

NASHOBA REGIONAL SCHOOL DISTRICT

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

YEAR ENDED JUNE 30, 2016

NASHOBA REGIONAL SCHOOL DISTRICT

REPORT ON EXAMINATION OF BASIC FINANCIAL STATEMENTS

JUNE 30, 2016

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100 Quannapowitt Parkway
Suite 101
Wakefield, MA 01880
T. 781-914-1700
F. 781-914-1701
www.powersandsullivan.com

Independent Auditor's Report

To the Honorable School Committee
Nashoba Regional School District
Bolton, Massachusetts 01740

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 Nashoba Regional School District as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Nashoba Regional School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Nashoba Regional School District, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof 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 required supplementary 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 February 1, 2017, on our consideration of the Nashoba Regional School District's, internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Nashoba Regional School District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Powers & Sullivan LLC". The signature is written in a cursive, flowing style.

February 1, 2017

Management's Discussion and Analysis

Management's Discussion and Analysis

As management of the Nashoba Regional School District (the "District"), we offer readers of these financial statements this narrative overview and analysis of the financial activities for the year ended June 30, 2016. 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. All amounts, unless otherwise indicated, are expressed in whole dollars.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Nashoba Regional School District's basic financial statements. These basic financial statements comprise 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, liabilities and deferred inflows/outflows of resources, with the difference 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 government'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 two categories: governmental funds and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund 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 government's near-term financing requirements.

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

Excluding the general fund, the District has several governmental funds that are aggregated and shown as nonmajor governmental funds.

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.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the District’s budgetary basis of accounting, its participation in the Worcester Regional Retirement System and its other postemployment benefit plan.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. Liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$17.3 million at the close of 2016. Key components of the District’s governmental financial position are listed below.

	<u>2016</u>	<u>2015</u>
Assets:		
Current assets.....	\$ 10,047,849	\$ 10,157,845
Capital assets.....	18,559,970	19,255,604
Total assets.....	<u>28,607,819</u>	<u>29,413,449</u>
Deferred outflows of resources.....	977,893	6,606
Liabilities:		
Current liabilities (excluding debt).....	3,364,770	3,199,002
Noncurrent liabilities (excluding debt).....	37,450,444	34,605,122
Current debt.....	518,996	500,000
Noncurrent debt.....	4,359,781	4,865,000
Total liabilities.....	<u>45,693,991</u>	<u>43,169,124</u>
Deferred inflows of resources.....	1,238,387	-
Net position:		
Net investment in capital assets.....	13,681,193	13,890,604
Restricted.....	100,300	73,866
Unrestricted.....	(31,128,159)	(27,713,539)
Total net position.....	<u>\$ (17,346,666)</u>	<u>\$ (13,749,069)</u>

Net position of \$13.7 million reflects its net 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 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.

Restricted net position of \$100,000 represents resources that are subject to external restrictions on how they may be used, such as grants. The remaining balance of unrestricted net position reflects a deficit balance totaling \$31.1 million. This deficit is due to the fact that at June 30, 2016 the District has recognized and recorded a \$26.1 million other postemployment benefits liability and an \$11.3 million net pension liability.

Governmental Activities

The governmental activities net position decreased by \$3.6 million in 2016. The decrease in net position is due to the recognition of a \$2.5 million expense for other postemployment benefits (see Note 11), as well as the recognition of \$609,000 in pension expense (see Note 10).

	<u>2016</u>	<u>2015</u>
Program revenues:		
Charges for services.....	\$ 2,636,618	\$ 2,718,357
Operating grants and contributions.....	9,035,994	6,014,247
General revenues:		
Member town assessments.....	39,674,392	38,167,150
Intergovernmental.....	8,606,396	8,548,932
Unrestricted investment income.....	28,961	21,360
Miscellaneous.....	186,996	51,039
Total revenues.....	<u>60,169,357</u>	<u>55,521,085</u>
Expenses:		
System wide.....	3,875,226	3,774,317
Employee benefits.....	15,740,785	12,764,188
Insurance.....	99,097	99,279
Health services.....	704,989	683,915
Facilities.....	3,773,904	4,180,407
Substitute teachers.....	357,962	477,926
Curriculum.....	608,881	684,983
Special education.....	9,930,097	8,946,455
Technology.....	1,280,611	1,072,983
Athletics.....	607,255	580,208
Nashoba Regional High School.....	7,684,854	7,393,830
Luther Burbank Middle school.....	1,622,231	1,539,606
Center School.....	3,314,382	3,335,587
Hale Middle School.....	1,579,083	1,470,561
Mary Rowlandson Elementary School.....	2,816,711	2,571,199
Florence Sawyer School.....	4,455,539	4,362,915
Federal and state grants.....	1,417,661	1,408,050
Extended day.....	467,731	400,812
Athletic revolving.....	202,649	211,258
Cafeteria.....	904,381	852,334
Other special revenue.....	2,196,453	2,339,735
Interest.....	101,018	142,545
Total expenses.....	<u>63,741,500</u>	<u>59,293,093</u>
Change in net position.....	(3,572,143)	(3,772,008)
Net position, beginning of year (as restated).....	<u>(13,774,523)</u>	<u>(9,977,061)</u>
Net position, end of year.....	<u>\$ (17,346,666)</u>	<u>\$ (13,749,069)</u>

The beginning net position of governmental activities has been restated to reflect an adjustment to the District's long-term debt obligations of \$25,454. Previously reported net position of a deficit balance of \$13,749,069 has been restated to a deficit balance of \$13,774,523.

Operating revenues, exclusive of the MTRS gross up, increased by \$1.8 million from the prior year. This was due to a \$1.5 million increase in member town assessments and a \$154,000 increase in operating grants. Otherwise, changes in revenues and expenses closely paralleled the increase in the demand for technology, employee benefits and other related personnel costs.

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 Nashoba Regional School 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 a government'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 \$6.8 million of which \$3.4 million is for the general fund, and \$3.4 million is for nonmajor funds. Cumulatively there was a decrease of \$332,000 in fund balances from the prior year.

The general fund is the chief operating fund. At the end of the current year total fund balance equaled \$3.4 million; of which \$2 million was unassigned, \$1.3 million was assigned and \$150,000 was committed. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 3.6% of current year general fund expenditures, while total fund balance represents 6.3% of that same amount. See Note 8 for further details.

The general fund decreased \$253,000 in 2016. This was better than expected as the District planned to use \$1.6 million of excess and deficiency to fund the operating budget, however actual revenues exceeded budgeted by \$577,000 and actual expenditures were less than budgeted by \$1 million.

The nonmajor funds decreased \$79,000 in 2016. This is attributable to the timing difference between the expenditure and receipt of grant funds.

Budget Administration

The Nashoba Regional School District adopts an annual budget for its general fund. A budget to actual schedule has been provided for the general fund as required supplementary information after the notes to the financial statements to demonstrate compliance with this budget.

Capital and Debt Administration

The District maintains an Aa2 Bond Rating with Moody's Investors Service, Inc. on its long-term debt. This designation by Moody's denotes superior credit quality due to factors such as established cash flows, highly reliable liquidity support, and/or a demonstrated broad-based access to the market for refinancing.

The District has \$4.9 million of outstanding long-term debt at year-end. Of which, \$3.1 million relates to high school additions and renovations, \$1.7 million relates to athletic field renovations, and \$34,000 relates to the purchase of vehicles and other equipment.

In order to take advantage of favorable interest rates, the District issued \$3,085,000 of general obligation refunding bonds on October 1, 2015. The transaction resulted in a reduction of \$284,556 in future debt service payments.

The District had \$73,000 in capital asset additions during the year related to new modular classrooms and the purchase of mowers.

Requests for Information

This financial report is designed to provide a general overview of the Nashoba Regional School District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Assistant Superintendent of Finance, Nashoba Regional School District, 50 Mechanic Street, Bolton, MA 01740.

Basic Financial Statements

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STATEMENT OF NET POSITION

JUNE 30, 2016

	<u>Primary Government</u>
	<u>Governmental Activities</u>
ASSETS	
CURRENT:	
Cash and cash equivalents.....	\$ 10,047,849
NONCURRENT:	
Capital assets, net of accumulated depreciation:	
Nondepreciable.....	37,913
Depreciable.....	<u>18,522,057</u>
TOTAL ASSETS.....	<u>28,607,819</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources related to pensions.....	<u>977,893</u>
LIABILITIES	
CURRENT:	
Warrants payable.....	921,209
Accrued payroll.....	2,064,504
Accrued interest.....	39,784
Payroll withholdings.....	232,286
Other liabilities.....	18,387
Compensated absences.....	88,600
Bonds payable.....	518,996
NONCURRENT:	
Other postemployment benefits.....	26,126,109
Net pension liability.....	11,324,335
Bonds payable.....	<u>4,359,781</u>
TOTAL LIABILITIES.....	<u>45,693,991</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to pensions.....	<u>1,238,387</u>
NET POSITION	
Net investment in capital assets.....	13,681,193
Restricted for:	
Gifts and grants.....	100,300
Unrestricted.....	<u>(31,128,159)</u>
TOTAL NET POSITION.....	<u>\$ (17,346,666)</u>

See notes to basic financial statements.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2016

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	
Primary Government:				
<i>Governmental Activities:</i>				
System wide.....	\$ 3,875,226	\$ -	\$ -	\$ (3,875,226)
Employee benefits.....	15,740,785	-	6,507,114	(9,233,671)
Insurance.....	99,097	-	-	(99,097)
Health services.....	704,989	-	-	(704,989)
Facilities.....	3,773,904	-	-	(3,773,904)
Substitute teachers.....	357,962	-	-	(357,962)
Curriculum.....	608,881	-	-	(608,881)
Special education.....	9,930,097	-	884,500	(9,045,597)
Technology.....	1,280,611	-	-	(1,280,611)
Athletics.....	607,255	-	-	(607,255)
Nashoba Regional High School.....	7,684,854	-	-	(7,684,854)
Luther Burbank Middle School.....	1,622,231	-	-	(1,622,231)
Center School.....	3,314,382	-	-	(3,314,382)
Hale Middle School.....	1,579,083	-	-	(1,579,083)
Mary Rowlandson Elementary School....	2,816,711	-	-	(2,816,711)
Florence Sawyer School.....	4,455,539	-	-	(4,455,539)
Federal and state grants.....	1,417,661	-	1,444,142	26,481
Extended day.....	467,731	557,336	-	89,605
Athletic revolving.....	202,649	261,118	-	58,469
Cafeteria.....	904,381	703,806	142,203	(58,372)
Other special revenue.....	2,196,453	1,114,358	58,035	(1,024,060)
Interest.....	101,018	-	-	(101,018)
Total governmental activities.....	\$ 63,741,500	\$ 2,636,618	\$ 9,035,994	\$ (52,068,888)

See notes to basic financial statements.

(Continued)

STATEMENT OF ACTIVITIES (Continued)

YEAR ENDED JUNE 30, 2016

	Primary Government
	Governmental Activities
Changes in net position:	
Net (expense) revenue from previous page.....	\$ <u>(52,068,888)</u>
<i>General revenues:</i>	
Member town assessments.....	39,674,392
Intergovernmental.....	8,606,396
Unrestricted investment income.....	28,961
Departmental and other.....	<u>186,996</u>
Total general revenues and transfers.....	<u>48,496,745</u>
Change in net position.....	(3,572,143)
<i>Net position:</i>	
Beginning of year (as restated).....	<u>(13,774,523)</u>
End of year.....	\$ <u>(17,346,666)</u>

(Concluded)

**GOVERNMENTAL FUNDS
BALANCE SHEET**

JUNE 30, 2016

	General	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS:			
Cash and cash equivalents.....	\$ <u>6,611,763</u>	\$ <u>3,436,086</u>	\$ <u>10,047,849</u>
LIABILITIES:			
Warrants payable.....	\$ 871,820	\$ 49,389	\$ 921,209
Accrued payroll.....	2,064,504	-	2,064,504
Payroll withholdings.....	232,286	-	232,286
Other liabilities.....	<u>18,387</u>	<u>-</u>	<u>18,387</u>
TOTAL LIABILITIES.....	<u>3,186,997</u>	<u>49,389</u>	<u>3,236,386</u>
FUND BALANCES:			
Restricted.....	-	3,386,697	3,386,697
Committed.....	150,000	-	150,000
Assigned.....	1,316,888	-	1,316,888
Unassigned.....	<u>1,957,878</u>	<u>-</u>	<u>1,957,878</u>
TOTAL FUND BALANCES.....	<u>3,424,766</u>	<u>3,386,697</u>	<u>6,811,463</u>
TOTAL LIABILITIES AND FUND BALANCES.....	<u>\$ 6,611,763</u>	<u>\$ 3,436,086</u>	<u>\$ 10,047,849</u>

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2016

Total governmental fund balances.....	\$	6,811,463
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....		18,559,970
Certain changes in the net pension liability are required to be included in pension expense over future periods. These changes are reported as deferred outflows of resources or (deferred inflows of resources) related to pensions.....		(260,494)
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.....		(39,784)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:		
Bonds and notes payable.....	(4,878,777)	
Other postemployment benefits.....	(26,126,109)	
Net pension liability.....	(11,324,335)	
Compensated absences.....	<u>(88,600)</u>	
Net effect of reporting long-term liabilities.....		<u>(42,417,821)</u>
Net position of governmental activities.....	\$	<u><u>(17,346,666)</u></u>

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2016

	General	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:			
Member town assessments.....	\$ 39,674,392	\$ -	\$ 39,674,392
Intergovernmental.....	14,393,357	2,306,498	16,699,855
Departmental and other.....	186,996	3,579,153	3,766,149
Investment income.....	28,961	-	28,961
TOTAL REVENUES.....	54,283,706	5,885,651	60,169,357
EXPENDITURES:			
Current:			
System wide.....	3,933,648	-	3,933,648
Employee benefits.....	12,628,363	-	12,628,363
Insurance.....	99,097	-	99,097
Health services.....	704,989	-	704,989
Facilities.....	3,778,104	-	3,778,104
Substitute teachers.....	357,962	-	357,962
Curriculum.....	608,881	-	608,881
Special education.....	9,375,500	554,597	9,930,097
Technology.....	1,281,311	-	1,281,311
Athletics.....	611,755	-	611,755
Nashoba Regional High School.....	6,970,114	25,471	6,995,585
Luther Burbank Middle School.....	1,634,531	-	1,634,531
Center School.....	3,310,462	-	3,310,462
Hale Middle School.....	1,579,383	-	1,579,383
Mary Rowlandson Elementary School.....	2,819,511	-	2,819,511
Florence Sawyer School.....	4,456,839	-	4,456,839
Federal and state grants.....	-	1,417,661	1,417,661
Extended day.....	-	467,731	467,731
Athletic revolving.....	-	202,649	202,649
Cafeteria.....	-	904,381	904,381
Other special revenue.....	-	2,196,453	2,196,453
Debt service:			
Maturing debt.....	510,647	-	510,647
Interest.....	126,894	-	126,894
TOTAL EXPENDITURES.....	54,787,991	5,768,943	60,556,934
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	(504,285)	116,708	(387,577)
OTHER FINANCING SOURCES (USES):			
Proceeds from bonds and notes.....	-	18,970	18,970
Proceeds from refunding bonds.....	3,085,000	-	3,085,000
Premium from issuance of refunding bonds.....	112,200	-	112,200
Payments to refunded bond escrow agent.....	(3,160,933)	-	(3,160,933)
Transfers in.....	215,000	-	215,000
Transfers out.....	-	(215,000)	(215,000)
TOTAL OTHER FINANCING SOURCES (USES).....	251,267	(196,030)	55,237
NET CHANGE IN FUND BALANCES.....	(253,018)	(79,322)	(332,340)
FUND BALANCES AT BEGINNING OF YEAR.....	3,677,784	3,466,019	7,143,803
FUND BALANCES AT END OF YEAR.....	\$ 3,424,766	\$ 3,386,697	\$ 6,811,463

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, 2016

Net change in fund balances - total governmental funds.....	\$	(332,340)
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:

Capital outlay.....	73,087	
Depreciation expense.....	<u>(768,721)</u>	
Net effect of reporting capital assets.....		(695,634)

The issuance of long-term debt (e.g., bonds and leases) 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, however, 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 deferred and amortized in the Statement of Activities:

Proceeds from notes.....	(18,970)	
Proceeds from refunding bonds.....	(3,085,000)	
Payments for current refunded debt.....	3,160,933	
Premium from issuance of refunding bonds, net of issue costs.....	(55,933)	
Debt service principal payments.....	<u>510,647</u>	
Net effect of reporting long-term debt.....		511,677

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:

Net change in compensated absences accrual.....	30,700	
Net change in accrued interest on long-term debt.....	25,876	
Net change in other postemployment benefits accrual.....	(2,503,719)	
Net change in deferred outflow/(inflow) of resources related to pensions.....	(267,100)	
Net change in net pension liability.....	<u>(341,603)</u>	
Net effect of recording long-term liabilities and amortizing deferred losses.....		<u>(3,055,846)</u>

Change in net position of governmental activities.....	\$	<u><u>(3,572,143)</u></u>
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See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2016

	<u>Private Purpose Trust Funds</u>	<u>Agency Funds</u>
ASSETS		
CURRENT:		
Cash and cash equivalents.....	\$ <u>687</u>	\$ <u>323,391</u>
LIABILITIES		
Warrants payable.....	-	72,543
Liabilities due depositors.....	<u>-</u>	<u>250,848</u>
NET POSITION		
Held in trust for education scholarships.....	\$ <u>687</u>	\$ <u>-</u>

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

YEAR ENDED JUNE 30, 2016

		Private Purpose Trust Funds
NET POSITION AT BEGINNING OF YEAR.....	\$	687
NET POSITION AT END OF YEAR.....	\$	687

See notes to basic financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying basic financial statements of the Nashoba Regional School District, Bolton, Massachusetts (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 District was formed under Chapter 71 of the Massachusetts General Laws that, by agreement, serves the Towns of Bolton, Lancaster and Stow (Member Towns) and provides public education for pupils from member Towns in grades pre-kindergarten through twelve. An eight-member School Committee governs the District, which consists of elected members from the member towns for a term of 3 years.

For financial reporting purposes, the District has included all funds, organizations, agencies, boards, commissions and institutions. The District has also considered all potential component units for which it is financially accountable as well as other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the basic financial statements to be misleading or incomplete. As required by GAAP, these basic financial statements present the District (the primary government) and its component units. The District has no component units that require inclusion in these basic financial statements.

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 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 total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, or expenditures/expenses of an individual governmental or enterprise fund are at least 10 percent of the corresponding element (assets and deferred outflows of resources, liabilities and deferred inflows or resources, etc.) for all funds of that category or type (total governmental or total enterprise funds), *and*
- If the total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding element for all governmental and enterprise funds combined.

Additionally, any other governmental or enterprise 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 customers 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 *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 funds 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 projects fund* is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets of the governmental funds.

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 assets in which principal and investment income exclusively benefits 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. For more information on the fair value of the District's financial instruments, see Note 2 – Fair Value Measurements.

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 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.

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, land improvements, buildings, machinery 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 \$15,000 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 of capital assets are as follows:

<u>Capital Asset Type</u>	<u>Useful Life</u>
Land improvements.....	5-50
Buildings.....	40
Machinery and equipment.....	5-10
Vehicles.....	5
Infrastructure.....	20-30

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 has recorded a deferred outflow of resources related to pensions.

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 deferred inflows related to pensions 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 does not have any items that qualify for reporting in this category.

J. Interfund Receivables and Payables

During the course of 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 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:

“Gifts and grants” reports 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 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:

“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.

“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.

“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 current 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 and additions to/deductions from the System’s fiduciary net position have been determined on the same basis as they are reported by the Systems. 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).

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

A cash and investment pool is maintained that is available for use by all funds. Each fund type's portion of this pool is displayed on the balance sheet as "Cash and Cash Equivalents". The deposits and investments of the private purpose trust funds are held separately from those of other funds.

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). The Treasurer may also invest trust funds in securities, other than mortgages or collateral loans, which are legal for the investment of funds of savings banks under the laws of the Commonwealth.

The Pool meets the criteria of an external investment pool. The Pool is administered by the Massachusetts Municipal Depository Trust (MMDT), which was established by the Treasurer of the Commonwealth who serves as Trustee. The fair value of the position in the Pool is the same as the value of the Pool shares.

Custodial Credit Risk – Deposits

In the case of deposits, this is the risk that in the event of bank failure the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. At year-end, the carrying amount of deposits totaled \$5,453,091 and the bank balance totaled \$5,420,812. Of the bank balance, \$783,441 was covered by Federal Depository Insurance, \$4,095,370 was insured by the Depositors Insurance Fund and \$542,001 was insured by the Share Insurance Fund.

Investments

As of June 30, 2016, the District's investments totaled \$4,918,836 and were invested in MMDT.

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of a failure by the counterparty, the District will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. The investments in MMDT are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form. The District's investment policy is to adhere to Massachusetts General Law, Chapter 44, Section 55 which sets the legal investments for the District.

Interest Rate Risk

The District's investment policy is to structure its investments in a manner that will meet all the cash requirements of the District. The District participates in MMDT, which maintains a cash portfolio and short-term bond fund with combined average maturities of approximately 3 months.

Credit Risk

The District purchases investments that assures the principal amount invested is safe from credit and market risk. All of the District's investments at June 30, 2016, are unrated.

Concentration of Credit Risk

The District places no limit on the amount that may be invested in any one issuer. All of the District's investments are in MMDT.

Fair Market Value of Investments

The District holds investments that are measured at fair value on a recurring basis. Because investing is not a core part of the District's mission, the District determines that the disclosures related to these investments only need to be disaggregated by major type. The District chooses a narrative format for the fair value disclosures.

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The District has \$4,918,836 invested in MMDT at June 30, 2016, which are valued at amortized cost.

NOTE 3 – CAPITAL ASSETS

Capital asset activity of the District, for the year ended June 30, 2016, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 37,913	\$ -	\$ -	\$ 37,913
<u>Capital assets being depreciated:</u>				
Buildings.....	29,219,586	54,117	-	29,273,703
Land improvements.....	2,491,438	-	-	2,491,438
Machinery and equipment.....	2,236,712	18,970	(1,536,091)	719,591
Vehicles.....	247,016	-	-	247,016
Infrastructure.....	178,175	-	-	178,175
Total capital assets being depreciated.....	<u>34,372,927</u>	<u>73,087</u>	<u>(1,536,091)</u>	<u>32,909,923</u>
<u>Less accumulated depreciation for:</u>				
Buildings.....	(12,255,875)	(617,384)	-	(12,873,259)
Land improvements.....	(427,552)	(117,222)	-	(544,774)
Machinery and equipment.....	(2,080,292)	(24,494)	1,536,091	(568,695)
Vehicles.....	(213,342)	(9,621)	-	(222,963)
Infrastructure.....	(178,175)	-	-	(178,175)
Total accumulated depreciation.....	<u>(15,155,236)</u>	<u>(768,721)</u>	<u>1,536,091</u>	<u>(14,387,866)</u>
Total capital assets being depreciated, net.....	<u>19,217,691</u>	<u>(695,634)</u>	<u>-</u>	<u>18,522,057</u>
Total governmental activities capital assets, net.....	<u>\$ 19,255,604</u>	<u>\$ (695,634)</u>	<u>\$ -</u>	<u>\$ 18,559,970</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Systemwide.....	\$ 24,115
High School.....	743,286
Center School.....	<u>1,320</u>
Total depreciation expense - governmental activities.....	<u>\$ 768,721</u>

NOTE 4 - INTERFUND TRANSFERS

Interfund transfers, for the year ended June 30, 2016, totaled \$215,000 and consisted of budgeted transfers to the general fund from the extended day program.

NOTE 5 – LEASES

Operating Leases

The District leases computer equipment to support its educational, business finance and other technological needs. Total costs for the leases were \$280,000 for the year ended June 30, 2016. The future minimum lease payments for these leases are as follows:

<u>Years Ending June 30</u>	<u>Governmental Activities</u>
2017.....	\$ 200,382
2018.....	<u>110,000</u>
Total.....	<u>\$ 310,382</u>

NOTE 6 – 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).

Short-term loans are general obligations and carry maturity dates that are limited by statute. Interest expenditures and expenses for short-term borrowings are accounted for in the general fund.

There was no short-term debt outstanding at June 30, 2016.

NOTE 7 - LONG-TERM DEBT

State law permits the District, under the provisions of Chapter 71, Section 16, to authorize indebtedness provided that written notice of the amount of the debt and of the general purposes for which it was authorized shall be given to the board of selectmen in each of the towns comprising the district not later than seven days after the date on which said debt was authorized by the district committee; and no debt may be incurred until the expiration of sixty days from the date on which said debt was so authorized; and prior to the expiration of said period any member town of the regional school district may hold a town meeting for the purpose of expressing disapproval of the amount of debt authorized by the district committee, and if at such meeting a majority of the voters present and voting thereon express disapproval of the amount authorized by the district committee, the said debt shall not be incurred and the district school committee shall prepare another proposal which may be the same as any prior proposal and an authorization to incur debt therefore.

In order to take advantage of favorable interest rates, the District issued \$3,085,000 of general obligation refunding bonds on October 1, 2015. The proceeds of the refunding bonds were used to complete a current refunding of existing debt. The refunded bonds totaled \$3,105,000. As a result of the transaction, the refunded bonds were paid down and the liability has been removed from the statement of net position. The transaction resulted in an economic gain of \$263,126 and a reduction of \$284,556 in future debt service payments.

Details related to the outstanding indebtedness at June 30, 2016, and the debt service requirements are as follows:

Purpose	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2015	Issued	Redeemed	Outstanding at June 30, 2016
Addition & Renovation to High School...	2025	\$ 6,605,000	3.00%-5.00%	\$ 3,455,000	\$ -	\$ (3,455,000)	\$ -
Athletic Field Renovations.....	2028	2,210,000	2.00%	1,910,000	-	(150,000)	1,760,000
2013 Promissory Note.....	2019	38,485	1.99%	25,454	-	(7,654)	17,800
2015 Promissory Note.....	2019	18,970	4.25%	-	18,970	(2,993)	15,977
GOB Refunding Bonds.....	2025	3,085,000	2.00%-3.00%	-	3,085,000	-	3,085,000
Total bonds and notes payable.....				\$ 5,390,454	\$ 3,103,970	\$ (3,615,647)	\$ 4,878,777

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

Year	Principal	Interest	Total
2017.....	\$ 518,996	\$ 108,554	\$ 627,550
2018.....	514,427	94,474	608,901
2019.....	505,354	80,599	585,953
2020.....	500,000	67,050	567,050
2021.....	495,000	56,224	551,224
2022.....	490,000	45,450	535,450
2023.....	480,000	35,650	515,650
2024.....	475,000	26,050	501,050
2025.....	465,000	16,550	481,550
2026.....	145,000	7,250	152,250
2027.....	145,000	4,350	149,350
2028.....	145,000	1,450	146,450
Total.....	\$ 4,878,777	\$ 543,651	\$ 5,422,428

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, 2016, the District had no authorized and unissued debt.

Changes in Long-term Liabilities

During the year ended June 30, 2016, the following changes occurred in long-term liabilities:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Long-term bonds and notes.....	\$ 5,390,454	\$ 3,103,970	\$ (3,615,647)	\$ 4,878,777	\$ 518,996
Other postemployment benefits..	23,622,390	3,451,504	(947,785)	26,126,109	-
Compensated absences.....	119,300	88,600	(119,300)	88,600	88,600
Net pension liability.....	10,982,732	341,603	-	11,324,335	-
Total.....	\$ 40,114,876	\$ 6,985,677	\$ (4,682,732)	\$ 42,417,821	\$ 607,596

NOTE 8 – GOVERNMENTAL FUND BALANCE CLASSIFICATIONS

The District classifies fund balances according to the constraints imposed on the use of the resources. There are 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. The District has no nonspendable funds reported as of June 30, 2016.

Spendable fund balances are classified 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.

As of June 30, 2016, the governmental fund balances consisted of the following:

	General	Nonmajor Governmental Funds	Total Governmental Funds
FUND BALANCES			
Restricted for:			
Federal and State grants..... \$	-	\$ 100,300	\$ 100,300
Other revolving funds.....	-	2,430,085	2,430,085
Athletic funds.....	-	369,559	369,559
School lunch fund.....	-	477,524	477,524
High School construction and renovation....	-	9,229	9,229
Committed to:			
Other postemployment benefits.....	150,000	-	150,000
Assigned to:			
System wide.....	16,749	-	16,749
Health services.....	7,550	-	7,550
Facilities.....	26,018	-	26,018
Curriculum.....	114,292	-	114,292
Special education.....	12,878	-	12,878
Technology.....	8,553	-	8,553
Athletics.....	4,608	-	4,608
Nashoba Regional High School.....	61,899	-	61,899
Luther Burbank Middle School.....	4,986	-	4,986
Center School.....	17,636	-	17,636
Hale Middle School.....	5,044	-	5,044
Mary Rowlandson Elementary School.....	3,073	-	3,073
Florence Sawyer School.....	33,602	-	33,602
E&D used for subsequent year's budget....	1,000,000	-	1,000,000
Unassigned.....	1,957,878	-	1,957,878
TOTAL FUND BALANCES..... \$	3,424,766	\$ 3,386,697	\$ 6,811,463

NOTE 9 – 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 District participates in premium-based health care plans for its active employees and a portion of its retirees'.

The District is self-insured for a portion of its retirees' health insurance and workers' compensation activities. These activities are accounted for in the general fund where revenues are recorded when earned and expenses are recorded when the liability is incurred. As of June 30, 2016, there were no employees out on workers' compensation and the liability for incurred but not reported health claims is immaterial and therefore not reported.

NOTE 10 - 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 97 member units. The WRRS 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 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, 2015. The District's portion of the collective pension expense, contributed by the Commonwealth, of \$6,507,114 is reported in the general fund as intergovernmental revenue and pension expense in the current fiscal year. The portion of the Commonwealth's collective net pension liability associated with the District is \$80,226,884 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 WRRS 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 its share of the system-wide 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, 2015 was \$717,712, 11.23% 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, 2016, the District reported a liability of \$11,324,325 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2014. 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, 2015, the District's proportion was 1.60%, which decreased from its proportion measured at December 31, 2014 of 1.85%.

Pension Expense

For the year ended June 30, 2016, the District recognized pension expense of \$1,326,415. At June 30, 2016, the District reported deferred outflows of resources related to pensions of \$977,893, from the net difference between projected and actual investment earnings on pension plan investments and assumption changes. The District also reported deferred inflows of resources related to pensions of \$1,238,387, from a change in allocation proportion.

The balances of deferred outflows and inflows at June 30, 2016 consist of the following:

Deferred category	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Change of assumptions.....	\$ 418,696	\$ -	\$ 418,696
Difference between projected and actual earnings.....	559,198	-	559,198
Changes in proportionate share of contributions.....	<u>-</u>	<u>(1,238,387)</u>	<u>(1,238,387)</u>
Total Deferred Outflows/(Inflows) of Resources.....	<u>\$ 977,894</u>	<u>\$ (1,238,387)</u>	<u>\$ (260,493)</u>

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

Year ended June 30:

2017.....	\$ (59,822)
2018.....	(59,822)
2019.....	(59,822)
2020.....	(59,441)
Thereafter.....	<u>(21,587)</u>
Total.....	<u>\$ (260,493)</u>

Actuarial Assumptions

The total pension liability in the January 1, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement that was updated to December 31, 2015:

Valuation date.....	January 1, 2014
Actuarial cost method.....	Entry Age Normal
Amortization method.....	<i>Unfunded Actuarial Accrued Liability (UAAL):</i> Increasing dollar amount at 4% to reduce the UAAL to zero on or before June 30, 2035 <i>Early Retirement Incentive Programs (ERI) for 2002 and 2003:</i> Increasing dollar amount at 4.5% to reduce the UAAL attributable to ERI to zero on or before June 30, 2028 <i>Early Retirement Incentive Program (ERI) for 2010:</i> Level dollar amount to reduce the UAAL attributable to ERI to zero on or before June 30, 2022
Remaining amortization period.....	21 years remaining as of July 1, 2014

Asset valuation method.....	The Actuarial Value of Assets is the market value of assets as of the valuation date reduced by the sum of: 80% of gains and losses of the prior year 60% of gains and losses of the second prior year 40% of gains and losses of the third prior year and 20% of gains and losses of the fourth prior year Investment gains and losses are determined by the excess or deficiency of the expected return over the actual return on the market value. The actuarial valuation of assets is further constrained to be not less than 80% or more than 120% of market value.
Projected salary increases.....	The assumed annual rates for salary increases including longevity are 3% per year
Cost of living adjustments.....	3% of the pension amount, capped at \$480 per year.
Mortality Rates.....	RP-2000 Mortality Table Projected to 2014 with Scale AA. RP-2000 Mortality Table set forward two years for disabled members.
Investment rate of return.....	7.75%

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 January 1, 2014 are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return	Long-Term Expected Asset Allocation
Global equity.....	8.02%	40.00%
Fixed income.....	5.09%	23.00%
Private equity.....	9.50%	10.00%
Real estate.....	6.50%	10.00%
Timber / Natural resources.....	7.07%	4.00%
Hedge funds.....	6.50%	9.00%
Other.....	6.18%	4.00%

Rate of return

For the year ended December 31, 2015, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 0.05%. 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 7.75%. 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 rate. 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 7.75%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	<u>1% Decrease (6.75%)</u>	<u>Current Discount (7.75%)</u>	<u>1% Increase (8.75%)</u>
The District's proportionate share of the net pension liability.....	\$ 13,634,656	\$ 11,324,325	\$ 9,362,598

NOTE 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description – The Nashoba 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 the District’s group health insurance plan, which covers both active and 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. The Plan does not issue a publicly available financial report.

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. The District contributes 50 percent of the cost of current-year premiums for eligible retired plan members and their spouses. Plan members receiving benefits contribute the remaining 50 percent of their premium costs. For 2016, the District contributed \$947,785 to the plan.

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

The components of the District’s annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the District’s net OPEB obligation are summarized in the following table:

Annual required contribution.....	\$	3,193,431
Interest on net OPEB obligation.....		1,063,008
Adjustment to annual required contribution.....		<u>(804,935)</u>
Annual OPEB cost (expense).....		3,451,504
Contributions made.....		<u>(947,785)</u>
Increase in net OPEB obligation.....		2,503,719
Net OPEB obligation--beginning of year.....		<u>23,622,390</u>
Net OPEB obligation--end of year.....	\$	<u><u>26,126,109</u></u>

The District’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2016 and the prior two years is as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2016	\$ 3,451,504	27%	\$ 26,126,109
6/30/2015	4,212,116	27%	23,622,390
6/30/2014	3,955,950	25%	20,536,795

Funded Status and Funding Progress – As of December 31, 2015, the most recent actuarial valuation date, the unfunded actuarial accrued liability (UAAL) for benefits was \$38,627,189, all of which was unfunded.

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

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

In the December 31, 2015, actuarial valuation, actuarial liabilities were determined using the projected unit credit cost method. The actuarial assumptions included a 4.5% investment return assumption, which is based on the expected yield on the assets of the District, calculated based on the funded level of the plan at the valuation date, and an annual medical/drug cost trend rate of 7.0% initially, decreasing by 0.5% for 4 years to an ultimate level of 5.0% per year and included a 4.5% inflation assumption. The UAAL is being amortized over a 30 year period, on

an open basis, with amortization payments increasing at 4.5% per year. The remaining amortization period at June 30, 2016 is 30 years.

NOTE 12 - COMMITMENTS

The District annually appropriates those amounts necessary for transportation of its students. For the year ended June 30, 2016, regular day and special education transportation expenditures totaled \$1.7 million and \$672,000, respectively. The regular day transportation contract expired on June 30, 2016. The District signed a one-year contract extension through June 30, 2017. The special education transportation contract expired on June 30, 2016. The District signed a one-year contract extension through June 30, 2017.

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 Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* through June 30, 2016, 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.

The District is subject to legal actions and claims that are subject to many uncertainties. Although the amount of liability, if any, at June 30, 2016, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2016.

NOTE 14 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through February 1, 2017, which is the date the financial statements were available to be issued.

NOTE 15 – RESTATEMENT OF NET POSITION

Beginning net position of the governmental activities has been restated by \$25,454 to reflect an adjustment to long-term debt obligations for a note that was not previously recorded by the District. Previously reported net position of a deficit balance of \$13,749,069 has been restated to a deficit balance of \$13,774,523.

NOTE 16 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

During 2016, the following GASB pronouncements were implemented:

- GASB Statement #72, *Fair Value Measurement and Application*. Notes to the basic financial statements were changed to provide additional disclosure on fair value measurement.
- GASB Statement #73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This pronouncement did not impact the basic financial statements.

- GASB Statement #76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This pronouncement did not impact the basic financial statements.
- GASB Statement #79, *Certain External Investment Pools and Pool Participants*. This pronouncement did not impact the basic financial statements.

The following GASB pronouncements will be implemented in the future:

- The GASB issued Statement #74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which is required to be implemented in 2017.
- The GASB issued Statement #75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which is required to be implemented in 2018.
- The GASB issued Statement #77, *Tax Abatement Disclosures*, which is required to be implemented in 2017.
- The GASB issued Statement #78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, which is required to be implemented in 2017.
- The GASB issued Statement #80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement #14*, which is required to be implemented in 2017.
- The GASB issued Statement #81, *Irrevocable Split-Interest Agreements*, which is required to be implemented in 2018.
- The GASB issued Statement #82, *Pension Issues – an amendment of GASB Statements #67, #68, and #73*, which is required to be implemented in 2018.
- The GASB issued Statement #83, *Certain Asset Retirement Obligations*, which is required to be implemented in 2019.

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

Required Supplementary Information

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General Fund Budgetary Schedule

The General Fund is the general operating fund of the District. It is used to account for all the 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, 2016

	Budgeted Amounts			
	Amounts Carried Forward From Prior Year	Current Year Initial Budget	Original Budget	Final Budget
REVENUES:				
Member town assessments.....	\$ -	\$ 39,131,816	\$ 39,131,816	\$ 39,674,392
Intergovernmental.....	-	8,047,501	8,047,501	7,504,925
Miscellaneous.....	-	-	-	-
Investment income.....	-	20,000	20,000	20,000
TOTAL REVENUES.....	-	47,199,317	47,199,317	47,199,317
EXPENDITURES:				
Current:				
System wide.....	24,780	3,957,079	3,981,859	4,072,877
Employee benefits.....	-	6,335,712	6,335,712	6,335,712
Insurance.....	-	125,000	125,000	125,000
Health services.....	6,270	738,620	744,890	713,433
Facilities.....	32,286	3,895,126	3,927,412	4,087,412
Substitute teachers.....	-	325,000	325,000	357,962
Curriculum.....	49,780	720,349	770,129	737,801
Special education.....	199,720	9,365,882	9,565,602	9,420,604
Technology.....	149,689	1,138,438	1,288,127	1,337,227
Athletics.....	-	620,174	620,174	626,878
Nashoba Regional High School.....	60,951	7,159,030	7,219,981	7,198,881
Luther Burbank Middle School.....	3,120	1,711,889	1,715,009	1,646,009
Center School.....	18,652	3,487,700	3,506,352	3,346,452
Hale Middle School.....	18,714	1,633,624	1,652,338	1,603,338
Mary Rowlandson Elementary School.....	3,106	2,687,926	2,691,032	2,856,031
Florence Sawyer School.....	21,995	4,486,702	4,508,697	4,511,697
Debt service:				
Maturing debt.....	-	500,000	500,000	500,000
Interest.....	-	126,066	126,066	126,066
TOTAL EXPENDITURES.....	589,063	49,014,317	49,603,380	49,603,380
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	(589,063)	(1,815,000)	(2,404,063)	(2,404,063)
OTHER FINANCING SOURCES (USES):				
Transfers in.....	-	215,000	215,000	215,000
NET CHANGE IN FUND BALANCE.....	(589,063)	(1,600,000)	(2,189,063)	(2,189,063)
BUDGETARY FUND BALANCE, beginning of year.....	3,674,303	3,674,303	3,674,303	3,674,303
BUDGETARY FUND BALANCE, End of year.....	\$ 3,085,240	\$ 2,074,303	\$ 1,485,240	\$ 1,485,240

See notes to required supplementary information.

	Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance to Final Budget
\$	39,674,392	\$ -	\$ -
	7,886,243	-	381,318
	186,996	-	186,996
	28,961	-	8,961
	<u>47,776,592</u>	<u>-</u>	<u>577,275</u>
	3,897,381	16,749	158,747
	6,121,249	-	214,463
	99,097	-	25,903
	704,989	7,550	894
	3,778,104	26,018	283,290
	357,962	-	-
	608,881	114,292	14,628
	9,375,500	12,878	32,226
	1,281,311	8,553	47,363
	611,755	4,608	10,515
	6,970,114	61,899	166,868
	1,634,531	4,986	6,492
	3,310,462	17,636	18,354
	1,579,383	5,044	18,911
	2,819,844	3,073	33,114
	4,456,839	33,602	21,256
	510,647	-	(10,647)
	126,894	-	(828)
	<u>48,244,943</u>	<u>316,888</u>	<u>1,041,549</u>
	<u>(468,351)</u>	<u>(316,888)</u>	<u>1,618,824</u>
	<u>215,000</u>	<u>-</u>	<u>-</u>
	<u>(253,351)</u>	<u>(316,888)</u>	<u>1,618,824</u>
	<u>3,674,303</u>		
\$	<u>3,420,952</u>		

Pension Plan Schedules

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

The Schedule of the District's 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 City 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**

	December 31, 2015	December 31, 2014
District's proportion of the net pension liability (asset).....	1.595%	1.846%
District's proportionate share of the net pension liability (asset)..... \$	11,324,325	10,982,732
District's covered employee payroll..... \$	6,391,445	6,145,620
Net pension liability as a percentage of covered-employee payroll.....	177.18%	178.71%
Plan fiduciary net position as a percentage of the total pension liability.....	44.52%	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**

	<u>2015</u>	<u>2014</u>
Actuarially determined contribution..... \$	717,712	729,374
Contributions in relation to the actuarially determined contribution.....	<u>717,712</u>	<u>729,374</u>
Contribution deficiency (excess)..... \$	<u>-</u>	<u>-</u>
Covered-employee payroll..... \$	6,391,445	6,145,620
Contributions as a percentage of covered- employee payroll.....	11.23%	11.87%

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. 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.

<u>Fiscal Year</u>	<u>Commonwealth's 100% Share of the Net Pension Liability Associated with the District</u>	<u>District's Expense and Revenue Recognized for the Commonwealth's Support</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Liability</u>
2016.....	\$ 80,226,884	\$ 6,507,114	55.38%
2015.....	35,785,470	3,639,402	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 Benefits Plan Schedules

The Schedule of Funding Progress compares, over time, the actuarial accrued liability for benefits with the actuarial value of accumulated plan assets.

The Schedule of Employer Contributions presents, over time, the ratio of the actual annual employer contributions to the annual required contribution.

The Schedule of Actuarial Methods and Assumptions presents factors that significantly affect the identification of trends in the amounts reported.

OTHER POSTEMPLOYMENT BENEFIT PLAN
SCHEDULE OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Projected Unit Credit (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
12/31/2015	\$ -	\$ 38,627,189	\$ 38,627,189	0%	\$ N/A	N/A
12/31/2013	-	45,407,088	45,407,088	0%	N/A	N/A
12/31/2011	-	40,702,993	40,702,993	0%	N/A	N/A

Schedule of Employer Contributions

Year Ended	Annual Required Contribution	Actual Contributions Made	Percentage Contributed
6/30/2016	\$ 3,193,431	\$ 947,785	30%
6/30/2015	3,987,753	1,126,521	28%
6/30/2014	3,763,809	1,006,538	27%
6/30/2013	3,689,636	888,977	24%
6/30/2012	3,490,498	797,451	23%

See notes to required supplementary information.

OTHER POSTEMPLOYMENT BENEFIT PLAN
ACTUARIAL METHODS AND ASSUMPTIONS

Actuarial Methods:

Valuation date.....	December 31, 2015
Actuarial cost method.....	Projected Unit Credit
Amortization method.....	Payments increasing at 4.5%
Remaining amortization period.....	30 years, open
Asset valuation method.....	Market value

Actuarial Assumptions:

Investment rate of return.....	4.5%, pay-as-you-go scenario
Inflation rate.....	4.5%
Medical/drug cost trend rate.....	7.0%, decreasing by 0.5% for 4 years to an ultimate level of 5.0% per year

Plan Membership:

Current retirees, beneficiaries, and dependents...	262
Current active members.....	<u>357</u>
Total.....	<u><u>619</u></u>

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 Committee. The Superintendent of Schools presents an annual budget to the Committee, which includes estimates of revenues and other financing sources and recommendations of expenditures and other financing uses. The Committee, which has full authority to amend and/or reject the budget or any line item, adopts the expenditure budget by majority vote. Increases in the budget subsequent to the approval of the annual budget require majority Committee approval.

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

The District adopts an annual budget for the general fund in conformity with the guidelines described above. The original 2016 approved budget for the general fund authorized \$49.6 million in appropriations, which included a carryover of \$589,000 of encumbrances from the prior year. The District did not approve any supplemental appropriations during the year.

The District’s accounting office has the responsibility to ensure that budgetary control is maintained on a bottom line, total budget basis. Budgetary control is exercised through the District’s accounting system.

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, 2016, is presented below:

Net change in fund balance, budgetary basis.....	\$ (253,351)
<u>Basis of accounting differences:</u>	
Recognition of revenue for on-behalf payments.....	6,507,114
Recognition of expenditures for on-behalf payments.....	(6,507,114)
Net change in recording accrued expenditures.....	<u>333</u>
Net change in fund balance, GAAP basis.....	\$ <u>(253,018)</u>

NOTE B – PENSION PLAN

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

The Schedule of the District’s 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.

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.

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.

Changes in Assumptions – The discount rate was revised to 7.75% from 8.0%.

Changes in Plan Provisions - None

NOTE C – OTHER POSTEMPLOYMENT BENEFITS

The District administers a single-employer defined benefit healthcare plan ("The Other Postemployment Benefit Plan"). The plan provides lifetime healthcare insurance and life insurance benefits for eligible retirees and their spouses through the District's group health insurance plan, which covers both active and retired members.

The District currently finances its other postemployment benefits (OPEB) on a pay-as-you-go basis. As a result, the funded ratio (actuarial value of assets expressed as a percentage of the actuarially accrued liability) was zero. In accordance with *Governmental Accounting Standards*, the District has recorded its OPEB cost equal to the actuarial determined annual required contribution (ARC) which includes the normal cost of providing benefits for the year and a component for the amortization of the total unfunded actuarial accrued liability of the plan.

The Schedule of Funding Progress presents multi-year trend information which compares, over time, the actuarially accrued liability for benefits with the actuarial value of accumulated plan assets. Because 2009 was the District's initial year of implementation of GASB Statement 45, information for prior years is not available.

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

The Schedule of Actuarial Methods and Assumptions presents factors that significantly affect the identification of trends in the amounts reported.