



**MONTACHUSETT REGIONAL VOCATIONAL  
TECHNICAL SCHOOL DISTRICT**

Annual Financial Statements  
For the Year Ended June 30, 2021

(With Independent Auditors' Report Thereon)

## TABLE OF CONTENTS

	<u>Page</u>
<b>INDEPENDENT AUDITORS' REPORT</b>	1
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>	4
<b>BASIC FINANCIAL STATEMENTS:</b>	
<b>Government-Wide Financial Statements:</b>	
Statement of Net Position	11
Statement of Activities	12
<b>Fund Financial Statements:</b>	
<b>Governmental Funds:</b>	
Balance Sheet	13
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities in the Statement of Net Position	14
Statement of Revenues, Expenditures, and Changes in Fund Balances	15
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	16
<b>Proprietary Funds:</b>	
Statement of Net Position	17
Statement of Revenues, Expenses, and Changes in Fund Net Position	18
Statement of Cash Flows	19
<b>Fiduciary Funds:</b>	
Statement of Fiduciary Net Position	20
Statement of Changes in Fiduciary Net Position	21
<b>Notes to Financial Statements</b>	22
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
<b>Budget and Actual:</b>	
Schedule of Revenues and Expenditures and Other Financing Sources (Uses) – Budget and Actual – General Fund	49
Notes to Required Supplementary Information for General Fund Budget	50

**Pension:**

Schedule of Proportionate Share of the Net Pension Liability 51

Schedule of Pension Contributions 52

**OPEB:**

Schedule of Changes in the Total OPEB Liability 53

**OTHER INFORMATION**

Report on Internal Control Over Financial Reporting and on Compliance and  
Other Matters Based on an Audit of Financial Statements Performed in  
Accordance with *Government Auditing Standards* 54



## INDEPENDENT AUDITORS' REPORT

To the School Committee  
Montachusett Regional Vocational  
Technical School District

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Montachusett Regional Vocational Technical School District (the School District), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the Table of Contents.

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

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

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the

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Merrimack, New Hampshire  
Andover, Massachusetts  
Greenfield, Massachusetts  
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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 Montachusett Regional Vocational Technical School District, as of June 30, 2021, 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.

### ***Emphasis of Matter***

As discussed in Note 15 to the financial statements, in fiscal year 2021 the School District adopted Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

### **Other Matters**

#### ***Required Supplementary Information***

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



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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 8, 2022, on our consideration of the 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering School District’s internal control over financial reporting and compliance.

*Melanson*

Andover, Massachusetts  
February 8, 2022



## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Montachusett Regional Vocational Technical School District (the School District), we offer readers this narrative overview and analysis of the financial activities of the School District for the fiscal year ended June 30, 2021.

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

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

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

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

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

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

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

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. The School District's funds can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

### ***Governmental Funds***

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable

resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

### ***Proprietary Funds***

Proprietary fund reporting focuses on the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. The proprietary fund category includes the internal service fund.

Internal service funds are an accounting device used to accumulate and allocate costs internally among various functions. Specifically, internal service funds are used to account for self-insured employee health programs. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

### ***Fiduciary Funds***

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

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

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

### ***Required Supplementary Information***

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

## Financial Highlights

- As of the close of the current fiscal year, net position in governmental activities was \$(29,244,392), a change of \$(3,857,968).
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$6,204,135, a change of \$1,065,750 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$1,475,307, a change of \$111,293 in comparison with the prior year.

## Government-Wide Financial Analysis

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

	NET POSITION	
	Governmental Activities	
	2021	2020
<b>Assets</b>		
Current and other assets	\$ 14,020,313	\$ 12,820,369
Capital assets	<u>19,612,759</u>	<u>20,273,724</u>
Total assets	33,633,072	33,094,093
Deferred outflows of resources	17,143,697	2,870,239
<b>Liabilities</b>		
Other liabilities	2,149,362	2,055,112
Long-term liabilities	<u>75,957,518</u>	<u>56,626,654</u>
Total liabilities	78,106,880	58,681,766
Deferred inflows of resources	1,914,281	2,668,990
<b>Net Position</b>		
Net investment in capital assets	13,571,309	13,407,875
Restricted	2,917,551	2,742,224
Unrestricted	<u>(45,733,252)</u>	<u>(41,536,523)</u>
Total net position	\$ <u>(29,244,392)</u>	\$ <u>(25,386,424)</u>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. At the close of the most recent fiscal year, total net position was \$(29,244,392), a change of \$(3,857,968) in comparison to the prior year.

A portion of net position, \$13,571,309, reflects our investment in capital assets (e.g., land, land improvements, buildings and improvements, machinery, equipment, and furnishings, and infrastructure), less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net position, \$2,917,551, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$(45,733,252) represents unrestricted net position (deficit), caused primarily by recording the liabilities related to other post-employment benefits and pensions.

#### CHANGES IN NET POSITION

	Governmental Activities	
	<u>2021</u>	<u>2020</u>
Revenues		
Program revenues:		
Charges for services	\$ 2,994,523	\$ 3,649,206
Operating grants and contributions	10,338,173	9,381,908
General revenues:		
Assessments from member towns	10,982,766	10,696,191
Grants and contributions not restricted to specific programs	15,485,515	15,441,809
Investment income	17,747	121,405
Miscellaneous	<u>117,511</u>	<u>40,463</u>
Total Revenues	39,936,235	39,330,982
Expenses		
Administration	1,020,346	1,075,369
Instruction	16,862,966	16,527,135
Other school services	4,092,069	3,883,716
Operation and maintenance	2,587,918	3,244,990
Fixed charges	16,748,683	11,773,053
Interest on long-term debt	-	24,889
Special education	1,251,922	1,143,812
Depreciation unallocated	930,525	991,390
Miscellaneous	<u>299,774</u>	<u>294,997</u>
Total Expenses	<u>43,794,203</u>	<u>38,959,351</u>
Change in Net Position	(3,857,968)	371,631
Net Position - Beginning of Year	<u>(25,386,424)</u>	<u>(25,758,055)</u>
Net Position - End of Year	<u>\$ (29,244,392)</u>	<u>\$ (25,386,424)</u>

### **Governmental Activities**

Governmental activities for the year resulted in a change in net position of \$(3,857,968). Key elements of this change are as follows:

General fund operations	\$	890,422
School choice fund		92,709
Other governmental funds results		82,619
Principal debt service in excess of depreciation expense		(750,097)
Internal service fund results		148,487
Capital asset acquisitions		928,476
Change in net pension liability, net of related deferrals		(623,260)
Change in net OPEB liability, net of related deferrals		(4,656,289)
Other		28,965
Total	\$	<u>(3,857,968)</u>

### **Financial Analysis of the School District's Funds**

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

#### **Governmental Funds**

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

#### **General Fund**

The general fund is the chief operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was \$1,475,307, while total fund balance was \$3,286,582. The unassigned fund balance increased by \$111,293, primarily from positive budgetary results of \$591,097 less \$550,000 of surplus (E&D) used for fiscal year 2022. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to general fund expenditures. Refer to the table below.

<u>General Fund</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>Change</u>	<u>% of General Fund Expenditures*</u>
Unassigned Fund Balance	\$ 1,475,307	\$ 1,364,014	\$ 111,293	5.0%
Total Fund Balance	\$ 3,286,582	\$ 2,396,160	\$ 890,422	11.1%

\*Expenditure amounts used to calculate the above percentages have been adjusted to exclude the on-behalf payment from the Commonwealth to the Massachusetts Teachers Retirement System of \$2,492,646.

The fund balance of the general fund changed by \$890,422 during the current fiscal year. Key factors in this change are as follows:

Use of free cash as a funding source	\$ (525,000)
Revenue in excess of budget	508,121
Expenditures less than budget	70,863
Change in stabilization fund	45,196
Difference between current year encumbrances, to be spent in a subsequent year and prior year encumbrances spent in the current year	779,129
Other	<u>12,113</u>
Total	<u>\$ 890,422</u>

***School Choice Fund***

The school choice major fund balance changed by \$92,709 primarily from a decrease in expenditures relating to the impact of COVID-19.

***Nonmajor Governmental Funds***

The nonmajor governmental funds balance changed by \$82,619 primarily from various unexpended grants received by the School District.

**General Fund Budgetary Highlights**

There was no difference between the original budget and the final amended budget.

The largest budgetary surplus was intergovernmental revenues of \$392,384. This was primarily due to the School District receiving unexpected state aid for transportation.

**Capital Assets and Debt Administration**

***Capital Assets***

Total investment in capital assets at year-end amounted to \$19,612,759 (net of accumulated depreciation). This investment in capital assets includes land, land improvements, buildings and improvements, machinery, equipment, and furnishings, and infrastructure.

Major capital asset events during the current fiscal year included the following:

Firewall	\$ 130,875
Building improvements	184,115
2021 passenger freightliner bus	79,959
Parking lot paving	68,987
Various other purchases of equipment/furnishings/vehicles	464,540
Loss on disposal of assets	(14,945)
Current year depreciation	<u>(1,574,496)</u>
Net Change in Capital Assets	\$ <u><u>(660,965)</u></u>

Additional information on capital assets can be found in the notes to financial statements.

### Requests for Information

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

Ms. Tammy Crockett  
Business Manager  
Montachusett Regional Vocational Technical School District  
1050 Westminster Street  
Fitchburg, MA 01420

**MONTACHUSETT REGIONAL VOCATIONAL TECHNICAL SCHOOL DISTRICT**

Statement of Net Position  
June 30, 2021

	Governmental <u>Activities</u>
<b>Assets</b>	
Current:	
Cash and short-term investments	\$ 13,267,455
Receivables:	
Intergovernmental	584,029
Departmental and other	<u>168,829</u>
Total Current Assets	14,020,313
Noncurrent:	
Capital assets:	
Nondepreciable capital assets	228,000
Other capital assets, net of accumulated depreciation	<u>19,384,759</u>
Total Noncurrent Assets	<u>19,612,759</u>
Total Assets	33,633,072
<b>Deferred Outflows of Resources</b>	
Related to pensions	1,891,886
Related to OPEB	<u>15,251,811</u>
Total Deferred Outflows of Resources	17,143,697
<b>Liabilities</b>	
Current:	
Accounts payable	634,726
Accrued liabilities	1,514,636
Current portion of long-term liabilities:	
Compensated absences	80,000
Capital leases	<u>762,541</u>
Total Current Liabilities	2,991,903
Noncurrent:	
Net pension liability	10,155,940
Total OPEB liability	59,270,964
Compensated absences, net of current portion	409,164
Capital leases, net of current portion	<u>5,278,909</u>
Total Noncurrent Liabilities	<u>75,114,977</u>
Total Liabilities	78,106,880
<b>Deferred Inflows of Resources</b>	
Related to pensions	571,586
Related to OPEB	<u>1,342,695</u>
Total Deferred Inflows of Resources	1,914,281
<b>Net Position</b>	
Net investment in capital assets	13,571,309
Restricted for:	
Grants and other statutory restrictions	2,890,009
Endowment funds:	
Expendable	27,542
Unrestricted	<u>(45,733,252)</u>
Total Net Position	\$ <u><u>(29,244,392)</u></u>

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

**MONTACHUSETT REGIONAL VOCATIONAL TECHNICAL SCHOOL DISTRICT**

Statement of Activities  
For the Year Ended June 30, 2021

		Program Revenues		Net (Expenses) Revenues
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
<b>Governmental Activities</b>				
Administration	\$ 1,020,346	\$ -	\$ -	\$ (1,020,346)
Instruction	16,862,966	1,299,970	1,740,020	(13,822,976)
Other school services	4,092,069	488,859	2,360,262	(1,242,948)
Operation and maintenance	2,587,918	1,105	-	(2,586,813)
Fixed charges	16,748,683	1,204,589	5,659,637	(9,884,457)
Special education	1,251,922	-	578,254	(673,668)
Miscellaneous	299,774	-	-	(299,774)
Depreciation unallocated	930,525	-	-	(930,525)
Total Governmental Activities	\$ <u>43,794,203</u>	\$ <u>2,994,523</u>	\$ <u>10,338,173</u>	(30,461,507)
		<b>General Revenues</b>		
		Assessments from member towns		10,982,766
		Grants and contributions not restricted to specific programs		15,485,515
		Investment income		17,747
		Miscellaneous		<u>117,511</u>
		Total General Revenues		<u>26,603,539</u>
		Change in Net Position		(3,857,968)
		<b>Net Position</b>		
		Beginning of Year		<u>(25,386,424)</u>
		End of Year		\$ <u>(29,244,392)</u>

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

**MONTACHUSETT REGIONAL VOCATIONAL TECHNICAL SCHOOL DISTRICT**

Governmental Funds  
Balance Sheet  
June 30, 2021

	General Fund	School Choice Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Cash and short-term investments	\$ 5,053,701	\$ 878,353	\$ 1,619,613	\$ 7,551,667
Receivables:				
Intergovernmental	46,059	-	537,970	584,029
Departmental and other	-	-	9,697	9,697
Total Assets	<u>\$ 5,099,760</u>	<u>\$ 878,353</u>	<u>\$ 2,167,280</u>	<u>\$ 8,145,393</u>
<b>Liabilities</b>				
Accounts payable	\$ 506,646	\$ -	\$ 128,080	\$ 634,726
Accrued liabilities	<u>1,306,532</u>	<u>-</u>	<u>-</u>	<u>1,306,532</u>
Total Liabilities	1,813,178	-	128,080	1,941,258
<b>Fund Balances</b>				
Restricted	-	878,353	2,325,590	3,203,943
Assigned	1,811,275	-	-	1,811,275
Unassigned	<u>1,475,307</u>	<u>-</u>	<u>(286,390)</u>	<u>1,188,917</u>
Total Fund Balances	<u>3,286,582</u>	<u>878,353</u>	<u>2,039,200</u>	<u>6,204,135</u>
Total Liabilities, Deferred Inflow of Resources, and Fund Balances	<u>\$ 5,099,760</u>	<u>\$ 878,353</u>	<u>\$ 2,167,280</u>	<u>\$ 8,145,393</u>

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

**MONTACHUSETT REGIONAL VOCATIONAL TECHNICAL SCHOOL DISTRICT**

Reconciliation of Total Governmental Fund Balances  
to Net Position of Governmental Activities  
in the Statement of Net Position

June 30, 2021

<b>Total governmental fund balances</b>	\$ 6,204,135
<ul style="list-style-type: none"><li>• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.</li></ul>	19,612,759
<ul style="list-style-type: none"><li>• Deferred outflows of resources related to pensions to be recognized in pension expense in future periods.</li></ul>	1,891,886
<ul style="list-style-type: none"><li>• Deferred outflows of resources related to OPEB to be recognized in OPEB expense in future periods.</li></ul>	15,251,811
<ul style="list-style-type: none"><li>• Internal service funds are used by management to account for health insurance and workers' compensated activities. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position.</li></ul>	5,666,816
<ul style="list-style-type: none"><li>• Long-term liabilities are not due and payable in the current period and, therefore, are not reported in governmental funds:<ul style="list-style-type: none"><li>Net pension liability</li><li>Total OPEB liability</li><li>Compensated absences</li><li>Capital leases payable</li></ul></li></ul>	<ul style="list-style-type: none"><li>(10,155,940)</li><li>(59,270,964)</li><li>(489,164)</li><li>(6,041,450)</li></ul>
<ul style="list-style-type: none"><li>• Deferred inflows of resources related to pensions to be recognized in pension expense in future periods.</li></ul>	(571,586)
<ul style="list-style-type: none"><li>• Deferred inflows of resources related to OPEB to be recognized in OPEB expense in future periods.</li></ul>	<u>(1,342,695)</u>
<b>Net position of governmental activities</b>	<b>\$ <u><u>(29,244,392)</u></u></b>

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

**MONTACHUSETT REGIONAL VOCATIONAL TECHNICAL SCHOOL DISTRICT**

Governmental Funds  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
For the Year Ended June 30, 2021

	General Fund	School Choice Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Assessments to member towns	\$ 10,982,766	\$ -	\$ -	\$ 10,982,766
Charges for services	-	118,503	1,671,431	1,789,934
Intergovernmental	19,842,129	-	2,928,189	22,770,318
Investment income	13,027	-	-	13,027
Miscellaneous	<u>102,906</u>	<u>-</u>	<u>-</u>	<u>102,906</u>
Total Revenues	30,940,828	118,503	4,599,620	35,658,951
<b>Expenditures</b>				
Current:				
Administration	1,004,671	-	-	1,004,671
Instruction	13,861,023	25,794	3,255,814	17,142,631
Other school services	2,870,985	-	1,104,949	3,975,934
Operation and maintenance	3,362,765	-	27,022	3,389,787
Fixed charges	7,241,324	-	-	7,241,324
Acquisitions	281,602	-	5,555	287,157
Special education	811,470	-	440,451	1,251,921
Miscellaneous	<u>299,776</u>	<u>-</u>	<u>-</u>	<u>299,776</u>
Total Expenditures	<u>29,733,616</u>	<u>25,794</u>	<u>4,833,791</u>	<u>34,593,201</u>
Excess (deficiency) of revenues over expenditures	1,207,212	92,709	(234,171)	1,065,750
<b>Other Financing Sources (Uses):</b>				
Transfers in	352,113	-	668,903	1,021,016
Transfers out	<u>(668,903)</u>	<u>-</u>	<u>(352,113)</u>	<u>(1,021,016)</u>
Total Other Financing Sources (Uses)	<u>(316,790)</u>	<u>-</u>	<u>316,790</u>	<u>-</u>
Change in Fund Balance	890,422	92,709	82,619	1,065,750
Fund Balance at Beginning of Year	<u>2,396,160</u>	<u>785,644</u>	<u>1,956,581</u>	<u>5,138,385</u>
Fund Balance at End of Year	<u>\$ 3,286,582</u>	<u>\$ 878,353</u>	<u>\$ 2,039,200</u>	<u>\$ 6,204,135</u>

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

**MONTACHUSETT REGIONAL VOCATIONAL TECHNICAL SCHOOL DISTRICT**

Reconciliation of the Statement of Revenues,  
Expenditures, and Changes in Fund Balances of  
Governmental Funds to the Statement of Activities  
For the Year Ended June 30, 2021

<b>Net changes in fund balances - total governmental funds</b>	\$ 1,065,750														
<ul style="list-style-type: none"> <li>• 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: <table border="0" style="margin-left: 40px;"> <tr> <td>Capital outlay</td> <td align="right">928,476</td> </tr> <tr> <td>Loss on disposition of assets</td> <td align="right">(14,945)</td> </tr> <tr> <td>Depreciation</td> <td align="right">(1,574,496)</td> </tr> </table> </li> <li>• Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures, and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable differ between the two statements. This amount represents the net change in unavailable revenue. <span style="float: right;">(108,543)</span></li> <li>• The issuance of long-term debt (e.g., 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: <table border="0" style="margin-left: 40px;"> <tr> <td>Repayments of capital leases</td> <td align="right">824,399</td> </tr> </table> </li> <li>• Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds: <table border="0" style="margin-left: 40px;"> <tr> <td>Change in net pension liability and related deferred outflows and inflows</td> <td align="right">(623,260)</td> </tr> <tr> <td>Change in net OPEB liability and related deferred outflows and inflows</td> <td align="right">(4,656,289)</td> </tr> <tr> <td>Compensated absences</td> <td align="right">152,453</td> </tr> </table> </li> <li>• Internal service funds are used by management to account for health insurance and workers' compensation activities. The net activity of internal service funds is reported with governmental activities. <span style="float: right;"><u>148,487</u></span></li> </ul>		Capital outlay	928,476	Loss on disposition of assets	(14,945)	Depreciation	(1,574,496)	Repayments of capital leases	824,399	Change in net pension liability and related deferred outflows and inflows	(623,260)	Change in net OPEB liability and related deferred outflows and inflows	(4,656,289)	Compensated absences	152,453
Capital outlay	928,476														
Loss on disposition of assets	(14,945)														
Depreciation	(1,574,496)														
Repayments of capital leases	824,399														
Change in net pension liability and related deferred outflows and inflows	(623,260)														
Change in net OPEB liability and related deferred outflows and inflows	(4,656,289)														
Compensated absences	152,453														
<b>Change in net position of governmental activities</b>	\$ <u><u>(3,857,968)</u></u>														

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

**MONTACHUSETT REGIONAL VOCATIONAL TECHNICAL SCHOOL DISTRICT**

Proprietary Fund  
Statement of Net Position  
June 30, 2021

	Governmental <u>Activities</u> Internal Service <u>Fund</u>
<b>Assets</b>	
Current:	
Cash and short-term investments	\$ 5,715,788
Receivables	<u>159,132</u>
Total Assets	5,874,920
 <b>Liabilities</b>	
Current:	
Accounts payable	<u>208,104</u>
Total Liabilities	208,104
 <b>Net Position</b>	
Unrestricted	<u>5,666,816</u>
Total Net Position	\$ <u><u>5,666,816</u></u>

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

**MONTACHUSETT REGIONAL VOCATIONAL TECHNICAL SCHOOL DISTRICT**

Proprietary Fund

Statement of Revenues, Expenses, and Changes in Fund Net Position

For the Year Ended June 30, 2021

	Governmental <u>Activities</u> Internal Service <u>Fund</u>
<b>Operating Revenues</b>	
Employee and employer contributions	\$ 4,939,631
<b>Operating Expenses</b>	
Health insurance claims	<u>4,795,861</u>
Operating Income	143,770
<b>Nonoperating Revenues</b>	
Investment income	<u>4,717</u>
Change in Net Position	148,487
Net Position at Beginning of Year	<u>5,518,329</u>
Net Position at End of Year	\$ <u><u>5,666,816</u></u>

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

**MONTACHUSETT REGIONAL VOCATIONAL TECHNICAL SCHOOL DISTRICT**

Proprietary Fund

Statement of Cash Flows

For the Year Ended June 30, 2021

	Governmental <u>Activities</u> Internal Service <u>Fund</u>
<b>Cash Flows From Operating Activities</b>	
Receipts from interfund service provided	\$ 3,735,042
Receipts from employees	1,325,614
Payments of employee benefits and expenses	<u>(4,805,099)</u>
Net Cash Provided by Operating Activities	255,557
<b>Cash Flows From Investing Activities</b>	
Investment income	<u>4,717</u>
Net Cash Provided by Investing Activities	<u>4,717</u>
Net Change in Cash and Short-Term Investments	260,274
Cash and Short-Term Investments, Beginning of Year	<u>5,455,514</u>
Cash and Short-Term Investments, End of Year	<u>\$ 5,715,788</u>
<b>Reconciliation of Operating Income to Net Cash Provided by (Used For) Operating Activities</b>	
Operating income	\$ 143,770
Adjustments to reconcile operating income to net cash provided by operating activities:	
Decrease in receivables	121,025
Decrease in accounts payable	<u>(9,238)</u>
Net Cash Provided by Operating Activities	<u>\$ 255,557</u>

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

**MONTACHUSETT REGIONAL VOCATIONAL TECHNICAL SCHOOL DISTRICT**

Fiduciary Funds

Statement of Fiduciary Net Position

June 30, 2021

	Private Purpose Trust <u>Funds</u>	Custodial <u>Funds</u>
<b>Assets</b>		
Cash and short-term investments	\$ 44,086	\$ 193,311
Investments:		
Certificates of deposit	<u>24,824</u>	<u>-</u>
Total Assets	68,910	193,311
 <b>Liabilities</b>		
Accounts payable	<u>-</u>	<u>5,270</u>
Total Liabilities	<u>-</u>	<u>5,270</u>
 <b>Net Position</b>		
Restricted for individuals and organizations	<u>68,910</u>	<u>188,041</u>
Total Net Position	\$ <u><u>68,910</u></u>	\$ <u><u>188,041</u></u>

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

**MONTACHUSETT REGIONAL VOCATIONAL TECHNICAL SCHOOL DISTRICT**

Fiduciary Funds

Statement of Changes in Fiduciary Net Position

For the Year Ended June 30, 2021

	Private Purpose <u>Trust Funds</u>	Custodial <u>Funds</u>
<b>Additions</b>		
Contributions	\$ 42,325	\$ -
Investment income	12,499	-
Fees collected for students	<u>-</u>	<u>92,361</u>
Total Additions	54,824	92,361
<b>Deductions</b>		
Scholarships	65,225	-
Payments on behalf of students	<u>-</u>	<u>104,118</u>
Total Deductions	<u>65,225</u>	<u>104,118</u>
Net Increase	(10,401)	(11,757)
<b>Net Position Restricted for Other Purposes</b>		
Beginning of Year	<u>79,311</u>	<u>199,798</u>
End of Year	\$ <u><u>68,910</u></u>	\$ <u><u>188,041</u></u>

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

# MONTACHUSETT REGIONAL VOCATIONAL TECHNICAL SCHOOL DISTRICT

## Notes to Financial Statements

### 1. Summary of Significant Accounting Policies

The accounting policies of the Montachusett Regional Vocational Technical School District (the School District) conform to Generally Accepted Accounting Principles (GAAP) as applicable to governmental units. The following is a summary of the significant policies:

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

The School District is a municipal corporation governed by an appointed School Committee. As required by Generally Accepted Accounting Principles, these financial statements present the government and applicable component units for which the government is considered to be financially accountable. In fiscal year 2021, it was determined that no entities met the required GASB 14 (as amended) criteria of component units.

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

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

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

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

##### *Fund Financial Statements*

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

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

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include (1) charges to customers or applicants for goods, services, or privileges provided and (2) operating grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include member assessments.

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

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

The School District reports the following major governmental funds:

- The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the government, except those required to be accounted for in another fund.
- The *School Choice Fund* accounts for reimbursements from non-member communities whose resident students elect to attend the School District. These funds may be used at the discretion of the School Committee.

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal

ongoing operations. The principal operating revenues of the internal service fund are employer and member health insurance premium contributions. Operating expenses for the internal service fund include health insurance claims and premium expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

The School District reports the following fiduciary funds:

- *Private-Purpose Trust Funds* are used to account for trust arrangements, under which principal and investment income exclusively benefits individuals, private organizations, or other governments. The School District accounts for its scholarship funds as private-purpose trust funds.
- *Custodial Funds* account for fiduciary assets held by the School District in a custodial capacity as an agent on behalf of others and are not required to be reported elsewhere on the financial statements. Custodial funds include student activity funds.

#### ***Cash and Investments***

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

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

For purposes of the statement of cash flows, proprietary funds consider investments with original maturities of three months or less to be cash equivalents.

The School District invests in the Massachusetts Municipal Depository Trust (MMDT) Cash Portfolio, an external investment pool overseen by the Treasurer of the Commonwealth of Massachusetts. This cash portfolio meets the requirements of GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, and investments are valued at amortized cost, which approximates the net asset value of \$1 per share.

Investments for the trust funds consist of certificates of deposit, which are reported at cost.

***Capital Assets***

Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements. Capital assets are defined by the School District as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, and equipment is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	50
Building improvements	20
Infrastructure	30 - 75
Vehicles	5 - 15
Office equipment	5 - 15
Computer equipment	5
Infrastructure	30 – 50
Technology	3

***Compensated Absences***

The largest portion of this liability represents separation pay earned by certain School District teachers eligible to retire within five years. Under this agreement, teachers earn days for days worked in excess of the contracted amount each year. Upon retirement, these teachers will be paid for excess days earned at a contracted rate. The recorded liability includes the number of excess days at June 30, 2021, at the contracted rate, for all teachers eligible to choose this option.

In addition, a portion of this liability represents the unpaid portion of a special longevity/retirement arrangement negotiated with School District teachers. Under this arrangement, prior to retirement and after a certain number of years of service, a teacher can choose to receive longevity of \$5,000/year for three years. The recorded liability includes the portion owed to teachers who are eligible for this option.

Other employees are permitted to accumulate earned but unused vacation and sick pay benefits. All vested sick and vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds for all employees eligible for retirement.

***Long-Term Obligations***

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

***Fund Equity***

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

***Fund Balance***

Generally, fund balance represents the difference between current assets and current liabilities. The School District reserves those portions of fund balance that are legally segregated for a specific future use or which do not represent available, spendable resources and therefore, are not available for appropriation or expenditure. Unassigned fund balance indicates that portion of fund balance that is available for appropriation in future periods. The general fund is the only fund that reports a positive unassigned fund balance.

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

***Net Position***

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

### ***Use of Estimates***

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

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

### ***Budgetary Information***

The School Committee annually determines the amount to be raised (after deducting the amount of anticipated revenue the School District expects to receive and after deducting the School District's minimum contribution as determined by the State) to maintain and operate the School District during the next fiscal year. The School District then calculates the assessments to each city/town based on its approved budget and seeks an appropriation in the amount of that assessment from each city's/town's annual town meeting. After assessments are appropriated by each city/town that are consistent with the School Committee's budget (either its initial budget or a budget revised to be consistent with the cities'/towns' appropriations), the School District Treasurer certifies the assessments to the treasurers of the cities/towns.

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

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

### ***Assessments of Member Communities***

Most capital and operating costs of the School District in excess of each member's net minimum contribution are apportioned to the members on the basis of their respective pupil enrollments in the School District on October 1 of the preceding year. Certain costs, such as transportation and debt service, are outside of the net school spending requirements established by the Commonwealth of Massachusetts. These costs are apportioned to the members based on either the above percentage or on a member-specific basis. For the year ended June 30, 2021, the assessments were calculated as follows:

<u>Member Community</u>	<u>Minimum Contribution</u>	<u>Outside Net Sch. Spending</u>	<u>Total Assessments</u>
Ashburnham	\$ 522,443	\$ 46,471	\$ 568,914
Ashby	351,676	22,581	374,257
Athol	285,516	74,313	359,829
Barre	371,345	36,164	407,509
Fitchburg	1,667,871	268,937	1,936,808
Gardner	1,055,568	127,669	1,183,237
Harvard	56,981	14,754	71,735
Holden	822,750	82,165	904,915
Hubbardston	523,136	32,709	555,845
Lunenburg	814,475	62,123	876,598
Petersham	35,580	3,076	38,656
Phillipston	187,283	12,264	199,547
Princeton	398,870	19,579	418,449
Royalston	75,585	8,311	83,896
Sterling	832,971	44,703	877,674
Templeton	549,452	56,667	606,119
Westminster	632,837	49,286	682,123
Winchendon	<u>753,097</u>	<u>83,558</u>	<u>836,655</u>
Total	\$ <u>9,937,436</u>	\$ <u>1,045,330</u>	\$ <u>10,982,766</u>

### ***Deficit Fund Equity***

The following funds were in a deficit as of June 30, 2021:

Federal Grants	\$ (272,712)
State Grants	(226)
Private Grants	(20)
Drivers Education Revolving	(13,160)
Professional Development Revolving	<u>(272)</u>
Total	\$ <u>(286,390)</u>

It is anticipated that these deficits will be eliminated through future grant revenues and other receipts.

### **3. Deposits and Investments**

Massachusetts General Law (MGL) Chapter 44, Section 55 places certain limitation on the nature of deposits and investments available to the School District. Deposits, including demand deposits, money markets, certificates of deposits in any one financial institution, may not exceed 60% of the capital and surplus of such institution unless collateralized by the institution involved. Investments may be made in unconditionally guaranteed U.S. government obligations with maturities of one year or less from the date of purchase, or through repurchase agreements with maturities of no greater than 90 days in which the underlying securities consist of such obligations. Other allowable investments include certificates of deposit having a maturity date of up to 3 years from the date of purchase, national banks and Massachusetts Municipal Depository Trust (MMDT). MMDT, which is an external investment pool overseen by the Treasurer of the Commonwealth of Massachusetts, meets the criteria established by Governmental Accounting Standards Board (GASB) 79. MMDT has an average maturity of less than 1 year and is not rated or subject to custodial credit risk disclosure. MGL Chapter 44, Section 54 provides additional investment options for certain special revenue, trust, and OPEB funds.

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

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk.

As of June 30, 2021, none of the School District's bank balance of \$7,264,712 was exposed to custodial credit risk as uninsured and/or uncollateralized. Additionally, \$6,664,629 was invested in MMDT, which is not subject to this disclosure.

#### ***Credit Risk***

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. The School District does not have formal investment policies related to credit risk.

As of June 30, 2021, the School District's investments consisted of two certificates of deposits valued at \$24,824. Certificates of deposit are not subject to credit risk rating.

***Custodial Credit Risk***

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, the School District will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The School District does not have formal investment policies related to custodial credit risk.

As of June 30, 2021, the School District did not have investments subject to custodial credit risk exposure as all assets were held in the School District’s name.

***Concentration of Credit Risk***

Concentration of credit risk is the risk of loss attributable to the magnitude of the School District’s investment in a single issuer. The School District places no limit on the amount the School District may invest in any one issuer. The School District does not have formal investment policies related to concentration of credit risk exposure.

Investments in any one issuer that represent 5% or more of the School District’s total investments are as follows:

IC Federal Credit Union	\$24,824
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***Interest Rate Risk***

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The School District does not have formal investment policies limiting investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

All of the School District’s investments will mature within one year.

***Foreign Currency Risk***

Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair value of an investment. The School District does not have formal investment policies for foreign currency risk and does not have any investments subject to foreign currency risk.

**4. Intergovernmental Receivables**

The balance reported in the general fund represents late state aid, all of which was received in July 2021. The balance reported in nonmajor governmental funds represents reimbursements requested from Federal and State agencies for expenditures incurred in fiscal year 2021.

## 5. Capital Assets

Capital asset activity for the year ended June 30, 2021 was as follows:

<b>Governmental Activities</b>	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
Capital assets, being depreciated:				
Land improvements	\$ 1,756,700	\$ 75,937	\$ -	\$ 1,832,637
Buildings and improvements	30,109,851	184,115	-	30,293,966
Machinery, equipment, and furnishings	9,625,266	668,424	(1,044,569)	9,249,121
Infrastructure	<u>148,540</u>	<u>-</u>	<u>-</u>	<u>148,540</u>
Total capital assets, being depreciated	41,640,357	928,476	(1,044,569)	41,524,264
<b>Less accumulated depreciation for</b>				
Land improvements	(1,329,212)	(30,722)	-	(1,359,934)
Buildings and improvements	(13,438,108)	(965,160)	-	(14,403,268)
Machinery, equipment, and furnishings	(6,723,168)	(576,318)	1,029,624	(6,269,862)
Infrastructure	<u>(104,145)</u>	<u>(2,296)</u>	<u>-</u>	<u>(106,441)</u>
Total accumulated depreciation	<u>(21,594,633)</u>	<u>(1,574,496)</u>	<u>1,029,624</u>	<u>(22,139,505)</u>
Capital assets, being depreciated, net	20,045,724	(646,020)	(14,945)	19,384,759
<b>Capital assets, not being depreciated</b>				
Land	<u>228,000</u>	<u>-</u>	<u>-</u>	<u>228,000</u>
Total capital assets, not being depreciated	<u>228,000</u>	<u>-</u>	<u>-</u>	<u>228,000</u>
Governmental activities capital assets, net	<u>\$ 20,273,724</u>	<u>\$ (646,020)</u>	<u>\$ (14,945)</u>	<u>\$ 19,612,759</u>

Depreciation expense was charged to functions of the School District as follows:

<b>Governmental Activities</b>	
Administration	\$ 22,773
Instruction	452,822
Other school services	118,803
Operation and maintenance	49,573
Unallocated	<u>930,525</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 1,574,496</u>

## 6. Deferred Outflows of Resources

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

## 7. Long-Term Liabilities

During the year ended June 30, 2021, the following changes occurred in long-term liabilities:

	Beginning <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	Ending <u>Balance</u>	Less Current <u>Portion</u>	Equals Long-Term <u>Portion</u>
<b>Governmental Activities</b>						
Net pension liability	\$ 8,864,369	\$ 1,291,571	\$ -	\$ 10,155,940	\$ -	\$ 10,155,940
Total OPEB liability	40,254,819	19,016,145	-	59,270,964	-	59,270,964
Compensated absences	641,617	-	(152,453)	489,164	(80,000)	409,164
Capital lease	<u>6,865,849</u>	<u>-</u>	<u>(824,399)</u>	<u>6,041,450</u>	<u>(762,541)</u>	<u>5,278,909</u>
Total	\$ <u>56,626,654</u>	\$ <u>20,307,716</u>	\$ <u>(976,852)</u>	\$ <u>75,957,518</u>	\$ <u>(842,541)</u>	\$ <u>75,114,977</u>

## 8. Capital Lease Obligations

The School District is the lessee of energy retrofit equipment under a capital lease expiring in fiscal year 2030 and two other capital leases for computer equipment that expire in fiscal year 2022. Future minimum lease payments under these capital leases are as follows:

<u>Fiscal year</u>	<u>Amount</u>
2022	\$ 941,182
2023	790,948
2024	780,948
2025	790,948
2026	790,948
2027	790,949
2028	790,948
2029	790,947
2030	<u>395,473</u>
Total payments	6,863,291
Less amounts representing interest	<u>(821,841)</u>
Present value of minimum lease payments	\$ <u>6,041,450</u>

The following is a summary of the leased assets included in capital assets at June 30, 2021:

	Governmental <u>Activities</u>
Machinery, vehicles and equipment	\$ 10,287,047
Less: accumulated depreciation	<u>(4,003,268)</u>
Net book value of equipment acquired by capital lease	<u>\$ 6,283,779</u>

**9. Deferred Inflows of Resources**

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

**10. Governmental Funds – Balances**

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

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

The following types of fund balances are reported at June 30, 2021:

***Restricted***

Represents amounts that are restricted to specific purposes by constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation. This fund balance classification includes various special revenue funds and the income portion of permanent trust funds.

**Assigned**

Represents amounts that are constrained by the School District's intent to use these resources for a specific purpose. This fund balance classification includes general fund encumbrances that have been established by various School District departments for the expenditure of current year budgetary financial resources upon vendor performance in the subsequent budgetary period and surplus (E&D) voted by the School Committee to fund the subsequent year's budget.

**Unassigned**

Represents amounts that are available to be spent in future periods and deficit fund balances.

The following is a breakdown of the School District's fund balances at June 30, 2021:

	<u>General Fund</u>	<u>School Choice Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Restricted				
Special revenue funds:				
School Choice	\$ -	\$ 878,353	\$ -	\$ 878,353
Child Care	-	-	329,260	329,260
Continuing Education	-	-	584,271	584,271
Transportation	-	-	340,000	340,000
LPN	-	-	147,824	147,824
Title I	-	-	58,717	58,717
Athletics	-	-	38,743	38,743
Building Use	-	-	54,542	54,542
Nonresident Tuition	-	-	41,489	41,489
Veterinary Science	-	-	178,322	178,322
Parking	-	-	56,123	56,123
Other	-	-	468,758	468,758
Expendable permanent funds	-	-	27,542	27,542
Total Restricted	-	878,353	2,325,591	3,203,944
Assigned				
Encumbrances	1,261,275	-	-	1,261,275
Next year's expenditures	550,000	-	-	550,000
Total Assigned	1,811,275	-	-	1,811,275
Unassigned				
General fund	1,204,126	-	-	1,204,126
General stabilization fund	271,181	-	-	271,181
Deficit funds	-	-	(286,391)	(286,391)
Total Unassigned	1,475,307	-	(286,391)	1,188,916
Total Fund Balance	\$ <u>3,286,582</u>	\$ <u>878,353</u>	\$ <u>2,039,200</u>	\$ <u>6,204,135</u>

## 11. **Massachusetts State Employees' Retirement System (MSERS)**

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

### ***Plan Description***

The Massachusetts State Employees' Retirement System (MSERS) is a public employee retirement system (PERS) that administers a cost-sharing multi-employer defined benefit plan as defined by Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans*, covering substantially all employees of the Commonwealth and certain employees of the independent authorities and agencies. MSERS is part of the Commonwealth's reporting entity and does not issue a stand-alone audited financial report.

Management of MSERS is vested in the Massachusetts State Retirement Board (the MSRB), which consists of five members – two elected by current and active MSERS members, one who is appointed by the State Treasurer, who serves ex-officio and is the Chair of the MSRB.

### ***Benefits Provided***

MSERS provides retirement, disability, survivor, and death benefits to members and their beneficiaries. Massachusetts General Laws (MGL) establishes uniform benefit and contribution requirements for all contributory PERS. These requirements provide for superannuation retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. For employees hired after April 1, 2012, retirement allowances are calculated on the basis of the last five years or any five consecutive years, whichever is greater in terms of compensation. Benefit payments are based upon a member's age, length of creditable service, and group creditable service, and group classification. The authority for amending these provisions rests with the Legislature.

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

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

**Contributions**

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

<u>Membership Date</u>	<u>% of Compensation</u>
Prior to 1975	5% of regular compensation
1975 to 1983	7% of regular compensation
1984 to 6/30/1996	8% of regular compensation
7/1/1996 to present	9% of regular compensation (except for State Police which is 12% of compensation)
1979 to present	An additional 2% of regular compensation in excess of \$30,000

The laws governing employer contribution requirements to MSERS are varied and vary among employers to such an extent that there is no uniform contribution method. Consequently, MSERS developed an effective contribution methodology which allocates total actual contributions amongst the employers in a consistent manner (based on an employer’s share of total covered payroll). Any differences between the effective contribution and an employer’s actual contributions are considered a nonemployer contribution from the Commonwealth.

***Summary of Significant Accounting Policies***

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

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

At June 30, 2021, the School District reported a liability of \$10,155,940 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2019, rolled forward to June 30, 2020.

At the most recent measurement date of June 30, 2020, the School District’s proportion was 0.05919%, which is a decrease of (0.00138%) from its previous year proportion.

For the year ended June 30, 2021, the School District recognized pension expense of \$1,268,604. In addition, the School District reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows <u>of Resources</u>	Deferred Inflows <u>of Resources</u>
Differences between expected and actual experience	\$ 323,147	\$ 65,717
Changes in assumptions	575,827	-
Net difference between projected and actual investment earnings on pension plan investments	558,276	-
Changes in proportion and differences between contributions and proportionate share of contributions	70,551	505,869
Contributions subsequent to the measurement date	<u>364,085</u>	<u>-</u>
Total	\$ <u>1,891,886</u>	\$ <u>571,586</u>

The amounts reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in fiscal year 2022. Other amounts reported as deferred outflows of resources and deferred (inflows) of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2022	\$ 274,492
2023	402,816
2024	419,993
2025	276,476
2026	<u>(417,562)</u>
Total	\$ <u>956,215</u>

**Actuarial Assumptions**

The total pension liability for the June 30, 2020 measurement date was determined by an actuarial valuation as of January 1, 2019 rolled forward to June 30, 2020. This valuation used the following assumptions:

- (a) 7.15% (changed from 7.25%) investment rate of return, (b) 3.50% interest rate credited to the annuity savings fund and (c) 3.00% cost of living increase per year on the first \$13,000 per year.
- Salary increases are based on analyses of past experience but range from 4.00% to 9.00% depending on group and length of service.

- Experience study is dated February 27, 2014 and encompasses the period January 1, 2006 to December 31, 2011, updated to reflect actual experience from 2012 through 2016 for post-retirement mortality.
- Mortality rates were as follows:
  - Pre-retirement – reflects RP-2014 Blue Collar Employees Table projected generationally with Scale MP-2016 and set forward 1 year for females.
  - Post-retirement – reflects RP-2014 Blue Collar Healthy Annuitant Table projected generationally with Scale MP-2016 set forward 1 year for females.
  - Disability - reflects the post-retirement mortality described above, set forward 1 year.

Investment assets of the MSERS are with the Pension Reserves Investment Trust (PRIT) Fund. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage. Best estimates of geometric rates of return for each major asset class included in the PRIT Fund’s target asset allocation as of June 30, 2020 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Global equity	39.0%	4.80%
Core fixed income	15.0%	0.70%
Private equity	13.0%	8.20%
Portfolio completion strategies	11.0%	3.20%
Real estate	10.0%	3.50%
Value added fixed income	8.0%	4.20%
Timber/natural resources	4.0%	4.10%
Total	<u>100.0%</u>	

***Discount Rate***

The discount rate used to measure the total pension liability was 7.15%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the Commonwealth’s contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rates. Based on those assumptions, the net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity Analysis**

The following illustrates the sensitivity of the collective net pension liability to changes in the discount rate. In particular, the table presents the School District’s share of the MSERS collective net pension liability assuming it was calculated using a single discount rate that is one-percentage-point lower or one-percentage-point higher than the current discount rate:

1% Decrease	Current Discount Rate	1% Increase
<u>(6.15%)</u>	<u>(7.15%)</u>	<u>(8.15%)</u>
\$13,380,687	\$10,155,940	\$7,504,908

**Pension Plan Fiduciary Net Position**

Detailed information about the pension plan’s fiduciary net position is available in the separately issued Commonwealth of Massachusetts’ Comprehensive Annual Financial Report.

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

**Plan Description**

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

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

**Benefits Provided**

MTRS provides retirement, disability, survivor, and death benefits to members and their beneficiaries. Massachusetts General Laws (MGL) establishes uniform benefit and contribution requirements for all contributory PERS. These requirements provide for superannuation retirement allowance benefits up to a maximum of 80% of a member’s

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

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

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

***Contributions***

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

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

***Actuarial Assumptions***

The total pension liability for the June 30, 2020 measurement date was determined by an actuarial valuation as of January 1, 2020 rolled forward to June 30, 2020. This valuation used the following assumptions:

- (a) 7.15% (changed from 7.25%) investment rate of return, (b) 3.50% interest rate credited to the annuity savings fund and (c) 3.00% cost of living increase per year on the first \$13,000 per year.
- Salary increases are based on analyses of past experience but range from 4.00% to 7.50% depending on length of service.

- Experience study is dated July 21, 2014 and encompasses the period January 1, 2006 to December 31, 2011, updated to reflect post-retirement mortality through January 1, 2017.
- Mortality rates were as follows:
  - Pre-retirement – reflects Pub-2010 Teachers Employees mortality table (headcount weighted) projected generationally with Scale MP-2018 (gender distinct).
  - Post-retirement – reflects Pub-2010 Teachers Retirees mortality table (headcount weighted) projected generationally with Scale MP-2018 (gender distinct).
  - Disability – assumed to be in accordance with the Pub-2010 Teachers Retirees Mortality Table (headcount weighted) projected generationally with Scale MP-2018 (gender distinct).

**Target Allocations**

Investment assets of the MTRS are with the Pension Reserves Investment Trust (PRIT) Fund. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage. Best estimates of geometric rates of return for each major asset class included in the PRIT Fund’s target asset allocation as of June 30, 2020 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Global equity	39.00%	4.80%
Core fixed income	15.00%	0.70%
Private equity	13.00%	8.20%
Portfolio completion strategies	11.00%	3.20%
Real estate	10.00%	3.50%
Value added fixed income	8.00%	4.20%
Timber/natural resources	4.00%	4.10%
Total	<u>100.00%</u>	

**Discount Rate**

The discount rate used to measure the total pension liability was 7.15%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the Commonwealth’s contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rates. Based on those assumptions, the net position was projected to be available to make all projected future benefit payments

of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity Analysis**

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

	Current Discount Rate	
1% Decrease <u>(6.15%)</u>	<u>(7.15%)</u>	1% Increase <u>(8.15%)</u>
\$35,411,955	\$28,544,844	\$22,908,510

**Special Funding Situation**

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

**School District Proportions**

In fiscal year 2020 (the most recent measurement period), the School District’s proportionate share of the MTRS’ collective net pension liability was \$45,803,191 based on a proportionate share of 0.160460%. As required by GASB 68, the School District has recognized its portion of the Commonwealth’s contribution of \$2,492,646 as both a revenue and expenditure in the general fund, and its portion of the collective pension expense of \$5,657,350 as both a revenue and expense in the governmental activities.

**13. Other Post-Employment Benefits (GASB 75)**

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, replaces the requirements of Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. This Statement identifies the methods and assumptions that are required to be used to project benefit payments, discounted projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

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

**General Information about the OPEB Plan**

*Plan Description*

The School District provides post-employment healthcare benefits for retired employees through the School District’s plan. The School District provides health insurance coverage through Blue Cross Blue Shield. The benefits, benefit levels, employee contributions, and employer contributions are governed by Chapter 32 of the Massachusetts General Laws. The OPEB plan is not administered through a trust that meets the criteria in paragraph 4 of GASB 75.

*Benefits Provided*

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

*Plan Membership*

At June 30, 2021, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries	
currently receiving benefit payments	206
Active employees	<u>215</u>
Total	<u><u>421</u></u>

*Actuarial Assumptions*

The total OPEB liability was determined by an actuarial valuation as of July 1, 2020, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary increases	3.00% annually as of June 30, 2021 and for future periods
Discount rate	2.25% (previously 2.75%)
Healthcare cost trend rates	Medical: 4.50% for 2021, ultimate trend rate of 4.50% for both medical and dental
Retirees’ share of benefit-related costs	20% of premiums for employees hired before 7/1/18, 50% for those retired before 9/1/98, 25% for all others; Dental: 100%; Life 50%

The discount rate was based on the S&P Municipal Bond 20-Year High Grade Index - SAPIHG at June 30, 2021.

Mortality rates were as follows:

- Pre-retirement – reflects RP-2014 Mortality Table for Blue Collar Employees projected generationally with scale MP-2016 for males and females, set forward 1 year for females.
- Post-retirement – reflects RPT-2014 Mortality Table for Blue Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females, set forward 1 year for females.
- Disability – reflects RP-2014 Mortality Table for Blue Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females, set forward 1 year.

The actuarial assumptions used in the valuation were based on the results of an actuarial experience study as of January 1, 2016.

***Discount Rate***

The discount rate used to measure the total OPEB liability was 2.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate.

***Total OPEB Liability***

The School District’s total OPEB liability of \$59,270,964 was measured as of June 30, 2021 and was determined by an actuarial valuation as of July 1, 2020.

***Changes in the Total OPEB Liability***

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

	Total OPEB <u>Liability</u>
Balance, beginning of year	\$ 40,254,819
Changes for the year:	
Service cost	1,937,411
Interest	1,143,367
Differences between expected and actual experience	2,015,679
Changes in assumptions	15,158,614
Benefit payments	<u>(1,238,926)</u>
Net Change	<u>19,016,145</u>
Balance, End of Year	<u>\$ 59,270,964</u>

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

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

1% Decrease <u>(1.25%)</u>	Current Discount Rate <u>(2.25%)</u>	1% Increase <u>(3.25%)</u>
\$71,997,713	\$59,270,964	\$49,421,095

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

The following presents the total OPEB liability, as well as what the total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage-point lower or 1 percentage-point higher than the current healthcare cost trend rates:

1% Decrease <u>(3.50%)</u>	Current Healthcare Cost Trend Rates <u>(4.50%)</u>	1% Increase <u>(5.50%)</u>
\$48,721,854	\$59,270,964	\$73,356,294

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

For the year ended June 30, 2021, the School District recognized an OPEB expense of \$4,656,289. At June 30, 2021, the School District reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Difference between expected and actual experience	\$ 1,671,707	\$ 1,342,695
Change in assumptions	<u>13,580,104</u>	<u>-</u>
Total	<u>\$ 15,251,811</u>	<u>\$ 1,342,695</u>

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

<u>Year ended June 30:</u>	
2022	\$ 2,814,437
2023	2,814,437
2024	2,837,602
2025	2,922,177
2026	<u>2,520,463</u>
Total	\$ <u>13,909,116</u>

**14. Subsequent Events**

Management has evaluated subsequent events through February 8, 2022, which is the date of the financial statements were available to be issued.

**15. Change in Accounting Principle**

During fiscal year 2021, the School District adopted Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. No restatement of beginning net position/fund balance was required.

**16. Commitments and Contingencies**

***Outstanding Legal Issues***

There are several pending legal issues in which the School District is involved. The School District’s management is of the opinion that the potential future settlement of such claims would not materially affect its financial statements taken as a whole.

***Grants***

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount of expenditures which may be disallowed by the grantor cannot be determined at this time, although the School District expects such amounts, if any, to be immaterial.

***State Employee Retirement System***

The School District received communication from the Massachusetts State Board of Retirement (the Board) that the School District “shall annually reimburse the State Board of Retirement for its pro rata share of any retirement allowance or pension paid by said board during the preceding calendar year which is based in whole or in part on

service with such district". In October 2014 and April 2016, the School District received reimbursement requests totaling \$632,844 that represents the School District's pro rata share of pension payments made during calendar years 2013 - 2015. Of this total, the School District paid the 2015 assessment of \$207,998 in fiscal year 2016; the balance due for 2013 and 2014 of \$424,846 is being contested and remains unpaid. The School District's management reported that several other vocational school districts received the same communication and together they attempting to work with the Board to resolve this issue.

In July 2015, the state legislature authorized a working group chaired by the Executive Office of Administration and Finance to review the current statutory reimbursement process and make recommendations to the House and Senate Ways & Means Committees. A report from this group was originally due October 1, 2015; that deadline has been extended twice to November 1, 2016, however no report has been issued or resolution reached.

Since the final outcome is uncertain and the appeal process is unknown, the liability and expense of \$424,846 is not reflected in the financial statements for the fiscal year ended June 30, 2021.

#### ***Encumbrances***

At year end, the School District's general fund has \$1,261,275 in encumbrances that will be honored in fiscal year 2022. No other funds (major or nonmajor) had significant year-end encumbrances.

#### ***COVID-19***

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

### **17. Self-Insurance**

The School District self-insures against claims for most employee health coverage. Annual estimated requirements for claims are provided in the School District's annual operating budget.

The School District contracts with an insurance carrier for excess liability coverage and an insurance consultant for claims processing. Under the terms of its insurance coverage, the School District is liable for the first \$50,000 per incident, with an

aggregate limit of \$1 million. The claims liability represents an estimate of claims incurred but unpaid at year end, based on past historical costs and claims paid subsequent to year end.

Changes in the aggregate liability for claims for the year ended June 30, 2021 are as follows:

	Health <u>Coverage</u>
Claims liability, beginning of year	\$ 217,343
Claims incurred/recognized in fiscal year 2021	4,795,861
Claims paid in fiscal year 2021	<u>(4,805,100)</u>
Claims liability, end of year	\$ <u><u>208,104</u></u>

**18. New Pronouncements**

The Governmental Accounting Standards Board (GASB) has issued Statement No. 87, *Leases*, effective for the School District beginning with its fiscal year ending June 30, 2022. This statement establishes new reporting and disclosure requirements, including the recording of various operating leases in the financial statements. Management has not evaluated the effect this standard will have on the financial statements.

**MONTACHUSETT REGIONAL VOCATIONAL TECHNICAL SCHOOL DISTRICT**

Required Supplementary Information  
General Fund

Statement of Revenues and Expenditures and Other Financing Sources (Uses) - Budget and Actual  
For the Year Ended June 30, 2021

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	
<b>Revenues</b>				
Assessments to member towns	\$ 10,982,766	\$ 10,982,766	\$ 10,982,766	\$ -
Intergovernmental	16,957,099	16,957,099	17,349,483	392,384
Investment income	-	-	12,831	12,831
Miscellaneous	-	-	102,906	102,906
<b>Total Revenues</b>	<u>27,939,865</u>	<u>27,939,865</u>	<u>28,447,986</u>	<u>508,121</u>
<b>Expenditures</b>				
Administration	1,029,247	1,018,099	1,012,245	5,854
Instruction	14,294,831	14,347,618	14,288,664	58,954
Other school services	2,577,286	2,654,986	2,870,915	(215,929)
Operation and maintenance	3,507,453	3,796,916	3,620,096	176,820
Fixed charges	4,989,272	4,733,714	4,730,863	2,851
Payments to other districts	315,000	309,008	299,776	9,232
Acquisitions	400,000	400,000	368,137	31,863
Special education	977,873	830,621	829,403	1,218
<b>Total Expenditures</b>	<u>28,090,962</u>	<u>28,090,962</u>	<u>28,020,099</u>	<u>70,863</u>
Excess (deficiency) of revenues over expenditures	(151,097)	(151,097)	427,887	578,984
<b>Other Financing Sources (Uses)</b>				
Transfers in	350,000	350,000	352,113	2,113
Transfers out	(723,903)	(723,903)	(713,903)	10,000
Use of Excess & Deficiency (surplus):				
Operating budget	<u>525,000</u>	<u>525,000</u>	<u>525,000</u>	<u>-</u>
<b>Total Other Financing Sources (Uses)</b>	<u>151,097</u>	<u>151,097</u>	<u>163,210</u>	<u>12,113</u>
Excess of Revenues and Other Sources Over Expenditures and Other Uses	\$ <u>-</u>	\$ <u>-</u>	\$ <u>591,097</u>	\$ <u>591,097</u>

See Independent Auditors' Report and notes to the Required Supplementary Information.

**Notes to Required Supplementary Information  
for General Fund Budget**

**Budgetary Basis**

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

**Budget/GAAP Reconciliation**

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

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

<u>General Fund</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Other Financing Sources (Uses)</u>
GAAP basis	\$ 30,940,828	\$ 29,733,616	\$ (316,790)
Remove effect of combining stabilization and general fund	(196)	-	(45,000)
Reverse beginning of year appropriation carry- forwards from expenditures	-	(482,146)	-
Add end of year appropriation carryforwards to expenditures	-	1,261,275	-
To reverse the effect of non-budgeted State contributions	(2,492,646)	(2,492,646)	-
To recognize the use of Excess & Deficiency as a funding source	-	-	525,000
Budgetary basis	<u>\$ 28,447,986</u>	<u>\$ 28,020,099</u>	<u>\$ 163,210</u>

See Independent Auditors' Report and notes to the Required Supplementary Information.

**MONTACHUSETT REGIONAL VOCATIONAL TECHNICAL SCHOOL DISTRICT**

Required Supplementary Information  
Schedule of Proportionate Share of the Net Pension Liability

(Unaudited)

(Amounts expressed in thousands)

**Massachusetts State Employee's Retirement System**

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Proportion of the Net Pension Liability</u>	<u>Proportionate Share of the Net Pension Liability</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position Percentage of the Total Pension Liability</u>
June 30, 2021	June 30, 2020	0.05919%	\$10,156	\$3,761	270.03%	62.48%
June 30, 2020	June 30, 2019	0.06057%	\$8,864	\$3,849	230.29%	66.28%
June 30, 2019	June 30, 2018	0.06022%	\$7,967	\$3,707	214.92%	67.91%
June 30, 2018	June 30, 2017	0.06263%	\$8,032	\$3,712	216.38%	67.21%
June 30, 2017	June 30, 2016	0.07114%	\$9,809	\$4,121	238.02%	63.48%
June 30, 2016	June 30, 2015	0.06486%	\$7,382	\$3,627	203.53%	67.87%
June 30, 2015	June 30, 2014	0.06783%	\$5,036	\$3,625	138.92%	76.32%

**Massachusetts Teachers' Retirement System**

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Proportion of the Net Pension Liability</u>	<u>Proportionate Share of the Net Pension Liability</u>	<u>Commonwealth of Massachusetts' Total Proportionate Share of the Net Pension Liability Associated with the School District</u>	<u>Total Net Pension Liability Associated with the School District</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position Percentage of the Total Pension Liability</u>
June 30, 2021	June 30, 2020	0.160460%	\$ -	\$45,803	\$45,803	\$12,158	- %	50.67%
June 30, 2020	June 30, 2019	0.159012%	\$ -	\$40,093	\$40,093	\$11,571	- %	53.95%
June 30, 2019	June 30, 2018	0.163733%	\$ -	\$38,823	\$38,823	\$11,499	- %	54.84%
June 30, 2018	June 30, 2017	0.161595%	\$ -	\$36,982	\$36,982	\$10,973	- %	54.25%
June 30, 2017	June 30, 2016	0.162475%	\$ -	\$36,326	\$36,326	\$10,687	- %	52.73%
June 30, 2016	June 30, 2015	0.164187%	\$ -	\$33,641	\$33,641	\$10,408	- %	55.38%
June 30, 2015	June 30, 2014	0.159808%	\$ -	\$25,404	\$25,404	\$9,799	- %	61.64%

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

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

See Independent Auditors' Report.

**MONTACHUSETT REGIONAL VOCATIONAL TECHNICAL SCHOOL DISTRICT**

Required Supplementary Information  
Schedule of Pension Contributions

(Unaudited)

(Amounts expressed in thousands)

**Massachusetts State Employee's Retirement System**

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Actuarially Determined Contribution</u>	<u>Contributions in Relation to the Actuarially Determined Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
June 30, 2021	June 30, 2020	-	-	\$ -	\$3,761	0.00%
June 30, 2020	June 30, 2019	\$442	\$442	\$ -	\$3,849	11.48%
June 30, 2019	June 30, 2018	\$225	\$225	\$ -	\$3,707	6.07%
June 30, 2018	June 30, 2017	\$208	\$208	\$ -	\$3,712	5.60%
June 30, 2017	June 30, 2016	-	-	\$ -	\$4,121	0.00%
June 30, 2016	June 30, 2015	-	-	\$ -	\$3,627	0.00%
June 30, 2015	June 30, 2014	\$11	\$11	\$ -	\$3,625	0.30%

**Massachusetts Teachers' Retirement System**

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Actuarially Determined Contribution Provided by Commonwealth</u>	<u>Contributions in Relation to the Actuarially Determined Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
June 30, 2021	June 30, 2020	\$2,493	\$2,493	\$ -	\$12,158	20.50%
June 30, 2020	June 30, 2019	\$2,296	\$2,296	\$ -	\$11,571	19.84%
June 30, 2019	June 30, 2018	\$2,153	\$2,153	\$ -	\$11,499	18.72%
June 30, 2018	June 30, 2017	\$1,997	\$1,997	\$ -	\$10,973	18.20%
June 30, 2017	June 30, 2016	\$1,827	\$1,827	\$ -	\$10,687	17.10%
June 30, 2016	June 30, 2015	\$1,678	\$1,678	\$ -	\$10,408	16.12%
June 30, 2015	June 30, 2014	\$1,498	\$1,498	\$ -	\$9,799	15.29%

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

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

See Independent Auditors' Report.

**MONTACHUSETT REGIONAL VOCATIONAL TECHNICAL SCHOOL DISTRICT**

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

(Unaudited)

(Amounts expressed in thousands)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>Total OPEB liability</b>				
Service cost	\$ 1,937	\$ 1,318	\$ 1,229	\$ 1,404
Interest	1,143	1,095	1,078	1,229
Differences between expected and actual experience	2,016	(63)	(2,705)	-
Changes of assumptions	15,159	-	2,096	-
Benefit payments, including refunds of member contributions	<u>(1,239)</u>	<u>(1,188)</u>	<u>(1,127)</u>	<u>(1,059)</u>
Net Change in Total OPEB Liability	19,016	1,162	571	1,574
Total OPEB liability - beginning	<u>40,255</u>	<u>39,093</u>	<u>38,522</u>	<u>36,948</u>
Total OPEB Liability - Ending	\$ <u>59,271</u>	\$ <u>40,255</u>	\$ <u>39,093</u>	\$ <u>38,522</u>
Covered employee payroll	\$ 15,737	\$ 15,312	\$ 14,866	\$ 14,810
Total OPEB liability as a percentage of covered employee payroll	377%	263%	263%	260%

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

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

See Independent Auditors' Report.



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

**INDEPENDENT AUDITORS' REPORT**

School Committee  
Montachusett Regional Vocational Technical School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Montachusett Regional Vocational Technical School District (the School District), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated February 8, 2022.

**Internal Control Over Financial Reporting**

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

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

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Merrimack, New Hampshire  
Andover, Massachusetts  
Greenfield, Massachusetts  
Ellsworth, Maine



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

### **Compliance and Other Matters**

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

### **Purpose of This Report**

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

A handwritten signature in black ink that reads "Melanson".

Andover, Massachusetts  
February 8, 2022