

**PACKET**

**DEC 14**

**2015**

**MINUTEMAN  
FINANCIAL  
STATEMENTS**

## DiNapoli, MaryAnn

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**From:** Balmer, Nan  
**Sent:** Friday, December 04, 2015 2:38 PM  
**To:** Anderson, Lea; Stein, Paul; Mary Ellen Castagno; jeanne\_downs@wayland.k12.ma.us  
**Cc:** DiNapoli, MaryAnn  
**Subject:** Fwd: Minuteman School District - Preliminary FY17 Assessments and FY15 Financial Statements  
**Attachments:** Minuteman Assessments - V1.0.pdf; ATT00001.htm; MM financial statements 2015 - Final.pdf; ATT00002.htm; MM management letter 2015 - Final.pdf; ATT00003.htm

Minuteman correspondence

Begin forwarded message:

**From:** "Mahoney, Kevin" <[k.mahoney@minuteman.org](mailto:k.mahoney@minuteman.org)>  
**To:** "Acton Steve Ledoux" <[manager@acton-ma.gov](mailto:manager@acton-ma.gov)>, "Adam Chapdelaine" <[achapdelaine@town.arlington.ma.us](mailto:achapdelaine@town.arlington.ma.us)>, "Kale, David" <[dkale@belmont-ma.gov](mailto:dkale@belmont-ma.gov)>, "Don Lowe" <[townadministrator@townofbolton.com](mailto:townadministrator@townofbolton.com)>, "Boxborough Selina Shaw" <[selina.shaw@town.boxborough.ma.us](mailto:selina.shaw@town.boxborough.ma.us)>, "Tim Goddard" <[tgoddard@carlisle.mec.edu](mailto:tgoddard@carlisle.mec.edu)>, "Christopher Whelan" <[cwhelan@concordma.gov](mailto:cwhelan@concordma.gov)>, "Dover David Ramsey and Greer Pugatch" <[selectmen@doverma.org](mailto:selectmen@doverma.org)>, "Ryan McNutt" <[rmcnutt@lancasterma.net](mailto:rmcnutt@lancasterma.net)>, "Carl Valente" <[cvalente@lexingtonma.gov](mailto:cvalente@lexingtonma.gov)>, "Higgins, Timothy S." <[higginst@lincolntown.org](mailto:higginst@lincolntown.org)>, "Kate Fitzpatrick" <[KFitzpatrick@needhamma.gov](mailto:KFitzpatrick@needhamma.gov)>, "Bill Wrigley" <[TownAdministrator@stow-ma.gov](mailto:TownAdministrator@stow-ma.gov)>, "SudburyTM" <[townmanager@town.sudbury.ma.us](mailto:townmanager@town.sudbury.ma.us)>, "Balmer, Nan" <[nbalmer@wayland.ma.us](mailto:nbalmer@wayland.ma.us)>, "VanderClock, Donna" <[VanderClock.D@westonmass.org](mailto:VanderClock.D@westonmass.org)>, "Tony Logalbo" <[alogalbo@concordma.gov](mailto:alogalbo@concordma.gov)>  
**Cc:** "Bouquillon, Ed" <[e.bouquillon@minuteman.org](mailto:e.bouquillon@minuteman.org)>, "Roza, Elizabeth" <[e.roza@minuteman.org](mailto:e.roza@minuteman.org)>, "Mahoney, Kevin" <[k.mahoney@minuteman.org](mailto:k.mahoney@minuteman.org)>  
**Subject:** Minuteman School District - Preliminary FY17 Assessments and FY15 Financial Statements

Good afternoon,

Attached you will find a preliminary estimate of FY17 assessments by town for Minuteman RVSD. This estimate is based on an operating budget increase of 1% next year. It should be noted that we anticipate that this is our "worst case" scenario, and the administration will continue to work with the School Committee to finalize our budget recommendation. This is provided to assist in your budget development process. I will issue an update once the budget is voted by the School Committee scheduled for January 19<sup>th</sup>, or sooner if necessary.

Also attached are the 2015 Financial Statements and Management Letter prepared by Melanson Heath and Company in accordance with MGL Chapter 71, Section 16A.

Regards,

Kevin

**Kevin F. Mahoney**  
*Assistant Superintendent of Finance*

## Minuteman High School

758 Marrett Road, Lexington, MA 02421

T 781.861.6500 x7220

F 781.863.1747

[www.minuteman.org](http://www.minuteman.org)

## MINUTEMAN

A REVOLUTION IN LEARNING

Prepare for College and Life | Learn from the Experts | Make a Fresh Start | Be More Than Just Another Student | Experience The Modern American High School | Believe In Yourself



**FY 2017 ASSESSMENT - VERSION 1.0  
DECEMBER 3, 2015**

**LOCAL REQUIRED ASSESSMENTS:**

Budget Assessment	\$ 5,182,556
Required Minimum Contribution	\$ 4,176,074
Operating Portion	\$ 1,378,134
Transportation	\$ (81,089)
EXL Reg. Trans. Maint.	\$ 2,776,272
Debt and Capital Portion	\$ 11,598,581
Total Budget Assessment	\$ 543,729
Special Programs Assessment <sup>1</sup>	\$ 12,153,230
<b>Total All Assessments</b>	<b>\$ 12,153,230</b>

Town/City	State Foundation Enrollment <sup>2</sup>	State Foundation Budget @ \$17,215/Student	State-Mandated Municipal Contribution %	ESTIMATED State Required Minimum Assessment <sup>1</sup>	Operating Assessment				Debt and Capital Assessment				Special Programs Assessment <sup>1</sup>				Total All Assessments	PT16 Assessments	Change - FY17 over FY16		
					Transportation & Remaining Assessment Per District				Enrollment & Capital Assessment				Post-Graduate Assessment								
					Choice Adjustment	Total Grade 9-12 Enrollment <sup>3</sup>	Operating Assessment	Transportation Assessment	Remaining Assessment	Enrollment for Capital Assessment <sup>1</sup>	Capital Assessment Share	Total Debt & Capital Assessment	Total Budget Assessment	Post-Grad Students <sup>1</sup>	Post-Grad Assessment @ \$1,371/Student <sup>1</sup>	Total Middle School Assessment				Total All Assessments	PT16 Assessments
Azusa	33	\$ 568,915	76.62%	\$ 431,946	33	\$ 5,000	\$ 31,216	\$ 845,083	\$ 382,807	\$ 382,807	2	\$ 2,752	\$ 5,454	\$ 944,291	\$ 1,101,825	\$ 157,534	\$ 285,280				
Arroyo	120	\$ 2,076,602	78.11%	\$ 1,621,585	117	\$ 5,000	\$ 214,061	\$ 1,112,212	\$ 384,761	\$ 384,761	5	\$ 6,750	\$ 3,443,864	\$ 3,842,169	\$ 4,038,945	\$ (196,776)	\$ (196,776)				
Belmont	25	\$ 445,830	82.46%	\$ 369,932	26	\$ 5,000	\$ 21,014	\$ 701,613	\$ 36,391	\$ 36,391	0	\$ 0	\$ 794,054	\$ 794,054	\$ 811,800	\$ (17,746)	\$ (17,746)				
Burbank	9	\$ 151,295	85.65%	\$ 130,004	9	\$ 5,000	\$ 9,537	\$ 250,596	\$ 79,291	\$ 79,291	0	\$ 0	\$ 288,301	\$ 288,301	\$ 328,948	\$ (40,647)	\$ (40,647)				
Chico	7	\$ 120,735	85.57%	\$ 104,117	7	\$ 5,000	\$ 10,003	\$ 171,645	\$ 18,411	\$ 18,411	2	\$ 2,752	\$ 263,880	\$ 263,880	\$ 345,483	\$ (81,603)	\$ (81,603)				
Claremont	5	\$ 85,378	87.23%	\$ 74,341	5	\$ 5,000	\$ 8,000	\$ 142,950	\$ 18,411	\$ 18,411	0	\$ 0	\$ 157,368	\$ 157,368	\$ 226,255	\$ (68,887)	\$ (68,887)				
Concord	17	\$ 291,325	83.27%	\$ 242,181	15	\$ 5,000	\$ 20,000	\$ 44,843	\$ 29,741	\$ 29,741	2	\$ 2,752	\$ 75,089	\$ 75,089	\$ 107,941	\$ (32,852)	\$ (32,852)				
Downey	2	\$ 33,313	71.59%	\$ 23,814	2	\$ 5,000	\$ 7,000	\$ 14,818	\$ 10,176	\$ 10,176	0	\$ 0	\$ 22,059	\$ 22,059	\$ 34,819	\$ (12,760)	\$ (12,760)				
Fontana	49	\$ 832,412	81.07%	\$ 675,042	48	\$ 5,000	\$ 72,000	\$ 161,131	\$ 134,971	\$ 134,971	0	\$ 0	\$ 1,222,029	\$ 1,222,029	\$ 1,404,149	\$ (182,120)	\$ (182,120)				
Fullerton	44	\$ 751,325	81.07%	\$ 609,246	43	\$ 5,000	\$ 63,000	\$ 141,131	\$ 144,071	\$ 144,071	0	\$ 0	\$ 1,466,880	\$ 1,466,880	\$ 1,672,296	\$ (205,416)	\$ (205,416)				
Hemet	11	\$ 189,285	83.07%	\$ 157,596	10	\$ 5,000	\$ 15,000	\$ 32,173	\$ 33,217	\$ 33,217	1	\$ 1,371	\$ 84,884	\$ 84,884	\$ 117,296	\$ (32,412)	\$ (32,412)				
Hesperia	25	\$ 411,375	83.80%	\$ 341,190	24	\$ 5,000	\$ 36,000	\$ 78,453	\$ 79,148	\$ 79,148	3	\$ 4,125	\$ 749,455	\$ 749,455	\$ 890,299	\$ (140,844)	\$ (140,844)				
Highland	13	\$ 224,315	83.80%	\$ 187,144	13	\$ 5,000	\$ 19,500	\$ 43,848	\$ 43,156	\$ 43,156	0	\$ 0	\$ 624,825	\$ 624,825	\$ 612,680	\$ (12,145)	\$ (12,145)				
Industry	25	\$ 414,375	84.61%	\$ 349,144	25	\$ 5,000	\$ 37,500	\$ 70,131	\$ 69,269	\$ 69,269	0	\$ 0	\$ 713,306	\$ 713,306	\$ 783,306	\$ (70,000)	\$ (70,000)				
Irwin	2	\$ 34,510	87.79%	\$ 30,182	2	\$ 5,000	\$ 7,000	\$ 15,110	\$ 16,414	\$ 16,414	0	\$ 0	\$ 74,027	\$ 74,027	\$ 102,059	\$ (28,032)	\$ (28,032)				
Westwood	3	\$ 46,275	89.18%	\$ 41,341	4	\$ 5,000	\$ 20,000	\$ 41,341	\$ 16,414	\$ 16,414	1	\$ 1,371	\$ 145,830	\$ 145,830	\$ 149,159	\$ (3,329)	\$ (3,329)				
<b>TOTAL</b>	<b>385</b>	<b>\$ 6,641,175</b>	<b>81.07%</b>	<b>\$ 5,342,958</b>	<b>374.3</b>	<b>\$ 10,000</b>	<b>\$ 751,196</b>	<b>\$ 4,164,074</b>	<b>\$ 1,712,273</b>	<b>\$ 1,712,273</b>	<b>14</b>	<b>\$ 47,350</b>	<b>\$ 11,846,541</b>	<b>\$ 12,153,230</b>	<b>\$ 11,838,911</b>	<b>\$ (264,319)</b>	<b>\$ (264,319)</b>				

1. Special Programs Assessment provides funding for the Middle School Program to those communities that offer the program. Also includes 50% tuition costs for Post-Graduate in-district students.  
 2. Allocation of Middle School Tuition for Azusa (\$5.8M) and Beaumont (\$18.7M) based on 10/1/14 enrollment at BJ City school.  
 3. The State Required Minimum Assessments are based on estimated DESE Ch. 70 Funding.  
 4. All student enrollment numbers are based on FY16 enrollment as of October 1, 2015. Per the District Agreement, the minimum enrollment for capital expenses is 5 FTE students.  
 5. The Total Operating Assessment equals the sum of the State Required Minimum assessment, the Transportation assessment, the Choice adjustment, and the remaining allocated assessment per the District Agreement.



**MINUTEMAN REGIONAL VOCATIONAL  
TECHNICAL SCHOOL DISTRICT**

**Annual Financial Statements**

**For the Year Ended June 30, 2015**

# MINUTEMAN REGIONAL VOCATIONAL TECHNICAL SCHOOL DISTRICT

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## INDEPENDENT AUDITORS' REPORT

To the School Committee  
Minuteman Regional Vocational  
Technical School District

Additional Offices:  
Nashua, NH  
Manchester, NH  
Greenfield, MA  
Ellsworth, ME

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Minuteman Regional Vocational Technical School District, as of and for the year ended June 30, 2015, (except for the Minuteman Regional School District Contributory Retirement System, which is as of and for the year ended December 31, 2014) and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

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

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

### **Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Minuteman Regional Vocational Technical School District, as of June 30, 2015 (and the Minuteman Regional School District Contributory Retirement System as of December 31, 2014), and the respective changes in financial position thereof, and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, Schedule of Funding Progress – Other Post-Employment Benefits, Schedule of Proportionate Share of the Net Pension Liability, Schedule of Contributions, Schedule of Changes in Net Pension Liability, and Schedule of Net Pension Liability, Contributions, and Investment Returns be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the *Governmental Accounting Standards Board*, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 3, 2015 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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Melanson Heath*

November 3, 2015

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

As management of the Minuteman Regional Vocational Technical School District (the District), we offer readers this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2015.

### **A. OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

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

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

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. 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 financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for



governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. 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.

An annual appropriated budget is adopted for the general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

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

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

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

## **B. FINANCIAL HIGHLIGHTS**

- As of the close of the current fiscal year, the total of liabilities exceeded assets by \$(584,395) (i.e., net position), a change of \$(673,259) in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$7,846,440, a change of \$274,884 in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$1,057,298, a change of \$936,323 in comparison to the prior year.
- Total long-term debt (i.e. capital leases payables) at the close of the current fiscal year was \$3,921,755, a change of \$(232,444) in comparison to the prior year.

### C. GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

#### NET POSITION

	<u>Governmental Activities</u>	
	<u>2015</u>	<u>2014</u>
Current assets	\$ 9,823,257	\$ 9,410,343
Noncurrent assets	7,300,601	7,417,447
Deferred outflows	176,000	-
Total assets and deferred outflows	<u>17,299,858</u>	<u>16,827,790</u>
Current liabilities	2,232,674	2,071,231
Noncurrent liabilities	15,651,579	14,497,695
Total liabilities	<u>17,884,253</u>	<u>16,568,926</u>
Net position:		
Net investment in capital assets	3,141,318	3,066,086
Restricted	1,110,453	1,004,949
Unrestricted	(4,836,166)	(3,812,171)
Total net position	<u>\$ (584,395)</u>	<u>\$ 258,864</u>

#### CHANGE IN NET POSITION

	<u>Governmental Activities</u>	
	<u>2015</u>	<u>2014</u>
Revenues:		
Program revenues:		
Charges for services	\$ 7,260,347	\$ 7,496,717
Operating grants and contributions	2,520,835	1,070,743
General revenues:		
Assessments to members	10,878,707	10,434,696
Grants and contributions not restricted to specific programs	3,111,786	6,799,296
Investment income	8,314	5,867
Miscellaneous	378,489	373,954
Total revenues	<u>24,158,478</u>	<u>26,181,273</u>

(continued)

(continued)

CHANGE IN NET POSITION

	<u>Governmental Activities</u>	
	<u>2015</u>	<u>2014</u>
Expenses:		
Administration	1,686,398	1,608,057
Instruction	11,564,628	11,305,019
Other school services	2,573,936	2,434,284
Operation and maintenance	2,204,525	2,185,246
Fixed charges	5,538,072	8,246,782
Community services	17,665	4,210
Miscellaneous	78,405	58,096
Interest	214,567	223,275
Depreciation	929,410	904,822
Total expenses	<u>24,807,606</u>	<u>26,969,791</u>
Change in net position before transfers	(649,128)	(788,518)
Transfers to trust and agency funds	<u>(24,131)</u>	<u>-</u>
Change in net position	(673,259)	(788,518)
Net position - beginning of year	<u>88,864</u>	* <u>1,047,382</u>
Net position - end of year	<u>\$ (584,395)</u>	<u>\$ 258,864</u>

\*As restated – see Note 18

As noted earlier, net position may serve over time as a useful indicator of a District's financial position. At the close of the most recent fiscal year, total net position was \$(584,395), a change of \$(673,259) from the prior year.

The largest portion of net position \$3,141,318 reflects our investment in capital assets (e.g., land, buildings and improvements, furniture and equipment, and construction in progress); less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves, cannot be used to liquidate these liabilities.

An additional portion of net position \$1,110,453 represents resources that are subject to external restrictions on how they may be used.

**Governmental activities.** Governmental activities for the year resulted in a change in net position of \$(673,259). Key elements of this change are as follows:

**Operating Results:**

General fund revenues in excess of expenditures and transfers out	\$ 140,559
Capital projects fund expenditures in excess of revenues	(40,366)
Nonmajor governmental funds revenues and transfers in in excess of expenditures	<u>174,691</u>
Subtotal operating results	274,884
Purchase of fixed assets	812,564
Depreciation	(929,410)
Repayments of capital lease	232,444
Change in compensated absence liability	30,464
Change in net OPEB obligation	(1,130,205)
Change related to net pension liability	<u>36,000</u>
Total	<u>\$ (673,259)</u>

**D. FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS**

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

**Governmental funds.** The focus of governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources.

Such information is useful in assessing financing requirements. In particular, unassigned fund balance may serve as a useful measure of a District's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$7,846,440, a change of \$274,884 in comparison to the prior year. Key elements of this change are as follows:

General fund revenues in excess of expenditures and transfers out	\$ 140,559
Capital projects fund expenditures in excess of revenues	(40,366)
Nonmajor governmental funds revenues and transfers in in excess of expenditures	<u>174,691</u>
Total	<u>\$ 274,884</u>

The general fund is the chief operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was \$1,057,298, while total fund balance was \$6,990,698. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Refer to the table below.

<u>General Fund</u>	<u>06/30/15</u>	<u>06/30/14</u>	<u>Change</u>	<u>% of Total General Fund Expenditures</u>
Unassigned fund balance	\$ 1,057,298	\$ 120,975	\$ 936,323	6%
Total fund balance	\$ 6,990,698	\$ 6,850,139	\$ 140,559	37%

The total fund balance of the general fund changed by \$140,559 during the current fiscal year. Key factors in this change are as follows:

Revenues in excess of budget	\$ 260,906
Expenditures less than budget	889,639
Use of fund balance - prior year tuition	(5,965,997)
Use of fund balance - operations	(330,023)
Current year tuition received - assigned to 2016 budget	5,508,262
Expenditures of prior year encumbrances	(376,781)
Encumbrances	106,766
Stabilization fund activity	47,787
<b>Total</b>	<b>\$ 140,559</b>

#### **E. BUDGETARY HIGHLIGHTS**

During fiscal year 2015, the school committee voted to use \$230,023 of unassigned fund balance in order to fund deficit balances in grant, revolving, trust, and agency funds.

#### **F. CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital assets.** Total investment in capital assets at year-end amounted to \$7,300,601 (net of accumulated depreciation), a change of \$(116,846) from the prior year. This investment in capital assets includes land, construction in progress, buildings and improvements, and furniture and equipment.

**Long-term debt.** At the end of the current fiscal year, total long-term debt outstanding (capital leases) was \$3,921,755, all of which was backed by the full faith and credit of the District.

Additional information on capital assets and long-term debt can be found in the notes to the financial statements.

## **REQUESTS FOR INFORMATION**

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

Assistant Superintendent of Finance  
Minuteman Regional Vocational  
Technical School District  
758 Marrett Road  
Lexington, MA 02713



MINUTEMAN REGIONAL VOCATIONAL TECHNICAL SCHOOL DISTRICT

STATEMENT OF NET POSITION

JUNE 30, 2015

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Current:	
Cash and short-term investments	\$ 8,471,771
Receivables:	
Intergovernmental	<u>1,351,486</u>
Total current assets	9,823,257
Noncurrent:	
Land	668,673
Construction in progress	414,856
Capital assets, net of accumulated depreciation	<u>6,217,072</u>
Total noncurrent assets	<u>7,300,601</u>
<b>TOTAL ASSETS</b>	<b>17,123,858</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<u>176,000</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>17,299,858</b>
<b>LIABILITIES</b>	
Current:	
Accounts payable	21,024
Accrued payroll and withholdings	1,499,890
Other current liabilities	21,503
Bond anticipation note payable	434,400
Capital lease payable	<u>255,857</u>
Total current liabilities	2,232,674
Noncurrent:	
Capital lease payable	3,665,898
Compensated absence liability	249,906
Net OPEB obligation	11,425,775
Net pension liability	<u>310,000</u>
Total noncurrent liabilities	<u>15,651,579</u>
<b>TOTAL LIABILITIES</b>	<b>17,884,253</b>
<b>NET POSITION</b>	
Net investment in capital assets	3,141,318
Restricted for:	
Grants and other statutory restrictions	1,110,453
Unrestricted	<u>(4,836,166)</u>
<b>TOTAL NET POSITION</b>	<b>\$ <u>(584,395)</u></b>

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

MINUTEMAN REGIONAL VOCATIONAL TECHNICAL SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2015

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expenses) Revenues and Change in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
<b>Governmental Activities:</b>				
Administration	\$ 1,686,398	\$ -	\$ -	\$ (1,686,398)
Instruction	11,564,628	6,936,334	750,948	(3,877,346)
Other school services	2,573,936	226,051	99,374	(2,248,511)
Operation and maintenance	2,204,525	97,962	-	(2,106,563)
Fixed charges	5,538,072	-	1,656,688	(3,881,384)
Community services	17,665	-	-	(17,665)
Other	78,405	-	-	(78,405)
Interest	214,567	-	13,825	(200,742)
Depreciation	929,410	-	-	(929,410)
Total Governmental Activities	<u>\$ 24,807,606</u>	<u>\$ 7,260,347</u>	<u>\$ 2,520,835</u>	(15,026,424)
<b>General Revenues and Transfers:</b>				
				10,878,707
Assessments to members				
Grants and contributions not restricted to specific programs				3,111,786
Investment income				8,314
Miscellaneous				378,489
Transfers to trust and agency funds				<u>(24,131)</u>
Total general revenues and transfers				<u>14,353,165</u>
Change in Net Position				(673,259)
<b>Net Position:</b>				
Beginning of year, as restated				<u>88,864</u>
End of year				<u>\$ (584,395)</u>

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

MINUTEMAN REGIONAL VOCATIONAL TECHNICAL SCHOOL DISTRICT  
GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2015

	<u>General</u>	<u>Capital Projects Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash and short-term investments	\$ 7,142,650	\$ 196,872	\$ 1,132,249	\$ 8,471,771
Receivables:				
Intergovernmental	<u>1,203,090</u>	<u>-</u>	<u>148,396</u>	<u>1,351,486</u>
<b>TOTAL ASSETS</b>	<u>\$ 8,345,740</u>	<u>\$ 196,872</u>	<u>\$ 1,280,645</u>	<u>\$ 9,823,257</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 6,108	\$ -	\$ 14,916	\$ 21,024
Accrued payroll and withholdings	1,330,573	-	169,317	1,499,890
Other current liabilities	18,361	-	3,142	21,503
Bond anticipation note payable	<u>-</u>	<u>434,400</u>	<u>-</u>	<u>434,400</u>
<b>TOTAL LIABILITIES</b>	1,355,042	434,400	187,375	1,976,817
<b>FUND BALANCES</b>				
Restricted	15,478	-	1,094,975	1,110,453
Committed	247,804	-	-	247,804
Assigned	5,670,118	-	-	5,670,118
Unassigned	<u>1,057,298</u>	<u>(237,528) *</u>	<u>(1,705)</u>	<u>818,065</u>
<b>TOTAL FUND BALANCES</b>	<u>6,990,698</u>	<u>(237,528)</u>	<u>1,093,270</u>	<u>7,846,440</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 8,345,740</u>	<u>\$ 196,872</u>	<u>\$ 1,280,645</u>	<u>\$ 9,823,257</u>

\* See Note 2.E.

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

MINUTEMAN REGIONAL VOCATIONAL TECHNICAL SCHOOL DISTRICT

RECONCILIATION OF TOTAL GOVERNMENTAL FUND  
BALANCES TO NET POSITION OF GOVERNMENTAL  
ACTIVITIES IN THE STATEMENT OF NET POSITION

JUNE 30, 2015

<b>Total governmental fund balances</b>	\$ 7,846,440
• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	7,300,601
• Long-term liabilities are not due and payable in the current period, and therefore, are not reported in the governmental funds:	
Capital lease payable	(3,921,755)
Compensated absence liability	(249,906)
Net OPEB obligation	(11,425,775)
Net pension liability	(310,000)
• Deferred inflows of resources from net pension liability	<u>176,000</u>
<b>Net position of governmental activities</b>	<u><u>\$ (584,395)</u></u>

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

MINUTEMAN REGIONAL VOCATIONAL TECHNICAL SCHOOL DISTRICT

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2015

	<u>General</u>	<u>Capital Projects Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
Assessments to members	\$ 10,270,152	\$ -	\$ 608,555	\$ 10,878,707
Intergovernmental revenues	3,111,786	13,825	850,322	3,975,933
Charges for services	5,890,262	-	1,370,085	7,260,347
Investment income	8,010	-	304	8,314
Miscellaneous	<u>68,615</u>	<u>-</u>	<u>309,874</u>	<u>378,489</u>
<b>Total Revenues</b>	<b>19,348,825</b>	<b>13,825</b>	<b>3,139,140</b>	<b>22,501,790</b>
<b>Expenditures:</b>				
<b>Current:</b>				
Administration	1,674,884	-	78,591	1,753,475
Instruction	9,450,629	-	2,224,406	11,675,035
Other school services	2,026,765	-	547,171	2,573,936
Operation and maintenance	1,858,657	-	177,919	2,036,576
Fixed charges	2,665,245	-	121,934	2,787,179
Community services	-	-	17,665	17,665
Capital acquisitions	779,302	54,191	-	833,493
Other	75,750	-	2,655	78,405
Debt service	<u>447,011</u>	<u>-</u>	<u>-</u>	<u>447,011</u>
<b>Total Expenditures</b>	<b><u>18,978,243</u></b>	<b><u>54,191</u></b>	<b><u>3,170,341</u></b>	<b><u>22,202,775</u></b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>370,582</b>	<b>(40,366)</b>	<b>(31,201)</b>	<b>299,015</b>
<b>Other Financing Sources (Uses):</b>				
Transfers to grants and revolving funds	(205,892)	-	205,892	-
Transfers to trust and agency funds	<u>(24,131)</u>	<u>-</u>	<u>-</u>	<u>(24,131)</u>
<b>Total Other Financing Sources (Uses)</b>	<b><u>(230,023)</u></b>	<b><u>-</u></b>	<b><u>205,892</u></b>	<b><u>(24,131)</u></b>
<b>Change in fund balance</b>	<b>140,559</b>	<b>(40,366)</b>	<b>174,691</b>	<b>274,884</b>
<b>Fund Equity, at Beginning of Year</b>	<b><u>6,850,139</u></b>	<b><u>(197,162)</u></b>	<b><u>918,579</u></b>	<b><u>7,571,556</u></b>
<b>Fund Equity, at End of Year</b>	<b><u>\$ 6,990,698</u></b>	<b><u>\$ (237,528)</u></b>	<b><u>\$ 1,093,270</u></b>	<b><u>\$ 7,846,440</u></b>

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

MINUTEMAN REGIONAL VOCATIONAL TECHNICAL SCHOOL DISTRICT

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

FOR THE YEAR ENDED JUNE 30, 2015

<b>Net changes in fund balances - total governmental funds</b>	<b>\$ 274,884</b>																
<ul style="list-style-type: none"> <li>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:           <table> <tr> <td style="padding-left: 20px;">Capital acquisitions</td> <td style="text-align: right;">812,564</td> </tr> <tr> <td style="padding-left: 20px;">Depreciation</td> <td style="text-align: right;">(929,410)</td> </tr> </table> </li> <li>The issuance of long-term debt (e.g., capital lease) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position:           <table> <tr> <td style="padding-left: 20px;">Repayments of capital lease</td> <td style="text-align: right;">232,444</td> </tr> </table> </li> <li>Some expenses reported in the Statement of Activities, do not require the use of current financial resources and therefore, are not reported as expenditures in governmental funds:           <table> <tr> <td style="padding-left: 20px;">Change in compensated absence liability</td> <td style="text-align: right;">30,464</td> </tr> <tr> <td style="padding-left: 20px;">Change in net OPEB obligation</td> <td style="text-align: right;">(1,130,205)</td> </tr> <tr> <td style="padding-left: 20px;">GASB 68 changes:</td> <td></td> </tr> <tr> <td style="padding-left: 40px;">Net pension liability</td> <td style="text-align: right;">10,000</td> </tr> <tr> <td style="padding-left: 40px;">Deferred outflows of resources</td> <td style="text-align: right;"><u>26,000</u></td> </tr> </table> </li> </ul>		Capital acquisitions	812,564	Depreciation	(929,410)	Repayments of capital lease	232,444	Change in compensated absence liability	30,464	Change in net OPEB obligation	(1,130,205)	GASB 68 changes:		Net pension liability	10,000	Deferred outflows of resources	<u>26,000</u>
Capital acquisitions	812,564																
Depreciation	(929,410)																
Repayments of capital lease	232,444																
Change in compensated absence liability	30,464																
Change in net OPEB obligation	(1,130,205)																
GASB 68 changes:																	
Net pension liability	10,000																
Deferred outflows of resources	<u>26,000</u>																
<b>Change in net position of governmental activities</b>	<b>\$ <u>(673,259)</u></b>																

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



MINUTEMAN REGIONAL VOCATIONAL TECHNICAL SCHOOL DISTRICT

GENERAL FUND

STATEMENT OF REVENUES AND OTHER SOURCES,  
AND EXPENDITURES AND OTHER USES - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2015

	Original <u>Budget</u>	Final <u>Budget</u>	Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>Revenues and other sources:</b>				
Assessments to members	\$ 10,270,152	\$ 10,270,152	\$ 10,270,152	\$ -
Intergovernmental revenues	2,926,918	2,926,918	3,111,786	184,868
Charges for services	382,000	382,000	382,000	-
Investment income	-	-	7,423	7,423
Miscellaneous	-	-	68,615	68,615
Use of fund balance - prior year tuition	5,965,997	5,965,997	5,965,997	-
Use of fund balance - operations	100,000	330,023	330,023	-
<b>Total Revenues and Other Sources</b>	<b>19,645,067</b>	<b>19,875,090</b>	<b>20,135,996</b>	<b>260,906</b>
<b>Expenditures and other uses:</b>				
Administration	1,838,265	1,838,265	1,673,313	164,952
Instruction	9,779,076	9,779,076	9,486,148	292,928
Other school services	2,052,932	2,052,932	2,019,751	33,181
Operation and maintenance	1,874,108	1,874,108	1,832,087	42,021
Fixed charges	2,881,079	2,881,079	2,662,820	218,259
Community services	135,000	135,000	-	135,000
Capital acquisitions	502,130	502,130	475,472	26,658
Other	34,000	34,000	57,749	(23,749)
Debt service	448,477	448,477	448,088	389
Transfers out	100,000	330,023	330,023	-
<b>Total Expenditures and Other Uses</b>	<b>19,645,067</b>	<b>19,875,090</b>	<b>18,985,451</b>	<b>889,639</b>
<b>Excess of revenues and other sources over expenditures and other uses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,150,545</b>	<b>\$ 1,150,545</b>

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

MINUTEMAN REGIONAL VOCATIONAL TECHNICAL SCHOOL DISTRICT

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2015

	Retirement Trust Fund (As of <u>December 31, 2014</u> )	Private Purpose Trust <u>Funds</u>	Agency <u>Funds</u>
<b><u>ASSETS</u></b>			
Cash and short-term investments	\$ 381,715	\$ 166,862	\$ 61,613
Investments, at fair value	12,764,106	-	-
Receivables	<u>28,368</u>	<u>-</u>	<u>-</u>
Total Assets	13,174,189	166,862	61,613
<b><u>LIABILITIES</u></b>			
Due to student groups	<u>-</u>	<u>-</u>	<u>61,613</u>
Total Liabilities	<u>-</u>	<u>-</u>	<u>61,613</u>
<b><u>NET POSITION</u></b>			
Total net position held in trust	\$ <u><u>13,174,189</u></u>	\$ <u><u>166,862</u></u>	\$ <u><u>-</u></u>

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

MINUTEMAN REGIONAL VOCATIONAL TECHNICAL SCHOOL DISTRICT

FIDUCIARY FUNDS

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FOR THE YEAR ENDED JUNE 30, 2015

	Retirement Trust Fund (Year ended <u>December 31, 2014</u> )	Private Purpose <u>Trust Funds</u>
<b>Additions:</b>		
Contributions:		
Employer	\$ 150,000	\$ -
Plan members	310,143	-
Other systems and Commonwealth of Massachusetts	160,252	-
Other	-	13,993
Transfers from general fund	<u>-</u>	<u>16,132</u>
Total contributions	620,395	30,125
Investment income:	<u>927,795</u>	<u>321</u>
Total investment income	<u>927,795</u>	<u>321</u>
Total additions	1,548,190	30,446
<b>Deductions:</b>		
Benefit payments to plan members and beneficiaries	919,261	-
Refunds to plan members	31,888	-
Transfers to other systems	41,860	-
Administrative expenses	45,854	-
Scholarships and other	<u>-</u>	<u>11,791</u>
Total deductions	<u>1,038,863</u>	<u>11,791</u>
Net increase	509,327	18,655
<b>Net position:</b>		
Beginning of year	<u>12,664,862</u>	<u>148,207</u>
End of year	<u>\$ 13,174,189</u>	<u>\$ 166,862</u>

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

# MINUTEMAN REGIONAL VOCATIONAL TECHNICAL SCHOOL DISTRICT

## Notes to the Financial Statements

### 1. Summary of Significant Accounting Policies

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

#### A. Reporting Entity

The District is a municipal corporation governed by an elected School Committee. As required by generally accepted accounting principles, these financial statements present the District and applicable component units for which the District is considered to be financially accountable. In fiscal year 2015, it was determined that no entities met the required GASB 14 (as amended) criteria of component units.

The Minuteman Regional School District Contributory Retirement System (the System), which was established to provide retirement benefits primarily to employees and their beneficiaries, is presented using the accrual basis of accounting and is reported as a pension trust fund in the fiduciary fund financial statements. Additional financial information of the System can be obtained by contacting the System located at 758 Marrett Road, Lexington, Massachusetts.

#### B. Government-wide and Fund Financial Statements

##### Government-wide Financial Statements

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

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

### Fund Financial Statements

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

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

Amounts reported as *program revenues* include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include member assessments.

#### Fund Financial Statements

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

The District reports the following major governmental funds:

- The *General Fund* is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The *Capital Projects Fund* is used to segregate activities related to the District's capital projects.

The *Retirement Trust Fund* accounts for the activities of the Minuteman Regional School District Contributory Retirement System, which accumulates resources for pension benefit payments to qualified employees.

*Private Purpose Trust Funds* are used to account for trust arrangements, under which principal and investment income exclusively benefit individuals.

*Agency Funds* are used to account for money held by the District on behalf of others (e.g., student activity funds).

**D. Cash and Short-Term Investments**

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

Deposits with financial institutions consist primarily of demand deposits, certificates of deposits, and savings accounts. A cash and investment pool is maintained that is available for use by all funds. Each fund's portion of this pool is reflected on the combined financial statements under the caption "cash and short-term investments". The interest earnings attributable to each fund type are included under investment income.

**E. Investments**

State and local statutes place certain limitations on the nature of deposits and investments available. Deposits in any financial institution may not exceed certain levels within the financial institution. Non-fiduciary fund investments can be made in securities issued by or unconditionally guaranteed by the U.S. Government or agencies that have a maturity of one year or less from the date of purchase and repurchase agreements guaranteed by such securities with maturity dates of no more than 90 days from the date of purchase.

**F. Capital Assets**

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



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

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

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

<u>Assets</u>	<u>Years</u>
Buildings and improvements	20 - 40
Furniture and equipment	3 - 20

G. Compensated Absences

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

H. Long-Term Obligations

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

I. Fund Equity

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

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

The District's fund balance classification policies and procedures are as follows:

- 1) Nonspendable funds are either unspendable in the current form (i.e., inventory or prepaid items) or can never be spent.

- 2) Restricted funds are used solely for the purpose in which the fund was established. In the case of special revenue funds, these funds are created by statute or otherwise have external constraints on how the funds can be expended.
- 3) Committed funds are reported and expended as a result of motions passed by the highest decision making authority in the District. (i.e., the School Committee).
- 4) Assigned funds are used for specific purposes as established by management. These funds, which include encumbrances, have been assigned for specific goods and services ordered but not yet paid for. This account also includes fund balance voted to be used in subsequent fiscal year.
- 5) Unassigned funds are available to be spent in future periods.

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

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

**J. Use of Estimates**

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

## 2. Stewardship, Compliance, and Accountability

### A. Budgetary Information

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

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

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

### B. Budgetary Basis

The General Fund final appropriation appearing on the "Budget and Actual" page of the fund financial statements represents the final amended budget after all reserve fund transfers and supplemental appropriations.

### C. Budget/GAAP Reconciliation

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

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

<u>General Fund</u>	<u>Revenues and Other Financing Sources</u>	<u>Expenditures and Other Financing Uses</u>
Revenues/Expenditures (GAAP Basis)	\$ 19,348,825	\$ 18,978,243
Other financing sources/uses (GAAP Basis)	-	230,023
Subtotal (GAAP Basis)	19,348,825	19,208,266
Reverse beginning of year appropriation carryforwards from expenditures		(376,781)
Add end-of-year appropriation carryforwards to expenditures	-	106,766
Recognize use of fund balance as funding source - prior year tuition	5,965,997	-
Current year tuition received - assigned to 2016 budget	(5,508,262)	-
Recognize use of fund balance as funding source - operations	100,000	-
Recognize use of fund balance as funding source - close out deficit funds	230,023	-
Budgeted transfer to stabilization	-	100,000
To reverse stabilization fund activity	(587)	(52,800)
Budgetary Basis	<u>\$ 20,135,996</u>	<u>\$ 18,985,451</u>

**D. Assessments of Member Towns**

Most capital and operating costs of the District in excess of each town's net minimum contribution are apportioned to the member towns on the basis of their respective pupil enrollments in the District on October 1 of the preceding year. Certain costs, such as transportation and debt service, are outside of the net school spending requirements established by the Commonwealth of Massachusetts. These costs are apportioned to the member towns based on either a percentage or on a member-specific basis.

E. Deficit Fund Equity

The following funds had deficits as of June 30, 2015:

<u>Fund Name</u>	<u>Fund Number</u>	
School store	1421700	\$ (1,420)
Perkins FY14	4040014	<u>(285)</u>
Subtotal grants and revolving funds		(1,705)
Capital projects **		<u>(237,528)</u>
Total		\$ <u>(239,233)</u>

The deficits in the grants and revolving funds will be eliminated through future departmental revenues and transfers from other funds.

\*\* The deficit in the capital projects will be eliminated by the receipt of future bond proceeds. In fiscal year 2015, the District issued BANs to meet the cash flow needs for capital projects.

3. Cash and Short-Term Investments

*Custodial Credit Risk - Deposits.* Custodial credit risk is the risk that in the event of a bank failure, the District's and System's deposits may not be returned.

Massachusetts General Law Chapter 44, Section 55, limits the District's deposits "in a bank or trust company or banking company to an amount not exceeding sixty percent of the capital and surplus of such bank or trust company or banking company, unless satisfactory security is given to it by such bank or trust company or banking company for such excess."

Massachusetts General Law Chapter 32, Section 23, limits the Minuteman Regional School District Contributory Retirement System's deposits, "in a bank or trust company to an amount not exceeding ten percent of the capital and surplus of such bank or trust company."

The District and the Minuteman Regional School District Contributory Retirement System do not have a deposit policy for custodial credit risk.

As of June 30, 2015, approximately \$3.6 million of the District's bank balance was uninsured or uncollateralized. At December 31, 2014, none of the Minuteman Regional School District Contributory Retirement System's bank balances were uninsured or uncollateralized.

#### 4. Investments

##### A. Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. Massachusetts General Law, Chapter 32, Section 23, limits the investment of Minuteman Regional School District Contributory Retirement System funds, to the extent not required for current disbursements, in the PRIT Fund or in securities, other than mortgages or collateral loans, which are legal for the investment of funds in savings banks under the laws of the Commonwealth of Massachusetts, provided that no more than the established percentage of assets, is invested in any one security.

At December 31, 2014, the Minuteman Regional School District Contributory Retirement System had the following investments (in thousands):

<u>Investment Type</u>	<u>Fair Value</u>
State Investment Pool*	\$ <u>12,764</u>
Total Investments	\$ <u>12,764</u>

*\*Fair value is the same as the value of the pool share. The Pension Reserves Investment Trust was created under Massachusetts general law, chapter 32, section 22, in December 1983. The Pension Reserves Investment Trust is operated under contract with a private investment advisor, approved by the Pension Reserves Investment Management Board. The Pension Reserves Investment Management Board shall choose an investment advisor by requesting proposals from advisors and reviewing such proposals based on criteria adopted under Massachusetts general law, chapter 30B.*

##### B. Custodial Credit Risk

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

The Minuteman Regional School District Contributory Retirement System's investments of \$12,764,106 were exposed to custodial credit risk as uninsured or uncollateralized. However, the investments were held in the State Investment Pool.

C. Concentration of Credit Risk

Massachusetts General Law Chapter 32, Section 23 limits the amount the Minuteman Regional School District Contributory Retirement System may invest in any one issuer or security type, with the exception of the PRIT Fund.

The Minuteman Regional School District Contributory Retirement System does not have an investment in one issuer greater than 5% of total investments.

D. Interest Rate Risk

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

The Minuteman Regional School District Contributory Retirement System does not maintain investments that are sensitive to market interest rate fluctuations.

E. Foreign Currency Risk

Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair value of an investment. The Minuteman Regional School District Contributory Retirement System does not have policies for foreign currency risk.

5. Intergovernmental Receivables

This balance represents reimbursements requested from federal, state, and local agencies for expenditures incurred in fiscal year 2015.

## 6. Capital Assets

Capital asset activity for the year ended June 30, 2015 was as follows (in thousands):

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>				
Capital assets, being depreciated:				
Buildings and improvements	\$ 22,233	\$ 476	\$ -	\$ 22,709
Furniture and equipment	<u>2,470</u>	<u>234</u>	<u>-</u>	<u>2,704</u>
Total capital assets, being depreciated	24,703	710	-	25,413
Less accumulated depreciation for:				
Buildings and improvements	(16,233)	(699)	-	(16,932)
Furniture and equipment	<u>(2,033)</u>	<u>(231)</u>	<u>-</u>	<u>(2,264)</u>
Total accumulated depreciation	<u>(18,266)</u>	<u>(930)</u>	<u>-</u>	<u>(19,196)</u>
Total capital assets, being depreciated, net	6,437	(220)	-	6,217
Capital assets, not being depreciated:				
Land	669	-	-	669
Construction in progress	<u>312</u>	<u>103</u>	<u>-</u>	<u>415</u>
Total capital assets, not being depreciated	<u>981</u>	<u>103</u>	<u>-</u>	<u>1,084</u>
Governmental activities capital assets, net	<u>\$ 7,418</u>	<u>\$ (117)</u>	<u>\$ -</u>	<u>\$ 7,301</u>

## 7. Deferred Outflows of Resources

Deferred outflows of resources represent the consumption of net assets by the District in future reporting periods. Deferred outflows of resources have a positive effect on net position, similar to assets. At June 30, 2015, deferred outflows of resources of \$176,000 relate to the Minuteman Regional School District contributory retirement plan.

## 8. Accounts Payable

Accounts payable represent 2015 expenditures paid after July 15, 2015.

## 9. Bond Anticipation Note Payable

The following summarizes notes payable activity during fiscal year 2015:

	<u>Issue Amount</u>	<u>Issue Date</u>	<u>Interest Rate</u>	<u>Balance Beginning of Year</u>	<u>Advances</u>	<u>Repayments</u>	<u>Balance End of Year</u>
Bond anticipation	\$ 254,400	11/22/13	0.65%	\$ 254,400	\$ -	\$ (254,400)	\$ -
Bond anticipation	\$ 180,000	06/27/14	0.58%	180,000	-	(180,000)	-
Bond anticipation	\$ 254,400	11/21/14	0.55%	-	254,400	-	254,400
Bond anticipation	\$ 180,000	06/26/15	0.60%	-	<u>180,000</u>	<u>-</u>	<u>180,000</u>
Totals				<u>\$ 434,400</u>	<u>\$ 434,400</u>	<u>\$ (434,400)</u>	<u>\$ 434,400</u>



**10. Long-Term Debt**

**A. Capital Lease Obligation**

The District is the lessee of certain equipment under capital leases expiring in various years through 2025. Future minimum lease payments under the capital leases consisted of the following as of June 30, 2015:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 255,857	\$ 199,225	\$ 455,082
2017	280,923	186,228	467,151
2018	307,746	171,957	479,703
2019	336,434	156,323	492,757
2020	367,101	139,233	506,334
2021 - 2025	<u>2,373,694</u>	<u>381,399</u>	<u>2,755,093</u>
Total	<u>\$ 3,921,755</u>	<u>\$ 1,234,365</u>	<u>\$ 5,156,120</u>

The general fund has been designated as the source to repay the capital leases outstanding.

**B. Changes in General Long-Term Liabilities**

During the year ended June 30, 2015, the following changes occurred in long-term liabilities:

	<u>Total Balance 7/1/14</u>	<u>Additions</u>	<u>Reductions</u>	<u>Total Balance 6/30/15</u>	<u>Less Current Portion</u>	<u>Equals Long-Term Portion 6/30/15</u>
<u>Governmental Activities</u>						
Capital leases	\$ 4,154,199	\$ -	\$ (232,444)	\$ 3,921,755	\$ (255,857)	\$ 3,665,898
Compensated absences	280,370	-	(30,464)	249,906	-	249,906
Net OPEB obligation	10,295,570	2,148,685	(1,018,480)	11,425,775	-	11,425,775
Net pension liability	<u>320,000</u>	<u>-</u>	<u>(10,000)</u>	<u>310,000</u>	<u>-</u>	<u>310,000</u>
Totals	<u>\$ 15,050,139</u>	<u>\$ 2,148,685</u>	<u>\$ (1,291,388)</u>	<u>\$ 15,907,436</u>	<u>\$ (255,857)</u>	<u>\$ 15,651,579</u>

**11. Restricted Net Position**

The accompanying entity-wide financial statements report restricted net position when external constraints from grantors or contributors are placed on net position.

## 12. Fund Balances

Following is a summary of the District's fund balances at June 30, 2015:

	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Restricted:				
Grants and revolving funds	\$ -	\$ -	\$ 1,094,975	\$ 1,094,975
Retirement plan	15,478	-	-	15,478
Total Restricted	15,478	-	1,094,975	1,110,453
Committed:				
Stabilization fund	247,804	-	-	247,804
Total Committed	247,804	-	-	247,804
Assigned:				
Reserve for expenditures - tuition	5,418,352	-	-	5,418,352
Reserve for expenditures - operations	145,000	-	-	145,000
Reserve for encumbrances	106,766	-	-	106,766
Total Assigned	5,670,118	-	-	5,670,118
Unassigned:				
Funds in deficit	-	(237,528)	(1,705)	(239,233)
Unassigned	1,057,298	-	-	1,057,298
Total Unassigned	1,057,298	(237,528)	(1,705)	818,065
Total Fund Balance	\$ 6,990,698	\$ (237,528)	\$ 1,093,270	\$ 7,846,440

## 13. Commitments and Contingencies

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

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

## 14. Post-Employment Healthcare and Life Insurance Benefits

### Other Post-Employment Benefits

GASB Statement 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*, requires governments to

account for other post-employment benefits (OPEB), primarily healthcare, on an accrual basis rather than on a pay-as-you-go basis. The effect is the recognition of an actuarially required contribution as an expense on the Statement of Activities when a future retiree earns their post-employment benefits, rather than when they use their post-employment benefit. To the extent that an entity does not fund their actuarially required contribution, a post-employment benefit liability is recognized on the Statement of Net Position over time.

**A. Plan Description**

In addition to providing the pension benefits described, the District provides post-employment healthcare and life insurance benefits for retired employees through the District's plan. The benefits, benefit levels, employee contributions and employer contributions are governed by Chapter 32 of the Massachusetts General Laws. As of July 1, 2014, the actuarial valuation date, 95 retirees and 154 active employees met the eligibility requirements. The plan does not issue a separate financial report.

**B. Benefits Provided**

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

**C. Funding Policy**

Retirees contribute 40% of the cost of the health plan and 50% of the life insurance, as determined by the District. The District contributes the remainder of the health plan costs on a pay-as-you-go basis.

**D. Annual OPEB Costs and Net OPEB Obligation**

The District's fiscal year 2015 annual OPEB expense is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost per year and amortize the unfunded actuarial liability over a period of thirty years. The following table shows the components of the District's annual OPEB cost for the year ending June 30, 2015, the amount actually contributed to the plan, and the change in the District's net OPEB obligation based on an actuarial valuation as of July 1, 2014.

Annual Required Contribution (ARC)	\$ 1,736,862
Interest on net OPEB obligation	411,823
Adjustment to ARC	<u>(511,502)</u>
Annual OPEB cost	1,637,183
Contributions made	<u>(506,978)</u>
Increase in net OPEB obligation	1,130,205
Net OPEB obligation - beginning of year	<u>10,295,570</u>
Net OPEB obligation - end of year	<u>\$ 11,425,775</u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2015	\$ 1,637,183	31.0%	\$ 11,425,775
2014	\$ 2,223,619	26.4%	\$ 10,295,570
2013	\$ 2,088,039	28.1%	\$ 8,725,218
2012	\$ 2,246,240	32.9%	\$ 7,189,276
2011	\$ 2,133,820	31.0%	\$ 5,681,709
2010	\$ 2,589,084	16.3%	\$ 4,208,357

**E. Funded Status and Funding Progress**

The funded status of the plan as of July 1, 2014, the date of the most recent actuarial valuation was as follows:

Actuarial accrued liability (AAL)	\$ 16,938,786
Actuarial value of plan assets	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 16,938,786</u>
Funded ratio (actuarial value of plan assets/AAL)	<u>0%</u>
Covered payroll (active plan members)	<u>\$ 10,579,325</u>
UAAL as a percentage of covered payroll	<u>160.1%</u>

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples included assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are

compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**F. Actuarial Methods and Assumptions**

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

In the July 1, 2014 actuarial valuation, the projected unit credit cost method was used. The actuarial value of assets was not determined as the District has not advanced funded its obligation. The actuarial assumptions included a 4.00 % investment rate of return and an initial annual healthcare cost trend rate of 9.00 % which decreases to a 5.00 % long-term rate for all healthcare benefits by the year 2020. The amortization costs for the initial UAAL is a level percentage of payroll for a period of 30 years, on a closed basis. This has been calculated assuming a payroll growth rate of 3.00% annually.

**15. Minuteman Regional School District Contributory Retirement System**

The District follows the provisions of GASB Statement No. 67 Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25 and GASB Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27, with respect to the employees' retirement funds.

**A. Plan Description**

Substantially all employees of the District (except teachers) are members of the Minuteman Regional School District Contributory Retirement System (MMCRS), a single employer defined benefit public employee retirement system (PERS). Eligible employees must participate in the MMCRS. The pension plan provides pension benefits, deferred allowances, and death and disability benefits. Chapter 32 of the Massachusetts General Laws establishes the authority of the MMCRS Retirement Board. Chapter 32 also establishes contribution percentages and benefits paid.

The MMCRS is governed by a five-member Board. The five members include two appointed by the District, two elected by the members and retirees, and a fifth member chosen by the other four members with the approval of the Public Employee Retirement Administration Commission. The MMCRS does not have the authority to amend benefit provisions. As required by Massachusetts General Laws, MMCRS issues a separate report to the Commonwealth's Public Employee Retirement Administration Commission.

Membership of the plan consisted of the following at December 31, 2014:

Retirees and beneficiaries receiving benefits	39
Inactive members entitled to a return of contributions	27
Inactive members with a vested right to a deferred or moderate benefit	3
Active plan members	<u>50</u>
	<u>119</u>
Number of participating employers	1

**B. Benefits Provided**

A member's annual allowance is determined by multiplying average salary by a benefit rate related to the member's age and job classification at retirement, and the resulting product by his creditable service. The amount determined by the benefit formula cannot exceed 80% of the member's highest three year (or five year salary as discussed below) average salary. For veterans as defined in G.L. c. 32, s. 1, there is an additional benefit of \$15 per year for each year of creditable service, up to a maximum of \$300.

- Salary is defined as gross regular compensation. For employees who become members after January 1, 2011, regular compensation is limited to 64% of the federal limit found in 26 U.S.C. 401(a)(17). In addition, regular compensation for members who retire after April 2, 2012 will be limited to prohibit "spiking" of a member's salary to increase the retirement benefit.
- For persons who became members prior to April 2, 2012, average salary is the average annual rate of regular compensation received during the 3 consecutive years that produce the highest average, or, if greater, during the last 3 years (whether or not consecutive) preceding retirement.
- For persons who became members on or after April 2, 2012, average salary is the average annual rate of regular compensation received during the 5 consecutive years that produce the highest average, or, if

greater, during the last 5 years (whether or not consecutive) preceding retirement.

- The benefit rate varies with the member's retirement age. For persons who became members prior to April 2, 2012 the highest rate of 2.5% applies to Group 1 employees who retire at or after age 65, Group 2 employees who retire at or after age 60, and to Group 4 employees who retire at or after age 55. A .1% reduction is applied for each year of age under the maximum age for the member's group. For Group 2 employees who terminate from service under age 55, the benefit rate for a Group 1 employee shall be used.
- For persons who became members on or after April 2, 2012 and retire with less than 30 years of creditable service, the highest rate of 2.5% applies to Group 1 employees who retire at or after age 67, Group 2 employees who retire at or after age 62, and to Group 4 employees who retire at or after age 57. A .15% reduction is applied for each year of age under the maximum age for the member's group.
- For persons who became members on or after April 2, 2012 and retire with more than 30 years of creditable service, the highest rate of 2.5% applies to Group 1 employees who retire at or after age 67, Group 2 employees who retire at or after age 62, and to Group 4 employees who retire at or after age 55. A .125% reduction is applied for each year of age under the maximum age for the member's group.
- A participant who has attained the requisite years of creditable service can elect to defer his or her retirement until a later date. Group 4 employees cannot defer beyond age 65.
- All participants must begin to receive a retirement allowance or withdraw their accumulated deductions no later than April 15 of the calendar year following the year they reach age 70½.

C. Contributions

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

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



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

The District's contribution to the MMCRS for the year ended June 30, 2015 was \$150,000, which was equal to its annual required contribution.

*D. Summary of Significant Accounting Policies*

The accounting policies of the MMCRS as reflected in the accompanying financial statements for the year ended June 30, 2015 conform to generally accepted accounting principles for public employee retirement systems (PERS). The more significant accounting policies of the MMCRS are summarized below:

*Basis of Accounting*

Contributory retirement system financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized as revenue in the period in which the members provide services to the employer. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

*Investments*

*Investment Policy*

Investments are reported at fair value in accordance with PERAC requirements. MMCRS 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 pension plan.

*Rate of Return*

For the year ended June 30, 2015, the money weighted rate of return on investments, net of investment expenses, was 7.74%.

*Net Pension Liability*

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



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

At June 30, 2015, the District reported a liability of \$310,000 representing the total net pension liability of the MMCRS. The net pension liability was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2013.

For the year ended June 30, 2015, the District recognized total pension expense of \$109,000. In addition, the District reported deferred outflows of resources related to pensions from the following:

Net difference between the projected and actual earnings on pension investments	\$ 26,000
Pension contributions made after the measurement date	<u>150,000</u>
Total	<u>\$ 176,000</u>

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2016	\$ 157,000
2017	7,000
2018	7,000
2019	<u>5,000</u>
Total	<u>\$ 176,000</u>

**F. Net Pension Liability of the District**

The components of the net pension liability of the District at June 30, 2015 are as follows (in thousands):

Total pension liability	\$ 13,484
Plan fiduciary net position	<u>13,174</u>
District's net pension liability	<u>\$ 310</u>

Plan fiduciary net position as a percentage of total pension liability	97.7%
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### *Actuarial Assumptions*

A summary of the actuarial assumptions as of the latest actuarial valuation is shown below:

Valuation Date	January 1, 2013
Actuarial cost method	Entry Age
Actuarial assumptions:	
Investment rate of return	7.75%
Projected salary increases	4.25% for Group 1 and 4.75% for Group 4
Inflation rate	Not explicitly assumed
Post-retirement cost-of-living adjustment	3% of first \$13,000

Actuarial valuation of the MMCRS involves estimates of the reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality and future salary increases. Amounts determined regarding the net pension liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The actuarial assumptions used in the MMCRS valuation were based on the results of the most recent actuarial experience study, which was as of January 1, 2013:

- Mortality –
  - Pre-retirement rates reflect the RP-2000 Employees table projected 20 years with Scale AA (gender distinct).
  - Post-retirement rates reflect the RP-2000 Healthy Annuitant table projected 15 years with Scale AA (gender distinct).
  - For disabled retirees, this table is set forward 2 years.

### Target Allocations

The long-term expected rate of return on pension plan investments was selected from a best estimate range determined using the building block approach. Under this method, an expected future real return range (expected returns, net of pension plan investment expense and inflation) is calculated separately for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return net of investment expenses by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return, without inflation, for each major class are summarized in the following table:

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Real Return Arithmetic Basis</u>	<u>Long-Term Expected Real Rate of Return</u>
Large Cap Equities	14.50%	7.75%	1.12%
Small/Mid Cap Equities	3.50%	8.00%	0.28%
Int'l Equities (Unhedged)	16.00%	8.25%	1.32%
Emerging Int'l Equities	6.00%	9.50%	0.57%
High-Yield Bonds	1.50%	6.00%	0.09%
Bank Loans	1.50%	6.25%	0.09%
EMD (External)	1.00%	7.00%	0.07%
EMD (Local Currency)	2.00%	7.25%	0.15%
TIPS	3.00%	4.50%	0.14%
Long Treasuries	10.00%	4.25%	0.43%
Private Equity	10.00%	9.75%	0.98%
Private Debt	4.00%	8.25%	0.33%
Real Estate (Core)	10.00%	6.50%	0.65%
Hedge Funds	9.00%	7.00%	0.63%
Timber/Natural Resources	4.00%	6.88%	0.28%
Portfolio Completion Strategies	4.00%		0.00%
Total	<u>100.00%</u>		<u>7.11%</u>

**Discount Rate:** The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all 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 proportionate share of the net pension liability to changes in the discount rate:** The following presents the District's net pension liability calculated using the discount rate of 7.75%, as well as what the District's the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.75%) or 1 percentage-point higher (8.75%) than the current rate (in thousands):

<u>Fiscal Year Ended</u>	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
June 30, 2015	\$ 1,688	\$ 310	\$ (878)

## 16. **Massachusetts Teachers' Retirement System (MTRS)**

### A. Plan Description

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

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

### B. Benefits Provided

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

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

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

**C. Contributions**

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

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

**D. Actuarial Assumptions**

The total pension liability for the June 30, 2014 measurement date was determined by an actuarial valuation as of January 1, 2014 rolled forward to June 30, 2014. The total pension liability for the June 30, 2013 measurement date was determined by an actuarial valuation as of January 1, 2014, rolled back to June 30, 2013. This valuation used the following assumptions:

- (a) 8.0% investment rate of return, (b) 3.5% interest rate credited to the annuity savings fund and (c) 3.0% cost of living increase per year.
- Salary increases are based on analyses of past experience but range from 4.0% to 7.5% depending on length of service.
- Mortality rates were as follows:
  - Pre-retirement - reflects RP-2000 Employees table adjusted for “white-collar” employment projected 22 years with Scale AA (gender distinct)
  - Post-retirement - reflects RP-2000 Healthy Annuitant table adjusted for large annuity amounts and projected 17 years with Scale AA (gender distinct)

- Disability – reflects RP-2000 Healthy Annuitant table adjusted for large annuity amounts and projected 17 years with Scale AA (gender distinct) set forward 3 years for males.

Investment assets of the MTRS are with the Pension Reserves Investment Trust (PRIT) Fund. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage. Best estimates of geometric rates of return for each major asset class included in the PRIT Fund's target asset allocation as of June 30, 2014 and 2013 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>	
		<u>2014</u>	<u>2013</u>
Global equity	43.0%	7.2%	7.70%
Core fixed income	13.0%	2.5%	2.00%
Hedge funds	10.0%	5.5%	4.75%
Private equity	10.0%	8.8%	9.00%
Real estate	10.0%	6.3%	6.30%
Value added fixed income	10.0%	6.3%	6.30%
Timber/natural resources	4.0%	5.0%	5.00%
Total	<u>100.0%</u>		

**E. Discount Rate**

The discount rate used to measure the total pension liability was 8.0%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the Commonwealth's contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rates. Based on those assumptions, the net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**F. Sensitivity Analysis**

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

<u>Fiscal Year Ended</u>	<u>1% Decrease to 7%</u>	<u>Current Discount Rate 8%</u>	<u>1% Increase to 9%</u>
June 30, 2013	\$21,427,000	\$17,234,000	\$13,672,000
June 30, 2014	\$20,247,000	\$15,896,000	\$12,200,000

**G. District Proportions**

In fiscal year 2014, (the most recent measurement period), the District's proportionate share of the MTRS' collective net pension liability and pension expense was \$23,845,878 and \$1,656,688 respectively, based on an employer allocation proportion of 0.150008%.

**H. Special Funding Situation**

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

**17. Risk Management**

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. There were no significant reductions in insurance coverage from the previous year and have been no material settlements in excess of coverage in any of the past three fiscal years.

**18. Beginning Net Position Restatement**

The District implemented GASB Statement No. 68 in fiscal year 2015. As a result of this implementation, the beginning (July 1, 2014) net position of the District has been restated as follows:

<u>Government-Wide Financial Statements:</u>	
	<u>Governmental Activities</u>
As previously reported	\$ 258,864
GASB 68 Implementation	<u>(170,000)</u>
As restated	<u>\$ 88,864</u>

**MINUTEMAN REGIONAL VOCATIONAL TECHNICAL SCHOOL DISTRICT  
SCHEDULE OF FUNDING PROGRESS**

**Other Post-Employment Benefits**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent- age of Covered Payroll [(b-a)/c]
07/01/14	\$ -	\$ 16,938,786	\$ 16,938,786	0.0%	\$ 10,579,325	160.1%
07/01/12	\$ -	\$ 20,486,439	\$ 20,486,439	0.0%	\$ 10,495,617	195.2%
07/01/10	\$ -	\$ 23,086,398	\$ 23,086,398	0.0%	\$ 9,519,888	242.5%
01/01/09	\$ -	\$ 29,199,303	\$ 29,199,303	0.0%	N/A	N/A

See Independent Auditors' Report.



**MINUTEMAN REGIONAL VOCATIONAL TECHNICAL SCHOOL DISTRICT**

**SCHEDULE OF PROPORTIONATE SHARE  
OF THE NET PENSION LIABILITY  
REQUIRED SUPPLEMENTARY INFORMATION**

**JUNE 30, 2015  
(Unaudited)**

<u>Minuteman Regional School District Contributory Retirement Plan:</u>	<u>2015</u>
Proportion of the net pension liability for the most recent measurement date	100%
Proportionate share of the net pension liability for the most recent measurement date	\$ 310,000
Covered-employee payroll for the most recent measurement date	\$ 2,338,000
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	13%
Plan fiduciary net position as a percentage of the total pension liability	98%
 <u>Massachusetts Teachers' Retirement System:</u>	 <u>2015</u>
Proportion of the net pension liability for the most recent measurement date	0.150000%
The District's proportionate share of the net pension liability for the most recent measurement date	\$ -
Commonwealth of Massachusetts' total proportionate share of the net pension liability that is associated with the District	<u>23,845,878</u>
Total net pension liability associated with the District	<u>\$ 23,845,878</u>
Covered-employee payroll for the most recent measurement date	\$ 7,722,908
Proportionate share of the net pension liability as a percentage of its covered-employee payroll	0%
Plan fiduciary net position as a percentage of the total pension liability	61.64%

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

See Independent Auditors' Report.

**MINUTEMAN REGIONAL VOCATIONAL TECHNICAL SCHOOL DISTRICT  
SCHEDULE OF CONTRIBUTIONS**

**(Unaudited)**

	<u>2015</u>
<u>Minuteman Regional School District Contributory Retirement Plan:</u>	
Contractually required contribution for the current fiscal year	\$ 150,000
Contributions in relation to the contractually required contribution	<u>(150,000)</u>
Contribution deficiency (excess)	\$ <u>          -</u>
Covered-employee payroll for the current fiscal year	\$ 2,338,000
Contributions as a percentage of covered-employee payroll	6.4%

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

See Independent Auditors' Report.

**MINUTEMAN REGIONAL VOCATIONAL TECHNICAL SCHOOL DISTRICT  
SCHEDULE OF CHANGES IN NET PENSION LIABILITY**

(In Thousands)  
(Unaudited)

	<u>2015</u>
<b>Total pension liability</b>	
Service cost	\$ 291
Interest on unfunded liability - time value of money	999
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions	-
Benefit payments, including refunds of member contributions	<u>(816)</u>
Net change in total pension liability	474
Total pension liability - beginning	<u>13,010</u>
<b>Total pension liability - ending (a)</b>	<b><u>\$ 13,484</u></b>
<b>Plan fiduciary net position</b>	
Contributions - employer	\$ 150
Contributions - member	470
Net investment income	928
Benefit payments, including refunds of member contributions	(993)
Administrative expense	(46)
Other	<u>-</u>
Net change in plan fiduciary net position	509
Plan fiduciary net position - beginning	<u>12,665</u>
<b>Plan fiduciary net position - ending (b)</b>	<b><u>\$ 13,174</u></b>
<b>Net pension liability - ending (a-b)</b>	<b><u>\$ 310</u></b>

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

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

See Independent Auditors' Report.

**MINUTEMAN REGIONAL VOCATIONAL TECHNICAL SCHOOL DISTRICT  
SCHEDULES OF NET PENSION LIABILITY, CONTRIBUTIONS,  
AND INVESTMENT RETURNS**

(In Thousands)  
(Unaudited)

<b>Schedule of Net Pension Liability</b>	<u>2015</u>
Total pension liability	\$ 13,484
Plan fiduciary net position	<u>13,174</u>
Net pension liability (asset)	<u>\$ 310</u>
 Plan fiduciary net position as a percentage of the total pension liability	 97.7%
 Covered employee payroll	 \$ 2,238
 Net pension liability (asset) as a percentage of covered employee payroll	 13.3%
 <b>Schedule of Contributions</b>	 <u>2015</u>
Actuarially determined contribution	\$ 150
Contributions in relation to the actuarially determined contribution	<u>150</u>
Contribution deficiency (excess)	<u>\$ -</u>
 Covered employee payroll	 \$ 2,338
 Contributions as a percentage of covered employee payroll	 6.4%
 <b>Schedule of Investment Returns</b>	
<i>Year Ended December 31</i>	<u>2014</u>
 Annual money weighted rate of return, net of investment expense	 7.74%

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

See Independent Auditors' Report.

Additional Offices:

Nashua, NH  
Manchester, NH  
Greenfield, MA  
Ellsworth, ME

To the School Committee  
Minuteman Regional Vocational  
Technical School District

In planning and performing our audit of the basic financial statements of the Minuteman Regional Vocational Technical School District as of and for the year ended June 30, 2015, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

The purpose of this communication, which is an integral part of our audit, is to describe for management and those charged with governance, including those overseeing the financial reporting process, the scope of our testing of internal control and the results of that testing. Accordingly, this communication is not intended to be and should not be used for any other purpose.

*Melanson Heath*

November 3, 2015

## **STATUS OF PRIOR YEAR RECOMMENDATIONS:**

### **1. Improve Financial Reporting**

#### **Prior Year Issue**

In fiscal year 2014 and prior, we recommended that the District review the audit adjustments that were required and develop specific interim and year-end reconciliation and closing procedures in order to monitor the balance sheet throughout the year and improve the accuracy and timeliness of financial reporting.

**Current Year Status**  
Resolved.

**Further Action Required**  
None.

### **2. Improve Accounting for Student Activity Funds**

#### **Prior Year Issue**

In fiscal years 2014 and prior, we reviewed student activity funds and noted various accounting and internal control issues.

We recommended that the District review the issues noted and implement corrective action as needed. Further, we recommended that the District comply with the recent changes from the Massachusetts Department of Elementary and Secondary Education (DESE) requiring an Agreed Upon Procedures engagement, in accordance with their *Audit Guidelines for Student Activity Funds*.

#### **Current Year Status**

The required Agreed Upon Procedures engagement, in accordance with DESE's *Audit Guidelines for Student Activity Funds*, is currently in progress.

**Further Action Required**  
None.

### **3. Improve Controls over Receipts**

#### **Prior Year Issue**

In fiscal year 2014, we recommended the District improve documented oversight of cash receipts, including cash out reports, pre-numbered receipt logs, supporting documentation showing evidence of two individuals involved, and deposit slips reconciled to bank deposits and the general ledger.

Current Year Status

In fiscal year 2015, the Business office implemented the prior year recommendations.

Further Action Required

None.

**4. Improve Controls over Disbursements**

Prior Year Issue

During the fiscal year 2014 and prior audits, we noted several internal control issues related to disbursements as a result of our testing. We recommended that the District review the issues noted and implement changes as needed, in order to reduce risk in this area.

Current Year Status

The issues noted in fiscal year 2014 were resolved in fiscal year 2015.

Further Action Required

None.