

***HAMILTON-WENHAM REGIONAL SCHOOL DISTRICT***

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

***YEAR ENDED JUNE 30, 2017***

HAMILTON-WENHAM REGIONAL SCHOOL DISTRICT

REPORT ON EXAMINATION OF BASIC FINANCIAL STATEMENTS

JUNE 30, 2017

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## Independent Auditor's Report

To the Honorable School Committee  
Hamilton-Wenham Regional School District  
Wenham, Massachusetts 01984

## 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 Hamilton-Wenham Regional School District (District), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

## Management's Responsibility for the Financial Statements

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

## Auditor's Responsibility

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

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

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

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

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

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining fund financial statements are presented for the purposes of additional analysis and are not a required part of the basic financial statements.

The combining fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2017, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the District's internal control over financial reporting and compliance.



September 29, 2017

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

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

As management of the Hamilton-Wenham Regional School District, we offer readers of these basic financial statements this narrative overview and analysis of the financial activities for the year ended June 30, 2017. The District complies with financial reporting requirements issued by the Governmental Accounting Standards Board (GASB). Management's discussion and analysis are part of these requirements. All amounts, unless otherwise indicated, are expressed in whole dollars.

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

This discussion and analysis is intended to serve as an introduction to the Hamilton-Wenham Regional School District's basic financial statements. These basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

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

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

The government-wide financial statements distinguish functions that are principally supported by member Town assessment and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities include administration, instructional services, other student services, operation and maintenance, employee benefits and other fixed charges, programs with other districts, school construction assistance, depreciation and interest. The District had no business-type activities.

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

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

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

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

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the District's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

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

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the District's budgetary basis of accounting, pension and other postemployment benefit plan. This report also presents *other supplementary information*, which consists of a combining statement of revenues, expenditures and changes in fund balances for the nonmajor governmental funds, for the purpose of additional analysis.

## ***Government-wide Financial Analysis***

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. Liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$9.6 million at the close of 2017.

Net position of \$16.9 million reflects its investment in capital assets; less any related debt used to acquire those assets that are still outstanding. The District uses these capital assets to provide services to pupils; consequently, these assets are *not* available for future spending. Although the investment in its capital assets is reported net of its related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Restricted net position of \$764,000 represents resources that are subject to external restrictions on how they may be used.

The remaining balance of unrestricted net position has a year-end deficit of \$27.2 million. The primary reason for this deficit balance is the recognition of \$19.4 million and \$10.9 million of other postemployment benefit liabilities and pension liabilities, respectively.

At year-end, the District is able to report positive balances in two out of the three categories of net position.

The District's liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources for governmental activities by \$9.6 million at the close of 2017.

	<u>2017</u>	<u>2016</u>
<b>Assets:</b>		
Current assets.....	\$ 6,144,130	\$ 5,795,760
Noncurrent assets (excluding capital).....	611,619	1,272,169
Capital assets, net.....	<u>22,163,953</u>	<u>23,209,264</u>
<b>Total assets.....</b>	<b><u>28,919,702</u></b>	<b><u>30,277,193</u></b>
<b>Deferred Outflows of Resources:</b>		
Deferred outflows related to pensions.....	<u>1,090,410</u>	<u>742,223</u>
<b>Liabilities:</b>		
Current liabilities.....	2,232,375	2,063,946
Noncurrent liabilities.....	30,564,776	28,111,068
Current debt.....	1,998,728	3,709,911
Noncurrent debt.....	<u>4,576,910</u>	<u>4,982,965</u>
<b>Total liabilities.....</b>	<b><u>39,372,789</u></b>	<b><u>38,867,890</u></b>
<b>Deferred Inflows of Resources:</b>		
Deferred inflows related to pensions.....	<u>197,083</u>	<u>-</u>
<b>Net Position:</b>		
Net investment in capital assets.....	16,889,963	16,811,909
Restricted.....	763,543	759,244
Unrestricted.....	<u>(27,213,266)</u>	<u>(25,419,627)</u>
<b>Total net position.....</b>	<b><u>\$ (9,559,760)</u></b>	<b><u>\$ (7,848,474)</u></b>

Governmental activities decreased the District's net position by \$1.7 million. The following table shows the key elements affecting this decrease.

	<u>2017</u>	<u>2016</u>
<b>Program revenues:</b>		
Charges for services.....	\$ 1,159,571	\$ 1,146,069
Operating grants and contributions.....	7,224,133	5,848,340
School construction assistance.....	15,600	244,992
<b>General Revenues:</b>		
Member town assessments.....	26,135,301	25,001,336
Grants and contributions not restricted to specific contributions.....	4,455,723	4,449,762
Miscellaneous.....	17,988	6,548
Unrestricted investment income.....	<u>2,960</u>	<u>3,160</u>
<b>Total revenues.....</b>	<b><u>39,011,276</u></b>	<b><u>36,700,207</u></b>
<b>Expenses:</b>		
Administration.....	1,125,733	996,944
Instructional services.....	19,343,216	18,819,634
Other student services.....	2,872,575	2,796,834
Operation and maintenance.....	2,167,458	2,269,322
Employee benefits and other fixed charges.....	11,165,881	9,292,800
Programs with other school districts.....	2,514,871	2,261,148
Depreciation.....	1,313,980	1,224,891
Interest.....	<u>218,848</u>	<u>256,426</u>
<b>Total expenses.....</b>	<b><u>40,722,562</u></b>	<b><u>37,917,999</u></b>
<b>Change in net position.....</b>	<b><u>(1,711,286)</u></b>	<b><u>(1,217,792)</u></b>
<b>Net position, beginning of year.....</b>	<b><u>(7,848,474)</u></b>	<b><u>(6,630,682)</u></b>
<b>Net position, end of year.....</b>	<b><u>\$ (9,559,760)</u></b>	<b><u>\$ (7,848,474)</u></b>

Revenue increased by \$2.3 million during the year, which was primarily due to the recognition of a \$1.4 million increase in nonemployer pension contributions paid to the Massachusetts Teachers Retirement System (MTRS) by the Commonwealth of Massachusetts on behalf of the District and a \$1.1 million increase in member town assessments. The increase in assessments can be attributed to an increase in the current year general fund operating budget.

Expenses increased by \$2.8 million during the year, which was primarily due to a \$1.9 million increase in employee benefits and a \$524,000 increase in instructional services. The increase in employee benefits relates to an increase in pension expense of which \$1.4 million is due to the recognition of nonemployer pension contributions paid to the MTRS by the Commonwealth of Massachusetts on behalf of the District and an increase in other postemployment benefits expense. The increase in instructional services primarily relates to teacher's salaries. Additional increases include \$254,000 for programs with other school districts and \$129,000 for administration.

The \$1.7 million decrease in net position is primarily due to a \$1.8 million increase in the other postemployment benefits liability, and a \$638,000 increase in the pension liability. These decreases were offset by \$535,000 of operating surpluses in the general fund and the nonmajor governmental funds and assessments being set to raise revenues to support \$1.5 million of debt principal payments and not set to raise revenue to support \$1.3 million of non-cash depreciation expense.

### ***Financial Analysis of the Government's Funds***

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

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

At year-end, governmental funds reported a combined ending fund balance totaling \$3.4 million of which \$2.1 million relates to the general fund, \$2,000 relates to the school construction fund and \$1.3 million relates to the nonmajor governmental funds. Cumulatively there was an increase of \$2.1 million in fund balance from the prior year. This increase was due to a \$486,000 increase in the general fund, a \$1.5 million increase in the school construction fund and a \$49,000 increase in the nonmajor governmental funds.

The general fund is the chief operating fund. At the end of the current year, unassigned fund balance of the general fund was \$1.3 million, while total fund balance is \$2.1 million. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 3.6% of total general fund expenditures, while total fund balance represents 5.9% of that same amount.

The \$1.5 million increase in general fund intergovernmental revenue and employee benefits is primarily attributable to the recognition of nonemployer pension contributions paid to the MTRS by the Commonwealth of Massachusetts on behalf of the District.

The School Construction Fund received the proceeds of long-term debt of \$1,531,000 which fully funded the expenditures of the project and there remains only \$2,204 in fund balance at year end.

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

Outstanding long-term debt of the District totaled \$6.3 million as of June 30, 2017, of which \$3.4 million relates to the refunding bonds of 2010, \$1.4 million relates to the Cutler School roof and other school building repairs and \$1.5 million relates to the Buker School and Winthrop School heating and roof projects.

The District has been approved to receive school construction assistance through the MSBA. The MSBA provides resources for eligible construction costs and debt interest and borrowing costs. During 2017, \$1.1 million of such assistance was received. Approximately \$2.3 million will be received in future years. Of this amount, \$992,000 represents reimbursement of long-term interest costs, and \$1.3 million represents reimbursement of approved construction costs. Accordingly, a \$1.3 million intergovernmental receivable and corresponding deferred inflow have been recorded in the fund based financial statements and the change in the receivable has been recognized as revenue in the conversion to the government-wide financial statements.

In 2017, the District acquired Apple iPads that were financed through capital lease agreements totaling \$81,000. Accordingly, the District has outstanding capital leases at year-end totaling \$176,000. The iPad lease is funding the acquisition of iPads for the District's 1 to 1 digital learning program at the high school.

Capital asset additions totaled \$269,000, the majority of which relates to information technology and other equipment.

## ***Requests for Information***

This financial report is designed to provide a general overview of the Hamilton-Wenham Regional School District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Business Office, Hamilton-Wenham Regional School District, 5 School Street, Wenham, Massachusetts 01984.

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# ***Basic Financial Statements***

**STATEMENT OF NET POSITION**

JUNE 30, 2017

	<b>Primary Government</b>
	Governmental Activities
<b>ASSETS</b>	
CURRENT:	
Cash and cash equivalents.....	\$ 5,483,581
Receivables, net of allowance for uncollectibles:	
Intergovernmental.....	660,549
NONCURRENT:	
Receivables, net of allowance for uncollectibles:	
Intergovernmental.....	611,619
Capital assets, net of accumulated depreciation:	
Depreciable.....	22,163,953
TOTAL ASSETS.....	28,919,702
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows related to pensions.....	1,090,410
<b>LIABILITIES</b>	
CURRENT:	
Warrants payable.....	377,319
Accrued payroll.....	1,559,211
Accrued interest.....	39,504
Payroll withholdings.....	72,668
Other liabilities.....	54,018
Compensated absences.....	129,655
Capital lease obligations.....	86,419
Unamortized premium on bonds and notes payable.....	36,309
Bonds payable.....	1,876,000
NONCURRENT:	
Compensated absences.....	268,888
Other postemployment benefits.....	19,351,939
Net pension liability.....	10,943,949
Capital lease obligations.....	89,978
Unamortized premium on bonds and notes payable.....	21,932
Bonds and notes payable.....	4,465,000
TOTAL LIABILITIES.....	39,372,789
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows related to pensions.....	197,083
<b>NET POSITION</b>	
Net investment in capital assets.....	16,889,963
Restricted for:	
Gifts and grants.....	763,543
Unrestricted.....	(27,213,266)
TOTAL NET POSITION.....	\$ (9,559,760)

See notes to basic financial statements.

**STATEMENT OF ACTIVITIES**

YEAR ENDED JUNE 30, 2017

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Primary Government:</b>					
<i>Governmental Activities:</i>					
Administration.....	\$ 1,125,733	\$ -	\$ -	\$ -	\$ (1,125,733)
Instructional services.....	19,343,216	203,897	1,464,754	-	(17,674,565)
Other student services.....	2,872,575	938,351	76,029	-	(1,858,195)
Operation and maintenance.....	2,167,458	17,323	17,645	-	(2,132,490)
Employee benefits and other fixed charges...	11,165,881	-	5,247,033	-	(5,918,848)
Programs with other school districts.....	2,514,871	-	-	-	(2,514,871)
School construction assistance.....	-	-	-	15,600	15,600
Depreciation.....	1,313,980	-	-	-	(1,313,980)
Interest.....	218,848	-	418,672	-	199,824
<b>Total Governmental Activities.....</b>	<b>\$ 40,722,562</b>	<b>\$ 1,159,571</b>	<b>\$ 7,224,133</b>	<b>\$ 15,600</b>	<b>\$ (32,323,258)</b>

See notes to basic financial statements.

(Continued)

**STATEMENT OF ACTIVITIES (Continued)**

YEAR ENDED JUNE 30, 2017

	Primary Government
	Governmental Activities
<b>Changes in net position:</b>	
Net (expense) revenue from previous page.....	\$ <b>(32,323,258)</b>
<i>General revenues:</i>	
Member town assessments.....	26,135,301
Grants and contributions not restricted to specific contributions.....	4,455,723
Miscellaneous.....	17,988
Investment income.....	2,960
Total general revenues.....	30,611,972
Change in net position.....	(1,711,286)
<i>Net Position:</i>	
Beginning of year, as revised.....	(7,848,474)
End of year.....	\$ (9,559,760)
	(Concluded)

**GOVERNMENTAL FUNDS  
BALANCE SHEET**

JUNE 30, 2017

	General	School Construction Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents.....	\$ 4,112,209	\$ 2,204	\$ 1,369,168	\$ 5,483,581
Receivables, net of uncollectibles:				
Intergovernmental.....	1,272,168	-	-	1,272,168
<b>TOTAL ASSETS.....</b>	<b>\$ 5,384,377</b>	<b>\$ 2,204</b>	<b>\$ 1,369,168</b>	<b>\$ 6,755,749</b>
<b>LIABILITIES</b>				
Warrants payable.....	\$ 345,371	\$ -	\$ 31,948	\$ 377,319
Accrued payroll.....	1,524,596	-	34,615	1,559,211
Payroll withholdings.....	72,668	-	-	72,668
Other liabilities.....	27,953	-	26,065	54,018
<b>TOTAL LIABILITIES.....</b>	<b>1,970,588</b>	<b>-</b>	<b>92,628</b>	<b>2,063,216</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenues.....	1,272,169	-	-	1,272,169
<b>FUND BALANCES</b>				
Restricted.....	-	2,204	1,276,540	1,278,744
Assigned.....	859,549	-	-	859,549
Unassigned.....	1,282,071	-	-	1,282,071
<b>TOTAL FUND BALANCES.....</b>	<b>2,141,620</b>	<b>2,204</b>	<b>1,276,540</b>	<b>3,420,364</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES.....</b>	<b>\$ 5,384,377</b>	<b>\$ 2,204</b>	<b>\$ 1,369,168</b>	<b>\$ 6,755,749</b>

See notes to basic financial statements.

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

JUNE 30, 2017

Total governmental fund balances.....	\$	3,420,364
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....		22,163,953
Accounts receivable are not available to pay for current-period expenditures and, therefore, are deferred in the funds.....		1,272,169
Certain changes in the net pension liability are required to be included in pension expense over future periods. These changes are reported as deferred inflows of resources and deferred outflows of resources related to pensions.....		893,327
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.....		(39,504)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
Bonds payable.....	(6,341,000)	
Unamortized premium on bonds and notes payable.....	(58,241)	
Capital lease obligations.....	(176,397)	
Compensated absences.....	(398,543)	
Other postemployment benefits.....	(19,351,939)	
Net pension liability.....	<u>(10,943,949)</u>	
Net effect of reporting long-term liabilities.....		<u>(37,270,069)</u>
Net position of governmental activities.....	\$	<u>(9,559,760)</u>

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2017

	General	School Construction Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>				
Member town assessments.....	\$ 26,135,301	\$ -	\$ -	\$ 26,135,301
Intergovernmental.....	10,474,697	1,145	1,933,007	12,408,849
Charges for services.....	-	-	1,159,571	1,159,571
Miscellaneous.....	17,988	-	-	17,988
Investment income.....	2,960	-	-	2,960
<b>TOTAL REVENUES.....</b>	<b>36,630,946</b>	<b>1,145</b>	<b>3,092,578</b>	<b>39,724,669</b>
<b>EXPENDITURES:</b>				
Administration.....	1,125,733	-	-	1,125,733
Instructional services.....	18,072,436	-	1,545,968	19,618,404
Other student services.....	1,850,085	-	1,022,490	2,872,575
Operation and maintenance.....	2,265,594	-	18,777	2,284,371
Employee benefits and other fixed charges.....	8,808,496	-	49,050	8,857,546
Programs with other school districts.....	1,947,871	-	567,000	2,514,871
Debt service:				
Maturing debt.....	1,720,000	-	-	1,720,000
Interest.....	276,159	-	-	276,159
<b>TOTAL EXPENDITURES.....</b>	<b>36,066,374</b>	<b>-</b>	<b>3,203,285</b>	<b>39,269,659</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....</b>	<b>564,572</b>	<b>1,145</b>	<b>(110,707)</b>	<b>455,010</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Proceeds from bonds and notes.....	-	1,531,000	-	1,531,000
Capital lease financing.....	-	-	80,920	80,920
Transfers in.....	60,581	-	139,564	200,145
Transfers out.....	(139,564)	-	(60,581)	(200,145)
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>(78,983)</b>	<b>1,531,000</b>	<b>159,903</b>	<b>1,611,920</b>
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>485,589</b>	<b>1,532,145</b>	<b>49,196</b>	<b>2,066,930</b>
<b>FUND BALANCES AT BEGINNING OF YEAR.....</b>	<b>1,656,031</b>	<b>(1,529,941)</b>	<b>1,227,344</b>	<b>1,353,434</b>
<b>FUND BALANCES AT END OF YEAR.....</b>	<b>\$ 2,141,620</b>	<b>\$ 2,204</b>	<b>\$ 1,276,540</b>	<b>\$ 3,420,364</b>

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2017

Net change in fund balances - total governmental funds..... \$ 2,066,930

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay.....	268,669
Depreciation expense.....	<u>(1,313,980)</u>

Net effect of reporting capital assets..... (1,045,311)

Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in unavailable revenue.....

(713,393)

The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.

Net change in capital lease financing.....	31,901
Proceeds from bonds and notes.....	(1,531,000)
Debt service principal payments.....	<u>1,720,000</u>

Net effect of reporting long-term debt..... 220,901

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Net change in compensated absences accrual.....	10,611
Net change in other postemployment benefits.....	(1,821,701)
Net change in deferred outflow/(inflow) of resources related to pensions.....	151,104
Net change in net pension liability.....	(637,738)
Net change in accrued interest on long-term debt.....	4,656
Amortization of premium from issuance of bonds and notes.....	<u>52,655</u>

Net effect of recording long-term liabilities and amortizing deferred losses.... (2,240,413)

Change in net position of governmental activities..... \$ (1,711,286)

See notes to basic financial statements.

**FIDUCIARY FUNDS**  
STATEMENT OF FIDUCIARY NET POSITION

YEAR ENDED JUNE 30, 2017

	Private Purpose Trust Funds	Agency Funds
<b>ASSETS</b>		
Cash and cash equivalents.....	\$ 145,631	\$ 90,423
Investments.....	<u>257,172</u>	<u>-</u>
<b>TOTAL ASSETS.....</b>	<u>402,803</u>	<u>90,423</u>
<b>LIABILITIES</b>		
Liabilities due depositors.....	<u>-</u>	<u>90,423</u>
<b>NET POSITION</b>		
Held in trust for other purposes.....	<u>\$ 402,803</u>	<u>\$ -</u>

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2017

	<u>Private Purpose Trust Funds</u>
<b><u>ADDITIONS:</u></b>	
Private donations.....	\$ 500
Investment income (loss).....	<u>6,816</u>
 TOTAL ADDITIONS.....	 <u>7,316</u>
<b><u>DEDUCTIONS:</u></b>	
Scholarships and awards.....	<u>18,521</u>
 CHANGE IN net position.....	 (11,205)
 NET POSITION AT BEGINNING OF YEAR.....	 <u>414,008</u>
 NET POSITION AT END OF YEAR.....	 <u>\$ 402,803</u>

See notes to basic financial statements.

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

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

**A. Reporting Entity**

The Hamilton-Wenham Regional School District (the District), was regionalized in 1974 and by agreement serves the Towns of Hamilton and Wenham, Massachusetts. A seven member School Committee governs the District, which consists of elected members from the member Towns.

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

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

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

*Fund Financial Statements*

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

*Major Fund Criteria*

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

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

Fiduciary funds are reported by fund type.

### C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The District's basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District's major funds). Both the government-wide and fund financial statements categorize primary activities as either government or business-type. Governmental activities are generally financed through intergovernmental assessments or other nonexchange transactions. The District does not have any activities classified as business-type activities.

#### *Government-Wide Financial Statements*

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

The statement of activities demonstrates the degree to which the direct expenses of a particular function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment.

Certain costs, such as employee fringe benefits, property and liability insurance, among others are not allocated among the District's functions and are included in employee benefits and other fixed charges in the Statement of Activities. Depreciation is reported as one amount, in total, on the Statement of Activities. None of these costs are allocated among the respective functions.

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

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

#### *Fund Financial Statements*

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

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

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

The following major governmental funds are reported:

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

The *school construction fund* is used to account for expenditures related to the Buker Elementary School boiler project and the Winthrop Elementary School boiler and window projects.

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

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

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

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

The fiduciary fund type *private purpose trust fund* is used to account for assets that are held for future scholarships and awards.

The fiduciary fund type *agency fund* is used to account for student activity assets that are held in a purely custodial capacity.

#### D. Cash and Investments

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

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

#### E. Fair Value Measurements

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

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

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

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

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

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

Market price is affected by a number of factors, including the type of instrument and the characteristics specific to the instrument. Instruments with readily available active quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value. It is reasonably possible that change in values of these instruments will occur in the near term and that such changes could materially affect amounts reported in these financial statements. For more information on the fair value of the District's financial instruments, see Note 2 – Fair Market Value of Investments.

#### F. Accounts Receivable

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

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

##### *Intergovernmental*

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

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

#### G. Inventories

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

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

#### H. Capital Assets

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

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

All purchases and construction costs in excess of \$10,000 are capitalized at the date of acquisition or construction, respectively, with expected useful lives of greater than one year.

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

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

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

*Governmental Fund Financial Statements*

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

I. Deferred Outflows/Inflows of Resources

*Government-Wide Financial Statements (Net Position)*

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

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

*Governmental Fund Financial Statements*

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

J. Interfund Receivables and Payables

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

*Government-Wide Financial Statements*

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

*Fund Financial Statements*

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

K. Interfund Transfers

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

*Government-Wide Financial Statements*

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

*Fund Financial Statements*

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

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

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

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

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

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

*Fund Financial Statements (Fund Balances)*

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

The governmental fund balance classifications may include the following:

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

“Committed” fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision-making authority, the member communities.

“Assigned” fund balance includes amounts that are constrained by the District’s intent to be used for specific purposes, but are neither restricted nor committed.

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

Sometimes the District will fund outlays for a particular purpose from different components of fund balance. In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balances in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. When different components of fund balance can be used for the same purpose, it is the District’s policy to consider restricted fund balance to have been depleted first, followed by committed fund balance, and assigned fund balance. Unassigned fund balance is applied last.

#### M. Investment Income

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

#### N. Use of Estimates

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

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

#### O. Pensions

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

## P. Long-term Debt

### *Government-Wide Financial Statements*

Long-term debt is reported as liabilities in the government-wide statement of net position. Material bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported gross of the applicable bond premium or discount. Bond issuance costs are reported as an outflow of resources in the reporting period in which the costs are incurred.

### *Governmental Fund Financial Statements*

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

## Q. Compensated Absences

Employees are granted vacation and sick leave in varying amounts based on collective bargaining agreements, state laws and executive policies. Compensated absence liabilities related to governmental activities are normally paid from the funds reporting payroll and related expenditures. Compensated absences are reported in governmental funds only if they have matured.

### *Government-Wide Financial Statements*

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

### *Governmental Fund Financial Statements*

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

## R. Fund Deficits

Several individual temporary fund deficits exist at June 30, 2017, within the nonmajor governmental funds. These deficits have been funded through grant proceeds in 2018.

## S. Total Column

### *Government-Wide Financial Statements*

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

### *Fund Financial Statements*

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

**NOTE 2 – CASH AND INVESTMENTS**

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

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

**Custodial Credit Risk – Deposits**

In the case of deposits, this is risk that in the event of a bank failure, the government's deposits may not be returned to it. The District's policy allows for unlimited bank deposits up to one year in financial institutions that are fully collateralized or fully insured by Federal Depository Insurance or the Depository Insurance Fund. The District's policy limits unsecured deposits to no more than 5% of an institution's assets and no more than 25% of the District's cash may be comprised of unsecured bank deposits. This percentage may be increased for not more than 30 days during times of heavy collection or in anticipation of large payments that will be made by the District in the near future. These payments may be for such items as debt service payment or regional school assessments. Their credit worthiness will be tracked by Veribanc, or other bank credit worthiness reporting systems. They will be diversified as much as possible. CDs will be purchased for no more than one year and will be reviewed frequently.

At year-end, the carrying amount of deposits totaled \$5,692,297, and the bank balance totaled \$5,950,774. Of the bank balance, \$250,000 was covered by Federal Depository Insurance and \$5,700,774, was uninsured and uncollateralized.

**Custodial Credit Risk – Investments**

For an investment, this is the risk that, in the event of a failure by the counterparty, the government will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. The District's policy to mitigate custodial credit risk requires review of the financial institution's financial statements and the background of the brokerage house and broker/dealer (Advisor). The intent of this qualification is to limit the District's exposure to only those institutions with a proven financial strength, capital adequacy of the firm, and overall affirmative reputation in the municipal industry. Further, all securities not held directly by the District, will be held in the District's name and tax identification number by a third-party custodian approved by the Treasurer and evidenced by safekeeping receipts showing individual CUSIP numbers for each security.

At year-end, the District's investments totaled \$284,510 of which \$55,766 and \$125,744 are invested in equity securities and corporate bonds, respectively which are subject to custodial credit risk.

**Interest Rate Risk**

The District's policy to mitigate interest rate risk is to manage the duration of investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

As of June 30, 2017, the District had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities	
		1-5 Years	6-10 Years
<u>Debt Securities</u>			
Government Sponsored Enterprises.....	\$ 75,662	\$ 50,594	\$ 25,068
Corporate Bonds.....	125,744	125,744	-
Total Debt Securities.....	201,406	\$ 176,338	\$ 25,068
<u>Other Investments</u>			
Equity securities.....	55,766		
Money market mutual funds.....	27,338		
Total investments.....	\$ 284,510		

Credit Risk

The District’s policy to mitigate credit risk allows for unlimited investments in United States Treasury and United States Government Agency obligations. In regards to other investments, the District will only purchase investment grade securities with a high concentration in securities rated A or better. The District may invest in the Massachusetts Municipal Depository Trust (MMDT) with no limit to the amount of funds placed in the fund.

As of June 30, 2017, the District’s investments in corporate bonds included \$25,087 in A rated securities, \$50,158 in A- rated securities and \$50,499 in BBB+ rated securities. The District’s investments in government sponsored enterprises included \$75,662 in AA+ rated securities.

Concentration of Credit Risk

The District will minimize concentration of credit risk by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. The District did not have any investments in any one issuer exceeding 5% of their total investments. Investments in mutual funds, external investment pools, and other pooled investments are excluded from this requirement.

Fair Market Value of Investments

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

The following table presents financial assets at June 30, 2017, for which the District measures fair value on a recurring basis, by level, within the fair value hierarchy:

Investment Type	June 30, 2017	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>Debt Securities:</u>				
Government Sponsored Enterprises.....	\$ 75,662	\$ 75,662	\$ -	\$ -
Corporate bonds.....	125,744	-	125,744	-
Total debt securities.....	201,406	75,662	125,744	-
<u>Other investments:</u>				
Equity securities.....	55,766	55,766	-	-
Money market mutual funds.....	27,338	27,338	-	-
Total other investments.....	83,104	83,104	-	-
Total investments measured at fair value.....	\$ 284,510	\$ 158,766	\$ 125,744	\$ -

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

**NOTE 3 – RECEIVABLES**

At June 30, 2017, receivables for the individual major and nonmajor governmental funds totaled \$1,272,168. This balance represents the principal portion of school construction assistance that is anticipated to be received from the MSBA and is reported in the general fund and offset by unavailable revenues. This receivable is considered to be fully collectible and does not include an allowance for uncollectible accounts.

**NOTE 4 – CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2017, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Capital assets being depreciated:</u>				
Buildings and improvements.....	\$ 38,706,525	\$ 20,000	\$ -	\$ 38,726,525
Machinery and equipment.....	1,155,093	248,669	-	1,403,762
Total capital assets being depreciated...	<u>39,861,618</u>	<u>268,669</u>	<u>-</u>	<u>40,130,287</u>
<u>Less accumulated depreciation for:</u>				
Buildings and improvements.....	(16,122,941)	(1,096,136)	-	(17,219,077)
Machinery and equipment.....	(529,413)	(217,844)	-	(747,257)
Total accumulated depreciation.....	<u>(16,652,354)</u>	<u>(1,313,980)</u>	<u>-</u>	<u>(17,966,334)</u>
Total capital assets being depreciated, net.....	<u>23,209,264</u>	<u>(1,045,311)</u>	<u>-</u>	<u>22,163,953</u>
Total capital assets, net.....	<u>\$ 23,209,264</u>	<u>\$ (1,045,311)</u>	<u>\$ -</u>	<u>\$ 22,163,953</u>

Depreciation expense was not allocated to school functions and appears unallocated on the statement of activities. Accumulated depreciation related to the disposal of capital assets is included in the adjustment for current year depreciation.

**NOTE 5 – CAPITAL AND OPERATING LEASES**

Capital Leases

The District entered into lease agreements to finance iPads for the High School’s 1 to 1 Digital Learning Program. Under this program, parents are required to sign an agreement with the school where an annual fee is paid for the right to use an iPad, the necessary software applications, and technology support services. The agreements include a buyout provision at the end of the term. The District has also entered into lease agreements to finance three trucks.

These lease agreements qualify as capital leases for accounting purposes and therefore have been recorded at the present value of their future minimum lease payments as of the inception date of the lease agreement.

The assets acquired through capital leases are as follows:

<u>Assets:</u>	<u>Governmental Activities</u>
Machinery and equipment.....	\$ 447,088
Less: accumulated depreciation.....	<u>(219,506)</u>
Total.....	<u>\$ 227,582</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2017, were as follows:

<u>Years</u> <u>Ending June 30</u>	<u>Governmental</u> <u>Activities</u>
2018.....	\$ 93,765
2019.....	71,939
2020.....	<u>22,050</u>
Total minimum lease payments.....	187,754
Less: amounts representing interest.....	<u>(11,357)</u>
Present value of minimum lease payments.....	<u>\$ 176,397</u>

Operating Leases

The District leases copiers and a digital mailing system. The total cost of these leases for the year ended June 30, 2017, was \$65,476 and is reported as instructional services and administration expenditures in the basic financial statements.

The future minimum lease payments for the District's operating leases are as follows:

<u>Years</u> <u>Ending June 30</u>	<u>Governmental</u> <u>Activities</u>
2018.....	\$ 71,281
2019.....	71,281
2020.....	71,281
2021.....	4,393
2022.....	<u>1,443</u>
Total.....	<u>\$ 219,679</u>

**NOTE 6 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

There were no interfund receivables and/or payables between funds at June 30, 2017. Interfund transfers for the year ended June 30, 2017, are summarized as follows:

Operating Transfers Out:	Operating Transfers In:		
	General Fund	Nonmajor Governmental Funds	Total
General Fund.....	\$ -	\$ 139,564	\$ 139,564 (1)
Nonmajor Governmental Funds.....	60,581	-	60,581 (2)
Total.....	\$ 60,581	\$ 139,564	\$ 200,145

(1) Represents the transfer of \$139,564 from the general fund to fund various athletic programs offered by the District.

(2) Represents the transfer of \$60,581 of regional transportation aid to the general fund.

**NOTE 7 – SHORT-TERM FINANCING**

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

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

Short-term loans are general obligations and carry maturity dates that are limited by statute. Interest expenditures and expenses for short-term borrowings are accounted for in the general fund. At June 30, 2017, the District did not have any short-term debt outstanding:

Type	Purpose	Rate (%)	Due Date	Balance at June 30, 2016	Renewed/ Issued	Retired/ Redeemed	Balance at June 30, 2017
BAN	General Obligation BAN 2016.....	1.25%	10/20/16	\$ 1,843,682	\$ -	\$ 1,843,682	\$ -

**NOTE 8 – LONG-TERM DEBT**

State law permits the District, under the provisions of Chapter 71, Section 16, to authorize indebtedness for capital acquisition and construction. Furthermore, written notice of the amount of debt authorized and general purpose of the debt must be given to the Board of Selectmen in each of the member communities comprising the District.

At June 30, 2017, the District’s General obligation bonds outstanding are as follows:

Project	Interest Rate (%)	Outstanding at June 30, 2016	Issued	Redeemed	Outstanding at June 30, 2017
Refunding issue of 2010.....	2.0 - 5.0	\$ 5,085,000	\$ -	\$ (1,635,000)	\$ 3,450,000
Cutler school roof and repair projects.....	2.0 - 3.5	1,445,000	-	(85,000)	1,360,000
Buker/Winthrop heating and roof projects..	2.0 - 3.0	-	1,531,000	-	1,531,000
<b>Total.....</b>		<b>\$ 6,530,000</b>	<b>\$ 1,531,000</b>	<b>\$ (1,720,000)</b>	<b>\$ 6,341,000</b>

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

Year	Principal	Interest	Total
2018.....	\$ 1,876,000	\$ 216,861	\$ 2,092,861
2019.....	1,935,000	155,276	2,090,276
2020.....	185,000	62,951	247,951
2021.....	190,000	58,251	248,251
2022.....	190,000	53,501	243,501
2023.....	195,000	48,676	243,676
2024.....	195,000	43,776	238,776
2025.....	210,000	38,701	248,701
2026.....	215,000	33,376	248,376
2027.....	220,000	27,376	247,376
2028.....	230,000	20,876	250,876
2029.....	230,000	14,476	244,476
2030.....	240,000	7,938	247,938
2031.....	115,000	3,450	118,450
2032.....	115,000	1,150	116,150
<b>Totals.....</b>	<b>\$ 6,341,000</b>	<b>\$ 786,635</b>	<b>\$ 7,127,635</b>

The District has been approved to receive school construction assistance through the MSBA. The MSBA provides resources for eligible construction costs and debt interest and borrowing costs. During 2017, \$1,132,065 of such assistance was received and \$2,264,130 will be received in future years. Of this amount, \$991,961 represents reimbursement of long-term interest costs, and \$1,272,169 represents reimbursement of approved construction costs. Accordingly, a \$1,272,169 intergovernmental receivable and corresponding deferred inflow have been recorded in the fund based financial statements and the change in the receivable has been recognized as revenue in the conversion to the government-wide financial statements.

The District is subject to various debt limits by statute and may issue additional general obligation debt under the normal debt limit. At June 30, 2017, the District had \$628,150 of authorized and unissued debt related to the Buker and Winthrop School projects.

Changes in long-term liabilities

During the year ended June 30, 2017, the following changes occurred in long-term liabilities:

	Balance June 30, 2016	Additions	Retirements	Balance June 30, 2017	Current Portion
Bonds payable.....	\$ 6,530,000	\$ 1,531,000	\$ (1,720,000)	\$ 6,341,000	\$ 1,876,000
Bond premium.....	110,896	-	(52,655)	58,241	36,309
Compensated absences.....	409,154	123,924	(134,535)	398,543	129,655
Other postemployment benefits.....	17,530,238	2,569,816	(748,115)	19,351,939	-
Net pension liability.....	10,306,211	1,460,747	(823,009)	10,943,949	-
Capital leases.....	208,298	80,920	(112,821)	176,397	86,419
Total.....	<u>\$ 35,094,797</u>	<u>\$ 5,766,407</u>	<u>\$ (3,591,135)</u>	<u>\$ 37,270,069</u>	<u>\$ 2,128,383</u>

**NOTE 9 – GOVERNMENTAL FUND BALANCE CLASSIFICATIONS**

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

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

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

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

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

	Governmental Funds			
	General	School Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Fund Balances				
Restricted for:				
Other Revolving Funds.....	\$ -	\$ -	\$ 956,108	\$ 956,108
Athletic/Extra Curricular Revolving Funds.....	-	-	143,613	143,613
Gifts and Grants.....	-	-	132,349	132,349
Cafeteria.....	-	-	17,194	17,194
Capital Projects.....	-	2,204	27,276	29,480
Assigned to:				
Administration.....	84,500	-	-	84,500
Instructional services.....	142,669	-	-	142,669
Other student services.....	7,917	-	-	7,917
Operation and maintenance.....	6,623	-	-	6,623
Employee benefits and other fixed charges.....	23,200	-	-	23,200
Programs with other school districts.....	25,819	-	-	25,819
Subsequent years' expenditures.....	568,821	-	-	568,821
Unassigned.....	1,282,071	-	-	1,282,071
Total Fund Balances (Deficit).....	\$ 2,141,620	\$ 2,204	\$ 1,276,540	\$ 3,420,364

**NOTE 10 – RISK FINANCING**

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance. The District participates in premium-based health care plans for its active employees and its retirees'.

**NOTE 11 – PENSION PLAN**

*Plan Descriptions*

The District is a member of the Essex Regional Retirement System (ERRS), a cost-sharing multiple-employer defined benefit pension plan covering eligible employees of the 46 member units. The system is administered by five board members (Board) on behalf of all current employees and retirees except for current teachers and retired teachers. Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan.

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

### *Special Funding Situation*

The Commonwealth is a nonemployer contributor and is required by statute to make 100% of all actuarially determined employer contributions on behalf of the District to the MTRS. Therefore, the District is considered to be in a special funding situation as defined by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and the Commonwealth is a nonemployer contributor in MTRS. Since the District does not contribute directly to MTRS, there is no net pension liability to recognize. The total of the Commonwealth provided contributions have been allocated based on each employer's covered payroll to the total covered payroll of employers in MTRS as of the measurement date of June 30, 2016. The District's portion of the collective pension expense, contributed by the Commonwealth, of \$5,247,033 is reported in the general fund as intergovernmental revenue and employee benefits in the current fiscal year. The portion of the Commonwealth's collective net pension liability associated with the District is \$51,438,198 as of the measurement date.

### *Benefits Provided*

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

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

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

### *Contributions*

Chapter 32 of the MGL governs the contributions of plan members and member units. Active plan members are required to contribute to the System at rates ranging from 5% to 9% of gross regular compensation with an additional 2% contribution required for compensation exceeding \$30,000. The percentage rate is keyed to the date upon which an employee's membership commences. The member units are required to pay into the ERRS a legislatively mandated actuarial determined contribution that is apportioned among the employers based on active current payroll. The District's proportionate share of the required contribution equaled its actual contribution for the year ended December 31, 2016 and totaled \$823,009 which was 20.7% of covered payroll, actuarially determined as an amount that, when combined with plan member contributions, is expected to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability.

*Pension Liabilities*

At June 30, 2017, the District reported a liability of \$10,943,949 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2016. Accordingly, update procedures were used to roll forward the total pension liability to the measurement date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members. At December 31, 2016, the District's proportion was 2.84%, which increased .003% from its proportion measured at December 31, 2015.

*Pension Expense*

For the year ended June 30, 2017, the District recognized pension expense of \$1,309,643.

The balances of deferred outflows (inflows) at June 30, 2017 consist of the following:

Deferred category	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Differences between expected and actual experience....	\$ -	\$ (197,083)	\$ (197,083)
Changes of assumptions.....	463,815	-	463,815
Differences between expected and actual earnings.....	479,400	-	479,400
Changes in proportion.....	147,195	-	147,195
	<u>\$ 1,090,410</u>	<u>\$ (197,083)</u>	<u>\$ 893,327</u>

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

<u>Year ended June 30:</u>	
2018.....	\$ 260,318
2019.....	260,318
2020.....	270,720
2021.....	89,182
2022.....	<u>12,789</u>
Total.....	<u>\$ 893,327</u>

*Actuarial Assumptions*

The total pension liability in the January 1, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement that was updated to December 31, 2016:

Valuation date.....	January 1, 2016
Actuarial cost method.....	Entry Age Normal Cost Method.
Amortization method.....	The total appropriation is set to increase annually by 7.41% for five years, then by 6.36% for one year and 4% increases annually thereafter until the final year which will be 3.89%.
Remaining amortization period.....	18 years for the fresh start base.
Asset valuation method.....	Market value adjusted by accounts payable and receivables adjusted to phase in over 5 years investment gains or losses above or below the expected rate of investment return. The actuarial value of assets must be no less than 90% of the adjusted market value nor more than 110% of the adjusted market value.
Projected salary increases.....	3.75% Ultimate rate, with steps. 7.50% year one, 6.50% year two, 6.00% year three, 5.50% year four, 5.00% year five.
Cost of living adjustments.....	3.0% of the first \$13,000 of a members retirement allowance is assumed to be granted every year.
Rates of retirement.....	Varies based upon age for general employees, police and fire employees.
Rates of disability.....	Disability is assumed to be 45% ordinary and 55% accidental for Groups 1 and 2 and 10% ordinary and 90% accidental for Group 4.
Mortality Rates:	
Pre-Retirement.....	The RP-2000 Employee Mortality Table (sex distinct) projected with a Scale BB and Generational Mortality. During employment the healthy employee mortality table is used. Post-employment the healthy annuitant table is used.
Disabled Retiree.....	The RP-2000 Healthy Annuitant Mortality Table (sex distinct) projected with scale BB and Generational Mortality set-forward by 2 years. Death is assumed to be due to the same cause as the disability 40% of the time.
Investment rate of return/Discount rate.....	7.75% per year.

*Investment policy*

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the pension plan’s target asset allocation as of January 1, 2016, are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return	Long-Term Expected Asset Allocation
<b>Global Equity</b>		
Large Cap Equities.....	7.50%	14.50%
Mid/Small Cap Equities.....	7.75%	3.50%
International Equities.....	7.83%	16.00%
Emerging International Equities.....	9.61%	6.00%
<b>Core Fixed Income</b>		
Core Bonds.....	4.00%	5.00%
20+ Year Treasuries.....	3.75%	5.00%
TIPS.....	3.75%	3.00%
<b>Value Added Fixed Income</b>		
High Yield Bonds.....	5.75%	1.50%
Bank Loans.....	6.00%	1.50%
EMD (External).....	5.75%	1.00%
EMD (Local Currency).....	6.50%	2.00%
Private Debt.....	9.06%	4.00%
Private Equity.....	9.50%	10.00%
Real Estate.....	6.50%	10.00%
Timberland.....	6.00%	4.00%
Hedge Funds and Portfolio Completion.....	6.48%	13.00%
		100.0%

*Rate of return*

For the year ended December 31, 2016, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 7.80%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

*Discount rate*

The discount rate used to measure the total pension liability was 7.75% compared to 8.0% in the prior year. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that contributions will be made at rates equal to the actuarially determined contribution rate. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the net pension liability, calculated using the discount rate of 7.75%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
The District's proportionate share of the net pension liability.....	\$ 13,413,674	\$ 10,943,949	\$ 9,116,780

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

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

*Funding Policy* – Contribution requirements are also negotiated between the District and union representatives. The required contribution is based on a pay-as-you-go financing requirement. The District contributes 60 percent of the cost of current-year premiums for eligible retired plan members and their spouses. Plan members receiving benefits contribute the remaining 40 percent of their premium costs. For 2017, the District contributed \$748,115 to the plan.

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

Annual required contribution.....	\$ 2,634,359
Interest on UAAL.....	613,558
Adjustments to annual required contribution.....	(920,910)
Amortization of actuarial (gains)/losses.....	<u>242,809</u>
Annual OPEB cost (expense).....	2,569,816
Contributions made.....	<u>(748,115)</u>
Increase/(Decrease) in net OPEB obligation.....	1,821,701
Net OPEB obligation - beginning of year.....	<u>17,530,238</u>
Net OPEB obligation - end of year.....	<u>\$ 19,351,939</u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2017 and the two previous years is as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2017	\$ 2,569,816	29.1%	\$ 19,351,939
6/30/2016	2,427,496	28.6%	17,530,238
6/30/2015	2,361,813	32.5%	15,797,291

*Funded Status and Funding Progress* – As of July 1, 2015, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$25.3 million, all of which was unfunded. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

In the July 1, 2015, actuarial valuation, actuarial liabilities were determined using the entry age actuarial cost method. The actuarial assumptions included a 3.5% investment rate of return and an initial annual healthcare cost trend rate of 6% which decreases to a 5% long-term rate for all healthcare benefits after one year. The UAAL is being amortized as a level dollar amount over a 30 year period using the closed amortization method. The remaining amortization period at June 30, 2017, is 22 years.

### **NOTE 13 – CONTINGENCIES**

Various legal actions and claims are pending. Litigation is subject to many uncertainties, and the outcome of individual litigated matters is not always predictable. Although the amount of liability, if any, at June 30, 2017, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2017.

### **NOTE 14 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through September 29, 2017, which is the date the financial statements were available to be issued.

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

During 2017, the following GASB pronouncements were implemented:

- GASB Statement #73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement #68, and Amendments to Certain provisions of GASB Statements #67 and #68*. This pronouncement did not impact the basic financial statements.
- GASB Statement #74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The basic financial statements, related notes and required supplementary information were updated to be in compliance with this pronouncement.
- GASB Statement #77, *Tax Abatement Disclosures*. This pronouncement did not impact the basic financial statements.
- GASB Statement #78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. This pronouncement did not impact the basic financial statements.
- GASB Statement #80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement #14*. This pronouncement did not impact the basic financial statements.
- GASB Statement #82, *Pension Issues – an amendment of GASB Statements #67, #68, and #73*. The basic financial statements and related notes were updated to be in compliance with this pronouncement.

The following GASB pronouncements will be implemented in the future:

- The GASB issued Statement #75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which is required to be implemented in 2018.
- The GASB issued Statement #81, *Irrevocable Split-Interest Agreements*, which is required to be implemented in 2018.
- The GASB issued Statement #83, *Certain Asset Retirement Obligations*, which is required to be implemented in 2019.
- The GASB issued Statement #84, *Fiduciary Activities*, which is required to be implemented in 2020.
- The GASB issued Statement #85, *Omnibus 2017*, which is required to be implemented in 2018.
- The GASB issued Statement #86, *Certain Debt Extinguishment Issues*, which is required to be implemented in 2018.
- The GASB issued Statement #87, *Leases*, which is required to be implemented in 2021.

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

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## ***Required Supplementary Information***

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

YEAR ENDED JUNE 30, 2017

	Budgeted Amounts			
	Amounts Carried forward From Prior Year	Current Year Initial Budget	Original Budget	Final Budget
<b>REVENUES:</b>				
Member town assessments.....	\$ -	\$ 26,268,391	\$ 26,268,391	\$ 26,268,391
Intergovernmental.....	-	5,006,335	5,006,335	5,006,335
Miscellaneous.....	-	-	-	-
Investment income.....	-	4,000	4,000	4,000
<b>TOTAL REVENUES.....</b>	<b>-</b>	<b>31,278,726</b>	<b>31,278,726</b>	<b>31,278,726</b>
<b>EXPENDITURES:</b>				
Administration.....	59,531	1,180,023	1,239,554	1,228,555
Instructional services.....	81,433	18,445,337	18,526,770	18,257,121
Other student services.....	7,851	1,891,660	1,899,511	1,859,159
Operation and maintenance.....	8,993	2,242,431	2,251,424	2,281,424
Employee benefits and other fixed charges.....	21,465	3,756,399	3,777,864	3,588,864
Programs with other school districts.....	-	1,494,617	1,494,617	1,974,617
Debt service:				
Maturing debt.....	-	1,820,000	1,820,000	1,820,000
Interest.....	-	309,250	309,250	309,250
<b>TOTAL EXPENDITURES.....</b>	<b>179,273</b>	<b>31,139,717</b>	<b>31,318,990</b>	<b>31,318,990</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....</b>	<b>(179,273)</b>	<b>139,009</b>	<b>(40,264)</b>	<b>(40,264)</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in.....	-	-	-	-
Transfers out.....	-	(139,564)	(139,564)	(139,564)
Use of prior year fund balance for amounts carried forward.....	179,273	-	179,273	179,273
Use of prior year excess and deficiency.....	-	555	555	555
<b>TOTAL OTHER FINANCING SOURCES (USES) ..</b>	<b>179,273</b>	<b>(139,009)</b>	<b>40,264</b>	<b>40,264</b>
<b>NET CHANGE IN FUND BALANCE.....</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>BUDGETARY FUND BALANCE, Beginning of year.....</b>	<b>1,656,031</b>	<b>1,656,031</b>	<b>1,656,031</b>	<b>1,656,031</b>
<b>BUDGETARY FUND BALANCE, End of year.....</b>	<b>\$ 1,656,031</b>	<b>\$ 1,656,031</b>	<b>\$ 1,656,031</b>	<b>\$ 1,656,031</b>

See notes to required supplementary information.

	Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance to Final Budget
\$	26,135,301	\$ -	\$ (133,090)
	5,227,664	-	221,329
	17,988	-	17,988
	2,960	-	(1,040)
	<u>31,383,913</u>	<u>-</u>	<u>105,187</u>
	1,125,733	84,500	18,322
	18,072,436	142,669	42,016
	1,850,085	7,917	1,157
	2,265,594	6,623	9,207
	3,561,463	23,200	4,201
	1,947,871	25,819	927
	1,720,000	-	100,000
	276,159	-	33,091
	<u>30,819,341</u>	<u>290,728</u>	<u>208,921</u>
	564,572	(290,728)	314,108
	60,581	-	60,581
	(139,564)	-	-
	-	-	(179,273)
	-	-	(555)
	<u>(78,983)</u>	<u>-</u>	<u>(119,247)</u>
	485,589	(290,728)	194,861
	1,656,031	-	-
\$	<u>2,141,620</u>	<u>(290,728)</u>	<u>194,861</u>

# ***Pension Plan Schedules***

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

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

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

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

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

	December 31, 2014	December 31, 2015	December 31, 2016
District's proportion of the net pension liability (asset).....	2.746%	2.837%	2.840%
District's proportionate share of the net pension liability (asset)..... \$	9,315,057	\$ 10,306,211	\$ 10,943,949
District's covered employee payroll..... \$	3,502,758	\$ 3,656,348	\$ 3,971,144
Net pension liability as a percentage of covered-employee payroll.....	265.93%	281.87%	275.59%
Plan fiduciary net position as a percentage of the total pension liability.....	52.27%	51.01%	51.12%

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

See notes to required supplementary information.

**SCHEDULE OF CONTRIBUTIONS**  
**ESSEX REGIONAL RETIREMENT SYSTEM**

	<u>June 30, 2015</u>	<u>June 30, 2016</u>	<u>June 30, 2017</u>
Actuarially determined contribution.....	\$ 704,356	\$ 779,283	\$ 823,009
Contributions in relation to the actuarially determined contribution.....	<u>704,356</u>	<u>779,283</u>	<u>823,009</u>
Contribution deficiency (excess).....	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll.....	\$ 3,502,758	\$ 3,656,348	\$ 3,971,144
Contributions as a percentage of covered- employee payroll.....	20.11%	21.31%	20.72%

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

See notes to required supplementary information.

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

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

<u>Fiscal Year</u>	<u>Commonwealth's 100% Share of the Net Pension Liability Associated with the District</u>	<u>District's Expense and Revenue Recognized for the Commonwealth's Support</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Liability</u>
2017	\$ 51,438,198	\$ 5,247,033	52.73%
2016	47,483,472	3,851,332	55.38%
2015	37,616,788	2,613,419	61.64%

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

See notes to required supplementary information.

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

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

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

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

**OTHER POSTEMPLOYMENT BENEFIT PLAN**  
**SCHEDULE OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS**

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Projected Unit Credit (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
7/1/2015	-	\$ 25,337,907	\$ 25,337,907	0%	\$ 18,483,408	137%
7/1/2012	-	22,865,995	22,865,995	0%	17,372,188	132%
7/1/2010	-	25,203,278	25,203,278	0%	N/A	N/A

Schedule of Employer Contributions

Year Ended	Annual Required Contribution	Actual Contributions Made	Percentage Contributed
6/30/2017	\$ 2,634,359	\$ 748,115	28%
6/30/2016	2,552,692	694,549	27%
6/30/2015	2,514,355	766,529	30%
6/30/2014	2,470,026	723,711	29%
6/30/2013	2,993,191	896,395	30%
6/30/2012	2,868,765	863,565	30%

See notes to required supplementary information.

**OTHER POSTEMPLOYMENT BENEFIT PLAN**  
**ACTUARIAL METHODS AND ASSUMPTIONS**

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Actuarial Methods:

Valuation date.....	July 1, 2015
Actuarial cost method.....	Entry age actuarial cost method
Amortization method.....	Level dollar amount over 30 years, closed basis
Remaining amortization period.....	23 years at July 1, 2015
Asset valuation method.....	Market value

Actuarial Assumptions:

Investment rate of return.....	3.50%
Medical care inflation rate.....	6% decreasing to 5% over 1 year
Inflation rate.....	2.75%
Annual compensation increases.....	3.00%

Plan Membership:

Current retirees, beneficiaries, and dependents.....	186
Current active members.....	<u>319</u>
Total	<u><u>505</u></u>

See notes to required supplementary information.

**NOTE A – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**1. Budgetary Information

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

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

The District adopts an annual budget for the general fund in conformity with the guidelines described above. The initial 2017 approved budget for the general fund authorized \$31.3 million in appropriations. The District did not approve any supplemental appropriations during the year.

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

2. Budgetary - GAAP Reconciliation

For budgetary financial reporting purposes, the Uniform Municipal Accounting System basis of accounting (established by the Commonwealth) is followed, which differs from the GAAP basis of accounting. A reconciliation of budgetary-basis to GAAP-basis results for the general fund for the year ended June 30, 2017, is presented below:

Net change in fund balance, budgetary basis.....	\$	485,589
<u>Basis of accounting differences:</u>		
Recognition of revenue for on-behalf payments.....		3,851,332
Recognition of expenditures for on-behalf payments.....		<u>(3,851,332)</u>
Net change in fund balance, GAAP basis.....	\$	<u>485,589</u>

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

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

B. Schedule of District's Contributions

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

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

#### C. Changes of Assumptions

The discount rate was reduced from 8.0% used in the prior year to 7.75% used this year.

#### D. Changes in Plan Provisions

None.

### **NOTE C – OTHER POSTEMPLOYMENT BENEFITS**

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

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

The Schedule of Funding Progress presents multi-year trend information which compares, over time, the actuarially accrued liability for benefits with the actuarial value of accumulated plan assets.

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

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

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

# ***Combining Statements***

# ***Nonmajor Governmental Funds***

## ***Special Revenue Funds***

Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

## ***Capital Project Funds***

Capital project funds are used to account for the acquisition and construction of major capital facilities.

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

YEAR ENDED JUNE 30, 2017

Fund	Program	Program Name	Beginning Balance	Revenues	Expenditures	Other Financing Sources (Uses)		YTD Change	GAAP Basis Ending Balance	Negative Fund Balances	Positive Fund Balances	Proof Total
						Capital Lease Proceeds	Transfers In/ (Transfers Out)					
<b>REVOLVING FUNDS</b>												
202	200	MRMS INTRAMURALS	\$ 10,265	\$ 17,500	\$ 17,618	\$ -	\$ -	\$ (118)	\$ 10,147	\$ -	\$ 10,147	\$ 10,147
202	213	GUIDANCE	7,274	46,606	49,461	-	-	(2,855)	4,419	-	4,419	4,419
202	214	RENTAL	6,684	17,323	18,043	-	-	(720)	5,964	-	5,964	5,964
202	216	SCHOOL CHOICE	75,555	366,241	375,001	-	-	(8,760)	66,795	-	66,795	66,795
202	217	SCHOOL	19,787	10,913	14,825	-	-	(3,912)	15,875	-	15,875	15,875
202	218	INSURANCE RECOVERY	6,011	-	-	-	-	-	6,011	-	6,011	6,011
202	219	TEXTBOOK	27,112	3,064	9,647	-	-	(6,583)	20,529	-	20,529	20,529
202	220	FITNESS CENTER	31	-	-	-	-	-	31	-	31	31
202	221	BUS RENTAL DRIVERS	10	-	-	-	-	-	10	-	10	10
202	224	PRE-SCHOOL TUITION	-	76,235	76,235	-	-	-	-	-	-	-
202	225	RHS PARKING	991	33,900	11,951	-	-	21,949	22,940	-	22,940	22,940
202	228	NON-RESIDENT TUITION	115,861	44,964	35,586	-	-	9,378	125,239	-	125,239	125,239
202	301	BEST BUDDIES	890	-	-	-	-	-	890	-	890	890
202	302	CIRCUIT BREAKER	460,467	707,531	567,000	-	-	140,531	600,998	-	600,998	600,998
202	303	HIGH SCHOOL IPAD LEASE PROGRAM	27,596	113,685	91,004	-	-	22,681	50,277	-	50,277	50,277
202	304	TRANSPORTATION REIMBURSEMENT FUND	60,581	25,983	-	-	(60,581)	(34,598)	25,983	-	25,983	25,983
TOTAL REVOLVING FUNDS			819,115	1,463,945	1,266,371	-	(60,581)	136,993	956,108	-	956,108	956,108
<b>ATHLETIC/EXTRA CURRICULAR REVOLVING</b>												
205	202	GENERAL ATHLETIC	26,701	11,872	10,545	-	-	1,327	28,028	-	28,028	28,028
205	211	ATHLETIC CO-OP PROGRAM	-	-	476	-	476	-	-	-	-	-
205	212	FOOTBALL	5,392	39,237	48,430	-	10,540	1,347	6,739	-	6,739	6,739
205	213	VOLLEYBALL	-	15,909	18,665	-	7,048	4,292	4,292	-	4,292	4,292
205	214	BOYS SOCCER	-	18,406	19,198	-	7,333	6,541	6,541	-	6,541	6,541
205	215	GIRLS SOCCER	6,060	18,674	27,772	-	5,320	(3,778)	2,282	-	2,282	2,282
205	216	FIELD HOCKEY	3,853	14,852	18,061	-	4,471	1,262	5,115	-	5,115	5,115
205	217	FALL CHEERING	4,163	3,676	6,655	-	1,428	(1,551)	2,612	-	2,612	2,612
205	218	GOLF	3,312	4,940	8,418	-	1,278	(2,200)	1,112	-	1,112	1,112
205	219	X-COUNTRY	9,912	10,387	18,409	-	2,467	(5,555)	4,357	-	4,357	4,357
205	222	WRESTLING	3,849	-	-	-	-	-	3,849	-	3,849	3,849
205	223	INDOOR TRACK	-	12,632	18,374	-	6,814	1,072	1,072	-	1,072	1,072
205	224	ICE HOCKEY	8,931	22,925	35,967	-	10,608	(2,434)	6,497	-	6,497	6,497
205	225	BOYS BASKETBALL	4,267	19,859	27,424	-	6,345	(1,220)	3,047	-	3,047	3,047
205	226	GIRLS BASKETBALL	5,268	11,333	23,133	-	6,532	(5,268)	-	-	-	-
205	227	SWIM TEAM	6,234	14,816	18,670	-	3,375	(479)	5,755	-	5,755	5,755
205	228	WINTER CHEER	1,944	-	-	-	-	-	1,944	-	1,944	1,944
205	229	GYMNASTICS	1,818	6,803	8,054	-	2,241	990	2,808	-	2,808	2,808
205	232	BOYS LACROSSE	1,420	10,878	23,016	-	12,058	(80)	1,340	-	1,340	1,340
205	233	GIRLS LACROSSE	4,994	12,151	18,085	-	8,649	2,715	7,709	-	7,709	7,709
205	234	BASEBALL	-	17,925	24,911	-	10,636	3,650	3,650	-	3,650	3,650
205	235	TRACK & FIELD	7,321	16,403	36,367	-	16,173	(3,791)	3,530	-	3,530	3,530
205	236	SOFTBALL	1,945	9,810	18,526	-	6,773	(1,943)	2	-	2	2
205	237	BOYS TENNIS	2,795	9,216	12,786	-	3,124	(446)	2,349	-	2,349	2,349
205	238	GIRLS TENNIS	924	9,063	13,628	-	5,875	1,310	2,234	-	2,234	2,234
205	250	RHS ART CLUB	603	-	-	-	-	-	603	-	603	603
205	254	RHS MODEL UN	2,812	-	-	-	-	-	2,812	-	2,812	2,812
205	257	RHS MUSICAL	-	18,142	13,185	-	-	4,957	4,957	-	4,957	4,957
205	260	WORLD LANGUAGE CLUB	3,255	-	-	-	-	-	3,255	-	3,255	3,255
205	280	MRMS CHORALE	-	1,210	165	-	-	1,045	1,045	-	1,045	1,045
205	281	MRMS COLLEGE BOWL	2,564	90	1,193	-	-	(1,103)	1,461	-	1,461	1,461
205	283	MRMS MATH TEAM	-	725	725	-	-	-	-	-	-	-
205	284	MRMS MUSICAL	14,607	18,377	15,308	-	-	3,069	17,676	-	17,676	17,676
205	285	MRMS TALENT SHOW	93	-	-	-	-	-	93	-	93	93
205	286	MRMS DRAMA FESTIVAL	923	-	-	-	-	-	923	-	923	923
205	287	MRMS ART CLUB	1,878	1,350	-	-	-	1,350	3,228	-	3,228	3,228
205	290	ELEMENTARY BAND	380	1,939	2,318	-	-	(379)	1	-	1	1

(Continued)

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

YEAR ENDED JUNE 30, 2017

Fund	Program	Program Name	Beginning Balance	Revenues	Expenditures	Other Financing Sources (Uses)		YTD Change	GAAP Basis Ending Balance	Negative Fund Balances	Positive Fund Balances	Proof Total
						Capital Lease Proceeds	Transfers In/ (Transfers Out)					
205	291	ELEMENTARY CHORUS	1,033	6,474	6,812	-	-	(338)	695	-	695	695
		TOTAL ATHLETIC/EXTRA CURRICULAR REVOLVING	139,251	360,074	495,276	-	139,564	4,362	143,613	-	143,613	143,613
<b>FEDERAL GRANTS</b>												
301	015	TITLE 1 FY15	-	636	636	-	-	-	-	-	-	-
301	016	TITLE 1 FY16	-	17,049	17,547	-	-	(498)	(498)	(498)	-	(498)
301	017	TITLE 1 FY17	-	48,923	54,198	-	-	(5,275)	(5,275)	(5,275)	-	(5,275)
302	016	FY16 94-142 SPECIAL EDUCATION	-	64,941	64,941	-	-	-	-	-	-	-
302	017	FY17 94-142 SPECIAL EDUCATION	-	430,029	429,951	-	-	78	78	-	78	78
303	016	TITLE IIA FY16	3,737	6,311	10,048	-	-	(3,737)	-	-	-	-
303	017	TITLE IIA FY17	-	22,445	25,546	-	-	(3,101)	(3,101)	(3,101)	-	(3,101)
304	017	EARLY CHILDHOOD FY17	-	13,353	13,353	-	-	-	-	-	-	-
306	016	SPECIAL EDUCATION PROGRAM IMPROVEMENT FY16	4,803	6,547	11,350	-	-	(4,803)	-	-	-	-
306	017	SPECIAL EDUCATION PROGRAM IMPROVEMENT FY17	-	14,910	14,910	-	-	-	-	-	-	-
308	017	EARLY CHILDHOOD PROGRAM IMPROVEMENT FY17	-	1,400	1,367	-	-	33	33	-	33	33
310	017	SPED 94-142 TRANSITION	-	6,550	2,000	-	-	4,550	4,550	-	4,550	4,550
		TOTAL FEDERAL GRANTS	8,540	633,094	645,847	-	-	(12,753)	(4,213)	(8,874)	4,661	(4,213)
<b>STATE GRANTS</b>												
402	016	COORDINATED FAMILY & COMMUNITY ENGAGEMENT FY16	-	583	583	-	-	-	-	-	-	-
402	017	COORDINATED FAMILY & COMMUNITY ENGAGEMENT FY17	-	45,300	44,154	-	-	1,146	1,146	-	1,146	1,146
402	428	BIG YELLOW BUS	600	600	1,200	-	-	(600)	-	-	-	-
402	513	STARS GRANT	-	3,200	3,200	-	-	-	-	-	-	-
		TOTAL STATE GRANTS	600	49,683	49,137	-	-	546	1,146	-	1,146	1,146
<b>PRIVATE GRANTS AND GIFTS</b>												
502	508	ALUMNI GIFTS	100	-	61	-	-	(61)	39	-	39	39
502	510	GIFTS TO SCHOOLS	67,847	4,133	25,898	-	-	(21,765)	46,082	-	46,082	46,082
502	511	GORDON COLLEGE	2,682	-	-	-	-	-	2,682	-	2,682	2,682
502	512	LOCAL EDUCATION FUND	12,250	-	-	-	(1,501)	(1,501)	10,749	-	10,749	10,749
502	515	FY13 PILOT PROGRAM - HARDWARE	4,750	-	2,563	-	-	(2,563)	2,187	-	2,187	2,187
502	517	ASSISTIVE TECH	16	-	-	-	-	-	16	-	16	16
502	518	LIBRARY MINI GRANT	166	-	-	-	-	-	166	-	166	166
502	519	THINKFINITY GRANT	3,573	-	-	-	-	-	3,573	-	3,573	3,573
502	520	TOWER SCIENCE MINI GRANT	190	-	-	-	-	-	190	-	190	190
502	522	THINKFINITY: DO THE MATH	(1,501)	-	-	-	1,501	1,501	-	-	-	-
502	545	FY15 FOREIGN LANGUAGE	35,179	-	28,437	-	-	(28,437)	6,742	-	6,742	6,742
502	554	FY15 CUTLER LEARNING COMMONS	-	2,235	-	-	-	2,235	-	-	-	-
502	557	FY16 HYDRO VERT GROW WALL	(162)	162	-	-	-	162	-	-	-	-
502	558	FY16 CHROMEBOOKS	-	300	300	-	-	-	-	-	-	-
502	561	CONSERVATION COMMISSION	(1,228)	3,392	3,737	-	-	(345)	(1,573)	(1,573)	-	(1,573)
502	562	BUKER - LIBRARY DONATIONS	82	-	-	-	-	-	82	-	82	82
502	572	FY16 21ST CENTURY LEARNING SPACES	(2,958)	2,958	-	-	-	2,958	-	-	-	-
502	573	FY16 RACHEL'S CHALLENGE	3,600	-	3,600	-	-	(3,600)	-	-	-	-
502	574	WINTHROP SCHOOL PLAYGROUND	107,500	12,534	52,769	-	-	(40,235)	67,265	-	67,265	67,265
502	575	FY16 LEGO ED WEDO 2.0	(795)	795	-	-	-	795	-	-	-	-
502	576	FY16 USING LEGOS	-	13,434	13,434	-	-	-	-	-	-	-
502	577	FY16 8TH GRADE SCIENCE MODERN	-	6,870	6,870	-	-	-	-	-	-	-
502	578	FOUNDATION OF ALCOHOL EDUCATION	-	2,600	1,600	-	-	1,000	1,000	-	1,000	1,000
502	579	FY17 FRAME BY FRAME	-	23,096	23,096	-	-	-	-	-	-	-
502	580	FY17 LIZZIE BORDEN 40 WHACKS	-	550	550	-	-	-	-	-	-	-
502	581	FY17 MAKERSPACE MATERIALS	-	988	988	-	-	-	-	-	-	-

(Continued)

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

YEAR ENDED JUNE 30, 2017

Fund	Program	Program Name	Beginning Balance	Revenues	Expenditures	Other Financing Sources (Uses)		YTD Change	GAAP Basis Ending Balance	Negative Fund Balances	Positive Fund Balances	Proof Total
						Capital Lease Proceeds	Transfers In/ (Transfers Out)					
502	582	FY17 FILM MAKING KIT	-	399	399	-	-	-	-	-	-	-
502	583	FY17 KNK ZING ORBIT	-	-	3,784	-	-	(3,784)	(3,784)	(3,784)	-	(3,784)
TOTAL PRIVATE GRANTS AND GIFTS			229,056	74,446	168,086	-	-	(93,640)	135,416	(5,357)	140,773	135,416
<b>CAFETERIA</b>												
701	700	CAFETERIA	3,506	511,336	497,648	-	-	13,688	17,194	-	17,194	17,194
TOTAL SPECIAL REVENUE FUNDS			1,200,068	3,092,578	3,122,365	-	78,983	49,196	1,249,264	(14,231)	1,263,495	1,249,264
<b>CAPITAL PROJECTS</b>												
002	000	SPECIAL PROJECTS	27,276	-	-	-	-	-	27,276	-	27,276	27,276
450	200	CAPITAL LEASE - IPADS	-	-	80,920	80,920	-	-	-	-	-	-
TOTAL CAPITAL PROJECT FUNDS			27,276	-	80,920	80,920	-	-	27,276	-	27,276	27,276
TOTAL NONMAJOR FUNDS			\$ 1,227,344	\$ 3,092,578	\$ 3,203,285	\$ 80,920	\$ 78,983	\$ 49,196	\$ 1,276,540	\$ (14,231)	\$ 1,290,771	\$ 1,276,540

(Concluded)