



**Powers &  
Sullivan, LLC**  
CPAs AND ADVISORS

**ACTON-BOXBOROUGH REGIONAL SCHOOL  
DISTRICT**

**REPORT ON EXAMINATION OF  
BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2023**

ACTON-BOXBOROUGH REGIONAL SCHOOL DISTRICT  
REPORT ON EXAMINATION OF BASIC FINANCIAL STATEMENTS

JUNE 30, 2023

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## **Independent Auditor's Report**

To the Honorable School Committee  
Acton-Boxborough Regional School District  
Acton, Massachusetts

## **Report on the Audit of the Financial Statements**

### **Opinions**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Acton-Boxborough Regional School District (District), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinions**

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

## **Required Supplementary Information**

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2023, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

October 10, 2023

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# ***Management's Discussion and Analysis***

## ***Management's Discussion and Analysis***

As management of the Acton-Boxborough Regional School District (the "District"), we offer readers of these financial statements this narrative overview and analysis of the financial activities for the year ended June 30, 2023. We encourage readers to consider the information presented in this report.

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

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. These basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of finances, in a manner similar to private-sector business. In that regard, these financial statements reflect multi-generational assets and liabilities that are not part of the financial statements of governmental funds, as discussed below.

The *statement of net position* presents information on all assets, liabilities and deferred inflows/outflows of resources, with the difference between the two reported as *net position*. Included here are capital assets such as school buildings and vehicles, with the provision for accumulated depreciation. Also included are multi-generational liabilities such as bonded debt and actuarial liabilities for pension and other postemployment benefits. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position is improving or deteriorating.

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

Construction of the Douglas & Gates elementary school continued during 2023, and the building opened for students in late August of 2022. The District incurred no additional project debt during the year. Proceeds from the 2020 bond issue were used to further fund ongoing construction costs, which have been capitalized and thereby increase the District's investment in fixed assets.

Both of the government-wide financial statements distinguish functions that are principally supported by member town assessments and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The District does not have any activities that qualify to be reported as business-type activities.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. All of the funds can be divided into two categories: governmental funds and fiduciary funds.

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



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

The District maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and other major funds as applicable. Data for certain governmental funds are combined into a single aggregated presentation under the caption *nonmajor governmental funds*.

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

**Fiduciary funds.** Fiduciary funds, which include the other postemployment benefits trust and scholarships are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the District's own programs. The accounting basis used for fiduciary funds is full accrual.

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

**Financial Highlights.** The following tables provide a comparative analysis of the District's government-wide financial statements.

	2023	2022
<b>Assets:</b>		
Current assets (primarily cash and investments)..... \$	17,719,610	\$ 36,950,853
Capital assets, nondepreciable.....	1,831,229	89,133,901
Capital assets, net of accumulated depreciation.....	171,594,071	67,871,212
<b>Total assets.....</b>	<b>191,144,910</b>	<b>193,955,966</b>
<b>Deferred outflows of resources.....</b>	<b>13,877,084</b>	<b>13,090,244</b>
<b>Liabilities:</b>		
Current non-debt liabilities (payables and accruals)..	6,119,105	8,423,476
Noncurrent liabilities (excluding debt).....	490,626	537,610
Noncurrent actuarial liabilities.....	87,495,461	79,405,162
Current debt (due within a year).....	4,543,471	5,170,506
Noncurrent debt (varying future maturities).....	77,140,693	80,663,497
<b>Total liabilities.....</b>	<b>175,789,356</b>	<b>174,200,251</b>
<b>Deferred inflows of resources.....</b>	<b>6,992,847</b>	<b>11,401,554</b>
<b>Net position:</b>		
Net investment in capital assets.....	94,042,524	88,714,291
Restricted.....	2,673,332	1,798,166
Unrestricted *.....	(74,476,065)	(69,068,052)
<b>Total net position..... \$</b>	<b>22,239,791</b>	<b>\$ 21,444,405</b>

\* - The large negative balance of unrestricted net position reflects the significant actuarial-based unfunded liabilities for future employee benefits (pensions for non-certified employees and post-employment health insurance for current employees and retirees).

	2023	2022
<b>General Revenues:</b>		
Member town assessments.....	\$ 82,946,929	\$ 80,220,008
Grants and contributions not restricted to specific programs.....	20,325,521	19,342,093
Unrestricted investment income.....	783,287	93,340
Miscellaneous.....	176,963	99,488
<b>Program Revenues:</b>		
Charges for services.....	5,626,996	4,677,343
Operating grants and contributions.....	23,171,386	20,840,255
Capital grants and contributions.....	4,923,982	14,341,251
<b>Total revenues.....</b>	<b>137,955,064</b>	<b>139,613,778</b>
<b>Expenses:</b>		
District administration.....	3,527,832	3,370,857
Instructional leadership.....	6,736,285	5,543,671
Classroom and specialist teachers.....	52,470,864	50,408,908
Professional development.....	443,920	166,718
Instructional materials.....	2,409,386	1,673,974
Pupil transportation services.....	4,819,362	5,276,854
Operations and maintenance.....	5,354,323	6,522,362
Guidance, counseling and testing.....	4,125,282	3,924,228
Other school services.....	5,456,039	4,538,001
Food services.....	3,426,041	2,496,862
Out of district tuition.....	4,739,863	4,703,281
Community education.....	1,169,457	941,004
Employee benefits.....	31,824,758	27,779,105
Insurance.....	403,893	481,467
Interest.....	2,379,182	2,200,302
Depreciation.....	7,873,191	3,862,470
<b>Total expenses.....</b>	<b>137,159,678</b>	<b>123,890,064</b>
<b>Change in net position.....</b>	<b>795,386</b>	<b>15,723,714</b>
<b>Net position, beginning of year.....</b>	<b>21,444,405</b>	<b>5,720,691</b>
<b>Net position, end of year.....</b>	<b>\$ 22,239,791</b>	<b>\$ 21,444,405</b>

### ***Entity-wide Financial Analysis***

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. Assets and deferred outflows of resources exceeded liabilities and deferred inflows or resources by \$22.2 million at the close of 2023.

One component of net position, \$94.0 million, reflects the District's investment in capital assets (e.g., land, buildings, vehicles, and equipment); less any related debt used to acquire those assets that are still outstanding. The District uses these capital assets to provide services to pupils; consequently, these assets are *not* available for future spending. Although the investment in its capital assets is reported net of its related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Restricted net position of \$2.7 million represents resources that are subject to external restrictions on how they may be used.

The remaining balance of unrestricted net position has a year-end deficit balance of \$74.5 million. The deficit balance is primarily due to the impact of reporting a \$54.7 million net other postemployment benefit liability and a \$32.8 net pension liability on the Districts Statement of Net Position.

The governmental activities net position increased by \$795,000 in 2023. This increase is primarily due to the recognition of \$4.9 million of revenue from a capital grant for school construction. The capital grant revenue was offset by a \$674,000 decrease in general fund - fund balance and a \$2.9 million decrease from the change in the net OPEB and net pension liabilities and the related deferred inflows/outflows of resources.

### ***Financial Analysis of the Governmental Funds***

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

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

As of the end of the current year, governmental funds reported combined ending fund balances of \$12.9 million of which \$5.8 million relates to the general fund, \$2.5 million relates to the federal and state grants fund, \$276,000 relates to the community education fund, a \$394,000 deficit relates to the Douglas & Gates elementary school construction fund, and \$4.7 million relates to the nonmajor funds. Cumulatively, there was a decrease of \$17.0 million from the prior year. The decrease is comprised of a \$674,000 decrease in the general fund, a \$924,000 increase in the federal and state grants fund, a \$111,000 increase in the community education fund, a \$17.4 million decrease in the Douglas & Gates elementary school construction fund and a \$33,000 increase in the nonmajor funds.

The general fund is the chief operating fund. At the end of the current year, unassigned fund balance of the general fund was \$2.9 million while total fund balance equaled \$5.8 million. Restricted fund balance totaled \$777,000 and relates to the capital stabilization fund. Assignments of fund balance for encumbrances and subsequent years' expenditures totaled \$762,000 and \$1.4 million, respectively. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 3% of total general fund expenditures.

The federal and state grants fund is used to account for grants received from federal and state agencies that are restricted for specific programs. At the end of the current year, the fund balance totaled \$2.5 million. The fund balance increased by \$924,000, which can be attributed to expected timing differences between the receipt and expenditure of grant funds.

The community education fund is used to account for various community education services and activities. At the end of the current year, the fund balance totaled \$276,000. Program fees exceeded program expenditures resulting in a \$111,000 increase in fund balance.

The Douglas & Gates elementary school construction fund is used to account for the construction of the new Douglas & Gates elementary school. At the end of the current year, the fund balance was in a deficit position of \$394,000. Current year activity includes \$4.9 million in capital grants from the Massachusetts School Building Authority (MSBA), which has committed to funding 49.70% of eligible construction costs. Capital expenditures totaled \$22.4 million during 2023.

## ***General Fund Budgetary Highlights***

Member communities are apportioned an assessment to fund the District's budgeted operating, transportation, construction, capital, and debt service costs. The method of determining a community's assessment is based on the regional agreement and uses a three-year average of pupil enrollment, unless otherwise defined in the regional agreement. The District's budget is not approved until both member communities vote on it favorably.

The District adopts an annual budget for the General Fund in conformity with the guidelines described above. The original 2023 approved budget for the General Fund authorized \$103.8 million in appropriations, which includes \$861,000 of encumbrances carried over from the prior year. No supplemental appropriations were approved during the year.

Actual revenues were \$954,000 more than budgeted, which was principally due to Medicaid reimbursements, Chapter 70 state aid, charter school reimbursements and investment income coming in higher than expected.

Actual expenditures plus encumbrances were \$238,000 under budget. This was due to the net effect of various line-items being over/under budget. The most significant line-items that were under budget were classroom and specialist teachers and employee benefits.

## ***Capital Asset and Debt Administration***

At June 30, 2023, the District had \$79.0 million of outstanding long term debt, bearing interest rates ranging from 2.0% to 5.0%, maturing through 2050. The "coupon" rates for these bonds, in particular the bonds issued (with a significant premium) in March 2020 to fund the Douglas & Gates elementary school construction project, are higher than the effective interest rate on the borrowed funds.

During the year, the District incurred of \$24.3 million of expenditures that qualified for capitalization. This included construction costs related to the Douglas & Gates elementary school, right to use leased school busses, machinery and equipment, vehicles, and improvements.

The District has been approved for a \$38.0 million capital grant from the Commonwealth's school building assistance program for the Douglas & Gates elementary school construction project. Under this program, assistance is paid to support construction costs and reduce the total debt service of the District. The MSBA has approved a 49.70% reimbursement rate for approved construction costs. The District has recorded a receivable totaling \$747,000 related to reimbursable costs incurred in 2023.

Please refer to Notes 4 through 7 for further discussion of the capital asset and debt activity.

## ***Requests for Information***

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Finance and Operations, Acton-Boxborough Regional School District, 15 Charter Road, Acton, MA 01720.

***Basic Financial Statements***

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**STATEMENT OF NET POSITION**

JUNE 30, 2023

	<i>Primary Government</i>
	Governmental Activities
<b>ASSETS</b>	
CURRENT:	
Cash and cash equivalents.....	\$ 15,395,227
Receivables, net of allowance for uncollectibles:	
Departmental and other.....	31,749
Intergovernmental.....	2,258,860
Other assets.....	33,774
Total current assets.....	17,719,610
NONCURRENT:	
Capital assets, nondepreciable.....	1,831,229
Capital assets, net of accumulated depreciation.....	171,594,071
Total noncurrent assets.....	173,425,300
TOTAL ASSETS.....	191,144,910
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows related to other postemployment benefits.....	9,059,255
Deferred outflows related to pensions.....	4,817,829
TOTAL DEFERRED OUTFLOWS OF RESOURCES.....	13,877,084
<b>LIABILITIES</b>	
CURRENT:	
Warrants payable.....	2,761,921
Accrued payroll.....	185,335
Accrued interest.....	802,875
Other liabilities.....	853,564
Unearned revenue.....	1,014,828
Compensated absences.....	500,582
Due to other governments.....	183,333
Right to use lease liabilities.....	237,112
Bonds payable.....	4,123,026
Total current liabilities.....	10,662,576
NONCURRENT:	
Compensated absences.....	490,626
Net pension liability.....	32,804,832
Net other postemployment benefits liability.....	54,690,629
Due to other governments.....	1,190,801
Right to use lease liabilities.....	1,041,570
Bonds payable.....	74,908,322
Total noncurrent liabilities.....	165,126,780
TOTAL LIABILITIES.....	175,789,356
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows related to pensions.....	779,514
Deferred inflows related to other postemployment benefits.....	6,213,333
TOTAL DEFERRED INFLOWS OF RESOURCES.....	6,992,847
<b>NET POSITION</b>	
Net investment in capital assets.....	94,042,524
Restricted for:	
Gifts and grants.....	2,673,332
Unrestricted.....	(74,476,065)
TOTAL NET POSITION.....	\$ 22,239,791

See notes to basic financial statements.

**STATEMENT OF ACTIVITIES**

YEAR ENDED JUNE 30, 2023

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
<b>Primary Government:</b>					
<i>Governmental Activities:</i>					
District administration.....	\$ 3,527,832	\$ -	\$ -	\$ -	(3,527,832)
Instructional leadership.....	6,736,285	-	56,700	-	(6,679,585)
Classroom and specialist teachers...	52,470,864	-	6,224,388	-	(46,246,476)
Professional development.....	443,920	-	-	-	(443,920)
Instructional materials.....	2,409,386	-	170,088	-	(2,239,298)
Pupil transportation services.....	4,819,362	-	-	-	(4,819,362)
Operations and maintenance.....	5,354,323	81,695	1,013,598	-	(4,259,030)
Guidance, counseling and testing.....	4,125,282	-	1,070	-	(4,124,212)
Other school services.....	5,456,039	3,570,145	17,482	-	(1,868,412)
Food services.....	3,426,041	698,600	2,860,012	-	132,571
Out of district tuition.....	4,739,863	-	-	-	(4,739,863)
Community education.....	1,169,457	1,276,556	-	-	107,099
Employee benefits.....	31,824,758	-	12,828,048	-	(18,996,710)
Insurance.....	403,893	-	-	-	(403,893)
School Construction Assistance.....	-	-	-	4,923,982	4,923,982
Interest.....	2,379,182	-	-	-	(2,379,182)
Depreciation.....	7,873,191	-	-	-	(7,873,191)
<b>Total Governmental Activities.....</b>	<b>\$ 137,159,678</b>	<b>\$ 5,626,996</b>	<b>\$ 23,171,386</b>	<b>\$ 4,923,982</b>	<b>\$ (103,437,314)</b>

See notes to basic financial statements.

(Continued)



**STATEMENT OF ACTIVITIES**

YEAR ENDED JUNE 30, 2023

		<u>Primary Government</u>
		<u>Governmental Activities</u>
<b>Changes in net position:</b>		
Net (expense) revenue from previous page.....	\$	<b><u>(103,437,314)</u></b>
<i>General revenues:</i>		
Member town assessments.....		82,946,929
Grants and contributions not restricted to specific programs.....		20,325,521
Unrestricted investment income.....		783,287
Miscellaneous revenue.....		<u>176,963</u>
Total general revenues.....		<u>104,232,700</u>
Change in net position.....		795,386
<i>Net position:</i>		
Beginning of year.....		<u>21,444,405</u>
End of year.....	\$	<u><u>22,239,791</u></u>
		(Concluded)

See notes to basic financial statements.

**GOVERNMENTAL FUNDS  
BALANCE SHEET**

JUNE 30, 2023

	General	Federal and State Grants	Community Education	Douglas/Gates School Construction	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>						
Cash and cash equivalents.....	\$ 6,081,494	\$ 2,144,559	\$ 841,243	\$ 1,086,468	\$ 5,241,463	\$ 15,395,227
Receivables, net of uncollectibles:						
Departmental and other.....	1,154	-	-	-	30,595	31,749
Intergovernmental.....	1,103,125	408,597	-	747,138	-	2,258,860
Other assets.....	33,774	-	-	-	-	33,774
<b>TOTAL ASSETS.....</b>	<b>\$ 7,219,547</b>	<b>\$ 2,553,156</b>	<b>\$ 841,243</b>	<b>\$ 1,833,606</b>	<b>\$ 5,272,058</b>	<b>\$ 17,719,610</b>
<b>LIABILITIES</b>						
Warrants payable.....	\$ 423,232	\$ 47,388	\$ 34,452	\$ 2,227,941	\$ 28,908	\$ 2,761,921
Accrued payroll.....	153,629	1,615	21,550	-	8,541	185,335
Other liabilities.....	843,357	-	-	-	10,207	853,564
Unearned revenue.....	-	-	509,022	-	505,806	1,014,828
<b>TOTAL LIABILITIES.....</b>	<b>1,420,218</b>	<b>49,003</b>	<b>565,024</b>	<b>2,227,941</b>	<b>553,462</b>	<b>4,815,648</b>
<b>FUND BALANCES</b>						
Restricted.....	777,199	2,504,153	276,219	-	4,718,596	8,276,167
Assigned.....	2,137,147	-	-	-	-	2,137,147
Unassigned.....	2,884,983	-	-	(394,335)	-	2,490,648
<b>TOTAL FUND BALANCES.....</b>	<b>5,799,329</b>	<b>2,504,153</b>	<b>276,219</b>	<b>(394,335)</b>	<b>4,718,596</b>	<b>12,903,962</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES.....</b>	<b>\$ 7,219,547</b>	<b>\$ 2,553,156</b>	<b>\$ 841,243</b>	<b>\$ 1,833,606</b>	<b>\$ 5,272,058</b>	<b>\$ 17,719,610</b>

See notes to basic financial statements.

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

JUNE 30, 2023

Total governmental fund balances.....	\$	12,903,962
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....		173,425,300
The statement of net position includes certain deferred inflows of resources and deferred outflows of resources that will be amortized over future periods. In governmental funds, these amounts are not deferred.....		6,884,237
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.....		(802,875)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:		
Bonds payable.....	(79,031,348)	
Net pension liability.....	(32,804,832)	
Net other postemployment benefits liability.....	(54,690,629)	
Due to other governments.....	(1,374,134)	
Right to use lease liabilities.....	(1,278,682)	
Compensated absences.....	<u>(991,208)</u>	
Net effect of reporting long-term liabilities.....		<u>(170,170,833)</u>
Net position of governmental activities.....	\$	<u>22,239,791</u>

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2023

	General	Federal and State Grants	Community Education	Douglas/Gates School Construction	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>						
Member town assessments.....	\$ 82,946,929	\$ -	\$ -	\$ -	\$ -	\$ 82,946,929
Intergovernmental.....	18,331,516	8,450,595	-	4,923,982	2,919,368	34,625,461
Departmental and other.....	-	-	1,262,556	-	4,158,089	5,420,645
Contributions and donations.....	-	-	14,000	-	331,755	345,755
Food services.....	-	-	-	-	827,976	827,976
Intergovernmental - Teachers Retirement.....	12,828,048	-	-	-	-	12,828,048
Investment income.....	779,373	-	-	-	3,914	783,287
Miscellaneous revenue.....	28,190	-	-	-	148,773	176,963
<b>TOTAL REVENUES.....</b>	<b>114,914,056</b>	<b>8,450,595</b>	<b>1,276,556</b>	<b>4,923,982</b>	<b>8,389,875</b>	<b>137,955,064</b>
<b>EXPENDITURES:</b>						
Current:						
District administration.....	3,426,112	92,931	-	-	8,789	3,527,832
Instructional leadership.....	6,325,863	408,110	-	-	4,589	6,738,562
Classroom and specialist teachers.....	45,400,767	5,883,048	-	-	1,187,049	52,470,864
Professional development.....	79,413	358,548	-	-	3,682	441,643
Instructional materials, equipment, and technology.....	1,690,076	309,286	-	-	410,024	2,409,386
Pupil transportation services.....	4,758,394	-	-	-	60,968	4,819,362
Operations and maintenance.....	5,805,468	31,593	-	-	94,267	5,931,328
Guidance, counseling and testing.....	3,955,929	-	-	-	169,353	4,125,282
Other school services.....	2,708,741	271,253	-	-	2,476,045	5,456,039
Food services.....	-	-	-	-	3,426,041	3,426,041
Out of district tuition.....	4,739,863	-	-	-	-	4,739,863
Community education.....	-	-	1,165,617	-	3,840	1,169,457
Employee benefits.....	16,035,504	89,301	-	-	75,669	16,200,474
Pension benefits - teachers' retirement.....	12,828,048	-	-	-	-	12,828,048
Insurance.....	261,769	-	-	-	142,124	403,893
Capital outlay.....	1,868,543	82,827	-	22,355,993	294,399	24,601,762
Debt service:						
Principal payments on right to use lease.....	342,847	-	-	-	-	342,847
Interest payments on right to use lease.....	322,379	-	-	-	-	322,379
Principal.....	3,665,000	-	-	-	-	3,665,000
Interest.....	2,537,906	-	-	-	-	2,537,906
<b>TOTAL EXPENDITURES.....</b>	<b>116,752,622</b>	<b>7,526,897</b>	<b>1,165,617</b>	<b>22,355,993</b>	<b>8,356,839</b>	<b>156,157,968</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....</b>	<b>(1,838,566)</b>	<b>923,698</b>	<b>110,939</b>	<b>(17,432,011)</b>	<b>33,036</b>	<b>(18,202,904)</b>
<b>OTHER FINANCING SOURCES (USES):</b>						
Capital lease financing.....	1,164,292	-	-	-	-	1,164,292
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>(674,274)</b>	<b>923,698</b>	<b>110,939</b>	<b>(17,432,011)</b>	<b>33,036</b>	<b>(17,038,612)</b>
<b>FUND BALANCES AT BEGINNING OF YEAR.....</b>	<b>6,473,603</b>	<b>1,580,455</b>	<b>165,280</b>	<b>17,037,676</b>	<b>4,685,560</b>	<b>29,942,574</b>
<b>FUND BALANCES AT END OF YEAR.....</b>	<b>\$ 5,799,329</b>	<b>\$ 2,504,153</b>	<b>\$ 276,219</b>	<b>\$ (394,335)</b>	<b>\$ 4,718,596</b>	<b>\$ 12,903,962</b>

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2023

Net change in fund balances - total governmental funds.....		\$ (17,038,612)
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>		
Capital outlay.....	24,293,378	
Depreciation expense.....	<u>(7,873,191)</u>	
Net effect of reporting capital assets.....		16,420,187
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are unavailable and amortized in the Statement of Activities.</p>		
Principal payments on right to use lease liabilities.....	342,847	
Right to use lease option not exercised.....	702,056	
Right to use lease financing.....	(1,164,292)	
Due to other governments.....	183,333	
Net amortization of premium from issuance of bonds.....	420,895	
Debt service principal payments.....	<u>3,665,000</u>	
Net effect of reporting long-term debt.....		4,149,839
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.</p>		
Net change in compensated absences accrual.....	98,516	
Net change in accrued interest on long-term debt.....	60,208	
Net change in deferred outflow/(inflow) of resources related to pensions.....	7,587,529	
Net change in net pension liability.....	(7,938,823)	
Net change in deferred outflow/(inflow) of resources related to other postemployment benefits.....	(2,391,982)	
Net change in net other postemployment benefits liability.....	<u>(151,476)</u>	
Net effect of recording long-term liabilities.....		<u>(2,736,028)</u>
Change in net position of governmental activities.....		\$ <u>795,386</u>

See notes to basic financial statements.

**FIDUCIARY FUNDS**  
STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2023

	Other Postemployment Benefit Trust Fund	Private Purpose Trust Funds
<b>ASSETS</b>		
Cash and cash equivalents.....	\$ 14,222	\$ 7,358
Investments:		
U.S. treasury bonds.....	-	18,895
Government sponsored enterprises.....	-	18,034
Corporate bonds.....	-	107,277
Bond mutual funds.....	2,212,215	137,898
Equity mutual funds.....	7,549,975	-
<b>TOTAL ASSETS.....</b>	<b>9,776,412</b>	<b>289,462</b>
<b>NET POSITION</b>		
Restricted for other postemployment benefits.....	9,776,412	-
Held in trust for other purposes.....	-	289,462
<b>TOTAL NET POSITION.....</b>	<b>9,776,412</b>	<b>289,462</b>

See notes to basic financial statements.

**FIDUCIARY FUNDS**  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

YEAR ENDED JUNE 30, 2023

	<u>Other Postemployment Benefit Trust Fund</u>	<u>Private Purpose Trust Funds</u>
<b>ADDITIONS:</b>		
Contributions:		
Employer contributions.....	\$ 789,159	\$ -
Employer contributions for other postemployment benefit payments....	2,053,241	-
Private donations.....	-	36,908
 Total contributions.....	 2,842,400	 36,908
 Net investment income.....	 716,950	 4,113
 TOTAL ADDITIONS.....	 3,559,350	 41,021
<b>DEDUCTIONS:</b>		
Other postemployment benefit payments.....	2,053,241	-
Educational scholarships.....	-	34,150
 TOTAL DEDUCTIONS.....	 2,053,241	 34,150
 NET INCREASE (DECREASE) IN NET POSITION.....	 1,506,109	 6,871
 NET POSITION AT BEGINNING OF YEAR.....	 8,270,303	 282,591
 NET POSITION AT END OF YEAR.....	 \$ 9,776,412	 \$ 289,462

See notes to basic financial statements.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

The District was formed in 1955 pursuant to Chapter 71 of the Massachusetts General Laws (MGL). The District consists of the Towns of Acton and Boxborough, Massachusetts. An eleven-member School Committee (Committee) governs the District, which consists of elected members from the District for a term of three years.

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

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

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

***Fund Financial Statements***

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

***Major Fund Criteria***

Major funds must be reported if the total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, or expenditures/expenses of an individual governmental fund are at least 10 percent of the corresponding element (assets and deferred outflows of resources, liabilities and deferred inflows or resources, etc.) for all funds of that category or type.

Additionally, any other governmental fund that management believes is particularly significant to the basic financial statements may be reported as a major fund.

Fiduciary funds are reported by fund type.



C. Measurement Focus, Basis of Accounting and Financial Statement Presentation*Government-Wide Financial Statements*

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when the liabilities are incurred. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of activities demonstrates the degree to which the direct expenses of a particular function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include the following:

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

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

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

*Fund Financial Statements*

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

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

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

The following major governmental funds are reported:

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

The *federal and state grants fund* is used to account for grants received from federal and state agencies that are restricted for specific programs.

The *community education fund* is used to account for various community education services and activities.

The *Douglas & Gates elementary school construction fund* is used to account for the construction of the new Douglas & Gates elementary school.

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

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

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

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

The following fiduciary fund types are reported:

The *other postemployment benefit trust fund (OPEB)* is used to account for funds to offset the anticipated cost of premium payments for, or direct payments made to, retired employees of the District, and to any eligible surviving spouse of or dependents of deceased employees of the District.

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

#### D. Cash and Investments

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

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

#### E. Fair Value Measurements

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

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

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

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

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

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

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

#### F. Accounts Receivable

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

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

##### ***Intergovernmental***

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

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

#### G. Inventories

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

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

H. Capital Assets

*Government-Wide Financial Statements*

Capital assets, which include land, land improvements, buildings, machinery and equipment, are reported in the government-wide financial statements. Capital assets are recorded at historical cost, or at estimated historical cost, if actual historical cost is not available. Intangible right to use leased assets are recorded at the net present value of non-cancellable lease payments at inception. Donated capital assets are recorded at the estimated fair market value at the date of donation.

All purchases and construction costs in excess of \$25,000 are capitalized at the date of acquisition or construction, respectively, with expected useful lives of greater than one year.

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

<u>Capital Asset Type</u>	<u>Estimated Useful Life (in years)</u>
Buildings.....	40
Machinery and equipment.....	5 - 10
Improvements.....	15

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

*Governmental Fund Financial Statements*

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

I. Deferred Outflows/Inflows of Resources

*Government-Wide Financial Statements (Net Position)*

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

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

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*Governmental Fund Financial Statements*

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

J. Interfund Receivables and Payables

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

*Government-Wide Financial Statements*

Transactions of a buyer/seller nature between and within governmental funds are eliminated from the governmental activities in the statement of net position.

*Fund Financial Statements*

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

K. Interfund Transfers

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

*Government-Wide Financial Statements*

Transfers between and within governmental funds are eliminated from the governmental activities in the statement of activities.

*Fund Financial Statements*

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

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

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

Net position reported as “net investment in capital assets” includes capital assets, net of accumulated depreciation, less the principal balance of outstanding debt used to acquire capital assets. Unspent proceeds of capital related debt are not considered to be capital assets. Outstanding debt related to future reimbursements from the state’s school building program is not considered to be capital related debt.

Net position is reported as restricted when amounts are not available for appropriation or are legally restricted by outside parties for a specific future use.

Net position has been restricted for “gifts and grants” which represents assets that have restrictions placed on them from outside parties.

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

#### *Fund Financial Statements (Fund Balances)*

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

The governmental fund balance classifications are as follows:

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

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

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

“Assigned” fund balance includes amounts that are constrained by the District’s intent to be used for specific purposes but are neither restricted nor committed. The school committee or school district official delegated that authority by the regional school district agreement has the authority to assign fund balance. Funds are assigned when the District has an obligation to purchase goods or services from the current years’ appropriation.

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

The District’s spending procedure is to spend restricted fund balance first, with the exception of the capital stabilization, which is appropriated on an as-needed basis, followed by committed, assigned and unassigned fund balance. Most governmental funds are designated for one purpose at the time of their creation. Therefore, any

expenditure from the fund will be allocated to the applicable fund balance classifications in the order of the aforementioned spending policy. The general fund and certain other funds may have more than one purpose.

#### M. Long-term Debt

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

Long-term debt is reported as liabilities in the government-wide statement of net position. Material bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Intangible right to use lease liabilities are reported at the present value of their future minimum lease payments.

##### *Governmental Fund Financial Statements*

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

#### N. Pensions

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

#### O. Investment Income

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

#### P. Compensated Absences

Employees are granted vacation leave in varying amounts based on collective bargaining agreements, state laws and executive policies. Administrative, support personnel and custodians are allowed to carryover a maximum of one year's allotment of vacation leave.

As a possible incentive for employment longevity, a sum of money was paid to teachers having taught in the School District for at least fifteen years, and who left the district prior to age 66. The incentive was calculated by multiplying the difference between the teacher's last annual Schedule A salary and that for a Step One on the bachelor's level for that same year and the relevant multiplication factor. The teachers' early retirement incentive expired on June 30, 2021. There is a similar, smaller early retirement incentive for administrators who were hired prior to July 1, 2009.

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

Vested or accumulated vacation is reported as liabilities and expensed as incurred.

*Governmental Fund Financial Statements*

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

Q. Use of Estimates*Government-Wide and Fund Financial Statements*

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

R. Total Column*Fund Financial Statements*

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

**NOTE 2 – CASH AND INVESTMENTS**

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

Statutes authorize the investment in obligations of the U.S. Treasury, agencies, and instrumentalities, certificates of deposit, repurchase agreements, money market accounts, bank deposits, and the State Treasurer's Investment Pool (Pool). The Treasurer may also invest trust funds in securities, other than mortgages or collateral loans, which are legal for the investment of funds of savings banks under the laws of the Commonwealth.

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

Custodial Credit Risk- Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District has not formally adopted a policy for custodial credit risk.

At year-end, the carrying amount of the District's deposits totaled \$10,494,461 and the bank balance totaled \$13,313,653. Of the bank balance, \$826,242 was covered by Federal Depository Insurance, \$279,484 was covered by the Depositors Insurance Fund, and \$12,207,927 was uncollateralized.



Investments

As of June 30, 2023, the District had the following investments:

Investment Type	Fair value	Maturities			
		Under 1 Year	1-5 Years	6-10 Years	Over 10 Years
<u>Debt securities:</u>					
U.S. treasury bonds.....	\$ 18,895	\$ -	\$ 18,895	\$ -	\$ -
Government sponsored enterprises....	18,034	-	18,034	-	-
Corporate bonds.....	107,277	48,121	59,156	-	-
Bond mutual funds.....	2,350,113	-	127,911	2,031,729	190,473
Total debt securities.....	2,494,319	\$ 48,121	\$ 223,996	\$ 2,031,729	\$ 190,473
<u>Other investments:</u>					
Equity mutual funds.....	7,549,975				
Money market mutual funds.....	22,043				
MMDT - Cash portfolio.....	4,900,303				
Total investments.....	\$ 14,966,640				

Credit Risk

Credit risk is the risk than an issuer or other counterparty to a debt security will not fulfill its obligation. The District has not formally adopted a policy for credit risk.

Quality Rating	Government Sponsored Enterprises	Corporate Bonds	Bond Mutual Funds
AAA.....	\$ -	\$ -	\$ 274,494
AA+.....	18,034	-	-
AA-.....	-	-	916,470
A+.....	-	50,997	1,031,238
A-.....	-	14,535	-
BBB+.....	-	12,963	-
BBB.....	-	28,782	-
B.....	-	-	127,911
Total.....	\$ 18,034	\$ 107,277	\$ 2,350,113

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of a failure by the counterparty, the District will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. The District has not formally adopted a policy for custodial credit risk.

Interest Rate Risk

For an investment this is the risk that changes in interest rates of debt securities will adversely affect the fair value of an investment. The District has not formally adopted a policy for interest rate risk.

Concentration of Credit Risk

The District places no limit on the amount that may be invested in any one issuer.

Fair Value of Investments

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

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

The District has the following recurring fair value measurements as of June 30, 2023:

Investment Type	June 30, 2023	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Investments measured at fair value:</b>				
<b>Debt securities:</b>				
U.S. treasury bonds.....	\$ 18,895	\$ 18,895	\$ -	-
Government sponsored enterprises.....	18,034	18,034	-	-
Corporate bonds.....	107,277	-	107,277	-
Bond mutual funds.....	2,350,113	2,350,113	-	-
Total debt securities.....	2,494,319	2,387,042	107,277	-
<b>Other investments:</b>				
Equity mutual funds.....	7,549,975	7,549,975	-	-
Money market mutual funds.....	22,043	22,043	-	-
Total other investments.....	7,572,018	7,572,018	-	-
Total investments measured at fair value.....	10,066,337	\$ 9,959,060	\$ 107,277	\$ -
<b>Investments measured at amortized cost:</b>				
MMDT - Cash portfolio.....	4,900,303			
Total investments.....	\$ 14,966,640			

U.S. treasury bonds, government sponsored enterprises, bond mutual funds, equity mutual funds, and money market mutual funds classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Corporate bonds classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

MMDT investments are valued at amortized cost. Under the amortized cost method, an investment is valued initially at its cost and adjusted for the amount of interest income accrued each day over the term of the investment to account for any difference between the initial cost and the amount payable at its maturity. If amortized cost is determined not to approximate fair value, the value of the portfolio securities will be determined under procedures established by the Advisor.

**NOTE 3 – RECEIVABLES**

As of June 30, 2023, receivables for the individual major governmental funds and nonmajor governmental funds in the aggregate including the applicable allowances for uncollectible accounts are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
	<u>          </u>	<u>          </u>	<u>          </u>
Departmental and other.....	\$ 31,749	\$ -	\$ 31,749
Intergovernmental.....	<u>2,258,860</u>	<u>-</u>	<u>2,258,860</u>
Total.....	<u>\$ 2,290,609</u>	<u>\$ -</u>	<u>\$ 2,290,609</u>

Governmental funds report *deferred inflows of resources* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. As of June 30, 2023, there were no elements that qualified for reporting in this category.

**NOTE 4 – CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2023, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 404,440	\$ -	\$ -	\$ 404,440
Construction in progress.....	88,729,461	22,885,671	(110,188,343)	1,426,789
Total capital assets not being depreciated....	89,133,901	22,885,671	(110,188,343)	1,831,229
<u>Capital assets being depreciated:</u>				
Buildings.....	\$ 97,909,632	\$ 109,596,854	\$ (298,415)	\$ 207,208,071
Right to use leased buses.....	686,129	1,164,292	-	1,850,421
Machinery and equipment.....	2,821,736	140,993	(308,549)	2,654,180
Vehicles.....	3,814,994	50,699	(2,710,853)	1,154,840
Improvements.....	13,614,540	643,212	(86,574)	14,171,178
Total capital assets being depreciated.....	118,847,031	111,596,050	(3,404,391)	227,038,690
<u>Less accumulated depreciation for:</u>				
Buildings.....	(43,943,444)	(5,073,044)	218,087	(48,798,401)
Right to use leased buses.....	(411,678)	(370,084)	-	(781,762)
Machinery and equipment.....	(1,633,251)	(148,752)	308,549	(1,473,454)
Vehicles.....	(1,741,772)	(1,504,077)	2,791,181	(454,668)
Improvements.....	(3,245,674)	(777,234)	86,574	(3,936,334)
Total accumulated depreciation.....	(50,975,819)	(7,873,191)	3,404,391	(55,444,619)
Total capital assets being depreciated, net.....	67,871,212	103,722,859	-	171,594,071
Total governmental activities capital assets, net.....	\$ 157,005,113	\$ 126,608,530	\$ (110,188,343)	\$ 173,425,300

Depreciation expense is unallocated

**NOTE 5 – LEASE LIABILITIES**

The District has entered into right-to-use lease agreements for the use of school buses. The lease agreements have been recorded at the present value of the future minimum lease payments. The following identifies the right to use assets recorded under the lease agreements along with the related accumulated depreciation:

	Governmental Activities
Vehicles.....	\$ 1,850,421
Less: accumulated depreciation...	(781,762)
Total.....	\$ 1,068,659

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2023, were as follows:

Years ending June 30:	Governmental Activities
2024.....	\$ 536,226
2025.....	651,000
2026.....	441,000
2027.....	441,000
Total minimum lease payments.....	2,069,226
Less: amounts representing interest.....	(790,544)
Present value of minimum lease payments... \$	1,278,682

**NOTE 6 – SHORT-TERM FINANCING**

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

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

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

At June 30, 2023, the District had no short-term debt outstanding.

**NOTE 7 – LONG-TERM DEBT**

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

Details related to the District’s outstanding indebtedness at June 30, 2023, and the debt service requirements are as follows:

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2023
GOB Refunding 2014, Original 2005 (SHS)...	2025	\$ 10,330,900	4.00	\$ 2,457,000
GOB Refunding 2014, Original 2004 (JHS)...	2025	3,064,100	4.00	673,000
GOB Tax exempt Bonds Series B .....	2028	1,050,000	2.00	525,000
GOB Capital Improvements.....	2050	6,220,000	5.00	4,345,000
GOB Elementary/Early Childhood.....	2050	69,955,000	2.00 - 5.00	66,005,000
Total Bonds Payable.....				74,005,000
Add: Unamortized premium on bonds.....				5,026,348
Total Bonds Payable, net.....				<u>\$ 79,031,348</u>

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

Year	Principal	Interest	Total
2024.....	\$ 3,720,000	\$ 2,373,555	\$ 6,093,555
2025.....	3,785,000	2,206,356	5,991,356
2026.....	2,295,000	2,035,905	4,330,905
2027.....	2,375,000	1,924,253	4,299,253
2028.....	2,455,000	1,808,468	4,263,468
2029.....	2,440,000	1,689,788	4,129,788
2030.....	2,530,000	1,567,787	4,097,787
2031.....	2,005,000	1,441,288	3,446,288
2032.....	2,105,000	1,341,037	3,446,037
2033.....	2,210,000	1,235,788	3,445,788
2034.....	2,320,000	1,125,287	3,445,287
2035.....	2,390,000	1,055,688	3,445,688
2036.....	2,465,000	983,987	3,448,987
2037.....	2,510,000	934,688	3,444,688
2038.....	2,560,000	884,487	3,444,487
2039.....	2,615,000	833,288	3,448,288
2040.....	2,665,000	780,987	3,445,987
2041.....	2,745,000	701,038	3,446,038
2042.....	2,830,000	618,687	3,448,687
2043.....	2,890,000	558,550	3,448,550
2044.....	2,950,000	497,138	3,447,138
2045.....	3,015,000	430,762	3,445,762
2046.....	3,085,000	362,925	3,447,925
2047.....	3,155,000	293,513	3,448,513
2048.....	3,225,000	222,526	3,447,526
2049.....	3,295,000	149,962	3,444,962
2050.....	3,370,000	75,825	3,445,825
Total.....	<u>\$ 74,005,000</u>	<u>\$ 28,133,563</u>	<u>\$ 102,138,563</u>

The District has been approved for a maximum of \$38.0 million capital grant from the Commonwealth’s school building assistance program for the Douglas & Gates elementary school construction project and has received

\$34.1 in reimbursements through June 30, 2023. Under this program, assistance is paid to support construction costs and reduce the related debt service of the District. The MSBA has approved a 49.70% reimbursement rate for approved project costs. The District anticipates receiving \$747,138 of grant proceeds in fiscal year 2024 associated with costs incurred in fiscal year 2023, which has been recognized as a receivable at June 30, 2023. The approved appropriation for the project is \$117.3 million, of which \$110.6 million of total costs have been incurred through June 30, 2023. The project was put into service on August 26, 2022, with final completion expected during fiscal 2024.

The District is subject to various debt limits by statute and may issue additional general obligation debt under the normal debt limit. At June 30, 2023, the District had 6,904,560 of authorized and unissued debt for the Douglas & Gates elementary school construction project.

### Changes in Long-term Liabilities

During the year ended June 30, 2023, the following changes occurred in long-term liabilities:

	Beginning Balance	Bonds and Notes Redeemed	Other Increases	Other Decreases	Ending Balance	Due Within One Year
Long-term bonds payable.....	\$ 77,670,000	\$ (3,665,000)	\$ -	\$ -	\$ 74,005,000	\$ 3,720,000
Add: Unamortized premium on bonds.....	5,447,243	-	-	(420,895)	5,026,348	403,026
Total bonds payable.....	83,117,243	(3,665,000)	-	(420,895)	79,031,348	4,123,026
Right to use leases.....	1,159,293	-	1,020,667	(901,278)	1,278,682	237,112
Due to other governments....	1,557,467	-	-	(183,333)	1,374,134	183,333
Compensated absences.....	1,089,724	-	453,598	(552,114)	991,208	500,582
Net pension liability.....	24,866,009	-	12,373,475	(4,434,652)	32,804,832	-
Net other postemployment benefits.....	54,539,153	-	2,993,876	(2,842,400)	54,690,629	-
Total long-term liabilities.....	\$ 166,328,889	\$ (3,665,000)	\$ 16,841,616	\$ (9,334,672)	\$ 170,170,833	\$ 5,044,053

Compensated absences and net other postemployment liabilities related to governmental activities are normally paid from the funds reporting payroll and related expenditures, which consist of the general fund accounts.

### **NOTE 8 – DUE TO OTHER GOVERNMENTS**

The District has an annual obligation to the Town of Acton for costs avoided in the construction of the Middle Fort Pond Brook Sewer District. The amount owed represents the total projected costs to construct an on-site facility and sewage collection system for the school campus located on Charter and Hayward roads. The annual payment is \$183,333 through July 1, 2029, with a final payment of \$90,800 on July 1, 2030. At June 30, 2023, the present value of the remaining future payments was \$1,374,134.

### **NOTE 9 – GOVERNMENTAL FUND BALANCE CLASSIFICATIONS**

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, establishes a hierarchy for fund balance classifications and the constraints imposed on the uses of those resources. GASB 54 provides for two major types of fund balances, which are nonspendable and spendable. Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. Examples of this classification are prepaid items, inventories, and principal (corpus) of an endowment fund.

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

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

Massachusetts General Law Ch. 71 §16G½ allows for the establishment of a Stabilization fund for any purpose for which regional school districts may borrow money or for such other district purpose as the commissioner of elementary and secondary education may approve. The stabilization fund may be appropriated by vote of two-thirds of all of the members of the regional district school committee. At year-end, the balance of the capital stabilization fund totaled \$777,199 and is reported as restricted fund balance within the General Fund.

As of June 30, 2023, the governmental fund balances consisted of the following:

	General	Federal and State Grants	Community Education	Douglas/Gates School Construction	Nonmajor Governmental Funds	Total Governmental Funds
Fund Balances:						
Restricted for:						
Capital stabilization fund.....	\$ 777,199	\$ -	\$ -	\$ -	\$ -	777,199
Federal and State Grants.....	-	2,504,153	-	-	-	2,504,153
Gifts and Private Grants.....	-	-	-	-	169,179	169,179
Food Services.....	-	-	-	-	1,153,167	1,153,167
Other school services.....	-	-	-	-	1,430,596	1,430,596
Revolving funds.....	-	-	-	-	981,813	981,813
Community Education.....	-	-	276,219	-	-	276,219
School feasibility study.....	-	-	-	-	56,587	56,587
Other capital projects fund.....	-	-	-	-	927,254	927,254
Assigned to:						
District administration.....	60,164	-	-	-	-	60,164
Instructional leadership.....	8,159	-	-	-	-	8,159
Classroom and specialist teachers.....	12,948	-	-	-	-	12,948
Professional development.....	84	-	-	-	-	84
Instructional materials, equipment and technology.....	15,344	-	-	-	-	15,344
Pupil transportation services.....	106,816	-	-	-	-	106,816
Operations and maintenance.....	200,076	-	-	-	-	200,076
Guidance, counseling and testing.....	394	-	-	-	-	394
Other school services.....	19,975	-	-	-	-	19,975
Programs with other school districts (tuitions).....	39,664	-	-	-	-	39,664
Capital outlay.....	298,523	-	-	-	-	298,523
Excess and deficiency used for subsequent year's budget.....	1,375,000	-	-	-	-	1,375,000
Unassigned.....	2,884,983	-	-	(394,335)	-	2,490,648
<b>Total Fund Balances.....</b>	<b>\$ 5,799,329</b>	<b>\$ 2,504,153</b>	<b>\$ 276,219</b>	<b>\$ (394,335)</b>	<b>\$ 4,718,596</b>	<b>\$ 12,903,962</b>



**NOTE 10 – RISK FINANCING**

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance.

The District participates with the Town of Acton in a health insurance risk pool trust administered by Acton Health Insurance Trust (Trust), a two member organization established pursuant to Chapter 32B, Section 12 and chapter 40, section 3A of the Massachusetts General Laws to obtain health insurance for member governments at costs eligible for larger groups. The Trust offers a variety of premium based plans to its members with each participating governmental unit being charged a premium for coverage based on rates established by the Trust. The District is obligated to pay the group its required premiums and, in the event the Trust is terminated, its pro-rata share of a deficit should one exist.

**NOTE 11 – PENSION PLAN***Plan Description*

The District is a member of the Middlesex County Regional Retirement System (MCRS), a cost-sharing multiple-employer defined benefit pension plan covering eligible employees of the 71 member units. The MCRS is administered by five board members (Board) on behalf of all current employees and retirees except for current teachers and retired teachers. Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan.

The District is a member of the Massachusetts Teachers' Retirement System (MTRS), a cost-sharing multi-employer defined benefit plan. MTRS is managed by the Commonwealth of Massachusetts (Commonwealth) on behalf of municipal teachers and municipal teacher retirees. The Commonwealth is a nonemployer contributor and is responsible for 100% of the contributions and future benefit requirements of the MTRS. The MTRS covers certified teachers in cities (except Boston), towns, regional school districts, charter schools, educational collaboratives and Quincy College. The MTRS is part of the Commonwealth's reporting entity and the audited financial report may be obtained by visiting <https://mtrs.state.ma.us/service/financial-reports/>.

*Special Funding Situation*

The Commonwealth is a nonemployer contributor and is required by statute to make 100% of all actuarially determined employer contributions on behalf of the District to the MTRS. Therefore, the District is considered to be in a special funding situation as defined by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and the Commonwealth is a nonemployer contributor in MTRS. Since the District does not contribute directly to MTRS, there is no net pension liability to recognize. The total of the Commonwealth provided contributions have been allocated based on each employer's covered payroll to the total covered payroll of employers in MTRS as of the measurement date of June 30, 2022. The District's portion of the collective pension expense, contributed by the Commonwealth, of \$12,828,048 is reported in the general fund as intergovernmental revenue and pension expense in the current fiscal year. The portion of the Commonwealth's collective net pension liability associated with the District is \$155,945,609 as of the measurement date.

*Benefits Provided*

Both Systems provide retirement, disability, survivor and death benefits to plan members and beneficiaries. Massachusetts Contributory Retirement System benefits are, with certain minor exceptions, uniform from system to system. The System provides for retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. For persons who became members on or after April 2,

2012, average salary is the average annual rate of regular compensation received during the five consecutive years that produce the highest average, or, if greater, during the last five years (whether or not consecutive) preceding retirement. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification. Members become vested after ten years of creditable service.

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

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

### *Contributions*

Chapter 32 of the MGL governs the contributions of plan members and member units. Active plan members are required to contribute to the System at rates ranging from 5% to 9% of gross regular compensation with an additional 2% contribution required for compensation exceeding \$30,000. The percentage rate is keyed to the date upon which an employee's membership commences. The member units are required to pay into the MCERS a legislatively mandated actuarial determined contribution that is apportioned among the employers based on active current payroll. The District's proportionate share of the required contribution equaled its actual contribution for the year ended December 31, 2022, was \$3,320,479, 21.50% of covered payroll, actuarially determined as an amount that, when combined with plan member contributions, is expected to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability.

### *Pension Liabilities*

At June 30, 2023, the District reported a liability of \$32,804,832 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2022. Accordingly, update procedures were used to roll forward the total pension liability to the measurement date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At December 31, 2022, the District's proportion was 1.93%, which increased from its proportion measured at December 31, 2021 of 1.85%.

### *Pension Expense*

For the year ended June 30, 2023, the District recognized pension expense of \$3,671,773 and reported deferred outflows of resources and deferred inflows related to pensions of \$4,817,829 and \$779,514, respectively.

The changes in deferred outflows of resources and inflows of resources related to pensions is as follows:

Deferred Category	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Differences between expected and actual experience.....	\$ 241,047	\$	\$ 241,047
Difference between projected and actual earnings, net.....	2,637,394		2,637,394
Changes in assumptions.....	566,431		566,431
Changes in proportion and proportionate share of contributions...	1,372,957	(779,514)	593,443
<b>Total deferred outflows/(inflows) of resources.....</b>	<b>\$ 4,817,829</b>	<b>\$ (779,514)</b>	<b>\$ 4,038,315</b>

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

Year ended June 30:	
2024.....	\$ 756,856
2025.....	613,779
2026.....	857,148
2027.....	1,810,532
<b>Total.....</b>	<b>\$ 4,038,315</b>

**Actuarial Assumptions**

The total pension liability in the January 1, 2022, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement that was rolled forward to December 31, 2022:

Valuation date.....	January 1, 2022.
Actuarial cost method.....	Entry Age Normal Cost Method.
Amortization method.....	Prior year’s total contribution increased by 6.50% for fiscal 2022 through fiscal 2028, and thereafter the remaining unfunded liability will be amortized on a 4.00% annual increasing basis; ERI liability amortized in level payments.
Remaining amortization period.....	17 years from July 1, 2020, for non-ERI liability, and 2 years from July 1, 2020 for 2010 ERI.
Asset valuation method.....	The difference between the expected return and the actual investment return on a market value basis is recognized over a five year period. Asset value is adjusted as necessary to be within 20% of the market value.
Investment rate of return/Discount rate.....	7.15%

Inflation rate.....	3.25%
Projected salary increases.....	Varies by length of service with ultimate rates of 4.00% for Group 1, 4.25% for Group 2 and 4.50% for Group 4
Cost of living adjustments.....	3.00% of the first \$16,000 of retirement income.
Mortality Rates:	
Pre-Retirement.....	The RP-2014 Blue Collar Employee Mortality Table projected generationally with Scale MP-2021.
Healthy Retiree.....	The RP-2014 Blue Collar Healthy Annuitant Mortality Table projected generationally with Scale MP-2021.
Disabled Retiree.....	The RP-2014 Blue Collar Healthy Annuitant Mortality Table set forward one year and projected generationally with Scale MP-2021.

*Investment policy*

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan’s target asset allocation as of December 31, 2022, are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Long-Term Expected Asset Allocation</u>
Domestic equity.....	20.50%	6.59%
International developed markets equity.....	12.00%	6.87%
International emerging markets equity.....	4.50%	8.30%
Core fixed income.....	15.00%	1.53%
High-yield fixed income.....	8.00%	3.54%
Real estate.....	10.00%	3.44%
Timber.....	4.00%	4.01%
Hedge funds, GTAA, and risk parity.....	10.00%	3.06%
Private equity.....	16.00%	9.49%
Total.....		<u>46.83%</u>

*Rate of return*

For the year ended December 31, 2022, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was -11.54%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

*Discount rate*

The discount rate used to measure the total pension liability was 7.15% at December 31, 2022 and December 31, 2021. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that contributions will be made at rates equal to the actuarially determined contribution rate. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the net position liability to changes in the discount rate*

The following presents the net pension liability, calculated using the discount rate of 7.15%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.15%) or 1-percentage-point higher (8.15%) than the current rate:

	December 31, 2022, Measurement Date		
	1% Decrease (6.15%)	Current Discount (7.15%)	1% Increase (8.15%)
The District's proportionate share of the net pension liability.....	\$ 40,607,873	\$ 32,804,832	\$ 26,235,317

*Changes of Assumptions*

- None.

*Changes in Plan Provisions*

- None.

**NOTE 12 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS**

*Plan Description*

The District administers a single-employer defined benefit healthcare plan (Plan). The Plan provides lifetime healthcare insurance for eligible retirees and their spouses through the District’s group health insurance plan, which covers both active and retired members. Chapter 32B of the MGL assigns authority to establish and amend benefit provisions of the plan. Benefit provisions are negotiated between the District and the unions representing District employees and are renegotiated each bargaining period. The Plan does not issue a publicly available financial report.

*Funding Policy*

Contribution requirements are established, and may be amended, by the District. The required contribution is based on a pay-as-you-go financing requirement. The current health insurance contribution rates of Plan members are 50%. Current health insurance contribution rates for active employees are 25% to 50% depending on the plan selected. The Plan members and District each contribute 50% towards a \$15,000 term life insurance premium.

The Commonwealth of Massachusetts passed special legislation that has allowed the District to establish a postemployment benefit trust fund and to enable the District to begin pre-funding its OPEB liabilities. The Trust is managed by a 5-member Board of Trustees who are authorized to manage the Trust in accordance with the Trust Agreement.

During 2023, the District pre-funded future OPEB liabilities by contributing \$789,159 to the Other Postemployment Benefit Fund in excess of the pay-as-you-go required contribution. These funds are reported within the Fiduciary Funds financial statements. As of June 30, 2023, the balance of this fund totaled \$9,776,412.

The annual money-weighted rate of return on OPEB plan investments was 8.33%. The money-weighted rate of return expresses investment performance, net of OPEB plan investment expense, adjusted for the changing amounts actually invested.

*Plan Membership* – The following table represents the Plan’s membership at July 1, 2021:

Active members.....	834
Inactive members currently receiving benefits.....	<u>465</u>
Total.....	<u><u>1,299</u></u>

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

Total OPEB liability.....	\$ 64,467,041
Less: OPEB plan's fiduciary net position.....	<u>(9,776,412)</u>
Net OPEB liability.....	<u><u>\$ 54,690,629</u></u>
 The OPEB plan's fiduciary net position as a percentage of the total OPEB liability.....	  15.16%

*Significant Actuarial Assumptions*

The total other postemployment benefit liability in the July 1, 2021, actuarial valuation was determined using the following actuarial assumptions, applied to all periods in the measurement that was rolled forward to June 30, 2023:

Valuation date.....	July 1, 2021
Actuarial cost method.....	Individual Entry Age Normal
Asset valuation method.....	Market value of assets as of reporting date, June 30, 2023.
Investment rate of return.....	6.22%, net of OPEB plan investment expense, including inflation.
Municipal bond rate.....	4.13% as of June 30, 2023 (source: S&P Municipal Bond 20-Year High Grade Index - SAPIHG)
Single equivalent discount rate.....	5.92%, net of OPEB plan investment expense, including inflation.
Inflation rate.....	2.50% as of June 30, 2023 and for future periods
Projected salary increases.....	3.00% annually as of June 30, 2023 and for future periods
Pre-retirement mortality.....	General: RP-2014 Mortality Table for Blue Collar Employees projected generationally with scale MP-2016 for males and females, set forward 1 year for females Teachers: RP-2014 Mortality Table for White Collar Employees projected generationally with scale MP-2016 for males and females
Post-retirement mortality.....	General: RP-2014 Mortality Table for Blue Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females, set forward 1 year for females Teachers: RP-2014 Mortality Table for White Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females
Disabled mortality.....	General: RP-2014 Mortality Table for Blue Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females, set forward 1 year Teachers: RP-2014 Mortality Table for White Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females

*Investment policy*

The OPEB plan's assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the OPEB plan. The long-term real rate of return on OPEB investments was determined using the District's investment policy.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real of returns (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return of by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The District's expected future real rate of return of 3.97% is added to the expected inflation of 2.50% to produce the long-term expected nominal rate of return of 6.47%.

Best estimates of geometric real rates of return for each major asset class included in the OPEB plan's target asset allocation as of June 30, 2023 are summarized in the following table.

Asset Class	Long-Term Expected Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity - large cap.....	22.67%	4.10%
Domestic equity - small/mid cap.....	11.33%	4.55%
International equities - developed market....	14.67%	4.64%
International equities - emerging market....	7.33%	5.45%
Domestic fixed income.....	20.00%	1.05%
International fixed income.....	4.00%	0.96%
Alternatives.....	17.00%	5.95%
Real estate.....	3.00%	6.25%
Cash.....	0.00%	0.00%
 Total.....	100.00%	

*Discount rate*

The discount rate used to measure the total OPEB liability was 5.92% as of June 30, 2023, and 5.71% as of June 30, 2022. The projection of cash flows used to determine the discount rate assumed that contributions will be made in accordance with the District's funding policy. Based on these assumptions, the OPEB Plan's Fiduciary Net Position is projected to be insufficient to make all projected benefit payments to current plan members.

Therefore, the long-term expected rate of return on the OPEB Plan assets is applied to the projected benefits payments which the Fiduciary Net Position is expected to be sufficient to cover until 2071 and the Municipal Bond Rate is applied thereafter. The Municipal Bond Rate is based on the S&P Municipal Bond 20 – Year High Grade Index ("SAPIHG"), which was 4.13% as of June 30, 2023. The S&P Municipal Bond 20 - Year High Grade Index is the index rate for 20-year, tax exempt general obligation municipal bonds with an average rate of AA/Aa or higher.

*Sensitivity of the net position liability to changes in the discount rate*

The following table presents the net other postemployment benefit liability and service cost, calculated using the discount rate of 5.92%, as well as what the net other postemployment benefit liability and service cost would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate.

	1% Decrease (4.92%)	Current Discount Rate (5.92%)	1% Increase (6.92%)
Net OPEB liability..... \$	\$ 64,912,227	\$ 54,690,629	\$ 46,518,555



*Sensitivity of the net position liability to changes in the healthcare trend*

The following table presents the net other postemployment benefit liability and service cost, calculated using the current healthcare trend rate of 4.50%, as well as what the net other postemployment benefit liability and service cost would be if it were calculated using a healthcare trend rate that is 1-percentage-point lower or 1-percentage-point higher.

	1% Decrease (3.50%)	Current Trend (4.50%)	1% Increase (5.50%)
Net OPEB liability.....	\$ 45,484,420	\$ 54,690,629	\$ 66,311,013

*Changes in the Net OPEB Liability*

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2022.....	\$ 62,809,456	\$ 8,270,303	\$ 54,539,153
Changes for the year:			
Service cost.....	1,900,468	-	1,900,468
Interest.....	3,637,130	-	3,637,130
Changes in assumptions and other inputs.....	(1,826,772)	-	(1,826,772)
Investment income (loss).....	-	716,950	(716,950)
Contributions.....	-	2,842,400	(2,842,400)
Benefit payments.....	(2,053,241)	(2,053,241)	-
Net change.....	1,657,585	1,506,109	151,476
Balances at June 30, 2023.....	\$ 64,467,041	\$ 9,776,412	\$ 54,690,629

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

For the year ended June 30, 2023, the District recognized OPEB expense of \$5,385,858. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Deferred Category	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Differences between expected and actual experience....	\$ -	\$ (2,440,968)	\$ (2,440,968)
Difference between projected and actual earnings, net...	511,616	-	511,616
Changes in assumptions.....	8,547,639	(3,772,365)	4,775,274
Total deferred outflows/(inflows) of resources.....	\$ 9,059,255	\$ (6,213,333)	\$ 2,845,922

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

<u>Year ended June 30:</u>	
2024.....	\$ 396,587
2025.....	342,149
2026.....	896,107
2027.....	1,152,022
2028.....	252,353
Thereafter.....	<u>(193,296)</u>
	<u>\$ 2,845,922</u>

*Changes of Assumptions*

- The discount rate has increased from 5.71% to 5.92%.

*Changes in Plan Provisions* – None.

**NOTE 13 – COMMITMENTS AND CONTINGENCIES**

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

Various legal actions and claims are pending. Litigation is subject to many uncertainties, and the outcome of individual litigated matters is not always predictable. Although the amount of liability, if any, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2023.

**NOTE 14 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through October 10, 2023, which is the date the financial statements were available to be issued.

**NOTE 15 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS**

During 2023, the following GASB pronouncements were implemented:

- GASB Statement #91, *Conduit Debt Obligations*. This pronouncement did not impact the basic financial statements.
- GASB Statement #94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. This pronouncement did not impact the basic financial statements.

- GASB Statement #96, *Subscription-Based Information Technology Arrangements*. This pronouncement did not impact the basic financial statements.
- GASB Statement #99, *Omnibus 2022*. This pronouncement did not impact the basic financial statements.

The following GASB pronouncements will be implemented in the future:

- The GASB issued Statement #100, *Accounting Changes and Error Corrections*, which is required to be implemented in 2024.
- The GASB issued Statement #101, *Compensated Absences*, which is required to be implemented in 2025.

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

## ***Required Supplementary Information***

# ***General Fund Budgetary Comparison Schedule***

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

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

YEAR ENDED JUNE 30, 2023

	Budgeted Amounts			
	Amounts	Current Year		
	Carried Forward From Prior Year	Initial Budget	Original Budget	Final Budget
<b>REVENUES:</b>				
Member town assessments.....	\$ -	\$ 82,946,929	\$ 82,946,929	\$ 82,946,929
Intergovernmental.....	-	17,992,511	17,992,511	17,992,511
Investment income.....	-	150,000	150,000	150,000
Miscellaneous revenue.....	-	10,000	10,000	10,000
<b>TOTAL REVENUES.....</b>	<b>-</b>	<b>101,099,440</b>	<b>101,099,440</b>	<b>101,099,440</b>
<b>EXPENDITURES:</b>				
Current:				
District administration.....	72,343	3,389,724	3,462,067	3,476,147
Instructional leadership.....	1,882	5,720,603	5,722,485	5,815,116
Classroom and specialist teachers.....	8,294	46,266,704	46,274,998	46,201,250
Professional development.....	1,800	171,675	173,475	171,157
Instructional materials, equipment and technology.....	8,236	1,551,684	1,559,920	1,582,391
Pupil transportation services.....	34,153	5,419,126	5,453,279	5,401,607
Operations and maintenance.....	260,725	5,620,452	5,881,177	5,882,077
Guidance, counseling and testing.....	3,806	4,043,841	4,047,647	4,047,107
Other school services.....	1,662	2,627,735	2,629,397	2,627,817
Programs with other school districts (tuitions).....	219,830	4,492,078	4,711,908	4,711,684
Employee benefits.....	-	16,318,372	16,318,372	16,318,372
Insurance.....	-	273,750	273,750	273,750
Capital outlay.....	247,895	800,790	1,048,685	1,048,685
Debt service:				
Debt service principal.....	-	3,665,000	3,665,000	3,665,000
Interest.....	-	2,537,906	2,537,906	2,537,906
<b>TOTAL EXPENDITURES.....</b>	<b>860,626</b>	<b>102,899,440</b>	<b>103,760,066</b>	<b>103,760,066</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....</b>	<b>(860,626)</b>	<b>(1,800,000)</b>	<b>(2,660,626)</b>	<b>(2,660,626)</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in.....	-	300,000	300,000	300,000
<b>NET CHANGE IN FUND BALANCE.....</b>	<b>(860,626)</b>	<b>(1,500,000)</b>	<b>(2,360,626)</b>	<b>(2,360,626)</b>
<b>FUND BALANCES AT BEGINNING OF YEAR.....</b>	<b>-</b>	<b>5,428,618</b>	<b>5,428,618</b>	<b>5,428,618</b>
<b>FUND BALANCES AT END OF YEAR.....</b>	<b>\$ (860,626)</b>	<b>\$ 3,928,618</b>	<b>\$ 3,067,992</b>	<b>\$ 3,067,992</b>

See notes to required supplementary information.

	Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance to Final Budget
\$	82,946,929	\$ -	\$ -
	18,331,516	-	339,005
	747,159	-	597,159
	28,190	-	18,190
	<u>102,053,794</u>	<u>-</u>	<u>954,354</u>
	3,426,112	60,164	(10,129)
	6,325,863	8,159	(518,906)
	45,400,767	12,948	787,535
	79,413	84	91,660
	1,690,076	15,344	(123,029)
	5,423,620	106,816	(128,829)
	5,805,468	200,076	(123,467)
	3,955,929	394	90,784
	2,708,741	19,975	(100,899)
	4,739,863	39,664	(67,843)
	16,035,504	-	282,868
	261,769	-	11,981
	704,251	298,523	45,911
	3,665,000	-	-
	<u>2,537,906</u>	<u>-</u>	<u>-</u>
	<u>102,760,282</u>	<u>762,147</u>	<u>237,637</u>
	<u>(706,488)</u>	<u>(762,147)</u>	<u>1,191,991</u>
	<u>300,000</u>	<u>-</u>	<u>-</u>
	<u>(406,488)</u>	<u>(762,147)</u>	<u>1,191,991</u>
	<u>5,428,618</u>	<u>-</u>	<u>-</u>
\$	<u><u>5,022,130</u></u>	<u><u>(762,147)</u></u>	<u><u>1,191,991</u></u>

# Pension Plan Schedules

The Schedule of Funding Progress presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

The Schedule of Employer Contributions presents multiyear trend information for required and actual contributions relating to the cost-sharing plan as a whole, of which the District is one participating employer, as well as the District's proportionate share of the plan's annual contributions.

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

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



**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE  
OF THE NET PENSION LIABILITY  
MIDDLESEX COUNTY RETIREMENT SYSTEM**

Year	Proportion of the net pension liability (asset)	Proportionate share of the net pension liability (asset)	Covered payroll	Net pension liability as a percentage of covered- employee payroll	Plan fiduciary net position as a percentage of the total pension liability
December 31, 2022.....	1.93%	\$ 32,804,832	\$ 15,291,181	214.53%	52.61%
December 31, 2021.....	1.85%	24,866,009	14,699,280	169.16%	61.14%
December 31, 2020.....	1.96%	30,083,545	15,468,104	194.49%	53.42%
December 31, 2019.....	1.96%	31,360,065	14,855,796	211.10%	49.45%
December 31, 2018.....	1.92%	29,957,174	13,431,428	223.04%	46.40%
December 31, 2017.....	1.91%	27,084,083	12,887,573	210.16%	49.27%
December 31, 2016.....	1.94%	27,434,445	12,732,786	215.46%	45.49%
December 31, 2015.....	1.82%	23,515,180	12,897,778	182.32%	46.13%
December 31, 2014.....	1.82%	21,781,913	12,401,710	175.64%	47.65%

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

See notes to required supplementary information.

**SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS**  
**MIDDLESEX COUNTY RETIREMENT SYSTEM**

Year	Actuarially determined contribution	Contributions in relation to the actuarially determined contribution	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered- employee payroll
June 30, 2023.....	\$ 3,320,479	\$ (3,320,479)	-	\$ 15,444,093	21.50%
June 30, 2022.....	3,124,290	(3,124,290)	-	14,846,273	21.04%
June 30, 2021.....	2,794,347	(2,794,347)	-	15,622,785	17.89%
June 30, 2020.....	2,615,376	(2,615,376)	-	15,004,354	17.43%
June 30, 2019.....	2,467,453	(2,467,453)	-	13,565,742	18.19%
June 30, 2018.....	2,318,753	(2,318,753)	-	13,016,449	17.81%
June 30, 2017.....	2,086,065	(2,086,065)	-	12,860,114	16.22%
June 30, 2016.....	1,961,424	(1,961,424)	-	13,026,756	15.06%
June 30, 2015.....	1,756,208	(1,756,208)	-	12,525,727	14.02%

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

See notes to required supplementary information.

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

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

Year	Commonwealth's 100% Share of the Associated Net Pension Liability	Expense and Revenue Recognized for the Commonwealth's Support	Plan Fiduciary Net Position as a Percentage of the Total Liability
2022.....	\$ 155,945,609	\$ 12,828,048	57.75%
2021.....	139,982,835	11,233,040	62.03%
2020.....	168,052,248	20,756,860	50.67%
2019.....	147,351,210	17,868,892	53.95%
2018.....	136,192,824	13,801,171	54.84%
2017.....	131,012,265	13,674,131	54.25%
2016.....	126,992,148	12,954,032	52.73%
2015.....	118,499,343	9,611,351	55.38%

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

See notes to required supplementary information.

# ***Other Postemployment Benefit Plan Schedules***

The Schedule of Changes in the District's Net Other Postemployment Benefit Liability presents multi-year trend information on the Plan's net other postemployment benefit liability and related ratios.

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

The Schedule of Investment Return presents multi-year trend information on the money-weighted investment return on the Plan's other postemployment assets, net of investment expense.

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

	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021	June 30, 2022	June 30, 2023
<b>Total OPEB Liability</b>							
Service Cost.....	\$ 1,587,326	\$ 1,638,860	\$ 1,744,862	\$ 1,388,040	\$ 1,459,214	\$ 1,912,574	\$ 1,900,468
Interest.....	2,408,061	2,598,396	2,693,466	2,834,996	3,006,694	3,068,702	3,637,130
Differences between expected and actual experience....	-	-	-	(2,445,112)	-	(2,058,314)	-
Changes of assumptions.....	-	(458,279)	-	(5,443,779)	6,520,943	7,016,139	(1,826,772)
Benefit payments.....	(1,209,591)	(1,426,261)	(1,426,261)	(1,588,350)	(1,806,591)	(1,996,595)	(2,053,241)
Net change in total OPEB liability.....	2,785,796	2,352,716	3,012,067	(5,256,205)	9,180,260	7,942,506	1,657,585
Total OPEB liability - beginning.....	42,792,316	45,578,112	47,930,828	50,942,895	45,686,690	54,866,950	62,809,456
Total OPEB liability - ending (a).....	\$ 45,578,112	\$ 47,930,828	\$ 50,942,895	\$ 45,686,690	\$ 54,866,950	\$ 62,809,456	\$ 64,467,041
<b>Plan fiduciary net position</b>							
Employer contributions.....	\$ 862,066	\$ 811,755	\$ 900,000	\$ 900,000	\$ 900,000	\$ 771,511	\$ 789,159
Employer contributions for OPEB payments.....	1,209,591	1,426,261	1,426,261	1,588,350	1,806,591	1,996,595	2,053,241
Net investment income (loss).....	178,628	157,890	360,276	105,290	1,730,138	(1,311,193)	716,950
Benefit payments.....	(1,209,591)	(1,426,261)	(1,426,261)	(1,588,350)	(1,806,591)	(1,996,595)	(2,053,241)
Other.....	(62,066)	-	-	-	-	-	-
Net change in plan fiduciary net position.....	978,628	969,645	1,260,276	1,005,290	2,630,138	(539,682)	1,506,109
Plan fiduciary net position - beginning of year.....	1,966,008	2,944,636	3,914,281	5,174,557	6,179,847	8,809,985	8,270,303
Plan fiduciary net position - end of year (b).....	\$ 2,944,636	\$ 3,914,281	\$ 5,174,557	\$ 6,179,847	\$ 8,809,985	\$ 8,270,303	\$ 9,776,412
<b>Net OPEB liability - ending (a)-(b).....</b>	<b>\$ 42,633,476</b>	<b>\$ 44,016,547</b>	<b>\$ 45,768,338</b>	<b>\$ 39,506,843</b>	<b>\$ 46,056,965</b>	<b>\$ 54,539,153</b>	<b>\$ 54,690,629</b>
Plan fiduciary net position as a percentage of the total OPEB liability.....	6.46%	8.17%	10.16%	13.53%	16.06%	13.17%	15.16%
Covered-employee payroll.....	\$ 48,838,493	\$ 48,838,493	\$ 50,303,648	\$ 55,778,193	\$ 57,451,539	\$ 61,481,998	\$ 63,326,458
Net OPEB liability as a percentage of covered-employee payroll.....	87.29%	90.13%	90.98%	70.83%	80.17%	88.71%	86.36%

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

See notes to required supplementary information.

**SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS  
OTHER POSTEMPLOYMENT BENEFIT PLAN**

Year	Actuarially determined contribution	Contributions in relation to the actuarially determined contribution	Contribution deficiency (excess)	Covered- employee payroll	Contributions as a percentage of covered- employee payroll
June 30, 2023.....	\$ 2,842,400	\$ (2,842,400)	\$ -	63,326,458	4.49%
June 30, 2022.....	2,768,106	(2,768,106)	-	61,481,998	4.50%
June 30, 2021.....	2,706,591	(2,706,591)	-	57,451,539	4.71%
June 30, 2020.....	2,488,350	(2,488,350)	-	55,778,193	4.46%
June 30, 2019.....	1,426,261	(1,426,261)	-	50,303,648	2.84%
June 30, 2018.....	1,271,657	(1,271,657)	-	48,838,493	2.60%
June 30, 2017.....	1,209,591	(1,209,591)	-	48,838,493	2.48%

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

See notes to required supplementary information.

**SCHEDULE OF INVESTMENT RETURNS**  
**OTHER POSTEMPLOYMENT BENEFIT PLAN**

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<u>Year</u>	<u>Annual money-weighted rate of return, net of investment expense</u>
June 30, 2023.....	8.33%
June 30, 2022.....	-14.27%
June 30, 2021.....	26.32%
June 30, 2020.....	1.89%
June 30, 2019.....	10.09%
June 30, 2018.....	8.20%
June 30, 2017.....	9.09%

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

See notes to required supplementary information.

**NOTE A – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

A. Budgetary Information

The District adopts a balanced budget that is approved by the Committee. The Superintendent of Schools presents an annual budget to the Committee, which includes estimates of revenues and other financing sources, and recommendations of expenditures and other financing uses. The Committee, which has the full authority to amend and/or reject the budget or any line item, adopts the expenditure budget by a two-thirds vote and ratification by both member communities’ Town Meetings, as required by MGL. Increases to the budget subsequent to the approval of the annual budget also require a two-thirds vote of School Committee and Town Meeting ratification. The regional school committee may propose, with a two-thirds vote, an amendment to a previously approved budget, which provides bottom-line spending authority. If such amendment results in an increase in the total amount of the budget or an increase in assessment for any member, such amendment shall be submitted to the local appropriating authorities for their approval.

The majority of appropriations are non-continuing which lapse at the end of each year.

The District adopts an annual budget for the General Fund in conformity with the guidelines described above. The initial 2023 approved budget for the General Fund authorized \$102.9 million in appropriations. The final budget totaled \$103.8 million, which included \$861,000 of carryforwards from the prior year.

The District’s accounting office has the responsibility to ensure that budgetary control is maintained. Budgetary control is exercised through the District’s accounting system.

B. Budgetary - GAAP Reconciliation

For budgetary financial reporting purposes, the Uniform Municipal Accounting System basis of accounting (established by the Commonwealth) is followed, which differs from the GAAP basis of accounting. A reconciliation of budgetary-basis to GAAP-basis results for the general fund for the year ended June 30, 2023, is presented below:

Net change in fund balance - budgetary basis.....	\$ (406,488)
<u>Perspective differences:</u>	
Activity of the stabilization fund recorded in the general fund for GAAP.....	(267,786)
<u>Basis of accounting differences:</u>	
Recognition of revenue for on-behalf payments.....	12,828,048
Recognition of expenditures for on-behalf payments.....	<u>(12,828,048)</u>
Net change in fund balance - GAAP basis.....	<u>\$ (674,274)</u>



**NOTE B – PENSION PLAN**A. Schedule of the District's Proportionate Share of the Net Pension Liability

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

B. Schedule of District's Contributions

Governmental employers are required to pay an annual appropriation as established by PERAC. The appropriation includes the amounts to pay the pension portion of each member's retirement allowance, an amount to amortize the actuarially determined unfunded liability to zero in accordance with the system's funding schedule, and additional appropriations in accordance with adopted early retirement incentive programs. The appropriations are payable on July 1 and January 1. The District may choose to pay the entire appropriation in July at a discounted rate. Accordingly, actual contributions may be less than the "total appropriation". The pension fund appropriation is allocated to the District based on covered payroll.

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

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

Changes in Assumptions

- None.

Changes in Plan Provisions

- None.

**NOTE C – OTHER POST-RETIREMENT BENEFITS**

The District administers a single-employer defined benefit healthcare plan (the "Plan"). The Plan provides lifetime healthcare insurance for eligible retirees and their spouses through two separate plans. The District's group health insurance plan covers its active members and the Group Insurance Commission covers its retired members.

A. Schedule of the District's Proportionate Share of the Net Other Postemployment Benefit Liability

The Schedule of the District's Proportionate Share of the Net Other Postemployment Benefit Liability details the Plan's net other postemployment benefit liability (asset) and the covered employee payroll. It also demonstrates the Plan's net position as a percentage of the total liability and the Plan's net other postemployment benefit liability as a percentage of covered payroll.

B. Schedule of the District's Contributions

The Schedule of the District's Contributions includes the District's annual required contribution to the Plan, along with the contribution made in relation to the actuarially determined contribution and the covered employee payroll. The District is not required to fully fund this contribution. It also demonstrates the contributions as a percentage of covered payroll.

C. Schedule of Investment Returns

The Schedule of Investment Return includes the money-weighted investment return on the Plan's other postemployment assets, net of investment expense.

D. Changes in Assumptions

- The discount rate has increased from 5.71% to 5.92%.

E. Changes in Plan Provisions

None.