

### ***Long-Term Debt Supporting Activities***

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

<b>Governmental Activities</b>	Original <u>Issue</u>	Serial Maturities <u>Through</u>	Interest <u>Rate(s) %</u>	Amount Outstanding as of <u>06/30/20</u>
2014 State qualified refunding bonds	\$ 11,215,000	12/01/23	1.50 - 4.00%	\$ 5,005,000
2015 State qualified refunding bonds	2,155,000	07/15/24	2.00 - 4.00%	1,150,000
2010 Multipurpose bonds	2,134,000	10/15/26	2.50 - 4.25%	810,000
2009 Multipurpose bonds	6,100,000	08/15/28	3.12 - 4.50%	2,745,000
2011 Multipurpose bonds	3,094,000	01/15/30	3.00 - 5.25%	<u>1,605,000</u>
Total				\$ <u>11,315,000</u>

### ***Future Debt Service***

The annual payments to retire all general obligation long-term debt outstanding as of June 30, 2020 are as follows:

Fiscal <u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 1,990,000	\$ 425,731	\$ 2,415,731
2022	2,040,000	346,106	2,386,106
2023	2,095,000	264,088	2,359,088
2024	2,160,000	180,009	2,340,009
2025	810,000	122,494	932,494
2026-2030	<u>2,220,000</u>	<u>242,989</u>	<u>2,462,989</u>
Total	\$ <u>11,315,000</u>	\$ <u>1,581,417</u>	\$ <u>12,896,417</u>

The general fund has been designated as the source to repay the bonds payable.

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

During the year ended June 30, 2020, the following changes occurred in long-term liabilities (in thousands):

<b>Governmental Activities</b>	Beginning <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	Ending <u>Balance</u>	Less Current <u>Portion</u>	Equals Long-Term <u>Portion</u>
Bonds payable	\$ 13,250	\$ -	\$ (1,935)	\$ 11,315	\$ (1,990)	\$ 9,325
Capital leases	-	458	(156)	302	(147)	155
Net pension liability	29,739	-	(2,158)	27,581	-	27,581
Net OPEB liability	173,218	59,116	-	232,334	-	232,334
Compensated absences	<u>259</u>	<u>13</u>	<u>-</u>	<u>272</u>	<u>-</u>	<u>272</u>
Total	\$ <u>216,466</u>	\$ <u>59,587</u>	\$ <u>(4,249)</u>	\$ <u>271,804</u>	\$ <u>(2,137)</u>	\$ <u>269,667</u>

## 10. Deferred Inflows of Resources

Deferred inflows of resources are the acquisition of net position by the District that are applicable to future reporting periods. Deferred inflows of resources have a negative effect on net position, similar to liabilities. Deferred inflows of resources related to pension and OPEB will be recognized as expense in future years and are more fully described in the corresponding pension and OPEB notes.

## 11. Interfund Fund Accounts

### ***Transfers***

The District reports interfund transfers between various funds. Most transfers result from budgetary or statutory actions, whereby funds are moved to accomplish various expenditure purposes. The \$150,000 transfer out of the general fund was a budgeted transfer into the regional transportation reimbursement fund.

## 12. Governmental Funds – Balances

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

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

The following types of fund balances are reported at June 30, 2020:

### ***Nonspendable***

Represents amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The District does not have any funds that meet this criteria.

### ***Restricted***

Represents amounts that are restricted to specific purposes by constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation. This fund balance classification includes the District's grant and revolving funds and the remaining funds from bonded projects.

**Committed**

Represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the District’s highest level of decision-making authority. The District does not have any funds that meet this criteria.

**Assigned**

Represent amounts that are constrained by the District’s intent to use these resources for a specific purpose. This fund balance classification includes General Fund encumbrances for the expenditure of current year budgetary financial resources upon vendor performance in the subsequent budgetary period.

**Unassigned**

Represent amounts that are available to be spent in future periods and deficit funds.

The following is a breakdown of the District’s fund balances at June 30, 2020:

	<u>General Fund</u>	<u>District-Wide Revolving Funds</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Restricted:				
Bonded projects	\$ -	\$ -	\$ 567	\$ 567
Special revenue funds:				
Circuit Breaker	-	1,097,206	-	1,097,206
School Choice	-	372,046	-	372,046
Revolving funds	-	4,028	666,228	670,256
Grants	-	-	2,225	2,225
Other	-	-	107,725	107,725
	<u>-</u>	<u>-</u>	<u>776,745</u>	<u>2,250,025</u>
Total Restricted	-	1,473,280	776,745	2,250,025
Assigned:				
Encumbrances:				
Instruction	99,709	-	-	99,709
Other school services	1,448,520	-	-	1,448,520
Operation and maintenance	50,616	-	-	50,616
Programs with other districts	3,283	-	-	3,283
	<u>1,602,128</u>	<u>-</u>	<u>-</u>	<u>1,602,128</u>
Total Assigned	1,602,128	-	-	1,602,128
Unassigned:				
General fund	<u>1,408,047</u>	<u>-</u>	<u>-</u>	<u>1,408,047</u>
Total Unassigned	<u>1,408,047</u>	<u>-</u>	<u>-</u>	<u>1,408,047</u>
Total Fund Balances	<u>\$ 3,010,175</u>	<u>\$ 1,473,280</u>	<u>\$ 776,745</u>	<u>\$ 5,260,200</u>

### 13. Worcester Contributory Retirement System

The District follows the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, with respect to the employees’ retirement funds.

#### ***Plan Description***

Substantially all employees of the District (except teachers) are members of the Worcester Contributory Retirement System (the System), a cost-sharing, multiple-employer public employee retirement system (PERS). Eligible employees must participate in the System. The pension plan provides pension benefits, deferred allowances, and death and disability benefits. Chapter 32 of Massachusetts General Laws establishes the authority of the System, contribution percentages and benefits paid. The System’s Retirement Board does not have the authority to amend benefit provisions. Additional information is disclosed in the System’s annual financial reports publicly available from the System located at:

Worcester Regional Retirement System  
23 Midstate Drive, Suite 106  
Midstate Office Park, Auburn, Massachusetts 01501  
[www.worcesterregionalretirement.org](http://www.worcesterregionalretirement.org)

#### ***Participant Contributions***

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

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

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

#### ***Participant Retirement Benefits***

A retirement allowance consists of two parts: an annuity and a pension. A member’s accumulated total deductions and a portion of the interest they generate constitute the annuity. The difference between the total retirement allowance and the annuity is the pension. The average retirement benefit is approximately 80-85% pension and 15-20% annuity.

The System provides for retirement allowance benefits up to a maximum of 80% of a member's highest 3-year average annual rate of regular compensation for those hired prior to April 2, 2012 and the highest 5-year average annual rate of regular compensation for those first becoming members of the Massachusetts System on or after that date. However, per Chapter 176 of the Acts of 2011, for members who retire on or after April 2, 2012, if in the 5 years of creditable service immediately preceding retirement, the difference in the annual rate of regular compensation between any 2 consecutive years exceeds 100%, the normal yearly amount of the retirement allowance shall be based on the average annual rate of regular compensation received by the member during the period of 5 consecutive years preceding retirement. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification.

There are four classes of membership in the retirement system, but one of these classes, Group 3, is made up exclusively of the Massachusetts State Police. The other three classes are as follows:

- Group 1 – General employees, including clerical, administrative, technical, and all other employees not otherwise classified.
- Group 2 – Certain specified hazardous duty positions.
- Group 4 – Police officers, firefighters, and other specified hazardous positions.

A retirement allowance may be received at any age, upon attaining 20 years of service. The plan also provides for retirement at age 55 if the participant was a member prior to January 1, 1978, with no minimum vesting requirements. If the participant was a member on or after January 1, 1978 and a member of Groups 1 or 2, then a retirement allowance may be received if the participant (1) has at least 10 years of creditable service, (2) is age 55, (3) voluntarily left District employment on or after that date, and (4) left accumulated annuity deductions in the fund. Members of Group 4 have no minimum vesting requirements, however, must be at least age 55. Groups 2 and 4 require that participants perform the duties of the Group position for at least 12 months immediately prior to retirement.

A participant who became a member on or after April 2, 2012 is eligible for a retirement allowance upon 10 years creditable service and reaching ages 60 or 55 for Groups 1 and 2, respectively. Participants in Group 4 must be at least age 55. Groups 2 and 4 require that participants perform the duties of the Group position for at least 12 months immediately prior to retirement.

#### *Methods of Payment*

A member may elect to receive his or her retirement allowance in one of three forms of payment as follows:

- Option A – Total annual allowance, payable in monthly installments, commencing at retirement and terminating at the member's death.



- Option B – A reduced annual allowance, payable in monthly installments, commencing at retirement and terminating at the death of the member, provided however, that if the total amount of the annuity portion received by the member is less than the amount of his or her accumulated deductions, including interest, the difference or balance of his accumulated deductions will be paid in a lump sum to the retiree’s beneficiary or beneficiaries of choice.
- Option C – A reduced annual allowance, payable in monthly installments, commencing at retirement. At the death of the retired employee, 2/3 of the allowance is payable to the member’s designated beneficiary (who may be the spouse, or former spouse who has not remarried, child, parent, sister, or brother of the employee) for the life of the beneficiary. For members who retired on or after January 12, 1988, if the beneficiary pre-deceases the retiree, the benefit payable increases (or “pops up” to Option A) based on the factor used to determine the Option C benefit at retirement. For members who retired prior to January 12, 1988, if the System has accepted Section 288 of Chapter 194 of the Acts of 1998 and the beneficiary pre-deceases the retiree, the benefit payable “pops up” to Option A in the same fashion. The Option C became available to accidental disability retirees on November 7, 1996.

***Participant Refunds***

Employees who resign from service and who are not eligible to receive a retirement allowance are entitled to request a refund of their accumulated total deductions. Members voluntarily withdrawing with at least 10 years of service or involuntarily withdrawing, receive 100% of the regular interest that has accrued on those accumulated total deductions. Members voluntarily withdrawing with less than 10 years of service get credited interest each year at a rate of 3%.

***Employer Contributions***

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

The District’s contribution to the System for the year ended June 30, 2020 was \$1,886,660, which was equal to its annual required contribution.

***Summary of Significant Accounting Policies***

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

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

At June 30, 2020, the District reported a liability of \$27,581,353 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2018, rolled forward to the measurement date of December 31, 2019. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2020, the District's proportion was 3.0986% which was a decrease of (0.18%) from its proportion measured as of December 31, 2018.

For the year ended June 30, 2020, the District recognized pension expense of \$3,186,197. In addition, the District reported deferred outflows of resources and deferred (inflows) of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Differences between expected and actual experience	\$ 80,994	\$ (165,250)
Changes in assumptions	1,541,580	-
Net difference between pension projected and actual pension investment earnings	-	(757,567)
Changes in proportion and differences between pension contributions and proportionate share of contributions	-	(538,235)
Total	<u>\$ 1,622,574</u>	<u>\$ (1,461,052)</u>

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

Year ended June 30:	
2021	\$ 321,032
2022	332,509
2023	234,294
2024	(592,393)
2025	<u>(133,920)</u>
Total	<u>\$ 161,522</u>

### **Actuarial Assumptions**

The total pension liability in the January 1, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the in the measurement:

<i>Inflation:</i>	<i>2.4% per year</i>
<i>Salary increases:</i>	<i>4.25% - 7% per year, depending on Group</i>
<i>Investment rate of return:</i>	<i>7.65%</i>

Mortality rates were based on the RP-2000 Mortality Table (base year 2009) with full generational mortality improvement using Scale BB. For disabled lives, the mortality rates were based on the RP-2000 Mortality Table (base year 2012) with full generational mortality improvement using Scale BB.

### **Target Allocations**

The long-term expected rate of return on pension plan investments was selected from a best estimate range determined using the building block approach. Under this method, an expected future real return range (expected returns, net of pension plan investment expense and inflation) is calculated separately for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return net of investment expenses by the target asset allocation percentage and by adding an expected inflation rate. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of December 31, 2019 are summarized in the following table:

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Global equity	39.00%	4.68%
Fixed income	23.00%	1.90%
Private equity	13.00%	8.50%
Real estate	10.00%	3.70%
Timber/natural resources	4.00%	4.30%
Portfolio completion strategies	<u>11.00%</u>	3.40%
Total	<u>100.00%</u>	

### **Discount Rate**

The discount rate used to measure the total pension liability was 7.65%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive plan members. Therefore, the long-

term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.65%, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current rate:

1%	Current	1%
Decrease	Discount Rate	Increase
<u>(6.65%)</u>	<u>(7.65%)</u>	<u>(8.65%)</u>
\$ 33,656,433	\$ 27,581,353	\$ 22,451,121

***Pension Plan Fiduciary Net Position***

Detailed information about the pension plan’s fiduciary net position is available in the separately issued financial report.

**14. Massachusetts Teachers’ Retirement System (MTRS)**

***Plan Description***

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

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

***Benefits Provided***

MTRS provides retirement, disability, survivor, and death benefits to members and their beneficiaries. Massachusetts General Laws (MGL) establishes uniform benefit and contribution requirements for all contributory PERS. These requirements provide for

superannuation retirement allowance benefits up to a maximum of 80% of a member's highest 3-year average annual rate of regular compensation. For employees hired after April 1, 2012, retirement allowances are calculated on the basis of the last 5 years or any 5 consecutive years, whichever is greater in terms of compensation. Benefit payments are based upon a member's age, length of creditable service, and group creditable service, and group classification. The authority for amending these provisions rests with the Legislature.

Members become vested after 10 years of creditable service. A superannuation retirement allowance may be received upon the completion of 20 years of creditable service or upon reaching the age of 55 with 10 years of service. Normal retirement for most employees occurs at age 65. Most employees who joined the system after April 1, 2012 cannot retire prior to age 60.

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

**Contributions**

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

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

**Actuarial Assumptions**

The total pension liability for the June 30, 2019 measurement date was determined by an actuarial valuation as of January 1, 2019 rolled forward to June 30, 2019. This valuation used the following assumptions:

- (a) 7.25% (changed from 7.35%) investment rate of return, (b) 3.50% interest rate credited to the annuity savings fund and (c) 3.00% cost of living increase on the first \$13,000 per year.
- Salary increases are based on analyses of past experience but range from 4.0% to 7.5% depending on length of service.

- Experience study is dated July 21, 2014 and encompasses the period from January 1, 2006 to December 31, 2011, updated to reflect post-retirement mortality through January 1, 2017.
- Mortality rates were as follows:
  - Pre-retirement – reflects RP-2014 White Collar Employees table projected generationally with Scale MP-2016 (gender distinct).
  - Post-retirement – reflects RP-2014 White Collar Healthy Annuitant table projected generationally with Scale MP-2016 (gender distinct).
  - Disability – assumed to be in accordance with the RP-2014 White Collar Healthy Annuitant table projected generationally with Scale MP-2016 (gender distinct).

***Target Allocation***

Investment assets of the MTRS are with the Pension Reserves Investment Trust (PRIT) Fund. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage. Best estimates of geometric rates of return for each major asset class included in the PRIT Fund’s target asset allocation as of June 30, 2019 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global equity	39.00%	4.90%
Portfolio completion strategies	11.00%	3.90%
Core fixed income	15.00%	1.30%
Private equity	13.00%	8.20%
Real estate	10.00%	3.60%
Value added fixed income	8.00%	4.70%
Timber/natural resources	<u>4.00%</u>	4.10%
Total	<u>100.0%</u>	

***Discount Rate***

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the Commonwealth’s contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rates. Based on those assumptions, the net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity Analysis**

The following illustrates the sensitivity of the collective net pension liability to changes in the discount rate. In particular, the table presents the MTRS collective net pension liability assuming it was calculated using a single discount rate that is 1 percentage-point lower or 1 percentage-point higher than the current discount rate (amounts in thousands):

1% Decrease <u>(6.25%)</u>	Current Discount Rate <u>(7.25%)</u>	1% Increase <u>(8.25%)</u>
\$ 31,232,100	\$ 25,214,020	\$ 20,062,500

**Special Funding Situation**

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

**District Proportions**

In fiscal year 2019 (the most recent measurement period), the Commonwealth’s proportionate share of the MTRS’ collective net pension liability was approximately \$160 million, based on a proportionate share of 0.636995%. As required by GASB 68, the District has recognized its portion of the Commonwealth’s contribution of approximately \$9.2 million as both a revenue and expenditure in the general fund, and its portion of the collective pension expense of approximately \$19.5 million as both a revenue and expense in the governmental activities.

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

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)*, replaces the requirements of Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This applies if a trust fund has been established to fund future OPEB costs. In fiscal year 2017, the District established a single-employer defined benefit OPEB Trust Fund to provide funding for future employee health care costs. The OPEB Trust Fund does not issue a stand-alone financial report.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, replaces the requirements of Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. Statement No. 75 establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. Statement No. 75 identifies the methods and assumptions that are required to be used to project benefit

payments, discounted projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

All the following OPEB disclosures are based on a measurement date of June 30, 2020.

**General Information about the OPEB Plan**

*Plan Description*

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

*Benefits Provided*

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

*Funding Policy*

The District’s funding policy includes financing the implicit subsidy on a pay-as-you-go basis, as required by statute. Additional contributions are based on annual budget authorizations.

*Plan Membership*

As of June 30, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries	
currently receiving benefit payments	536
Active employees	<u>938</u>
Total	<u><u>1,474</u></u>

**Investments**

The OPEB trust fund assets are not invested as of June 30, 2020 and are included with cash and cash equivalents.

*Rate of Return*

For the year ended June 30, 2020, the annual money-weighted rate of return on investments, net of investment expense was .66%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.



**Actuarial Assumptions and Other Inputs**

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

Inflation	2.4%	
Municipal bond rate/discount rate	2.21%	
Healthcare cost trend rates	8.0%	for 2018 to an ultimate rate of 3.90% as of 2075
Retiree's share of benefit-related costs	40%	medical
	50%	life
Participation rate	80%	medical
	85%	life

Post-retirement mortality rates for general employees were based on the RP-2014 Blue Collar Healthy Annuitant Mortality Table projected generationally using scale MP- 2018.

Pre-retirement mortality rates for general employees are based on the RP-2014 Blue Collar Employees Table projected generationally using scale MP-2018.

Post-retirement mortality rates for teachers are based on the RP-2014 White Collar Mortality Table, base year 2014, projected with generational mortality improvement using scale MP-2016.

Pre-retirement mortality rates for teachers are based on the RP-2014 White Collar Mortality Table, base year 2014, projected with generational mortality improvement using scale MP-2016.

**Target Allocations**

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2020 are summarized in the following table.

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic equity	30.00%	4.96%
Domestic bond	25.00%	2.22%
International equity	15.00%	7.01%
Alternatives	20.00%	2.76%
International bond	10.00%	1.53%
Cash and equivalents	<u>0.00%</u>	0.00%
Total	<u>100.00%</u>	

### **Contributions**

In addition to the implicit subsidy contribution, the District's policy is to contribute amounts provided by the budget.

### **Discount Rate**

The discount rate used to measure the net OPEB liability was 2.21%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate.

Based on those assumptions, the OPEB plan fiduciary net position was not projected to be available to make all projected future benefit payments of current plan members. As a result, the discount rate was based on the municipal bond rate of 2.21% (based on index provided by Bond Buyer 20-Bond GO on 20-year municipal bond rate as of June 30, 2020).

### **Net OPEB Liability**

The components of the net OPEB liability, measured as of June 30, 2020, were as follows:

Total OPEB liability	\$	232,344,448
Plan fiduciary net position		<u>(10,446)</u>
Net OPEB liability	\$	<u>232,334,002</u>
Plan fiduciary net position as a percentage of the total OPEB liability		0.00%

### **Changes in the Net OPEB Liability**

The following summarizes the changes in the net OPEB liability for the past year:

	<u>Increase (Decrease)</u>		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances, beginning of year	\$ 173,228,541	\$ 10,377	\$ 173,218,164
Changes for the year:			
Service cost	7,699,603	-	7,699,603
Interest	6,270,516	-	6,270,516
Contributions - employer	-	3,541,068	(3,541,068)
Net investment income	-	69	(69)
Changes of benefit terms	(2,916,365)	-	(2,916,365)
Changes in assumptions	51,603,221	-	51,603,221
Benefit payments	<u>(3,541,068)</u>	<u>(3,541,068)</u>	<u>-</u>
Net Changes	<u>59,115,907</u>	<u>69</u>	<u>59,115,838</u>
Balances, end of year	\$ <u>232,344,448</u>	\$ <u>10,446</u>	\$ <u>232,334,002</u>

Changes in assumptions reflect a change in the discount rate from 3.5% in fiscal year 2019 to 2.21% in fiscal year 2020.

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

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

1% Decrease <u>(1.21%)</u>	Current Discount Rate <u>(2.21%)</u>	1% Increase <u>(3.21%)</u>
\$285,822,864	\$232,334,002	\$191,642,862

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

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

1% Decrease (7% Year 1 Decreasing to <u>2.9%</u> )	Current Healthcare Cost Trend Rates (8% Year 1 Decreasing to <u>3.9%</u> )	1% Increase (9% Year 1 Decreasing to <u>4.9%</u> )
\$184,440,201	\$232,334,002	\$298,039,626

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

For the year ended June 30, 2020, the District recognized OPEB expense of \$21,9043,79. At June 30, 2020, the District reported deferred outflows and (inflows) of resources related to OPEB from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred (Inflows) of <u>Resources</u>
Difference between expected and actual experience	\$ -	\$ (2,130,175)
Change in assumptions	65,774,545	(4,115,382)
Net difference between projected and actual earnings on OPEB investment	<u>883</u>	<u>-</u>
Total	\$ <u>65,775,428</u>	\$ <u>(6,245,557)</u>

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

<u>Year ended June 30:</u>	
2020	\$ 10,851,325
2021	10,851,325
2022	10,851,253
2023	11,033,846
2024	10,619,817
Thereafter	<u>5,322,305</u>
Total	\$ <u>59,529,871</u>

**16. Subsequent Event**

Management has evaluated subsequent events through March 26, 2021, which is the date the financial statements were available to be issued.

In September 2020 the District refunded the 2009 and 2011 multipurpose bonds. The refunding bond was issued for \$4,145,000 and was used to pay off approximately \$4,650,000 in outstanding debt. The District also received a premium of approximately \$600,000 as a result of the refunding.

**17. Commitments and Contingencies**

***COVID-19***

The COVID-19 outbreak in the United States (and across the globe) has resulted in economic uncertainties. There is considerable uncertainty around the duration and scope of the economic disruption. The extent of the impact of COVID-19 on our operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on individuals served by the District, employees, and vendors, all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact our financial condition or results of operations is uncertain.

***Outstanding Legal Issues***

On an ongoing basis, there are typically pending legal issues in which the District is involved. The District’s management is of the opinion that the potential future settlement of these issues would not materially affect its financial statements taken as a whole.

***Grants***

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount of

expenditures which may be disallowed by the grantor cannot be determined at this time, although the District expects such amounts, if any, to be immaterial.

**Encumbrances**

At year-end, the District’s general fund has \$1,602,128 in encumbrances that will be honored in the next fiscal year. Of this total, approximately \$1.4 million is related to transportation costs from unpaid purchase orders from April through June 2020 due to the COVID-19 shutdown.

**18. Beginning Fund Balance Reclassification**

The District’s major governmental funds for fiscal year 2020, as defined by GASB Statement 34, have changed from the previous fiscal year. Accordingly, the following reconciliation is provided:

	Fund Equity June 30, 2019 (as previously <u>reported</u> )	<u>Reclassification</u>	Fund Equity June 30, 2019 <u>(as reclassified)</u>
Nonmajor governmental funds	\$ 486,331	\$ (8,185)	\$ 478,146
District-wide revolving fund	<u>-</u>	<u>8,185</u>	<u>8,185</u>
Total	<u>\$ 486,331</u>	<u>\$ -</u>	<u>\$ 486,331</u>

**19. New Pronouncements**

The Governmental Accounting Standards Board (GASB) has issued Statement No. 84, *Fiduciary Activities*, effective for the District beginning with its fiscal year ending June 30, 2021. This statement establishes guidance on how to address the categorization of fiduciary activities for financial reporting and how fiduciary activities are to be reported and may require reclassification of certain funds.

The Governmental Accounting Standards Board (GASB) has issued Statement No. 87, *Leases*, effective for the District beginning with its fiscal year ending June 30, 2022. This statement establishes new reporting and disclosure requirements, including the recording of various operating leases in the financial statements.

**WACHUSETT REGIONAL SCHOOL DISTRICT**

Required Supplemental Information

General Fund

Schedule of Revenues, and Expenditures and Other Uses - Budget and Actual

For the Year Ended June 30, 2020

	Budgeted Amounts			Variance with Final Budget
	Original Budget	Final Budget	Actual Amounts	Positive (Negative)
<b>Revenues</b>				
Assessments to members	\$ 65,526,418	\$ 65,526,418	\$ 65,526,418	\$ -
Intergovernmental	31,849,532	31,849,532	31,673,347	(176,185)
Investment income	21,005	21,005	98,416	77,411
Miscellaneous	<u>439,250</u>	<u>439,250</u>	<u>140,589</u>	<u>(298,661)</u>
Total Revenues	97,836,205	97,836,205	97,438,770	(397,435)
<b>Expenditures</b>				
Administration	2,261,237	2,200,643	2,200,712	(69)
Instruction	57,323,490	56,801,864	56,687,001	114,863
Other school services	8,816,650	8,058,784	8,026,788	31,996
Operation and maintenance	7,222,991	7,311,166	6,898,867	412,299
Fixed charges	865,643	1,102,216	981,395	120,821
Employee benefits	14,528,592	15,405,354	15,496,683	(91,329)
Programs with other districts	2,497,106	2,443,206	2,437,106	6,100
Debt service	<u>4,320,496</u>	<u>4,362,972</u>	<u>4,453,222</u>	<u>(90,250)</u>
Total Expenditures	<u>97,836,205</u>	<u>97,686,205</u>	<u>97,181,774</u>	<u>504,431</u>
Excess (Deficiency) of Revenues over Expenditures	-	150,000	256,996	106,996
<b>Other Financing (Uses)</b>				
Transfer out	<u>-</u>	<u>(150,000)</u>	<u>(150,000)</u>	<u>-</u>
Total Other Financing (Uses)	<u>-</u>	<u>(150,000)</u>	<u>(150,000)</u>	<u>-</u>
Overall Budgetary Excess (Deficiency)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>106,996</u>	\$ <u>106,996</u>

See Independent Auditors' Report.

**Notes to the Required Supplemental Information  
for General Fund Budget**

**Budgetary Basis**

The general fund final appropriation appearing on the previous page represents the final amended budget after all reserve fund transfers and supplemental appropriations.

**Budget/GAAP Reconciliation**

The budgetary data for the general fund is based upon accounting principles that differ from generally accepted accounting principles (GAAP). Therefore, in addition to the GAAP basis financial statements, the results of operations of the general fund are presented in accordance with budgetary accounting principles to provide a meaningful comparison to budgetary data.

The following is a summary of adjustments made to the actual revenues, expenditures, and other sources/(uses), to conform to the budgetary basis of accounting.

	<u>Revenues</u>	<u>Expenditures</u>	<u>Other Financing Sources/(Uses)</u>
GAAP Basis	\$ 106,635,136	\$ 104,833,327	\$ (150,000)
Add end-of-year appropriation carryforwards from expenditures	-	1,602,128	-
Reverse prior year appropriation carryforwards from expenditures	-	(57,315)	-
Reverse the effect of non- budgeted State contributions	<u>(9,196,366)</u>	<u>(9,196,366)</u>	<u>-</u>
Budgetary Basis	<u>\$ 97,438,770</u>	<u>\$ 97,181,774</u>	<u>\$ (150,000)</u>

See Independent Auditors' Report.

**WACHUSETT REGIONAL SCHOOL DISTRICT**

Required Supplementary Information  
Schedule of Proportionate Share of the Net Pension Liability  
(Unaudited)

**Worcester Regional Retirement System**

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Proportion of the Net Pension Liability</u>	<u>Proportionate Share of the Net Pension Liability</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position Percentage of the Total Pension Liability</u>
June 30, 2020	December 30, 2019	3.09%	\$ 27,581,353	\$ 12,057,098	228.8%	47.4%
June 30, 2019	December 31, 2018	3.28%	\$ 29,739,068	\$ 9,287,357	320.2%	43.1%
June 30, 2018	December 31, 2017	3.32%	\$ 27,047,828	\$ 11,159,876	242.4%	46.4%
June 30, 2017	December 31, 2016	2.94%	\$ 24,584,493	\$ 12,325,281	199.5%	42.0%
June 30, 2016	December 31, 2015	3.02%	\$ 21,453,126	\$ 10,975,602	195.5%	44.5%
June 30, 2015	December 31, 2014	3.29%	\$ 19,556,058	\$ 10,553,463	185.3%	47.9%

**Massachusetts Teachers' Retirement System**

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Proportion of the Net Pension Liability</u>	<u>Proportionate Share of the Net Pension Liability</u>	<u>Commonwealth of Massachusetts' Total Proportionate Share of the Net Pension Liability Associated with the District</u>	<u>Total Net Pension Liability Associated with the District</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position Percentage of the Total Pension Liability</u>
June 30, 2020	June 30, 2019	0.636995%	\$ -	\$ 160,612,146	\$ 160,612,146	\$ 46,355,069	-	53.95%
June 30, 2019	June 30, 2018	0.632140%	\$ -	\$ 149,888,653	\$ 149,888,653	\$ 44,394,345	-	54.84%
June 30, 2018	June 30, 2017	0.664017%	\$ -	\$ 151,962,838	\$ 151,962,838	\$ 44,800,000	-	54.25%
June 30, 2017	June 30, 2016	0.645695%	\$ -	\$ 144,361,094	\$ 144,361,094	\$ 44,800,000	-	52.73%
June 30, 2016	June 30, 2015	0.643135%	\$ -	\$ 131,776,121	\$ 131,776,121	\$ 41,000,000	-	55.38%
June 30, 2015	June 30, 2014	0.652099%	\$ -	\$ 103,660,015	\$ 103,660,015	\$ 40,000,000	-	61.64%

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

See Independent Auditors' Report.



**WACHUSETT REGIONAL SCHOOL DISTRICT**  
 Required Supplementary Information  
 Schedule of Pension Contributions (GASB 68)  
 (Unaudited)

**Worcester Regional Retirement System**

Fiscal Year	Measurement Date	Actuarially Determined Contribution	Contributions in Relation to the		Covered Payroll	Contributions as a Percentage of Covered Payroll
			Actuarially Determined Contribution	Contribution Deficiency (Excess)		
June 30, 2020	December 30, 2019	\$ 1,886,660	\$ 1,886,660	\$ -	\$ 12,057,098	16%
June 30, 2019	December 31, 2018	\$ 1,825,956	\$ 1,825,956	\$ -	\$ 9,287,357	20%
June 30, 2018	December 31, 2017	\$ 1,678,385	\$ 1,678,385	\$ -	\$ 11,159,876	15%
June 30, 2017	December 31, 2016	\$ 1,425,736	\$ 1,425,736	\$ -	\$ 12,325,281	12%
June 30, 2016	December 31, 2015	\$ 1,359,653	\$ 1,359,653	\$ -	\$ 10,975,602	12%
June 30, 2015	December 31, 2014	\$ 1,298,737	\$ 1,298,737	\$ -	\$ 10,553,463	12%

**Massachusetts Teachers' Retirement System**

Fiscal Year	Measurement Date	Actuarially Determined Contribution Provided by Commonwealth	Contributions in Relation to the		Covered Payroll	Contributions as a Percentage of Covered Payroll
			Actuarially Determined Contribution	Contribution Deficiency (Excess)		
June 30, 2020	June 30, 2019	\$ 9,196,366	\$ 9,196,366	\$ -	\$ 46,355,069	20%
June 30, 2019	June 30, 2018	\$ 8,311,275	\$ 8,311,275	\$ -	\$ 44,394,345	19%
June 30, 2018	June 30, 2017	\$ 8,204,027	\$ 8,204,027	\$ -	\$ 44,800,000	18%
June 30, 2017	June 30, 2016	\$ 7,261,380	\$ 7,261,380	\$ -	\$ 44,800,000	16%
June 30, 2016	June 30, 2015	\$ 6,572,392	\$ 6,572,392	\$ -	\$ 41,000,000	16%
June 30, 2015	June 30, 2014	\$ 6,112,644	\$ 6,112,644	\$ -	\$ 40,000,000	15%

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See Independent Auditors' Report.

**WACHUSETT REGIONAL SCHOOL DISTRICT**

Required Supplementary Information  
Other Post-Employment Benefits (OPEB)  
Schedule of Changes in Net OPEB Liability  
(Unaudited)

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b>Total OPEB Liability</b>				
Service cost	\$ 7,699,603	\$ 7,253,067	\$ 7,593,739	\$ 9,091,033
Interest	6,270,516	5,463,387	4,989,178	4,278,911
Changes in benefit terms	(2,916,365)	-	-	-
Difference between expected and actual experience	-	(3,038,565)	-	-
Change in assumptions	51,603,221	31,217,352	(7,338,921)	(19,679,264)
Benefit payments, including refunds of member contributions	<u>(3,541,068)</u>	<u>(3,172,824)</u>	<u>(3,013,387)</u>	<u>(2,922,743)</u>
Net Change in Total OPEB Liability	59,115,907	37,722,417	2,230,609	(9,232,063)
Total OPEB Liability - Beginning	<u>173,228,541</u>	<u>135,506,124</u>	<u>133,275,515</u>	<u>142,507,578</u>
Total OPEB Liability - Ending (a)	232,344,448	173,228,541	135,506,124	133,275,515
<b>Plan Fiduciary Net Position</b>				
Contributions - employer	3,541,068	3,172,824	3,023,387	2,922,743
Net investment income	69	358	19	-
Benefit payments, including refunds of member contributions	<u>(3,541,068)</u>	<u>(3,172,824)</u>	<u>(3,013,387)</u>	<u>(2,922,743)</u>
Net Change in Plan Fiduciary Net Position	69	358	10,019	-
Plan Fiduciary Net Position - Beginning	<u>10,377</u>	<u>10,019</u>	<u>-</u>	<u>-</u>
Plan Fiduciary Net Position - Ending (b)	<u>10,446</u>	<u>10,377</u>	<u>10,019</u>	<u>-</u>
Net OPEB Liability - Ending (a - b)	\$ <u><u>232,334,002</u></u>	\$ <u><u>173,218,164</u></u>	\$ <u><u>135,496,105</u></u>	\$ <u><u>133,275,515</u></u>

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

See Independent Auditors' Report.

**WACHUSETT REGIONAL SCHOOL DISTRICT**

Required Supplementary Information  
Other Post-Employment Benefits (OPEB)  
Schedule of Net OPEB Liability, Contributions, and Investment Returns  
(Unaudited)

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b>Schedule of Net OPEB Liability</b>				
Total OPEB liability	\$ 232,344,448	\$ 173,228,541	\$ 135,506,124	\$ 133,275,515
Plan fiduciary net position	<u>(10,446)</u>	<u>(10,377)</u>	<u>(10,019)</u>	<u>-</u>
Net OPEB Liability	\$ <u>232,334,002</u>	\$ <u>173,218,164</u>	\$ <u>135,496,105</u>	\$ <u>133,275,515</u>
 Plan fiduciary net position as a percentage of the total OPEB liability	 0.00%	 0.01%	 0.01%	 0.00%
 <b>Schedule of Contributions</b>				
Actuarially determined contribution	\$ 17,385,098	\$ 15,245,531	\$ 15,185,148	\$ 13,378,565
Contributions in relation to the actuarially determined contribution	<u>(3,541,068)</u>	<u>(3,172,824)</u>	<u>(3,023,387)</u>	<u>(2,922,743)</u>
Contribution deficiency (excess)	\$ <u>13,844,030</u>	\$ <u>12,072,707</u>	\$ <u>12,161,761</u>	\$ <u>10,455,822</u>
 <b>Schedule of Investment Returns</b>				
Annual money weighted rate of return, net of investment expense	0.66%	3.57%	Unavailable	Unavailable

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