

DUDLEY-CHARLTON REGIONAL SCHOOL DISTRICT

***REPORT ON EXAMINATION OF
BASIC FINANCIAL STATEMENTS***

YEAR ENDED JUNE 30, 2020

DUDLEY-CHARLTON REGIONAL SCHOOL DISTRICT

REPORT ON EXAMINATION OF BASIC FINANCIAL STATEMENTS

JUNE 30, 2020

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Independent Auditor's Report

To the Honorable School Committee
Dudley-Charlton Regional School District
Dudley, Massachusetts

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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 Dudley-Charlton Regional School District (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

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the 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 the management's discussion and analysis and budgetary comparison information, as listed in the table of contents, 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 sufficient evidence 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 August 18, 2021, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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.



August 18, 2021

Management's Discussion and Analysis

Management's Discussion and Analysis

As management of the Dudley-Charlton Regional School District, we offer readers of these financial statements this narrative overview and analysis of the financial activities for the year ended June 30, 2020. The District complies with financial reporting requirements issued by the Governmental Accounting Standards Board (GASB). Management's discussion and analysis are part of these requirements.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Dudley-Charlton Regional School District's basic financial statements. These basic financial statements comprise of three components:

1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

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

The *statement of net position* presents information on all assets and deferred outflows and liabilities and deferred inflows, with the difference between the two 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 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 periods (e.g., uncollected revenues and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions that are principally supported by member town assessments and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities include providing pupil education at the seven District schools, facility maintenance, employee benefits, and central services. The District had no business-type activities.

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. All of the funds can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund statements focus on *near-term inflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the year. Such information may be useful in evaluating a 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 activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Proprietary funds. The District maintains one type of proprietary fund.

The *internal service fund* is used to account for the financing of services provided by one department to other departments or governmental units. This fund is used to account for risk financing activities related to active employees' and retirees' health insurance.

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 statement because the resources of those funds are *not* available to support the District's own programs. The accounting used for fiduciary funds is much like that used for propriety funds.

Notes to the basic 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.

COVID-19

On March 27, 2020, the United States Federal Government established the Coronavirus Aid, Relief and Economic Security (CARES) Act in response to the economic downfall caused by the COVID-19 pandemic. This Act requires that the payment from these funds be used only to cover expenses that; are necessary due to the public health emergency with respect COVID-19; were not accounted for in the budget most recently approved as of March 27, 2020; and were incurred during the period that begins on March 1, 2020, and ends on December 31, 2021. As of June 30, 2020, the District has not incurred any COVID-19 related reimbursable expenses.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. Assets and deferred outflows exceeded liabilities and deferred inflows by \$5.1 million at the close of 2020.

Governmental Net position

	2020	2019
Assets:		
Current assets.....	\$ 14,411,134	\$ 13,747,306
Capital assets, nondepreciable.....	500,000	500,000
Capital assets, net of accumulated depreciation....	40,804,329	42,237,067
Total assets.....	55,715,463	56,484,373
Deferred outflows of resources.....	2,071,341	2,724,911
Liabilities:		
Current liabilities (excluding debt).....	5,534,774	5,582,187
Noncurrent liabilities (excluding debt).....	42,936,311	44,529,699
Current debt.....	265,419	263,023
Noncurrent debt.....	930,000	1,195,419
Total liabilities.....	49,666,504	51,570,328
Deferred inflows of resources.....	3,058,089	3,094,524
Net position:		
Net investment in capital assets.....	40,108,910	41,278,625
Restricted.....	6,576,601	5,887,574
Unrestricted.....	(41,623,300)	(42,621,767)
Total net position.....	\$ 5,062,211	\$ 4,544,432

Net position of \$40.1 million reflects the District's investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that are still outstanding. The District uses these capital assets to provide services to pupils; consequently, these assets are not available for future spending. Although the investment in its capital assets is reported net of its 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 the net position, \$6.6 million, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, a deficit of \$41.6 million, reflects the impact of the \$26.7 million other postemployment benefit liability and the recognition of the \$15.0 million net pension liability.

	2020	2019
Program Revenues:		
Charges for services.....	\$ 781,389	\$ 1,111,866
Operating grants and contributions.....	17,116,375	13,826,870
General Revenues:		
Member town assessments.....	22,270,797	23,296,057
Grants and contributions not restricted to specific programs.....	24,691,283	24,737,694
Unrestricted investment income.....	57,237	71,424
Miscellaneous.....	122,865	240,336
Total revenues.....	65,039,946	63,284,247
Expenses:		
District administration.....	1,275,484	1,267,304
Instructional support.....	22,470,690	21,898,808
Preschool and special education.....	9,595,050	9,315,010
Transportation services.....	2,390,464	3,056,691
Food services.....	1,107,257	1,157,260
Athletics & student activities.....	534,498	527,264
Other school services.....	1,997,195	2,080,341
Facilities.....	3,208,963	3,374,358
Interest.....	37,638	196,716
Depreciation.....	2,007,808	1,973,260
Federal and state grants.....	1,760,295	1,430,206
Employee benefits and other fixed charges.....	18,136,825	16,123,958
Total expenses.....	64,522,167	62,401,176
Change in net position.....	517,779	883,071
Net position, beginning of year.....	4,544,432	3,661,361
Net position, end of year.....	\$ 5,062,211	\$ 4,544,432

The governmental activities net position increased by \$518,000 in 2020. This increase is primarily due to a \$1.8 million increase from the change in the net other postemployment benefit liability and the related deferred inflows/outflows of resources which was offset by an \$890,000 decrease from the change in the total pension liability and the related deferred inflows/outflows of resources, and a \$300,00 decrease in the health insurance trust fund.

Financial Analysis of the Governmental Funds

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

Governmental funds. The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the District's 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 year.

As of the end of the current year, governmental funds reported combined ending fund balances of \$6.0 million, an increase of \$1.1 million in comparison with the prior year.

The general fund is the chief operating fund. At the end of the current year, unassigned fund balance of the general fund was \$1.5 million. Assigned fund balance, which represents E&D used to balance the FY2021 budget, totaled \$1.1 million. See Note 9 for further details.

The nonmajor governmental funds ended the year with a fund balance of \$3.3 million, an increase of \$989,000 over the prior year.

The internal service fund had a fund balance of \$3.2 million at the end of the current year, a decrease of \$300,000 over the prior year.

General Fund Budgetary Highlights

There was no change between the \$50.0 million original budget and the final budget in 2020. All budgetary transfers between line items were approved by the School Committee.

General fund revenues came in \$163,000 less than budgeted, while general fund expenditures came in \$1.4 million less than budgeted. The most significant unexpended balances were in district administration and transportation totaling \$518,000 and \$778,000, respectively.

Capital Asset and Debt Administration

Capital Assets

The District's investment in capital assets as of June 30, 2020, amounts to \$41.3 million (net of accumulated depreciation). This investment in capital assets includes land, land improvements, buildings and improvements, machinery and equipment, and vehicles.

Capital asset additions, totaling \$575,000, consisted of various equipment and vehicle purchases, as well as several building improvements.

Debt Administration

The District maintains a AA Bond Rating with Moody's Investors Service, Inc. on its long-term debt. At the end of the year the District had total long-term bonded debt outstanding of \$1.1 million. During 2020, the District paid down \$150,000 in debt principal.

Please refer to notes 4, 7 and 8 for further discussion of the major capital and debt activity.

Requests for Information

This financial report is designed to provide a general overview of the Dudley-Charlton Regional School District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Finance and Operations, Dudley-Charlton Regional School District, 68 Dudley-Oxford Road, Dudley, MA 01571.

Basic Financial Statements

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STATEMENT OF NET POSITION

JUNE 30, 2020

	<u>Primary Government</u>	
		<u>Governmental Activities</u>
ASSETS		
CURRENT:		
Cash and cash equivalents.....	\$	13,327,878
Receivables, net of allowance for uncollectibles:		
Intergovernmental.....		978,905
Other assets.....		104,351
		<u>14,411,134</u>
NONCURRENT:		
Capital assets, nondepreciable.....		500,000
Capital assets, net of accumulated depreciation.....		40,804,329
		<u>41,304,329</u>
TOTAL ASSETS.....		<u>55,715,463</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pensions.....		1,075,472
Deferred outflows related to other postemployment benefits....		995,869
		<u>2,071,341</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES.....		<u>2,071,341</u>
LIABILITIES		
CURRENT:		
Warrants payable.....		652,391
Accrued payroll.....		4,045,135
Accrued vacation time.....		414,973
Accrued sick time.....		422,275
Capital lease obligations.....		115,419
Bonds payable.....		150,000
		<u>5,800,193</u>
NONCURRENT:		
Accrued sick time.....		1,266,825
Net pension liability.....		14,965,953
Total other postemployment benefits liability.....		26,703,533
Bonds payable.....		930,000
		<u>43,866,311</u>
TOTAL LIABILITIES.....		<u>49,666,504</u>
DEFERRED INFLOWS OF RESOURCES		
Advance payments.....		79,230
Deferred inflows related to pensions.....		524,374
Deferred inflows related to other postemployment benefits.....		2,454,485
		<u>3,058,089</u>
TOTAL DEFERRED INFLOWS OF RESOURCES.....		<u>3,058,089</u>
NET POSITION		
Net investment in capital assets.....		40,108,910
Restricted for:		
Health trust.....		3,235,311
Gifts and grants.....		3,341,290
Unrestricted.....		<u>(41,623,300)</u>
TOTAL NET POSITION.....	\$	<u>5,062,211</u>

See notes to basic financial statements.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2020

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	
Primary Government:				
<i>Governmental Activities:</i>				
District administration.....	\$ 1,275,484	\$ -	\$ -	\$ (1,275,484)
Instructional support.....	22,470,690	-	861,958	(21,608,732)
Preschool and special education.....	9,595,050	-	817,533	(8,777,517)
Transportation services.....	2,390,464	-	2,438,703	48,239
Food services.....	1,107,257	457,387	668,034	18,164
Athletics & student activities.....	534,498	241,824	15,267	(277,407)
Other school services.....	1,997,195	72,172	86,882	(1,838,141)
Facilities.....	3,208,963	10,006	9,755	(3,189,202)
Interest.....	37,638	-	-	(37,638)
Depreciation.....	2,007,808	-	-	(2,007,808)
Federal and state grants.....	1,760,295	-	1,880,836	120,541
Employee benefits and other fixed charges.....	18,136,825	-	10,337,407	(7,799,418)
Total Governmental Activities.....	\$ 64,522,167	\$ 781,389	\$ 17,116,375	\$ (46,624,403)

(Continued)

See notes to basic financial statements.

STATEMENT OF ACTIVITIES (continued)

YEAR ENDED JUNE 30, 2020

	<i>Primary Government</i>
	Governmental Activities
Changes in net position:	
Net (expense) revenue from previous page.....	\$ (46,624,403)
<i>General revenues:</i>	
Member town assessments.....	22,270,797
Grants and contributions not restricted to specific programs.....	24,691,283
Unrestricted investment income.....	57,237
Miscellaneous revenue.....	122,865
	47,142,182
Total general revenues.....	47,142,182
Change in net position.....	517,779
 <i>Net position:</i>	
Beginning of year.....	4,544,432
	5,062,211
End of year.....	\$ 5,062,211
	(Concluded)

See notes to basic financial statements.

GOVERNMENTAL FUNDS
BALANCE SHEET

JUNE 30, 2020

	General	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents.....	\$ 7,584,787	\$ 2,434,352	\$ 10,019,139
Receivables, net of uncollectibles:			
Intergovernmental.....	-	978,905	978,905
Other assets.....	10,243	94,108	104,351
TOTAL ASSETS.....	\$ 7,595,030	\$ 3,507,365	\$ 11,102,395
LIABILITIES			
Warrants payable.....	\$ 652,391	-	\$ 652,391
Accrued payroll.....	3,879,060	166,075	4,045,135
Accrued vacation time.....	414,973	-	414,973
TOTAL LIABILITIES.....	4,946,424	166,075	5,112,499
DEFERRED INFLOWS OF RESOURCES			
Advance payments.....	5,802	-	5,802
FUND BALANCES			
Restricted.....	-	3,341,290	3,341,290
Assigned.....	1,097,380	-	1,097,380
Unassigned.....	1,545,424	-	1,545,424
TOTAL FUND BALANCES.....	2,642,804	3,341,290	5,984,094
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES.....	\$ 7,595,030	\$ 3,507,365	\$ 11,102,395

See notes to basic financial statements.

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TOTAL FUND BALANCES TO THE STATEMENT OF NET POSITION**

JUNE 30, 2020

Total governmental fund balances.....		\$ 5,984,094
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....		41,304,329
The statement of net position includes certain deferred inflows of resources and deferred outflows of resources that will be amortized over future periods. In governmental funds, these amounts are not deferred.....		(907,518)
The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net position.....		3,235,311
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:		
Bonds payable.....	(1,080,000)	
Net pension liability.....	(14,965,953)	
Net other postemployment benefits liability.....	(26,703,533)	
Capital lease obligations.....	(115,419)	
Accrued sick time.....	<u>(1,689,100)</u>	
Net effect of reporting long-term liabilities.....		<u>(44,554,005)</u>
Net position of governmental activities.....		<u>\$ 5,062,211</u>

See notes to basic financial statements.

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

YEAR ENDED JUNE 30, 2020

	General	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:			
Member town assessments.....	\$ 22,270,797	\$ -	\$ 22,270,797
Intergovernmental.....	26,103,796	5,282,261	31,386,057
Intergovernmental - Teachers Retirement.....	10,337,407	-	10,337,407
Fees and rentals.....	10,006	821,065	831,071
Investment income.....	54,285	-	54,285
Contributions and donations.....	-	53,060	53,060
Miscellaneous revenue.....	126,520	-	126,520
TOTAL REVENUES.....	58,902,811	6,156,386	65,059,197
EXPENDITURES:			
Current:			
District administration.....	1,275,484	-	1,275,484
Instructional support.....	22,129,001	810,632	22,939,633
Preschool and special education.....	8,656,935	939,428	9,596,363
Transportation services.....	2,390,464	-	2,390,464
Food services.....	-	1,114,275	1,114,275
Athletics & student activities.....	316,266	237,732	553,998
Other school services.....	1,918,638	78,557	1,997,195
Facilities.....	3,378,240	9,755	3,387,995
Employee benefits and other fixed charges.....	8,391,244	-	8,391,244
Pension benefits - Teachers retirement.....	10,337,407	-	10,337,407
Federal and state grants.....	-	1,796,295	1,796,295
Debt service:			
Principal.....	150,000	-	150,000
Interest.....	37,638	-	37,638
TOTAL EXPENDITURES.....	58,981,317	4,986,674	63,967,991
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	(78,506)	1,169,712	1,091,206
OTHER FINANCING SOURCES (USES):			
Transfers in.....	180,217	-	180,217
Transfers out.....	-	(180,217)	(180,217)
TOTAL OTHER FINANCING SOURCES (USES).....	180,217	(180,217)	-
NET CHANGE IN FUND BALANCES.....	101,711	989,495	1,091,206
FUND BALANCES AT BEGINNING OF YEAR, AS RESTATED.....	2,541,093	2,351,795	4,892,888
FUND BALANCES AT END OF YEAR.....	\$ 2,642,804	\$ 3,341,290	\$ 5,984,094

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2020

Net change in fund balances - total governmental funds.....	\$	1,091,206
<p>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.</p>		
Capital outlay.....	575,070	
Depreciation expense.....	<u>(2,007,808)</u>	
Net effect of reporting capital assets.....		(1,432,738)
<p>Revenues in the Statement of Activities that do not provide current financial resources are unavailable in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable differ between the two statements. This amount represents the net change in unavailable revenue.....</p>		
		(18,548)
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are unavailable and amortized in the Statement of Activities.</p>		
Principal payments on capital leases.....	113,023	
Debt service principal payments.....	<u>150,000</u>	
Net effect of reporting long-term debt.....		263,023
<p>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 the governmental funds.</p>		
Net change in compensated absences accrual.....	23,713	
Net change in deferred outflow/(inflow) of resources related to pensions.....	(1,046,806)	
Net change in net pension liability.....	156,581	
Net change in deferred outflow/(inflow) of resources related to other postemployment benefits.....	362,794	
Net change in net other postemployment benefits liability.....	<u>1,419,022</u>	
Net effect of recording long-term liabilities.....		915,304
The net activity of the internal service fund is reported within the Governmental Activities.....		<u>(300,468)</u>
Change in net position of governmental activities.....	\$	<u><u>517,779</u></u>

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF NET POSITION

JUNE 30, 2020

	Governmental Activities - Internal Service Fund
ASSETS	
Cash and cash equivalents.....	\$ <u>3,308,739</u>
DEFERRED INFLOWS OF RESOURCES	
Advance payments.....	<u>73,428</u>
NET POSITION	
Unrestricted.....	\$ <u><u>3,235,311</u></u>

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

YEAR ENDED JUNE 30, 2020

	Governmental Activities - Internal Service Fund
<u>OPERATING REVENUES:</u>	
Employee contributions.....	\$ 2,218,681
Employer contributions.....	5,510,438
Other operating revenues.....	207,151
TOTAL OPERATING REVENUES	7,936,270
<u>OPERATING EXPENSES:</u>	
Employee benefits.....	8,239,690
OPERATING INCOME (LOSS).....	(303,420)
<u>NONOPERATING REVENUES (EXPENSES):</u>	
Investment income.....	2,952
CHANGE IN NET POSITION.....	(300,468)
NET POSITION AT BEGINNING OF YEAR, AS RESTATED.....	3,535,779
NET POSITION AT END OF YEAR.....	\$ 3,235,311

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2020

	<u>Governmental Activities - Internal Service Fund</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>	
Receipts from customers and users.....	\$ 2,150,351
Receipts from interfund services provided.....	5,717,589
Payments for interfund services used.....	<u>(8,518,939)</u>
NET CASH FROM OPERATING ACTIVITIES.....	<u>(650,999)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>	
Investment income.....	<u>2,952</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	(648,047)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....	<u>3,956,786</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR.....	<u>\$ 3,308,739</u>
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES:</u>	
Operating income (loss).....	\$ <u>(303,420)</u>
Adjustments to reconcile operating income to net cash from operating activities:	
Advance payments.....	(68,330)
Changes in assets and liabilities:	
Health claims payable.....	<u>(279,249)</u>
Total adjustments.....	<u>(347,579)</u>
NET CASH FROM OPERATING ACTIVITIES.....	<u>\$ (650,999)</u>

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2020

	Private Purpose Trust Funds	Agency Funds
ASSETS		
Cash and cash equivalents.....	\$ <u>33,479</u>	\$ <u>550,740</u>
LIABILITIES		
Liabilities due depositors.....	<u>-</u>	<u>550,740</u>
NET POSITION		
Held in trust for other purposes.....	\$ <u><u>33,479</u></u>	\$ <u><u>-</u></u>

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

YEAR ENDED JUNE 30, 2020

	<u>Private Purpose Trust Funds</u>
<u>ADDITIONS:</u>	
Contributions:	
Private donations.....	\$ 478
Net investment income:	
Investment income.....	<u>185</u>
TOTAL ADDITIONS.....	<u>663</u>
<u>DEDUCTIONS:</u>	
Educational scholarships.....	<u>4,150</u>
NET INCREASE (DECREASE) IN NET POSITION.....	(3,487)
NET POSITION AT BEGINNING OF YEAR.....	<u>36,966</u>
NET POSITION AT END OF YEAR.....	\$ <u><u>33,479</u></u>

See notes to basic financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying basic financial statements of the Dudley-Charlton Regional School District (District) have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the recognized standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies are described herein.

A. Reporting Entity

The Dudley-Charlton Regional School District began operations in 1971 and operates under a regional agreement. The District is comprised of the Towns of Dudley and Charlton and serves the educational needs of students in grades Pre-K through 12. The form of government is an elected seven-member School Committee, which is responsible for appointing a Superintendent who is the chief operating official for the District.

The District operates seven schools. The District is responsible for the operating costs that are apportioned among the member towns based on State law, student enrollment, and the regional agreement. Capital costs are apportioned to the Town based on the regional agreement.

As required by GAAP, these financial statements present the District (the primary government) and its component units. It has been determined that there are no component units that meet the requirements for inclusion in the District's financial statements.

Joint Venture

The District is a member of the Southern Worcester County Educational Collaborative (Collaborative). The Collaborative provides various educational programs and transportation to its members which would not be feasible for individual school systems to provide. The District incurred \$995,610 of expenditures associated with services provided by the Collaborative in 2020. The Collaborative issues a publicly available financial report. That report may be obtained by contacting the Collaborative at 185 Southbridge Road, Dudley, Massachusetts 01550.

B. Government-Wide and Fund Financial Statements***Government-Wide Financial Statements***

The government-wide financial statements (i.e., statement of net position and the statement of changes in net position) report information on all of the non-fiduciary activities of the primary government and its component units. *Governmental activities* are primarily supported by taxes and intergovernmental revenues.

Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds even though fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and displayed in a single column.

Major Fund Criteria

Major funds must be reported if the following criteria are met:

- If the total assets and deferred outflows, liabilities and deferred inflows, revenues, or expenditures/expenses of an individual governmental fund are at least 10 percent of the corresponding element (assets, liabilities, etc.) for all funds of that category or type (total governmental funds), *and*
- If the total assets and deferred outflows, liabilities and deferred inflows, revenues, or expenditures/expenses of the individual governmental fund are at least 5 percent of the corresponding element for all governmental funds combined.
- Additionally, any other governmental fund that management believes is particularly significant to the basic financial statements may be reported as a major fund.

Fiduciary funds are reported by fund type.

C. 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. Under this method, revenues are recorded when earned and expenses are recorded when the liabilities are incurred. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of activities demonstrates the degree to which the direct expenses of a particular 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 the following:

- Charges to consumers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment.
- Grants and contributions that are restricted to meeting the operational requirements of a particular function or segment.

Other items not identifiable as program revenues are reported as general revenues.

The effect of interfund activity has been removed from the government-wide financial statements.

Fund Financial Statements

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

Investment income is susceptible to accrual. Other receipts and revenues become measurable and available when the cash is received and are recognized as revenue at that time.

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

The following major governmental fund is reported:

The *general fund* is the primary operating fund. It is used to account for all financial resources, except those that are required to be accounted for in another fund.

The nonmajor governmental funds consist of other special revenue and capital projects that are aggregated and presented in the *nonmajor governmental funds* column on the governmental fund's financial statements. The following describes the general use of these fund types:

The *special revenue fund* is used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than permanent funds or capital projects.

The *capital project fund* is used to account for financial resources to be used for the acquisition or construction of major capital facilities.

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The following major proprietary fund is reported:

The *internal service fund* is used to account for the financing of services provided by one department to other departments or governmental units. This fund is used to account for risk financing activities related to active employees' and retirees' health insurance.

Fiduciary fund financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting. Fiduciary funds are used to account for assets held in a trustee capacity for others that cannot be used to support the governmental programs.

The following fiduciary fund types are reported:

The *private-purpose trust fund* is used to account for trust arrangements under which principal and investment income exclusively benefit individuals, private organizations, or other governments.

The *agency fund* is used to account for assets held in a purely custodial capacity.

D. Cash and Investments

Government-Wide and Fund Financial Statements

Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with an original maturity of three months or less from the date of acquisition. Investments are carried at fair value.

E. Fair Value Measurements

The District reports required types of financial instruments in accordance with the fair value standards. These standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or valuation techniques) to determine fair value. Fair value standards also require the government to classify these financial instruments into a three-level hierarchy, based on the priority of inputs to the valuation technique or in accordance with net asset value practical expedient rules, which allow for either Level 2 or Level 3 depending on lock up and notice periods associated with the underlying funds.

Instruments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 – Quoted prices are available in active markets for identical instruments as of the reporting date. Instruments, which are generally included in this category, include actively traded equity and debt securities, U.S. government obligations, and mutual funds with quoted market prices in active markets.

Level 2 – Pricing inputs are other than quoted in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. Certain fixed income securities, primarily corporate bonds, are classified as Level 2 because fair values are estimated using pricing models, matrix pricing, or discounted cash flows.

Level 3 – Pricing inputs are unobservable for the instrument and include situations where there is little, if any, market activity for the instrument. The inputs into the determination of fair value require significant management judgment or estimation.

In some instances, the inputs used to measure fair value may fall into different levels of the fair value hierarchy and is based on the lowest level of input that is significant to the fair value measurement.

Market price is affected by a number of factors, including the type of instrument and the characteristics specific to the instrument. Instruments with readily available active quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value. It is reasonably possible that change in values of these instruments will occur in the near term and that such changes could materially affect amounts reported in these financial statements.

The District did not have any financial instruments types meeting the requirements for reporting with fair value standards.

F. Accounts Receivable

Government-Wide and Fund Financial Statements

The recognition of revenue related to accounts receivable reported in the government-wide financial statements and the proprietary funds and fiduciary funds financial statements are reported under the accrual basis of

accounting. The recognition of revenue related to accounts receivable reported in the governmental funds financial statements are reported under the modified accrual basis of accounting.

Intergovernmental

Various federal and state grants for operating and capital purposes are applied for and received annually. For non-expenditure driven grants, receivables are recorded as soon as all eligibility requirements imposed by the provider have been met. For expenditure driven grants, receivables are recorded when the qualifying expenditures are incurred, and all other grant requirements are met.

Departmental

Departmental receivables consist of student services, facilities rentals, childcare, and school lunch local receipts, among others.

These receivables are considered 100% collectible and therefore do not report an allowance for uncollectibles.

G. Inventories

Government-Wide and Fund Financial Statements

Inventories are recorded as expenditures at the time of purchase. Such inventories are not material in total to the government-wide and fund financial statements, and therefore are not reported.

H. Capital Assets

Government-Wide Financial Statements

Capital assets, which include land, buildings and improvements, and equipment, are reported in the government-wide financial statements. Capital assets are recorded at historical cost, or at estimated historical cost, if actual historical cost is not available. Donated capital assets are recorded at the estimated fair market value at the date of donation. Except for the capital assets of the governmental activities column in the government-wide financial statements, construction period interest is capitalized on constructed capital assets.

All purchases and construction costs greater than \$5,000 with expected useful lives of greater than one year are capitalized at the date of acquisition or construction.

Capital assets (excluding land) are depreciated on a straight-line basis. The estimated useful lives, in years, of capital assets are as follows:

<u>Capital Asset Type</u>	<u>Estimated Useful Life (in years)</u>
Land improvements.....	20
Buildings and improvements.....	50
Machinery and equipment.....	5 - 15
Vehicles.....	5 - 8

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized and are treated as expenses when incurred. Improvements are capitalized.

Governmental Fund Financial Statements

Capital asset costs are recorded as expenditures in the acquiring fund in the year of the purchase.

I. Deferred Outflows/Inflows of Resources*Government-Wide Financial Statements (Net Position)*

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The District reports deferred outflows of resources related to pensions and other postemployment benefits in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District reports advance payments and deferred inflows related to pensions and other postemployment benefits in this category.

Governmental Fund Financial Statements

In addition to liabilities, the governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents assets that have been recorded in the governmental fund financial statements but the revenue is not available and so will *not* be recognized as an inflow of resources (revenue) until it becomes available. The District reports unavailable revenue in this category.

J. Interfund Receivables and Payables

During the course of its operations, transactions occur between and within individual funds that may result in amounts owed between funds.

Government-Wide Financial Statements

Transactions of a buyer/seller nature between and within governmental funds are eliminated from the governmental activities in the statement of net position. Any residual balances outstanding between the governmental activities are reported in the statement of net position as "internal balances".

Fund Financial Statements

Transactions of a buyer/seller nature between and within funds are not eliminated from the individual fund statements. Receivables and payables resulting from these transactions are classified as "Due from other funds" or "Due to other funds" on the balance sheet.

K. Interfund Transfers

During the course of its operations, resources are permanently reallocated between and within funds. These transactions are reported as transfers in and transfers out.

Government-Wide Financial Statements

Transfers between and within governmental funds and internal service funds are eliminated from the governmental activities in the statement of net position. Any residual balances outstanding between the governmental activities and business-type activities are reported in the statement of activities as "Transfers, net".

Fund Financial Statements

Transfers between and within funds are not eliminated from the individual fund statements and are reported as transfers in and transfers out.

L. Net Position and Fund Equity*Government-Wide Financial Statements (Net position)*

Net position is reported as restricted when amounts that are not available for appropriation or are legally restricted by outside parties for a specific future use. Net position has been "restricted for" the following:

"Health trust" represents assets that are restricted for employees health insurance benefits.

"Gifts and grants" represents assets that have restrictions placed on them from outside parties.

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g. restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Fund Financial Statements (Fund Balances)

Governmental fund balances are classified as nonspendable, restricted, committed, assigned, or unassigned based on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

The governmental fund balance classifications are as follows:

"Nonspendable" fund balance includes amounts that cannot be spent because they are either not in spendable form or they are legally or contractually required to be maintained intact.

"Restricted" fund balance includes amounts subject to constraints placed on the use of resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or that are imposed by law through constitutional provisions or enabling legislation.

"Committed" fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority. The School Committee is the highest level of decision-making authority that can commit funds for a specific purpose. Only voted, the limitation imposed by the vote remains in place until the funds are used for their intended purpose or a vote is taken to rescind the commitment.

"Assigned" fund balance includes amounts that are constrained by the District's intent to be used for specific purposes but are neither restricted nor committed. The Director of Finance and Operations is authorized to

assign fund balance. Assignments generally only exist temporarily. Additional action does not have to be taken for the removal of an assignment.

“Unassigned” fund balance includes the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

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

M. Long-Term Debt

Government-Wide Financial Statements

Long-term debt is reported as liabilities in the government-wide statement of net position. Material bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

Governmental Fund Financial Statements

The face amount of governmental funds long-term debt is reported as other financing sources. Bond premiums and discounts, as well as issuance costs, are recognized in the current period. Bond premiums are reported as other financing sources and bond discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual bond proceeds received, are reported as general government expenditures.

N. Pensions

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 Worcester Regional Retirement System (WRRS) and the Massachusetts Teachers Retirement System (MTRS) and additions to/deductions from the 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 the benefit terms. Investments are reported at fair value.

O. Investment Income

Investment income derived from major and nonmajor governmental funds is legally assigned to the general fund unless otherwise directed by Massachusetts General Law (MGL).

Proprietary funds retain their investment income.

P. Compensated Absences

Employees are granted vacation and sick leave in varying amounts based on collective bargaining agreements, state laws and executive policies.

Government-Wide Financial Statements

Vested or accumulated vacation and sick leave are reported as liabilities and expensed as incurred.

Governmental Fund Financial Statements

Vested or accumulated vacation and sick leave, which will be liquidated with expendable available financial resources, are reported as expenditures and fund liabilities.

Q. Use of Estimates

Government-Wide and Fund Financial Statements

The preparation of basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure for contingent assets and liabilities at the date of the basic financial statements and the reported amounts of the revenues and expenditures/expenses during the year. Actual results could vary from estimates that were used.

R. Total Column

Government-Wide Financial Statements

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

Fund Financial Statements

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

NOTE 2 – CASH AND INVESTMENTS

Statutes authorize the investment in obligations of the U.S. Treasury, agencies and instrumentalities, certificates of deposit, repurchase agreements, money market accounts, bank deposits and the State Treasurer's Investment Pool (Pool). In addition, there are various restrictions limiting the amount and length of deposits and investments.

The District maintains a cash and investment pool that is available for use by all funds, except the Trust Funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Cash and Cash Equivalents". The deposits and investments of the Trust Funds are held separately from those of other District funds.

Custodial credit risk for deposits is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The District has not formally adopted a policy for custodial credit risk of deposits. At year-end, the carrying amount of deposits totaled \$13,912,097 and the bank balance totaled \$14,826,623. Of the bank

balance, \$573,279 was covered by Federal Depository Insurance and \$14,253,344 was covered by the Depositor’s Insurance Fund.

NOTE 3 – RECEIVABLES

Outstanding receivables for the year ended June 30, 2020, totaled \$978,905 and related to various federal and state grants.

NOTE 4 – CAPITAL ASSETS

Governmental activities capital asset activity for the year ended June 30, 2020, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 500,000	\$ -	\$ -	\$ 500,000
<u>Capital assets being depreciated:</u>				
Land improvements.....	4,181,496	-	-	4,181,496
Buildings and improvements.....	76,558,627	307,982	-	76,866,609
Machinery and equipment.....	3,353,230	211,588	-	3,564,818
Vehicles.....	282,832	55,500	-	338,332
Total capital assets being depreciated.....	<u>84,376,185</u>	<u>575,070</u>	<u>-</u>	<u>84,951,255</u>
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(2,403,784)	(275,245)	-	(2,679,029)
Buildings and improvements.....	(37,144,279)	(1,594,983)	-	(38,739,262)
Machinery and equipment.....	(2,405,379)	(127,208)	-	(2,532,587)
Vehicles.....	(185,676)	(10,372)	-	(196,048)
Total accumulated depreciation.....	<u>(42,139,118)</u>	<u>(2,007,808)</u>	<u>-</u>	<u>(44,146,926)</u>
Total capital assets being depreciated, net.....	<u>42,237,067</u>	<u>(1,432,738)</u>	<u>-</u>	<u>40,804,329</u>
Total governmental activities capital assets, net.....	<u>\$ 42,737,067</u>	<u>\$ (1,432,738)</u>	<u>\$ -</u>	<u>\$ 41,304,329</u>

Depreciation expense is unallocated and presented as a separate line on the statement of activities.

NOTE 5 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

There were no interfund receivables or payables at June 30, 2020.

For the year ended June 30, 2020, the general fund received transfers from the regional transportation fund and the athletic field donation fund of \$110,684 and \$69,533, respectively.

NOTE 6 – CAPITAL LEASES

The District has entered into a lease agreement to finance the purchase of IT equipment. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of its future minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

<u>Asset:</u>	Governmental Activities
Machinery and equipment.....	\$ 471,465
Less: accumulated depreciation...	(235,733)
Total.....	\$ 235,732

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2020, were as follows:

<u>Years ending June 30:</u>	Governmental Activities
2021.....	\$ 117,866
Less: amounts representing interest.....	(2,447)
Present value of minimum lease payments...	\$ 115,419

NOTE 7 – SHORT-TERM FINANCING

Short-term debt may be authorized and issued to fund the following:

- Current operating costs prior to the collection of revenues through issuance of revenue or tax anticipation notes (RANS or TANS).
- Capital project costs and other approved expenditures incurred prior to obtaining permanent financing through issuance of bond anticipation notes (BANS) or grant anticipation notes (GANS).

There were no short-term loans at year-end.

NOTE 8 – LONG-TERM DEBT

State law permits the District, under the provisions of Chapter 71, Section 16, to authorize indebtedness not to exceed an amount approved by the Emergency Finance Board. Furthermore, written notice of the amount of debt authorized and general purpose of the debt must be given to the Board of Selectmen in each of the member town’s comprising the District.

Details related to the outstanding indebtedness at June 30, 2020, and the debt service requirements are as follows:

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2020
Athletic Field.....	2029	\$ 1,834,985	2 - 5	\$ 1,080,000

Debt service requirements for principal and interest for governmental bonds payable in future years are as follows:

Year	Principal	Interest	Total
2021.....	\$ 150,000	\$ 31,637	\$ 181,637
2022.....	150,000	25,637	175,637
2023.....	150,000	19,638	169,638
2024.....	150,000	13,638	163,638
2025.....	125,000	10,638	135,638
2026.....	105,000	8,137	113,137
2027.....	100,000	5,906	105,906
2028.....	75,000	3,656	78,656
2029.....	75,000	1,874	76,874
Total.....	\$ 1,080,000	\$ 120,761	\$ 1,200,761

The District is subject to various debt limits by statute and may issue additional general obligation debt under the normal debt limit. At June 30, 2020, the District had \$382,072 of authorized and unissued debt.

Changes in Long-term Liabilities

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

	Beginning Balance	Bonds and Notes Issued	Bonds and Notes Redeemed	Other Increases	Other Decreases	Ending Balance	Due Within One Year
Governmental Activities:							
Long-term bonds payable.....	\$ 1,230,000	\$ -	\$ (150,000)	\$ -	\$ -	\$ 1,080,000	\$ 150,000
Capital lease obligations.....	228,442	-	-	-	(113,023)	115,419	115,419
Compensated absences.....	1,712,813	-	-	404,490	(428,203)	1,689,100	422,275
Net pension liability.....	15,122,534	-	-	867,142	(1,023,723)	14,965,953	-
Total other postemployment benefit liability..	28,122,555	-	-	(475,069)	(943,953)	26,703,533	-
Total governmental activity							
long-term liabilities.....	\$ 46,416,344	\$ -	\$ (150,000)	\$ 796,563	\$ (2,508,902)	\$ 44,554,005	\$ 687,694

NOTE 9 – GOVERNMENTAL FUND BALANCE CLASSIFICATIONS

GASB 54 provides for two major types of fund balances, which are nonspendable and spendable. Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. Examples of this classification are prepaid items, inventories, and principal (corpus) of an endowment fund.

In addition to the nonspendable fund balance, GASB 54 has provided a hierarchy of spendable fund balances, based on a hierarchy of spending constraints.

- Restricted: fund balances that are constrained by external parties, constitutional provisions, or enabling legislation.
- Committed: fund balances that contain self-imposed constraints of the government from its highest level of decision-making authority.
- Assigned: fund balances that contain self-imposed constraints of the government to be used for a particular purpose.
- Unassigned: fund balance of the general fund that is not constrained for any particular purpose.

The District has classified its fund balances with the following hierarchy:

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Fund Balances:			
Restricted for:			
School revolving funds.....	\$ -	\$ 1,701,753	\$ 1,701,753
School choice.....	-	502,297	502,297
Cafeteria.....	-	262,057	262,057
Federal grants.....	-	104,551	104,551
State grants.....	-	6,216	6,216
Other special revenue funds.....	-	764,416	764,416
Assigned to:			
E&D used for subsequent year budget.....	1,097,380	-	1,097,380
Unassigned.....	1,545,424	-	1,545,424
Total Fund Balances.....	<u>\$ 2,642,804</u>	<u>\$ 3,341,290</u>	<u>\$ 5,984,094</u>

NOTE 10 – RISK FINANCING

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance. The amount of claim settlements has not exceeded insurance coverage in any of the previous three years.

Effective July 1, 2019, the District ceased its self-insured group health insurance plan and all employees were enrolled in the newly formed Massachusetts Strategic Health Group (MSHG). MSHG is a public entity risk pool operating as a common risk management and insurance program established in accordance with MGL Chapter 32B, Section 12. MSHG currently services three employers for the joint negotiation and purchase of active and retiree health insurance coverage. The participants do so to achieve the economies of scale and other benefits

derived from joint negotiation and purchase. The District pays a monthly premium to MSGH for its health insurance coverage for all active and retired employees.

NOTE 11 – PENSION PLAN

Plan Descriptions

The District is a member of the Worcester Regional Retirement System (WRRS), a cost-sharing multiple-employer defined benefit pension plan covering eligible employees of the 98 member units. The System is administered by five board members (Board) on behalf of all current employees and retirees except for current teachers and retired teachers. Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan. The System issues a publicly available financial report in accordance with guidelines established by the Commonwealth's Public Employee Retirement Administration Commission (PERAC). That report may be obtained by contacting the System located at 23 Midstate Drive Suite #106 Auburn, MA 01501 or its website <http://worcesterregionalretirement.org/>.

The District is a member of the Massachusetts Teachers' Retirement System (MTRS), a cost-sharing multi-employer defined benefit plan. MTRS is managed by the Commonwealth of Massachusetts (Commonwealth) on behalf of municipal teachers and municipal teacher retirees. The Commonwealth is a nonemployer contributor and is responsible for 100% of the 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's reporting entity and the audited financial report may be obtained by visiting <http://www.mass.gov/osc/publications-and-reports/financial-reports/>.

Special Funding Situation

The Commonwealth is a nonemployer contributor and is required by statute to make 100% of all actuarially determined employer contributions on behalf of the District to the MTRS. Therefore, the District is considered to be in a special funding situation as defined by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and the Commonwealth is a nonemployer contributor in MTRS. Since the District does not contribute directly to MTRS, there is no net pension liability to recognize. The total of the Commonwealth provided contributions have been allocated based on each employer's covered payroll to the total covered payroll of employers in MTRS as of the measurement date of June 30, 2019. The District's portion of the collective pension expense, contributed by the Commonwealth, of \$10,337,407 is reported in the general fund as intergovernmental revenue and employee benefits and other fixed charges in the current year. The portion of the Commonwealth's collective net pension liability associated with the District is \$85,244,761 as of the measurement date.

Benefits Provided

Both Systems provide retirement, disability, survivor and death benefits to plan members and beneficiaries. Massachusetts Contributory Retirement System benefits are, with certain minor exceptions, uniform from system to system. The System provides for retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. For persons who became members on or after April 2, 2012, average salary is the average annual rate of regular compensation received during the five consecutive years that produce the highest average, or, if greater, during the last five years (whether or not consecutive) preceding retirement. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification. Members become vested after ten years of creditable service.

Employees who resign from service and who are not eligible to receive a retirement allowance or are under the age of 55 are entitled to request a refund of their accumulated total deductions. Survivor benefits are extended to eligible beneficiaries of members whose death occurs prior to or following retirement.

Cost-of-living adjustments granted between 1981 and 1997 and any increase in other benefits imposed by the Commonwealth’s state law during those years are borne by the Commonwealth and are deposited into the pension fund. Cost-of-living adjustments granted after 1997 must be approved by the Board and are borne by the System.

Contributions

Chapter 32 of the MGL governs the contributions of plan members and member units. Active plan members are required to contribute to the System at rates ranging from 5% to 9% of gross regular compensation with an additional 2% contribution required for compensation exceeding \$30,000. The percentage rate is keyed to the date upon which an employee's membership commences. The member units are required to pay into the WRRS a legislatively mandated actuarial determined contribution that is apportioned among the employers based on active current payroll. The District’s proportionate share of the required contribution equaled its actual contribution for the year ended December 31, 2019, and totaled \$1,023,723, 19.80% of covered payroll, actuarially determined as an amount that, when combined with plan member contributions, is expected to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability.

Pension Liabilities

At June 30, 2020, the District reported a liability of \$14,965,953 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. Accordingly, update procedures were used to roll forward the total pension liability to the measurement date. 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 members, actuarially determined. At December 31, 2019, the District’s proportion was 1.68%, which is an increase of 0.01% of its proportion measured at December 31, 2018.

Pension Expense

For the year ended June 30, 2020, the District recognized pension expense of \$1,913,349. At June 30, 2020, the District reported deferred outflows and inflows of resources related to pensions of \$1,075,472 and \$524,374, respectively. Components of these elements are shown in the following table.

Deferred Category	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Differences between expected and actual experience.....	\$ 43,948	\$ (89,666)	\$ (45,718)
Difference between projected and actual earnings, net.....	-	(411,064)	(411,064)
Changes in assumptions.....	836,479	-	836,479
Changes in proportion and proportionate share of contributions...	195,045	(23,644)	171,401
Total deferred outflows/(inflows) of resources.....	\$ 1,075,472	\$ (524,374)	\$ 551,098

The District’s deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30:</u>	
2020.....	\$ 405,588
2021.....	204,839
2022.....	112,571
2023.....	(234,471)
2024.....	<u>62,571</u>
	<u>\$ 551,098</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 measurement that was updated to December 31, 2019:

Valuation date.....	January 1, 2018
Actuarial cost method.....	Entry Age Normal Cost Method.
Amortization method.....	Payment increases 4.0% per year.
Remaining amortization period.....	17 years, except for ERI for 2002 and 2003 (10 years) and 2010 (4 years).
Asset valuation method.....	Market value.
Inflation rate.....	2.4% per year.
Projected salary increases.....	Group 1: 4.25%-6%, based on service. Group 4: 4.75%-7%, based on service.
Mortality rates.....	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.
Investment rate of return.....	7.65%, net of pension plan investment expense, including inflation.

Investment Policy – The pension plan’s policy in regard to the allocation of invested assets is established by PRIT. Plan assets are managed on a total return basis with a long-term objective of achieving a fully funded status for the benefits provided through the pension plan.

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 real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future 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 pension plan’s target asset allocation as of December 31, 2019, are summarized in the following table.

<u>Asset Class</u>	<u>Long-Term Expected 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...	11.00%	3.40%
Total.....	<u>100.00%</u>	

Rate of Return

For the year ended December 31, 2019, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 16.55%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

The discount rate used to measure the total pension liability was 7.65%, previously 7.75%. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the net pension liability, calculated using the discount rate of 7.65%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	<u>1% Decrease (6.65%)</u>	<u>Current Discount (7.65%)</u>	<u>1% Increase (8.65%)</u>
The District's proportionate share of the net pension liability..... \$	<u>18,262,358</u>	<u>\$ 14,965,953</u>	<u>\$ 12,182,230</u>

Changes of Assumptions – The discount rate was reduced from 7.75% to 7.65%.

Changes in Benefits – None.

NOTE 12 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description – The Dudley-Charlton Regional School District administers a single-employer defined benefit healthcare plan (Plan). The Plan provides lifetime healthcare insurance for eligible retirees and their spouses through two separate plans. The District’s group health insurance plan covers its active member and the Group Insurance Commission covers its retired members. Chapter 32B of the MGL assigns authority to establish and amend benefit provisions of the plan. Benefit provisions are negotiated between the District and the unions representing District employees and are renegotiated each bargaining period. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement #75.

Funding Policy – Contribution requirements are also negotiated between the District and union representatives. The required contribution is based on a pay-as-you-go financing requirement. No assets have been accumulated in a trust. The District contributes 90 percent of the cost of current-year premiums for eligible retired plan members and their spouses. Plan members receiving benefits contribute the remaining 10 percent of their premium costs.

Total OPEB Liability – GASB Statement #75 requires the total OPEB liability to be measured as of a date no earlier than the end of the employer’s prior fiscal year and no later than the end of the employer’s current fiscal year, consistently applied from period to period. The District’s total OPEB liability of \$26,703,533 was measured as of June 30, 2019, and was determined by an actuarial valuation as of June 30, 2018.

Employees Covered by Benefit Terms – The following table represents the Plan’s membership at June 30, 2018:

Active members.....	349
Inactive employees or beneficiaries currently receiving benefits.....	<u>236</u>
Total.....	<u><u>585</u></u>

Significant Actuarial Methods and Assumptions – The total OPEB liability in the June 30, 2018, actuarial valuation was determined by using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified, that was updated to June 30, 2019, to be in accordance with GASB Statement #75:

Valuation date.....	June 30, 2018
Actuarial cost method.....	Individual Entry Age Normal Cost Method.
Amortization method.....	30 year open amortization.
Discount rate.....	3.50%, net of expenses
Medical cost trend rate.....	8.00% ultimately decreasing to 5.00% by 2030.
Mortality rates.....	RP-2014 mortality table (combined healthy lives) with projected mortality.

Discount Rate – The discount rate used to measure the Total OPEB liability was 3.50% as of the June 30, 2019, and June 30, 2018 measurement dates. The projection of cash flows used to determine the discount rate assumes that contributions will be made in accordance with the Plan’s funding policy. Because there is no funding policy, the discount rate was determined using the Bond Buyer GO-20 municipal bond index.

Changes in the Total OPEB Liability as of the Measurement Date

	<u>Total OPEB Liability</u>
Balances at June 30, 2018.....	\$ 28,122,555
Changes for the year:	
Service cost.....	635,665
Interest.....	1,011,933
Changes of benefit terms.....	(2,122,667)
Benefit payments.....	<u>(943,953)</u>
Net change.....	<u>(1,419,022)</u>
Balances at June 30, 2019.....	<u>\$ 26,703,533</u>

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate – The following table presents the total other postemployment benefit liability, calculated using the discount rate of 3.50%, as well as what the total other postemployment benefit liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate.

	<u>1% Decrease (2.50%)</u>	<u>Current Discount Rate (3.50%)</u>	<u>1% Increase (4.50%)</u>
Total OPEB liability.....	\$ 31,522,687	\$ 26,703,533	\$ 22,896,967

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates – The following table presents the total other postemployment benefit liability, calculated using the current healthcare trend rate of 8.00%, as well as what the total other postemployment benefit liability would be if it were calculated using a healthcare trend rate that is 1-percentage-point lower or 1-percentage-point higher.

	<u>1% Decrease</u>	<u>Current Trend</u>	<u>1% Increase</u>
Total OPEB liability.....	\$ 23,446,793	\$ 26,703,533	\$ 30,126,648

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB – For the year ended June 30, 2019, the GASB Statement #75 measurement date, the District recognized OPEB expense of \$825,711. The District also reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

<u>Deferred Category</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Total</u>
Differences between expected and actual experience.....	\$ -	\$ (550,032)	\$ (550,032)
Changes in assumptions.....	-	(1,904,453)	(1,904,453)
Contributions made subsequent to the measurement date.....	995,869	-	995,869
Total deferred outflows/(inflows) of resources.....	<u>\$ 995,869</u>	<u>\$ (2,454,485)</u>	<u>\$ (1,458,616)</u>

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

<u>Year ended June 30:</u>	
2021.....	\$ 645,228
2022.....	(350,641)
2023.....	(350,641)
2024.....	(350,641)
2025.....	(350,641)
2026 and thereafter.....	<u>(701,280)</u>
	\$ <u><u>(1,458,616)</u></u>

Changes of Assumptions – None.

Changes in Plan Provisions – None.

NOTE 13 – CONTINGENCIES

The District participates in a number of federal award programs. Although the grant programs have been audited in accordance with the provisions of the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, these programs are still subject to financial and compliance audits. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although it is expected such amounts, if any, to be immaterial.

Various legal actions and claims are pending. Litigation is subject to many uncertainties, and the outcome of individual litigated matters is not always predictable. Although the amount of liability, if any, at June 30, 2020, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2020.

NOTE 14 – EXCESS AND DEFICIENCY (E&D) ACCOUNT

Chapter 71 § Section 16B of MGL limits the unencumbered amount in the excess and deficiency fund of a regional school district at the end of the preceding year, as certified by the commissioner of revenue pursuant to section sixteen B1/2, to an amount not to exceed five per cent (5%) of the regional school district's operating budget and its budgeted capital costs for the current year. It further states that the proportionate share of any such excess should be used to reduce the member community's assessment for the current year.

NOTE 15 – COVID-19

On March 10, 2020, the Massachusetts Governor declared a state of emergency in response to the coronavirus outbreak. The World Health Organization officially declared the novel Coronavirus (COVID-19) a pandemic the following day. In an attempt to slow the spread of COVID-19, governments issued various stay at home orders that caused global economic shutdowns and substantial financial market impact. Starting in March 2020, the Governor continued to issue orders allowing governments to operate and carry out essential functions safely. These included modifying the state's Open Meeting Law, issuing a stay-at-home order, and introducing a

phased approach to reopening State businesses. Although the School was closed to students for a period of time, most employees continued to perform their daily duties and maintain the School's operations.

On March 27, 2020, the United States Federal Government established the Coronavirus Aid, Relief and Economic Security (CARES) Act in response to the economic downfall caused by the COVID-19 pandemic. This Act requires that the payment from these funds be used only to cover expenses that; are necessary expenditures incurred due to the public health emergency with respect COVID-19; were not accounted for in the budget most recently approved as of March 27, 2020; and were incurred during the period that begins on March 1, 2020, and ends on December 31, 2021. The Commonwealth and communities throughout the Commonwealth were awarded a portion of this federal funding. In addition to funding from the CARES Act, there are several other federal and state grants available.

The School has incurred unanticipated costs specifically related to the pandemic, in the subsequent fiscal year. The full extent of the financial impact cannot be determined as of the date of the financial statements.

NOTE 16 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through August 18, 2021, which is the date the financial statements were available to be issued.

NOTE 17 – RESTATEMENT OF BEGINNING BALANCES PREVIOUSLY REPORTED

The health insurance trust fund has been reclassified from the governmental fund financial statements to the proprietary fund financial statements to be reported as an internal service fund. Accordingly, beginning net position has been restated by \$3,535,779.

NOTE 18 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

During 2020, the following GASB pronouncement was implemented:

- GASB Statement #95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. This pronouncement postponed the effective dates of certain provisions in GASB Statements and Implementation Guides that first became effective or are scheduled to be effective for periods beginning after June 15, 2018 or later.

The following GASB pronouncements will be implemented in the future:

- The GASB issued Statement #84, *Fiduciary Activities*, which is required to be implemented in 2021.
- The GASB issued Statement #87, *Leases*, which is required to be implemented in 2022.
- The GASB issued Statement #89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which is required to be implemented in 2022.
- The GASB issued Statement #90, *Majority Equity Interests – an amendment of GASB Statements #14 and #61*, which is required to be implemented in 2021.

- The GASB issued Statement #91, *Conduit Debt Obligations*, which is required to be implemented in 2023.
- The GASB issued Statement #92, *Omnibus 2020*, which is required to be implemented in 2022.
- The GASB issued Statement #93, *Replacement of Interbank Offered Rates*, which is required to be implemented in 2022.
- The GASB issued Statement #94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, which is required to be implemented in 2023.
- The GASB issued Statement #96, *Subscription-Based Information Technology Arrangements*, which is required to be implemented in 2023.
- The GASB issued Statement #97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*, in which certain paragraphs are required to be implemented in 2021 and 2022.

Management is currently assessing the impact the implementation of these pronouncements will have on the basic financial statements.

Required Supplementary Information

General Fund Budgetary Comparison Schedule

The General Fund is the general operating fund of the District. It is used to account for all of the District's financial resources, except those required to be accounted for in another fund.

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2020

	Budgeted Amounts		Actual Budgetary Amounts	Variance to Final Budget
	Original Budget	Final Budget		
REVENUES:				
Member town assessments.....	\$ 22,270,797	\$ 22,270,797	\$ 22,270,797	\$ -
Intergovernmental.....	26,457,675	26,457,675	26,103,796	(353,879)
Fees and rentals.....	-	-	10,006	10,006
Investment income.....	-	-	54,285	54,285
Miscellaneous revenue.....	-	-	126,520	126,520
TOTAL REVENUES.....	48,728,472	48,728,472	48,565,404	(163,068)
EXPENDITURES:				
Current:				
District administration.....	1,878,398	1,793,843	1,275,484	518,359
Instructional support.....	22,215,892	22,181,319	22,129,001	52,318
Preschool and special education.....	8,585,434	8,693,192	8,656,935	36,257
Transportation services.....	3,168,290	3,168,290	2,390,464	777,826
Athletics & student activities.....	329,259	330,107	316,266	13,841
Other school services.....	1,794,459	1,804,981	1,918,638	(113,657)
Facilities.....	3,471,140	3,471,140	3,378,240	92,900
Employee benefits and other fixed charges.....	8,375,559	8,375,559	8,391,244	(15,685)
Debt service:				
Principal.....	150,000	150,000	150,000	-
Interest.....	37,638	37,638	37,638	-
TOTAL EXPENDITURES.....	50,006,069	50,006,069	48,643,910	1,362,159
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	(1,277,597)	(1,277,597)	(78,506)	1,199,091
OTHER FINANCING SOURCES (USES):				
Transfers in.....	180,217	180,217	180,217	-
NET CHANGE IN FUND BALANCE.....	(1,097,380)	(1,097,380)	101,711	1,199,091
FUND BALANCES AT BEGINNING OF YEAR.....	2,541,093	2,541,093	2,541,093	-
FUND BALANCES AT END OF YEAR.....	\$ 1,443,713	\$ 1,443,713	\$ 2,642,804	\$ 1,199,091

See notes to required supplementary information.

Pension Plan Schedules

The Schedule of Proportionate Share of the Net Pension Liability presents multi-year trend information relating to the District's proportion of the net pension liability and related ratios.

The Schedule of the Contributions presents multi-year trend information on the District's required and actual contributions to the pension plan and related ratios.

The Schedule of the Special Funding Amounts of the Net Pension Liability for the Massachusetts Teachers Contributory Retirement System presents multi-year trend information on the liability and expense assumed by the Commonwealth of Massachusetts on behalf of the District along with related ratios.

These schedules are intended to present information for ten years. Until a ten-year trend is compiled, information is presented for those years for which information is available.

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
WORCESTER REGIONAL RETIREMENT SYSTEM**

Year	Proportion of the net pension liability (asset)	Proportionate share of the net pension liability (asset)	Covered- payroll	Net pension liability as a percentage of covered- payroll	Plan fiduciary net position as a percentage of the total pension liability
December 31, 2019.....	1.68%	\$ 14,965,953	\$ 5,221,272	286.63%	47.36%
December 31, 2018.....	1.67%	15,122,534	5,007,211	302.02%	43.05%
December 31, 2017.....	1.67%	13,629,816	4,952,250	275.22%	46.40%
December 31, 2016.....	1.65%	13,842,943	5,100,711	271.39%	42.00%
December 31, 2015.....	1.66%	11,758,423	5,026,369	233.93%	44.52%
December 31, 2014.....	1.62%	9,610,022	4,833,047	198.84%	47.94%

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

See notes to required supplementary information.

**SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
WORCESTER REGIONAL RETIREMENT SYSTEM**

Year	Actuarially determined contribution	Contributions in relation to the actuarially determined contribution	Contribution deficiency (excess)	Covered- payroll	Contributions as a percentage of covered- payroll
June 30, 2020.....	\$ 1,023,723	\$ (1,023,723)	-	\$ 5,273,485	19.80%
June 30, 2019.....	928,512	(928,512)	-	5,057,283	18.73%
June 30, 2018.....	845,764	(845,764)	-	5,001,773	17.25%
June 30, 2017.....	802,798	(802,798)	-	5,151,718	15.89%
June 30, 2016.....	744,579	(744,579)	-	5,076,633	14.96%
June 30, 2015.....	638,211	(638,211)	-	4,881,377	13.34%

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

See notes to required supplementary information.

**SCHEDULE OF THE SPECIAL FUNDING AMOUNTS
OF THE NET PENSION LIABILITY
MASSACHUSETTS TEACHERS' RETIREMENT SYSTEM**

The Commonwealth of Massachusetts is a nonemployer contributor and is required by statute to make all actuarially determined employer contributions on behalf of the member employers which creates a special funding situation. Therefore, there is no net pension liability to recognize. This schedule discloses the Commonwealth's 100% share of the associated collective net pension liability; the portion of the collective pension expense as both a revenue and pension expense recognized; and the Plan's fiduciary net position as a percentage of the total liability.

Year	Commonwealth's 100% Share of the Associated Net Pension Liability	Expense and Revenue Recognized for the Commonwealth's Support	Plan Fiduciary Net Position as a Percentage of the Total Liability
2020.....	\$ 85,244,761	\$ 10,337,407	53.95%
2019.....	79,945,162	8,101,285	54.84%
2018.....	77,759,129	8,115,947	54.25%
2017.....	77,050,425	7,859,648	52.73%
2016.....	72,091,918	5,847,296	55.38%
2015.....	56,495,993	3,925,048	61.64%

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

See notes to required supplementary information.

Other Postemployment Benefit Plan Schedules

The Schedule of Changes in the District's Total Other Postemployment Benefit Liability and Related Ratios presents multi-year trend information on changes in the Plan's total OPEB liability.

**SCHEDULE OF CHANGES IN THE
DISTRICT'S TOTAL OPEB LIABILITY AND RELATED RATIOS
OTHER POSTEMPLOYMENT BENEFIT PLAN**

	Measurement Date June 30, 2017	Measurement Date June 30, 2018	Measurement Date June 30, 2019
Total OPEB Liability			
Service Cost.....	\$ 679,501	\$ 654,820	\$ 635,665
Interest.....	912,876	915,968	1,011,933
Changes of benefit terms.....	-	-	(2,122,667)
Differences between expected and actual experience....	-	(707,185)	-
Changes of assumptions.....	-	(2,448,581)	-
Benefit payments.....	<u>(995,800)</u>	<u>(994,656)</u>	<u>(943,953)</u>
Net change in total OPEB liability.....	596,577	(2,579,634)	(1,419,022)
Total OPEB liability - beginning.....	<u>30,105,612</u>	<u>30,702,189</u>	<u>28,122,555</u>
Total OPEB liability - ending.....	<u>\$ 30,702,189</u>	<u>\$ 28,122,555</u>	<u>\$ 26,703,533</u>
Covered-employee payroll.....	N/A	N/A	N/A
Total OPEB liability as a percentage of covered-employee payroll.....	N/A	N/A	N/A

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

See notes to required supplementary information.

NOTE A – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

The District adopts a balanced budget that is approved by the School Committee. The Superintendent of Schools presents an annual budget to the School Committee, which includes estimates of revenues and other financing sources and recommendations of expenditures and other financing uses. The School Committee, which has full authority to amend and/or reject the budget or any appropriation category, adopts the expenditure budget by 2/3 vote. Increases in the budget subsequent to the approval of the annual budget require 2/3 Committee and member town approval.

The majority of the District’s appropriations are non-continuing which lapse at the end of the year.

The original 2020 approved budget for the General Fund authorized \$50.0 million in appropriations. There was no change between the original and final budget.

The District’s accounting office has the responsibility to ensure that budgetary control is maintained in accordance with the Appropriation Control Report and parameters for transfers as set by the School Committee.

B. Budgetary - GAAP Reconciliation

For budgetary financial reporting purposes, the Uniform Municipal Accounting System basis of accounting (established by the Commonwealth) is followed, which differs from the GAAP basis of accounting. A reconciliation of budgetary-basis to GAAP-basis results for the general fund for the year ended June 30, 2020, is presented below:

Net change in fund balance - budgetary basis.....	\$ 101,711
<u>Basis of accounting differences:</u>	
Recognition of revenue for on-behalf payments.....	10,337,407
Recognition of expenditures for on-behalf payments.....	<u>(10,337,407)</u>
Net change in fund balance - GAAP basis.....	<u>\$ 101,711</u>

NOTE B – PENSION PLAN

A. Schedule of the District’s Proportionate Share of the Net Pension Liability

The Schedule of the District Proportionate Share of the Net Pension Liability details the allocated percentage of the net pension liability (asset), the proportionate share of the net pension liability, and the covered employee payroll. It also demonstrates the net position as a percentage of the pension liability and the net pension liability as a percentage of covered payroll.

B. Schedule of District’s Contributions

Governmental employers are required to pay an annual appropriation as established by PERAC. The appropriation includes the amounts to pay the pension portion of each member’s retirement allowance, an amount to amortize the actuarially determined unfunded liability to zero in accordance with the System’s funding schedule, and additional appropriations in accordance with adopted early retirement incentive programs. The appropriations are payable on July 1 and January 1. The District may choose to pay the entire appropriation in

July at a discounted rate. Accordingly, actual contributions may be less than the “total appropriation”. The pension fund appropriation is allocated to the District based on covered payroll.

C. Schedule of the Special Funding Amounts of the Net Pension Liabilities

The Commonwealth of Massachusetts is a nonemployer contributor and is required by statute to make all actuarially determined employer contributions on behalf of the member employers, which creates a special funding situation. Since the District does not contribute directly to MTRS, there is no net pension liability to recognize. This schedule discloses the Commonwealth's 100% share of the collective net pension liability that is associated with the District; the portion of the collective pension expense as both a revenue and pension expense recognized by the District; and the Plan's fiduciary net position as a percentage of the total liability.

D. Changes in Assumptions – The discount rate was reduced from 7.75% to 7.65%.

E. Changes in Plan Provisions – None.

NOTE C – OTHER POSTEMPLOYMENT BENEFITS

The District administers a single-employer defined benefit healthcare plan (“The Retiree Health Plan”). The plan provides lifetime healthcare insurance for eligible retirees and their spouses through the District's group health insurance plan, which covers both active and retired members. Additionally, retired teachers and their spouses receive health insurance through the Group Insurance Commission of the Commonwealth of Massachusetts (GIC).

The Other Postemployment Benefit Plan

A. The Schedule of Changes in the District's Total Other Postemployment Benefit Liability and Related Ratios

The Schedule of Changes in the District's Total Other Postemployment Benefit Liability and Related Ratios presents multi-year trend information on changes in the Plan's total OPEB liability.

B. Changes of Assumptions – None.

C. Changes in Provisions – None.