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ACTON-BOXBOROUGH REGIONAL SCHOOL DISTRICT
BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015
AND
REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

ACTON-BOXBOROUGH REGIONAL SCHOOL DISTRICT

BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

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INDEPENDENT AUDITORS' REPORT

The Honorable School Committee
Acton-Boxborough Regional School District
Acton, Massachusetts

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Acton-Boxborough Regional School District, Acton, Massachusetts, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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 evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including 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 procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Acton-Boxborough Regional School District, Acton, Massachusetts, as of June 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof, and the respective budgetary comparison for the general fund, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Certified Public Accountants

Other Matters

Required Supplementary information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 10 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 *Government 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 Acton-Boxborough Regional School District, Acton, Massachusetts's basic financial statements. The accompanying Schedule of Treasurer's Cash is presented for purposes of additional analysis and is not a required part of the financial statements.

The Schedule of Treasurer's Cash is the responsibility of management and was derived from and directly relates 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 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 Schedule of Treasurer's Cash is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2015, on our consideration of the Acton-Boxborough Regional School District, Acton, Massachusetts'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 tests on 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 considered in assessing the results of our audit.

Borgatti Harrison & Co.

Borgatti Harrison & Co.

Framingham, Massachusetts
September 30, 2015

Acton-Boxborough Regional School District

Management Discussion and Analysis

As management of the Acton-Boxborough Regional School District School (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2015. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our basic statements and notes to the basic statements.

The District is audited annually by Borgatti Harrison & Company, Certified Public Accountants.

Financial Highlights:

- Beginning July 1, 2014, the School District expanded to include the elementary school grades from both the Towns of Acton and Boxborough. The former School District included grades 7 through 12.
- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$26,904,534 (net position).
- The District's total net position increased by \$19,177,440 in Fiscal 2015, primarily as a result of a government combination resulting in the recognition of increase in net assets in the amount of \$21,573,235. This combination was the inclusion of the elementary schools from the Towns of Acton and Boxborough into the District. See note 19 on page 44 of these financial statements.
- The total cost of all District services for Fiscal 2015 was \$94,424,081. The District operated within the budget established by the School Committee for the year ended June 30, 2015.
- The District foundation enrollment was 5,649 students in Fiscal 2015, an increase of 2,677 students from Fiscal 2014.
- Revenues were primarily derived from assessments to towns totaling \$60,736,023, state aid of \$14,417,186, and program revenues, primarily grants, charges for services and earnings on investments.
- The District reported a general fund balance of \$2,491,933 at the end of Fiscal 2015. There was a \$669,113 increase in total general fund balance from the prior year. The unassigned fund balance for the general fund was \$1,847,237.

Overview of the Financial Statements:

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

Government-Wide Financial Statements:

The government-wide financial statements are designed to provide readers with a broad overview of the District's financial position, in a manner similar to a private sector business. The statement of net position presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

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

Both of the government-wide financial statements distinguish functions and activities of the District that are principally supported by regional assessments and intergovernmental revenues (governmental activities) from other functions and activities that are intended to recover all or a significant portion of their costs through user fees or charges. The government activities of the District include the broad functions of School Committee, Superintendent, Finance, School Leadership, Instruction, Textbooks, etc., consistent with Massachusetts Department of Education functional classifications.

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. The District, like other Massachusetts school districts, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District 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, government fund financial statements focus on the near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financial 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 government funds and governmental activities.

The District maintains a general fund, state and federal grant funds, cafeteria fund, revolving funds, community education fund and capital projects funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and the capital projects fund. Data from the other five categories of funds are combined into a single, aggregated presentation under the caption nonmajor governmental funds.

The basic governmental fund financial statements can be found on Pages 13 through 16 of this report.

Fiduciary Funds:

Fiduciary funds, which include the other post-employment benefits trust, scholarships and student activities, are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not included in the government-wide financial statements because the resources of the funds are not available to support the District's own functions and activities. The accounting used for fiduciary funds is much like that used for general funds.

The fiduciary fund financial statements provide separate information for the agency and private purpose funds of the District. The fiduciary fund financial statements can be found on Pages 18 and 19 of this report.

Notes to the Financial Statements:

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on Page 21 through 44 of this report. An index of the notes appears on Page 20.

Government-Wide Financial Analysis:

	<u>FY 2015</u>	<u>FY2014</u>	<u>Net Change</u>
Current Assets	\$ 7,361,491	\$ 4,597,950	\$ 2,763,541
Non-Current assets	73,559	-	73,559
Capital Assets (Net)	<u>\$78,020,209</u>	<u>\$56,914,061</u>	<u>21,106,148</u>
Total Assets	<u>\$85,455,259</u>	<u>\$61,512,011</u>	<u>\$23,943,248</u>
Current Liabilities	\$ 4,006,364	\$ 2,788,927	\$ 919,120
Non-Current Liabilities	<u>54,544,361</u>	<u>29,501,127</u>	<u>25,341,551</u>
Total Liabilities	<u>\$58,550,725</u>	<u>\$32,290,054</u>	<u>\$26,260,671</u>
Net Position			
Invested in Capital assets, Net of related debt	\$ 60,429,463	\$39,051,696	\$ 21,377,767
Restricted	\$ 6,868	\$ 32,718	(25,850)
Unrestricted	<u>\$(33,531,797)</u>	<u>\$(9,862,457)</u>	<u>\$(23,669,340)</u>
Total Net Position	<u>\$ 26,904,534</u>	<u>\$29,221,957</u>	<u>(2,317,423)</u>

Included within current assets are \$6,524,819 in cash and cash equivalents. Capital assets include all buildings and equipment, both completed and in progress, that are owned by the District. Current liabilities principally include \$1,181,985 for accounts payable and accrued expenses and \$251,210 in accrued interest and current portion of long-term liabilities of \$2,573,169. Long-term liabilities include \$2,079,244 for longevity incentive, \$1,573,570 for capital lease obligations, \$21,781,913 for net pension liability, \$14,325,000 for bonds payable and \$14,784,634 for other post-employment benefits.

The largest portion (91.30%) of the District's total assets reflects its investment in land, buildings, furniture and equipment and vehicles. The District uses capital assets to provide services to students; therefore, these assets are not available for future spending. Net position increased \$19,177,440 principally from recognition of net assets contributed to the District as part of the expansion of the District to include the elementary schools in the amount of \$21,573,235, depreciation expense of \$3,380,501 and a \$2,611,438 increase in net OPEB obligation that was recognized by the School District as a result of Government Accounting Standards Board (GASB) Statement 45. The \$14,784,634 net OPEB obligation represents the difference between the School District's annual required contribution for other post employment benefits (principally health insurance) and the School District's pay-as-you-go funding for retiree benefits.

Approximately 2.34% of the District's net position represent resources that are considered unrestricted, but are subject to designation by the School Committee. Such designations include capital projects, encumbrances, and subsequent year expenses. The remaining balance of unrestricted net position \$(34,068,394) represents a deficit due to the recognition of the long-term Other Post-Employment Benefits obligation of \$14,784,634 and Net Pension Liability of \$21,781,913 at June 30, 2015.

Financial Analysis of Governmental Funds:

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with local, state and federal requirements.

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

The general fund is the chief operating fund of the District. At June 30, 2015, the general fund balance was \$2,491,933; \$529,729 of this balance was assigned by the School Committee to pay for encumbrances, debt service and carryover expenditures. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures (including transfers to other funds). Unassigned fund balance represents 2.31% of total general fund expenditures (including transfers), while total fund balance represents 3.12% of the same amount, as compared to 1.45% and 3.83%, respectively, at June 30, 2014.

General Fund Highlights:

The District's total general fund balance increased \$669,113 during Fiscal 2015.

Total general fund revenues were \$79,985,688 an increase of \$33,634,662, or 72.56% from prior year. District assessments to member communities increased \$28,453,623, or 88.14%, to \$60,736,023. State aid increased \$6,112,427 in FY15. Student foundation enrollment increased from 2,972 in Fiscal 2014 to 5,649 in Fiscal 2015. District assessments to member communities constitute the largest revenue line item, representing 75.93% of the District's general fund revenue. State aid represents the second largest revenue source (23.91%) for the District.

Member communities are apportioned an assessment based upon costs in three categories: construction costs, capital costs and operating costs. The method of determining a community's local contribution is based on a three-year average of pupil enrollment. The District will then assess additional revenue requirements based on the regional agreement. The District's budget is not approved until both member communities vote on it favorably.

Total general fund expenditure and transfers to other funds were \$79,994,105, an increase of \$32,442,280, or 68.23% from the previous fiscal year.

General Fund Budgetary Highlights:

Actual revenues were under budget by \$310,418 primarily due to state aid coming in at a lower amount than budgeted.

Actual expenditures were \$815,736 under budget.

The table below summarizes the major categories of general fund expenditures and transfers in fiscal 2015 compared to Fiscal 2014:

<u>Expenditure</u>	<u>2015 Actual</u>	<u>% of Total</u>	<u>Change from 2014</u>	<u>% Change</u>
Administration	\$2,595,546	3.4%	\$824,702	46.6%
Instructional Leadership Classroom & Specialist Teachers	\$4,915,646	6.4%	\$2,538,052	106.7%
Other Teaching Services	\$28,083,648	36.7%	\$13,933,719	98.5%
Professional Development	\$4,872,966	6.4%	\$3,268,427	203.7%
Instructional Materials, Equip. & Technology	\$431,541	0.5%	\$208,869	93.8%
Guidance, Counseling & Testing	\$ 1,643,300	2.1%	\$1,021,009	164.1%
Pupil Services	\$2,566,846	3.4%	\$955,365	59.3%
Operations & Maintenance	\$6,543,853	8.5%	\$1,827,079	38.7%
Insurance	\$4,848,865	6.3%	\$1,447,576	42.5%
Retirement	\$9,087,726	11.9%	\$4,260,849	88.3%
Capital Outlay	\$2,488,298	3.3%	\$1,024,858	70.0%
	\$857,867	1.1%	\$305,480	55.3%
Tuition Out	\$5,717,707	7.5%	\$2,268,044	65.7%
Other	\$ -	0.0%	\$(91,413)	(100.)%
Debt Service	\$1,822,733	2.5%	\$(196,562)	(9.7)%
Total	<u>\$76,476,542</u>	<u>100.0%</u>	<u>\$33,596,054</u>	<u>78.4%</u>

Teaching represents 36.7% of the District's expenditures, an increase of 3.7% over the prior fiscal year. The District spent \$9,087,726 or 11.9% on fringe benefits, consisting of employee benefits including health insurance, representing the second largest expenditure line item. The third largest category of expenditure was pupil services costing \$6,543,853 or 8.6% of the total. Tuition out of \$5,717,707 includes school choice out, tuition to non-public schools and to collaboratives.

Operation and maintenance costs were \$4,848,865, or 6.3% of total. Debt service of \$1,822,733, including interest payments of \$597,733, was 2.5% of the total.

Capital Assets: The District's investment in capital assets for government and business-type activities as of June 30, 2015 amounted to \$78,020,209, net of accumulated depreciation of \$31,430,860. The investment in capital assets includes land, buildings and improvements, furniture and equipment, and vehicles. Additional information on the District's capital assets may be found in Note 7 Capital Assets to the financial statements on page 35 of this report.

Long-Term Debt: At June 30, 2015, the District had \$15,640,000 outstanding in long-term bonds and notes, bearing interest rates of 2.0% to 6.0%, maturing through 2028.

Economic Factors and Next Year's Budget for FY 2016

Fiscal 2016 enrollment projections for the expanded district indicate that 5,544 students will attend the District with 4,714 students from the Town of Acton, and 830 students from the Town of Boxborough. The communities are governed by Boards of Selectmen and Open Town Meeting. Major employers of the two towns include Cisco Systems and Haartz Auto Fabric. Median family income and per capita income for both communities are significantly greater than the national and state averages.

<u>Year 2009</u>	<u>Acton</u>	<u>Boxborough</u>	<u>Massachusetts</u>	<u>United States</u>
Median Family Income	\$112,217	\$112,477	\$ 63,313	\$ 50,054
Per Capita Income	\$ 55,111	\$ 49,608	\$ 33,411	\$ 44,872

The District has an approved FY2016 general fund budget of \$79,749,882, an increase of 4.3%.

Request for Information

This financial report is designed to provide a general overview of the District's finances for those with an interest in the District's finances. Questions concerning any information provided in this report or requests for additional financial information should be addressed to the Director of Finance, Acton-Boxborough Regional School District, 16 Charter Road, Acton, Massachusetts 01720.

**ACTON-BOXBOROUGH REGIONAL SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2015**

	<u>Governmental Activities</u>
ASSETS	
Current Assets:	
Cash and Equivalents	\$ 6,459,392
Due from other governments	690,156
Receivable, other	38,417
Restricted cash	65,427
Other	108,099
	<u>7,361,491</u>
Total current assets	<u>7,361,491</u>
Noncurrent Assets:	
Capital assets, net of accumulated depreciation	78,020,209
	<u>78,020,209</u>
Total noncurrent assets	<u>78,020,209</u>
Deferred Outflow of Resources	
	<u>73,559</u>
Total Assets and Deferred Outflows of Resources	<u>85,455,259</u>
 LIABILITIES	
Current Liabilities:	
Accounts payable and accrued expenses	1,181,985
Accrued interest	251,210
Current portion of capital lease obligations	376,906
Current portion of compensated absences	298,317
Current portion of longevity incentive	582,946
Current portion of bonds payable	1,315,000
	<u>4,006,364</u>
Total current liabilities	<u>4,006,364</u>
Noncurrent Liabilities:	
Other post employment benefits obligation	14,784,634
Net pension liability	21,781,913
Capital lease obligations, net of current portion	1,573,570
Longevity Incentive, net of current portion	2,079,244
Bonds payable, net of current portion	14,325,000
	<u>54,544,361</u>
Total noncurrent liabilities	<u>54,544,361</u>
Total Liabilities	<u>58,550,725</u>
 NET POSITION	
Invested in capital assets, net of related debt	60,429,463
Restricted for:	
Other purposes	6,868
Unrestricted	(33,531,797)
	<u>26,904,534</u>
Total Net Position	<u>\$ 26,904,534</u>

See accompanying notes to financial statements

ACTON-BOXBOROUGH REGIONAL SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government					
Governmental Activities					
Administration	\$ 2,592,721	\$ 14,981	\$ -	\$ -	\$ (2,577,740)
Instructional leadership	4,953,341	17,814	33,224	-	(4,902,303)
Classroom and specialist teachers	28,280,758	321,889	129,158	-	(27,829,711)
Other teaching services	6,290,827	161,404	1,290,899	-	(4,838,524)
Professional development	550,688	6,450	115,752	-	(428,486)
Instructional materials, equipment and technology	1,213,926	75,455	198,026	-	(940,445)
Guidance, counseling and testing	2,700,449	135,604	-	-	(2,564,845)
Pupil services	8,527,839	1,750,147	1,430,928	-	(5,346,764)
Operations and maintenance	4,939,729	112,073	-	-	(4,827,656)
Insurance	11,777,392	78,816	-	-	(11,698,576)
Retirement	6,133,046	-	3,431,257	-	(2,701,789)
Community Education	2,898,800	2,951,802	-	-	53,002
School lunch	1,533,119	1,465,279	278,332	-	210,492
Capital outlay	1,814	166,879	5,758	-	170,823
Tuition out	7,563,057	-	2,088,607	-	(5,474,450)
Other	397,536	382,377	4,425	-	(10,734)
Depreciation not allocated	3,380,501	-	-	-	(3,380,501)
Interest and other charges	688,538	-	100,000	-	(588,538)
Total governmental activities	94,424,081	7,640,970	9,106,366	-	(77,676,745)
General revenues:					
Member town assessments					60,736,023
State aid					14,417,186
Investment earnings					21,156
Miscellaneous					112,190
Special item - Proceeds from government combination					21,573,235
Transfer in					(5,605)
Total general revenues, special items and transfers					96,854,185
Change in net position					19,177,440
Net position - beginning of year, as restated					7,727,094
Net position - end of year					\$ 26,904,534

See accompanying notes to financial statements

ACTON-BOXBOROUGH REGIONAL SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 2,863,666	\$ 3,595,726	\$ 6,459,392
Due from other governments	663,736	26,420	690,156
Receivables, other	38,417	-	38,417
Restricted cash	-	65,427	65,427
Prepaid expenses	108,099	-	108,099
Total assets	<u>\$ 3,673,918</u>	<u>\$ 3,687,573</u>	<u>\$ 7,361,491</u>
 LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 1,181,985	\$ -	\$ 1,181,985
Total liabilities	<u>1,181,985</u>	<u>-</u>	<u>1,181,985</u>
Fund balances:			
Nonspendable	108,099	-	108,099
Restricted	6,868	464,046	470,914
Committed	-	-	-
Assigned	529,729	3,223,527	3,753,256
Unassigned	1,847,237	-	1,847,237
Total fund balances	<u>2,491,933</u>	<u>3,687,573</u>	<u>6,179,506</u>
Total liabilities and fund balances	<u>\$ 3,673,918</u>	<u>\$ 3,687,573</u>	<u>\$ 7,361,491</u>

See accompanying notes to financial statements

**ACTON-BOXBOROUGH REGIONAL SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
JUNE 30, 2015**

Total fund balance, governmental funds	\$	6,179,506
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Other assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds		-
Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.		78,020,209
In the Statement of Activities, interest is accrued on outstanding long-term debt whereas in Governmental Funds, interest is not reported until due.		(251,210)
Revenues are recognized on an accrual basis of accounting instead of a modified accrual basis.		-
Some liabilities, (such as Notes Payable, Capital Lease Contract Payable, Long-term Compensated Absences, and Bonds Payable), are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position		(57,117,530)
Certain changes in the net pension liability, which are deferred to future reporting periods, are not reported in the governmental funds.		73,559
Net Position of Governmental Activities in the Statement of Net Position	<u>\$</u>	<u>26,904,534</u>

See accompanying notes to financial statements

ACTON-BOXBOROUGH REGIONAL SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES			
Member town assessments	\$ 60,736,023	\$ -	\$ 60,736,023
Intergovernmental	19,122,752	3,988,492	23,111,244
Charges for services	-	7,217,571	7,217,571
Investment earnings	14,894	6,262	21,156
Miscellaneous	112,019	188	112,207
Contributions and donations	-	654,133	654,133
Total revenues	<u>79,985,688</u>	<u>11,866,646</u>	<u>91,852,334</u>
EXPENDITURES			
Administration	2,577,740	14,981	2,592,721
Instructional leadership	4,902,303	51,038	4,953,341
Classroom and specialist teachers	28,083,648	402,938	28,486,586
Other teaching services	4,871,233	1,419,594	6,290,827
Professional development	428,486	122,202	550,688
Instructional materials, equipment and technology	1,570,562	81,173	1,651,735
Guidance, counseling and testing	2,564,845	135,604	2,700,449
Pupil services	6,539,142	1,988,697	8,527,839
Operations and maintenance	4,827,656	112,073	4,939,729
Insurance	9,087,138	78,816	9,165,954
Retirement	5,791,900	127,655	5,919,555
Community education	-	2,898,800	2,898,800
School lunch	-	1,533,119	1,533,119
Capital outlay	1,209,012	176,646	1,385,658
Tuition out	5,717,707	1,845,350	7,563,057
Other	-	397,536	397,536
Debt service:			
Principal	1,225,000	100,000	1,325,000
Interest and other charges	597,733	-	597,733
Total Expenditures	<u>79,994,105</u>	<u>11,486,222</u>	<u>91,480,327</u>
Excess (deficiency) of revenues over expenditures	<u>(8,417)</u>	<u>380,424</u>	<u>372,007</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from capital leases	543,380	-	543,380
Transfers in (out)	134,150	(139,755)	(5,605)
Total other financing sources and uses	<u>677,530</u>	<u>(139,755)</u>	<u>537,775</u>
SPECIAL ITEM			
Proceeds from government combination	-	1,333,074	1,333,074
Net change in fund balances	669,113	1,573,743	2,242,856
Fund balances - beginning of year	1,822,820	2,113,830	3,936,650
Fund balances - end of year	<u>\$ 2,491,933</u>	<u>\$ 3,687,573</u>	<u>\$ 6,179,506</u>

See accompanying notes to financial statements

ACTON-BOXBOROUGH REGIONAL SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

Net change in fund balances - total governmental funds: \$ 2,242,856

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period.

This is the amount by which capital outlays (\$24,497,383) exceeded depreciation (\$3,391,252) in the current period. 21,106,131

Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned. -

Governmental funds report bond proceeds as current financial resources. In contrast, the Statement of Activities treats such issuance of capital leases as a liability. Governmental funds report repayment of capital lease principal as an expenditure, In contrast, the Statement of Activities treats such repayments as a reduction in long-term liabilities. This is the amount by which payments exceeded proceeds. (115,745)

Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:

Net change in other post employment benefits liability	(4,395,143)
Capital lease payment	387,634
Accrued interest not reflected on Governmental funds	(40,630)
Compensated absences	205,828
Pension liability	(213,491)

Change in net position of governmental activities	\$ 19,177,440
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See accompanying notes to financial statements

ACTON-BOXBOROUGH REGIONAL SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2015

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Member town assessments	\$ 60,284,723	\$ 60,736,019	\$ 60,736,023	\$ 4
Intergovernmental	15,757,977	16,256,485	15,819,150	(437,335)
Charges for services	-	-	-	-
Investment earnings	-	-	14,894	14,894
Miscellaneous	-	-	112,019	112,019
Total revenues	<u>76,042,700</u>	<u>76,992,504</u>	<u>76,682,086</u>	<u>(310,418)</u>
EXPENDITURES				
Administration	2,621,181	2,592,616	2,595,546	(2,930)
Instructional leadership	4,660,994	4,682,725	4,915,646	(232,921)
Classroom and specialist teachers	27,999,668	28,102,524	28,083,648	18,876
Other teaching services	4,897,822	4,709,966	4,872,966	(163,000)
Professional development	387,889	451,660	431,541	20,119
Instructional materials, equipment and technology	1,417,787	1,572,927	1,643,300	(70,373)
Guidance, counseling and testing	2,669,578	2,651,757	2,566,846	84,911
Pupil services	6,533,547	6,557,554	6,543,853	13,701
Operations and maintenance	5,323,169	5,290,355	4,848,865	441,490
Insurance	9,702,035	9,647,360	9,087,726	559,634
Retirement	2,122,364	2,573,661	2,488,298	85,363
Capital outlay	792,322	746,548	857,867	(111,319)
Tuition out	5,759,032	5,864,891	5,717,707	147,184
Other	-	-	-	-
Debt service	1,847,734	1,847,734	1,822,733	25,001
Total Expenditures	<u>76,735,122</u>	<u>77,292,278</u>	<u>76,476,542</u>	<u>815,736</u>
Excess (deficiency) of revenues over expenditures	<u>(692,422)</u>	<u>(299,774)</u>	<u>205,544</u>	<u>505,318</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	139,755	139,755
Transfers out	-	(192,649)	(5,605)	(187,044)
Total other financing sources and uses	<u>-</u>	<u>(192,649)</u>	<u>134,150</u>	<u>(47,289)</u>
Net change in fund balances	(692,422)	(492,423)	339,694	458,029
Fund balances - beginning of year	<u>1,822,820</u>	<u>1,822,820</u>	<u>1,822,820</u>	<u>-</u>
Fund balances - end of year	<u>\$ 1,130,398</u>	<u>\$ 1,330,397</u>	<u>\$ 2,162,514</u>	<u>\$ 458,029</u>

See accompanying notes to financial statements

ACTON-BOXBOROUGH REGIONAL SCSCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2015

	<u>Other Post- Employment Benefits Trust</u>	<u>Private Purpose Trust Fund - Simple</u>	<u>Agency Fund</u>
ASSETS			
Cash and cash equivalents	\$ 5,490	\$ 301,070	\$ 139,211
Investments	1,188,475	-	-
Total assets	1,193,965	301,070	139,211
LIABILITIES			
Due to student groups	-	-	139,211
Total liabilities	-	-	139,211
NET POSITION			
Held in trust for benefits and other purposes	\$ 1,193,965	\$ 301,070	\$ -

See accompanying notes to financial statements

ACTON-BOXBOROUGH REGIONAL SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Other Post- Employment Benefits Trust</u>	<u>Private Purpose Trust Fund - Simple</u>
ADDITIONS		
Contributions	\$ 506,000	\$ 14,035
Investment earnings	10,253	683
Total additions	516,253	14,718
DEDUCTIONS		
Scholarships awarded	-	30,650
Total deductions	-	30,650
Change in net position	516,253	(15,932)
Transfer from other funds	-	5,605
Proceeds from Government Combination	-	13,126
Net position - beginning of year	677,712	298,271
Net position - end of year	\$ 1,193,965	\$ 301,070

See accompanying notes to financial statements

ACTON-BOXBOROUGH REGIONAL SCHOOL DISTRICT
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ACTON-BOXBOROUGH REGIONAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. General Statement

The Acton-Boxborough Regional School District, Acton, Massachusetts (the "School District") was established in 1955 under Chapter 71 of the Massachusetts General Laws, as amended and supplemented, and an Agreement, as amended, between the Towns of Acton, Massachusetts and Boxborough, Massachusetts for the purpose of providing academic and certain vocational technical education in all grades from preschool through grade twelve.

The powers and duties of the School District are vested in and exercised by the Acton-Boxborough Regional School District School Committee (the Committee). The Committee is presently composed of nine members, six from the Town of Acton and three from the Town of Boxborough.

The accounting and reporting policies of the School District relating to the funds included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accounts in the publication entitled Audits of State and Local Governmental Units and by the Financial Accounting Standards Board (when applicable).

B. Financial Reporting Entity

The School District's basic financial statements include the accounts of all School operations. The criteria for including organizations as component units within the School District's reporting entity, as set forth in Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, include whether:

- * The organization is legally separate (can sue and be sued in their own name)
- * The School District holds the corporate powers of the organization
- * The School District appoints a voting majority of the organization's board
- * The School District is able to impose its will on the organization
- * The organization has the potential to impose a financial benefit/burden on the School District
- * There is fiscal dependency by the organization on the School District

Based on the aforementioned criteria, the Acton-Boxborough Regional School District has no component units.

Joint Venture

A joint venture is an organization (resulting from a contractual arrangement) that is owned, operated or governed by two or more participants as a separate and specific activity subject to joint control in which the participant retains an ongoing financial interest or ongoing financial responsibility. Joint control means that no single participant has the ability to unilaterally control the financial or operating policies of the joint venture. The Acton-Boxborough Regional School District has no joint ventures.

ACTON-BOXBOROUGH REGIONAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

C. Basis of Presentation

Government-Wide Financial Statements:

The government-wide financial statements (the statement of net position and the statement of changes in net position) report information on all of the activities of the School District. The effect of interfund activity, within the governmental and business-type activities columns, has been removed from these statements. Governmental activities, which normally are supported by taxes, assessments and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

Fund Financial Statements:

The School District segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental and proprietary activities. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

Governmental funds are those funds through which most governmental activities typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The School District has presented the following major governmental funds:

General Fund - This fund is the main operating fund of the School District. It is used to account for all financial resources not accounted for in other funds. All general tax and assessment revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvements costs that are not paid through other funds are paid from the General Fund. The general fund is always considered a major fund.

The nonmajor governmental funds consist of other special revenue, capital projects and permanent funds 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:

Special Revenue Fund - This fund is used to account for the proceeds of specific revenue sources (other than capital projects or expendable trusts) that are restricted by law or administrative action to expenditures for specified purposes.

Capital Projects Fund - This fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by enterprise funds).

ACTON-BOXBOROUGH REGIONAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

Proprietary Fund Financial Statements:

Proprietary fund financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting, whereby revenues are recorded when earned and expenses are recorded when the liabilities are incurred.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds principal ongoing operations.

Fiduciary Fund Financial Statements:

Fiduciary fund financial statements are reported using the flow of economic resources measurement focus and 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 government's programs. The following fiduciary funds are reported:

Private-Purpose Trust Funds – This fund is used to account for resources legally held in trust for student scholarships.

Agency Funds – This fund is used to account for assets held by the School District as an agent for individuals, private organizations, and/or other governmental units. The School District reports Student Activity Funds in the Agency Fund.

Other Post-Employment Benefits Trust Fund - This fund is used to account for funds to offset the anticipated cost of premium payments for or direct payments to be made to retired employees of the School District, and to any eligible surviving spouse of or dependents of deceased employees of the School District.

D. Net Position

Net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations on their use either through the enabling legislations adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

E. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable – The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.

ACTON-BOXBOROUGH REGIONAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

Restricted - Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation (Massachusetts General Laws).

Enabling legislation authorizes the School District to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the School District can be compelled by an external party, such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

Committed – The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (ordinance or resolution) of School Committee. Those committed amounts cannot be used for any other purpose unless the School Committee removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classifications may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts by School Committee, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned – Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by School Committee or a School District official delegated that authority by the Regional School District Agreement or ordinance.

Unassigned – Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The School District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

F. Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

ACTON-BOXBOROUGH REGIONAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

The government-wide statements and fund financial statements for proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net position and the operating statements present increases (revenues) and decreases (expenses) in net total position. Under the accrual basis of accounting, revenues are recognized when earned. Expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both 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 be used to pay liabilities of the current period.

A one-year availability period is used for recognition of all other Government Fund revenues. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences, early retirement costs, claims and judgments are recorded only when payment is due.

The revenues susceptible to accrual are assessments, fees, licenses, charges for service, interest income and intergovernmental revenues. All other governmental fund revenue is recognized when received.

G. Budgetary Control

The School Committee annually determines the amount to be raised (after deducting the amount of anticipated revenues the School District expects to receive) to maintain and operate the School District during the next fiscal year and apportions the amount among the member towns in accordance with the terms of the regional agreement.

The amounts apportioned to each town are certified by the School District Treasurer to the Treasurers of the member towns. Each town takes action on the amounts certified at the next annual town meeting.

An annual budget is adopted for the general fund in conformity with the guidelines described above. The original fiscal year 2015 approved budget for the general fund was \$76,735,122 in appropriations and carryforwards. During fiscal year 2015, there were \$557,156 in supplemental changes in appropriations.

The Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General Fund presents a comparison of budgetary data to actual results. The General Fund utilizes the same basis of accounting for both budgetary purposes and actual results, except for the effect of encumbrances and continuing appropriations, which are adjusted to the actual results for comparison. Deficits, if any, are raised in the subsequent year's budget process.

H. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

ACTON-BOXBOROUGH REGIONAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

I. Inventories of Supplies

Supplies are considered to be expenditures at the time of purchase and are not included in the statement of net assets as inventories.

J. Cash and Investments

Cash of all funds, including restricted cash, are pooled into common pooled accounts in order to maximize investment opportunities. Each fund whose monies are deposited in the pooled cash accounts has equity therein, and interest earned on the investment of these monies is allocated based upon relative equity at month end.

An individual fund's pooled Cash and Cash Investments are available upon demand and are considered to be "cash equivalents" when preparing these financial statements. In addition, any marketable securities not included in the common pooled accounts that are purchased with a maturity of ninety days or less is also considered being "cash equivalents".

All investments are recorded at fair value based on quoted market prices. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties.

K. Interfund Receivable and Payables

Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

L. Compensated Absences

Employees are granted vacation and sick leave in varying amounts based on collective bargaining agreements, state laws and executive policies. Administrative, support personnel and custodians are allowed to carryover a maximum of 15 days of vacation leave.

As a possible incentive for employment longevity, a sum of money will be paid to teachers having taught in the School District for at least ten years, calculated by multiplying the difference between the teacher's last annual Schedule A salary and that for a Step One on the bachelor's level for that same year and the relevant multiplication factor. A similar incentive exists for certain administrators.

M. Encumbrances and Continuing Appropriations

Encumbrance accounting, under which purchase orders, contracts and other commitments for fund expenditures are recorded in order to reserve portions of the applicable appropriation, is employed in the governmental funds. Open encumbrances at year-end are reported as reservations of fund balances since they do not constitute expenditures or liabilities.

Certain unexpended and unencumbered appropriations for incomplete projects are carried over to succeeding years. Such continuing appropriations are accounted for similar to encumbrances. Other unencumbered appropriations lapse at year-end.

ACTON-BOXBOROUGH REGIONAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

N. Transactions Between Funds

Legally authorized transfers are treated as interfund transfers and are included in the results of operations of both Governmental and Proprietary Funds.

O. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government -wide financial statements and in the fund financial statements for proprietary funds. All capital assets are valued at historical cost or estimated historical cost if actual historical is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Interest has not been capitalized during the construction period on property, plant and equipment.

Assets capitalized, not including infrastructure assets, have an original cost of \$5,000 or more and over three years of useful life. Infrastructure assets capitalized have an original cost of \$25,000 or more. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Buildings	40 Years
Machinery and Equipment	5-10 Years
Improvements	15 Years

P. Claims and Judgments

Estimated losses from judgments and claims are recorded in the Government-Wide financial statements as a liability and as an expense if the loss is probable and amounts can be reasonably estimated.

Q. Reconciliation of Government-Wide and Fund Financial Statements

A summary reconciliation of the difference between total fund balances as reflected on the governmental funds balance sheet and total net position for governmental activities as shown on the government-wide statement of net position is presented in an accompanying schedule to the governmental funds balance sheet. The asset and liability elements, which comprise the reconciliation difference, stem from governmental funds using the current financial resources measurement focus and the modified accrual basis of accounting while the government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting.

2 – DEFERRED COMPENSATION PLAN

The School District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Sections 457. The plan, available to all School District employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

ACTON-BOXBOROUGH REGIONAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

3 - BUDGETARY BASIS OF ACCOUNTING

The Acton-Boxborough Regional School District prepares its annual budget on a basis (budget basis), which differs from generally accepted accounting principles (GAAP basis). The budget and all transactions are presented in accordance with the School District's method (budget basis) in the Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund to provide meaningful comparison of actual results with budget. The major differences between budget and GAAP basis in the General Fund are that encumbrances are recorded as the equivalent of expenditures (budget) as opposed to a reservation of fund balance (GAAP).

Adjustments necessary to convert the General Fund's excess of revenues over expenditures on the budget basis to a GAAP basis are provided below:

Excess of revenues over expenditures – budget basis	\$ 205,544
End of year adjustment for encumbrances recognized as expenditures	329,419
Capital lease recognized as expenditure	(543,380)
Record revenue recognized for MTRS on-behalf payments	3,303,602
Record expenditures recognized for MTRS on-behalf payments	<u>(3,303,602)</u>
Excess of revenues over expenditures – GAAP basis	<u>\$ (8,417)</u>

4 - DEPOSITS AND INVESTMENTS

State and local statutes place certain limitations on the nature of deposits and investments available to the School District. Deposits (including demand deposits, term deposits and certificates of deposit) in any one financial institution may not exceed certain levels without collateralization or insurance protection by the financial institutions involved. Investments can be made in securities unconditionally guaranteed by the U.S. Government with maturities of 90 days or less which are collateralized by such securities. The School District also has the authority to purchase units in the Massachusetts Municipal Depository Trust (MMDT), a pooled fund managed for the Commonwealth.

The School District has expanded investment powers, including the ability to invest in equity securities, corporate bonds and other specified investments in relation to the School District's restricted investments in the Fiduciary Funds.

The composition of the School District's deposits and investments fluctuates throughout the year depending on the timing of assessment receipts, proceeds from borrowings, collections of state and federal aid, and capital outlays.

The School District maintains a cash and investment pool that is available for use by all funds with unrestricted cash and investments.

ACTON-BOXBOROUGH REGIONAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

Deposits – Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the School District's deposits may not be recovered. The School District does not have a policy for custodial credit risk of deposits. As of June 30, 2015, \$5,970,059 of the School District's bank balance of \$8,314,362 was uninsured and uncollateralized and, therefore, exposed to custodial credit risk.

Custodial Credit Risk – Investments

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District does not have a policy for custodial credit risk of investments.

Interest Rate Risk of Debt Securities – Investments

Interest rate risk of debt securities for investments is the risk that changes in interest rates of debt securities will adversely affect the fair value of an investment. The School District does not have a policy for interest rate risk of debt securities.

Credit Risk of Debt Securities – Investments

Credit risk of debt securities for investments is the risk that an issuer or other counterparty to a debt security will not fulfill its obligation. The School District does not have a policy for credit risk of debt securities.

5 - PENSION PLANS

Middlesex Contributory Retirement System

The Middlesex County Retirement System (MCRS) is a multiple-employer, cost sharing, contributory defined benefit pension plan covering all employees of the governmental member units deemed eligible by the Middlesex County Retirement Board (the Board), with the exception of school department employees who serve in a teaching capacity. The pensions of such school employees are administered by the Commonwealth of Massachusetts' Teachers Retirement System. Membership in the System is mandatory immediately upon commencement of employment for all permanent employees working a minimum of 20 hours per week. As of January 1, 2014, the System had 71 participating employers.

MCRS benefits are, with certain 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 annual rate of compensation for those hired prior to April 2, 2012 and the highest five-year average for members hired after that date. 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. A superannuation retirement allowance may be received upon the completion of 20 years of service or upon reaching the age of 55 with 10 years of service. Normal retirement for most employees occurs at age 65 (except for certain hazardous duty and public safety positions, whose normal retirement is at age 55).

ACTON-BOXBOROUGH REGIONAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

A retirement allowance consists of two parts: an annuity and a pension. A member's accumulated total deductions and the interest they generate constitute the annuity. The differential between the total retirement benefit and the annuity is the pension.

Active members contribute between 5 and 11% of their gross regular compensation. The percentage rate is keyed to the date upon which an employee's membership commences. Cost-of-living adjustments granted after 1997 must be approved by the System and all costs are borne by the System. Administrative expenses are paid from investment income.

Members who become permanently and totally disabled for further duty may be eligible to receive a disability retirement allowance. The amount of benefits to be received in such cases is dependent on several factors, including whether or not the disability is work related, the members' age, years of creditable service, level of compensation, veterans' status and group classification.

Survivor benefits are extended to eligible beneficiaries of members whose death occurs prior to or following retirement.

The MCRS issues a publicly available financial report that includes financial statements and required supplementary information.

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

At June 30, 2015, the School District reported a liability of \$21,781,913 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on a projection of the School District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At December 31, 2014, the School District's proportion was 1.813171 percent, which was a decrease of 0.005769 from its proportion measured as of December 31, 2013.

For the year ended June 30, 2015, the School District recognized pension expense of \$1,756,208. At June 30, 2015, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net differences between expected and actual earnings on pension plan investments	\$ 73,559	\$ -
Differences between expected and actual experience	-	-
Changes in assumptions	-	-
Changes in proportion and differences between School District contributions and proportionate share of contributions	-	-

ACTON-BOXBOROUGH REGIONAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

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

Inflation rate	4.00%
Salary increases	4.25 to 4.75%
Investment rate of return	7.875%, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Employee Mortality Table with Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of December 31, 2014 are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	19.60%	6.60%
International developed markets equity	15.60%	7.10%
International emerging markets equity	6.50%	9.40%
Core fixed income	15.30%	2.20%
High-yield fixed income	8.30%	4.70%
Real estate	9.90%	4.40%
Commodities	3.90%	4.40%
Short-term government money market	0.00%	1.80%
Hedge fund, GTAA, Risk parity	9.80%	3.90%
Private equity	<u>11.10%</u>	11.70%
Total	<u>100.00%</u>	

Discount rate: The discount rate used to measure the total pension liability was 7.875%. 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 rates. 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.

ACTON-BOXBOROUGH REGIONAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

Sensitivity of the District's proportionate share of the net pension liability: The following presents the School District's proportionate share of the net pension liability calculated using the discount rate of 7.875%, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.875%) or 1 percentage-point higher (8.875%) than the current rate:

Fiscal Year	1% Decrease	Current	1% Increase
<u>Ended</u>	<u>(6.875%)</u>	<u>(7.875%)</u>	<u>(8.875%)</u>
June 30, 2015	\$ 26,338,942	\$ 21,781,913	\$ 17,902,115

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued MCRS financial report.

Massachusetts Teachers' Retirement System, a Noncontributing Employer Plan

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

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

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

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

ACTON-BOXBOROUGH REGIONAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

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

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

<u>Hire Date</u>	<u>% of Compensation</u>
Prior to 1975.....	5% of regular compensation
1975 – 1983.....	7% of regular compensation
1984 to 6/30/1996.....	8% of regular compensation
7/1/1996 to present.....	9% of regular compensation
7/1/2001 to present.....	11% of regular compensation
1979 to present.....	An additional 2% of regular compensation in excess of \$30,000

Special funding situation. The Commonwealth is a nonemployer contributor and is required by statute to make all actuarially determined employer contributions on behalf of the member employers. Therefore, these employers are considered to be in a special funding situation as defined by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and the Commonwealth is a nonemployer contributing entity in MTRS. Since the employers do not contribute directly to MTRS, there is no net pension liability to recognize for each employer. Payments made by the Commonwealth of Massachusetts on behalf of the School District amounted to \$3,303,602 in fiscal 2015 and are reflected as revenues and corresponding expenditures in the School District's financial statements.

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

1. (a) 8% investment rate of return, (b) 3.5% interest rate credited to the annuity savings fund and (c) 3% cost of living increase per year.
2. Salary increases are based on analysis of past experience but range from 4.0% to 7.5% depending on length of service.
3. Mortality rates were as follows:
 - Pre-retirement – reflects RP-2000 Employees table adjusted for “white-collar” employment projected 22 years with Scale AA (gender distinct)
 - Post-retirement – reflects RP-2000 Healthy Annuitant table adjusted for large annuity amounts and projected 17 years with Scale AA (gender distinct)
 - Disability –reflects RP-2000 Healthy Annuitant table adjusted for large annuity amounts and projected 17 years with Scale AA (gender distinct) set forward 3 years for males.

Investment assets of the MTRS are with the Pension Reserves Investment Trust (PRIT) Fund. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage.

ACTON-BOXBOROUGH REGIONAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

Best estimates of geometric rates of return for each major asset class included in the PRIT Fund's target asset allocation as of June 30, 2014 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	43.0%	7.2%
Core Fixed Income	13.0%	2.5%
Hedge Funds	10.0%	5.5%
Private Equity	10.0%	8.8%
Real Estate	10.0%	6.3%
Value Added Fixed Income	10.0%	6.3%
Timber/Natural Resources	<u>4.0%</u>	5.0%
Total	100.0%	

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

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

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

Annual Pension Cost

For 2015, the School District's annual pension cost of \$5,059,810 was equal to the School District's required and actual contributions of \$1,756,208 and the Commonwealth's on-behalf contribution of \$3,303,602.

6 - POST RETIREMENT BENEFITS

The School District pays 50 percent of the cost of insurance premiums for health benefits for all personnel who attain retirement age while in the employment of the School District. These costs are appropriated and expended in the fiscal year incurred.

ACTON-BOXBOROUGH REGIONAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

7 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2015 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets, not being depreciated				
Land	\$ 404,440	\$ -	\$ -	\$ 404,440
Construction in process	<u>-</u>	<u>242,085</u>	<u>-</u>	<u>242,085</u>
Total capital assets, not being depreciated	<u>404,440</u>	<u>242,085</u>	<u>-</u>	<u>646,525</u>
Capital assets, being depreciated				
Buildings	76,853,999	21,055,632	962,499	96,947,132
Equipment	5,840,480	1,222,667	33,965	7,029,182
Improvements	<u>2,851,231</u>	<u>1,976,999</u>	<u>-</u>	<u>4,828,230</u>
Total capital assets, being depreciated	<u>85,545,710</u>	<u>24,255,298</u>	<u>996,464</u>	<u>108,804,544</u>
Less accumulated depreciation for:				
Buildings	25,050,178	2,631,247	962,499	26,718,926
Equipment	3,222,752	475,452	23,231	3,674,973
Improvements	<u>763,159</u>	<u>273,802</u>	<u>-</u>	<u>1,036,961</u>
Total accumulated depreciation	<u>29,036,089</u>	<u>3,380,501</u>	<u>985,730</u>	<u>31,430,860</u>
Total capital assets, being depreciated, net	<u>56,509,621</u>	<u>20,874,797</u>	<u>(10,734)</u>	<u>77,373,684</u>
Governmental activities capital, assets net of accumulated depreciation	<u>\$56,914,061</u>	<u>\$21,116,882</u>	<u>\$ (10,734)</u>	<u>\$78,020,209</u>

Depreciation expense was not charged to various functions but shown as a separate line item as unallocated in the statement of activities

ACTON-BOXBOROUGH REGIONAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

8 - LONG-TERM OBLIGATIONS

Unmatured general obligation bonds and notes payable consist of the following:

<u>Purpose of Issue</u>	<u>Governmental</u>	<u>Business-type</u>
Refunding Issue, serial issue maturities through 2025, bearing interest rate of 4%	\$13,355,000	\$ -
Athletic Fields, serial issue maturities through 2028, bearing interest rates of 2% to 3%	1,320,000	-
SHS Addition, serial issue maturities through 2016, bearing interest rates of 4% to 6%	<u>965,000</u>	<u>-</u>
	<u>\$15,640,000</u>	<u>\$ -</u>

General Obligation Bonds

General obligation bonds are backed by the full faith and credit of the School District. The state has approved school construction assistance subject to annual appropriation by the legislature to partially provide resources for future principal and interest requirements.

Bond anticipation notes are classified as general obligation bonds when the criteria established by FASB-6, *Classification of Short-Term Obligations Expected to be Refinanced*, are satisfied.

Arbitrage provisions of the Internal Revenue Tax Act of 1986 require the School District to rebate excess arbitrage earnings from bond proceeds to the federal government.

The School District is subject to various debt limits by statute and may issue additional general obligation debt under the normal debt limit.

Transactions for the year ended June 30, 2015 are summarized as follows:

	<u>Balance</u> <u>July 1</u>	<u>Issues or</u> <u>Additions</u>	<u>Payments or</u> <u>Expenditures</u>	<u>Balance</u> <u>June 30</u>	<u>Due Within</u> <u>One Year</u>
<u>Governmental Type Activities</u>					
General Obligation Bonds	\$16,965,000	\$ -	\$ 1,325,000	\$15,640,000	\$ 1,315,000
Net OPEB Obligation	12,173,196	2,611,438	-	14,784,634	-
Compensated Absences	-	683,868	385,551	298,317	298,317
Longevity Incentive	1,382,610	1,559,270	279,690	2,662,190	582,946
Capital Lease Obligations	<u>897,365</u>	<u>1,435,365</u>	<u>382,254</u>	<u>1,950,476</u>	<u>376,906</u>
Total government	<u>\$31,418,171</u>	<u>\$ 6,289,941</u>	<u>\$ 2,372,495</u>	<u>\$35,335,617</u>	<u>\$ 2,573,169</u>

ACTON-BOXBOROUGH REGIONAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

Annual Requirements to Retire Debt Obligations

The annual aggregate maturities for each bond type for the years subsequent to June 30, 2015 are as follows:

Year Ending June 30	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2016	\$ 1,315,000	\$ 605,742	\$ -	\$ -	\$ 1,920,742
2017	1,410,000	549,218	-	-	1,959,218
2018	1,435,000	493,717	-	-	1,928,717
2019	1,460,000	437,518	-	-	1,897,518
2020	1,505,000	381,217	-	-	1,886,217
2021 - 2025	8,200,000	991,387	-	-	9,191,387
2026 - 2029	<u>315,000</u>	<u>10,264</u>	<u>-</u>	<u>-</u>	<u>325,264</u>
Total	<u>\$15,640,000</u>	<u>\$ 3,469,063</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,109,063</u>

Bonds Authorized and Unissued

The School District is subject to a dual level general debt limit; the normal debt limit and the double debt limit. Such limits are equal to 2-1/2% and 5%, respectively, of the valuation of taxable property in the School District as last equalized by the Commonwealth's Department of Revenue. Debt may be authorized up to the normal debt limit without state approval. Authorizations under the double debt limit, however, require the approval of the Commonwealth's Emergency Finance Board. Additionally, there may be categories of general obligation debt which are exempt from the debt limit but are subject to other limitations, including debt incurred under the Funding Loan Act of 1971.

9 – TEMPORARY BORROWINGS

Under state law and by authorization of the School Committee, the School District is authorized to borrow on a temporary basis to fund the following:

- (1) Current operating costs prior to the collection of revenues through the issuance of revenue or tax anticipation notes (RANs or TANs).
- (2) Capital project costs incurred prior to obtaining permanent financing through issuance of bond anticipation notes (BANs).
- (3) Federal and state aided capital projects and other program expenditures prior to receiving reimbursement through issuance of Federal and state aid anticipation notes (FANs and SANs).

Temporary loans are general obligations of the School District and carry maturity dates which are limited by statute.

ACTON-BOXBOROUGH REGIONAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

10 - SELF INSURANCE PLANS

Health Insurance - The School District is a member of the Acton Health Insurance Trust (the Trust), a two member organization established pursuant to Chapter 32B, Section 12 (Joint Purchase and Negotiation of Health Insurance) and Chapter 40, Section 3A, of the Massachusetts General Laws to obtain health insurance for its member governments at costs eligible to larger groups. The Trust offers health insurance options through Blue Cross/Blue Shield, Master Health Plus and Harvard-Pilgrim, Health Maintenance Organization (HMO), and Tufts Medicare Preferred plans.

Each member is charged a premium for coverage based on individual and family rates as determined by the Board of Trustees in conjunction with its trust administrator. Included in these rates is an estimate for the incurred but not reported self-insurance claims. Ultimate liability for claims remains with the respective members and, accordingly, the insurance risks are not transferred to the Trust.

The unaudited financial statements of the Trust as of June 30, 2015, reflected a liability for unpaid claims of \$850,000 and a fund surplus of \$2,441,384.

11 - CONTINGENCIES

The School District is a party to numerous legal proceedings, many of which normally occur in governmental operations. The legal proceedings, in the opinion of District Counsel, are not likely to have a material adverse impact on the School District's financial position.

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

The School District has an obligation to the Town of Acton for \$4,290,000 in avoided costs for construction of the Middle Fort Pond Brook Sewer District. This amount represents the total projected costs to construct an on-site facility and sewerage collection system for the school campus located on Charter and Hayward roads. The School District has made payments to date in the amount of \$2,099,700.

12 - RISK FINANCING

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

ACTON-BOXBOROUGH REGIONAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

13 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description - The School District provides health and life insurance coverage for its retirees and their survivors (hereinafter referred to as the "Plan") as a single-employer defined benefits Other Post Employment Benefit (OPEB) plan. Chapter 32B of the Massachusetts General Laws (MGL) assigns authority to establish and amend benefit provisions. Changes to plan design and contribution rates must be accomplished through the collective bargaining process. The Plan does not issue a stand alone financial report but rather is included in the School District's financial statements as a Fiduciary Fund.

The number of participants as of December 31, 2014, the latest actuarial valuation, is as follows:

Active employees.....	589
Retired employees and beneficiaries.....	<u>289</u>
Total	878
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Funding Policy – The contribution requirements of the Plan and the School District are established, and may be amended, by the School District. The current required health insurance contribution rates of Plan members and the School District are currently 25% and 75%, respectfully, except for certain plans which are 50%/50%, and 50% for retirees. The Plan members and the School District each contribute 50% towards a \$15,000 term life insurance premium. The School District currently contributes enough money to the Plan to satisfy current obligations on a pay-as-you-go basis.

Annual OPEB and NET OPEB Obligation – The School District's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an actuarially determined amount that is calculated in accordance with the parameters set forth in GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover 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 School District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the School District's net OPEB obligation are summarized in the following table:

Normal cost	\$ 2,263,015
Amortization of unfunded actuarial accrued liability	1,747,596
Interest on OPEB obligation	669,526
Other adjustments	<u>(528,282)</u>
Annual OPEB cost	4,151,855
Contributions made	<u>1,540,417</u>
Increase in net OPEB obligation	2,611,438
Net OPEB obligation, beginning of year	<u>12,173,196</u>
Net OPEB obligation, end of year	<u>\$14,784,634</u>
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ACTON-BOXBOROUGH REGIONAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

Trend information regarding annual OPEB cost, the percentage of the annual OPEB cost contribution and the net OPEB obligation is as follows:

Fiscal Year <u>Ended</u>	Annual <u>OPEB Cost</u>	Percentage of Annual OPEB Cost <u>Contributed</u>	Net OPEB <u>Obligation</u>
6/30/2015	\$ 4,151,855	37.10%	\$14,784,634
6/30/2014	2,405,932	58.65%	12,173,196
6/30/2013	2,259,411	50.73%	11,178,271
6/30/2012	3,652,064	30.64%	10,065,082
6/30/2011	3,442,190	28.10%	7,532,146
6/30/2010	3,352,547	22.68%	5,057,161
6/30/2009	3,167,861	22.19%	2,464,939

Funding Status and Funding Progress – The funding status of the Plan, based upon actuarial valuations, is as follows:

Actuarial Valuation <u>Date</u>	Actuarial Value of Assets <u>(A)</u>	Actuarial Accrued Liability (AAL) Projected Unit Credit <u>(B)</u>	Unfunded AAL (UAAL) <u>(B-A)</u>	Funded Ratio <u>(A/B)</u>	Covered Payroll <u>(C)</u>	UAAL as a Percentage of Covered Payroll <u>((B-A)/C)</u>
12/31/14	\$ 1,177,370	\$41,447,171	\$40,269,801	2.84%	N/A	N/A
12/31/12	239,760	23,165,854	22,926,094	1.03%	N/A	N/A
12/31/10	-	43,598,411	43,598,411	-	N/A	N/A
12/31/07	-	35,757,233	35,757,233	-	N/A	N/A

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.

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 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 short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculation.

ACTON-BOXBOROUGH REGIONAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

The significant methods and assumptions as of the latest actuarial valuation are as follows:

Valuation date:	December 31, 2014
Actuarial cost method:	Projected Unit Credit
Amortization method:	Projected Unit Credit
Remaining amortization period:	30 Years Open
Interest discount rate:	5.5%
Healthcare/medical cost trend rate:	8% for decreasing by .5% to an ultimate level of 5% per year in 2020

Allocation of OPEB - OPEB costs were allocated 100% to the School District's insurance expense under governmental activities.

14 - LEASES

The School District is obligated under several leases for motor vehicles and equipment accounted for as a capital lease. The lease obligations are accounted for as a liability in the government-wide financial statements.

The following is a schedule of future minimum lease payments under capital leases, together with the net present value of the minimum lease payments as of June 30, 2015:

Year Ending	
<u>June 30</u>	
2016	\$ 432,428
2017	432,428
2018	943,135
2019	74,400
2020	<u>217,020</u>
Minimum lease payments for all capital leases	2,099,411
Less: Amount representing interest at the School District's incremental borrowing rate of interest	<u>148,935</u>
Present value of minimum lease payments	\$ 1,950,476 =====

Included in capital assets is approximately \$2,984,540 in capital leases for vehicles and equipment.

ACTON-BOXBOROUGH REGIONAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

15- TRUST FUNDS

A summary of trust fund balances at June 30, 2015 is as follows:

James Kinsley	\$ 37,929
Katherine Kinsley	28,966
Acton-Boxborough Jamboree	2,758
American Legion 284	52,636
Brody Family Peer Leadership	-
John Prendiville Memorial	12,955
Charles Battit Memorial	20,974
Jean DeBaggis Memorial	2,942
Mary and Peter Smoltees	27,707
Raymond J. Grey School	13,900
Andrew Gratz Memorial	-
Fred Kennedy Memorial	2,193
Judith Scott Memorial	(122)
General Scholarships	1,862
Charles Brosie Memorial	2,870
Thomas Meagher Memorial	5,352
R&E Matusow Memorial	50,103
R. Bartolomeo Memorial	-
Sandra Wilensky Memorial	2,106
Frederick Joyce Memorial	3,003
R & R Dow	-
Alma Parkhurst	19,810
P. Hall	13,126
Dennis Kulsick Memorial	<u>-</u>
	\$ 301,070

ACTON-BOXBOROUGH REGIONAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

16 – FUND BALANCES

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

<u>Fund Balances</u>	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
<u>Nonspendable:</u>			
Prepaid expenses	\$ <u>108,099</u>	\$ <u>-</u>	\$ <u>108,099</u>
Total Nonspendable	<u>108,099</u>	<u>-</u>	<u>108,099</u>
<u>Restricted For:</u>			
Reserved for debt service	6,868	-	6,868
Revolving accounts	-	398,619	398,619
Federal and state grants	<u>-</u>	<u>65,427</u>	<u>65,427</u>
Total Restricted	<u>6,868</u>	<u>464,046</u>	<u>470,914</u>
<u>Committed To:</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>Assigned To:</u>			
Revolving accounts	-	3,223,527	3,223,527
Encumbrances	329,729	-	329,729
Designated for next year	<u>200,000</u>	<u>-</u>	<u>200,000</u>
Total Assigned	<u>529,729</u>	<u>3,223,527</u>	<u>3,753,256</u>
<u>Unassigned:</u>	<u>1,847,237</u>	<u>-</u>	<u>1,847,237</u>
Total Fund Balances	\$ <u>2,491,933</u>	\$ <u>3,687,573</u>	\$ <u>6,179,506</u>

ACTON-BOXBOROUGH REGIONAL SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

17 – DEFERRED OUTFLOW OF RESOURCES

Deferred outflow 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) until then.

The deferred outflow of resources balance as of June 30, 2015 consists of the School District's proportionate share of the MCERS net difference between projected and actual investment earnings on pension plan investments. This difference is being amortized over five years.

18 – BEGINNING NET POSITION RESTATEMENT

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

Government-Wide financial statements:

	<u>Governmental Activities</u>
As previously reported	\$ 29,221,957
Net pension liability	<u>(21,494,863)</u>
As restated	\$ 7,727,094 =====

19 – GOVERNMENT COMBINATION

On July 1, 2014, the operations of the elementary schools of the Towns of Acton and Boxborough were transferred to the School District under a revised Regional School District Agreement. The transfer included the assets and liabilities related to those elementary schools. There are no deferred outflows of resources or deferred inflows of resources associated with the elementary school operations. The assets and liabilities transferred are reported as special items of revenues in both the fund based and government-wide financial statements as follows:

	<u>Government-Wide Statement of Activities</u>	<u>Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances</u>
Cash	\$ 1,333,074	\$ 1,333,074
Capital Assets	22,921,251	-
Capital Lease Obligation	(897,365)	-
Compensated Absences	<u>(1,783,725)</u>	<u>-</u>
	\$ 21,573,235 =====	\$ 1,333,074 =====

ACCOMPANYING INFORMATION

ACTON-BOXBOROUGH REGIONAL SCHOOL DISTRICT

SCHEDULE OF TREASURER'S CASH

JUNE 30, 2015

Northern Bank and Trust	\$ 391,825
Middlesex Savings Bank	254,746
Workers Credit Union	689,260
Massachusetts Municipal Depository Trust	1,247,657
Paypal	63,032
Unibank for Savings	28,868
Eastern Bank	<u>4,286,002</u>
	<u>6,961,390</u>
Other:	
Petty Cash	<u>3,710</u>
Total Treasurer's Cash	\$ <u><u>6,965,100</u></u>

See accompanying auditor's report on accompanying information

REQUIRED SUPPLEMENTARY INFORMATION

ACTON-BOXBOROUGH REGIONAL SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 MIDDLESEX COUNTY RETIREMENT SYSTEM

	<u>2015</u>
District's proportionate percentage of the net pension liability	1.81317%
District's proportionate share of the net pension liability	\$ 21,781,913
District's covered-employee payroll	\$ 12,401,710
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	175.6%
Plan fiduciary net position as a percentage of the total pension liability	47.65%

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

See accompanying notes to required supplementary information

ACTON-BOXBOROUGH REGIONAL SCHOOL DISTRICT
SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
MASSACHUSETTS TEACHERS' RETIREMENT SYSTEM

	<u>2015</u>
Employer's proportionate percentage of the net pension liability	0.00000%
Employer's proportionate share of the net pension liability	\$ -
State's proportionate share of the net pension liability associated with the School District	47,551,083
Total	<u><u>\$ 47,551,083</u></u>

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the information is presented for those years for which information is available.

See accompanying notes to required supplementary information

ACTON-BOXBOROUGH REGIONAL SCHOOL DISTRICT
SCHEDULE OF CONTRIBUTIONS

MIDDLESEX COUNTY RETIREMENT SYSTEM

	<u>2015</u>
Contractually required contribution	\$ 1,756,208
Contributions in relation to the contractually required contribution	<u>\$ 1,756,208</u>
Contribution deficiency (excess)	<u>\$ -</u>
Covered-employee payroll	\$ 12,401,710
Contributions as a percentage of covered-employee payroll	14.16%

MASSACHUSETTS TEACHERS' RETIREMENT SYSTEM

School District's proportionate share of the Massachusetts' Teachers Retirement System pension expense funded by the Commonwealth of Massachusetts on behalf of the District	<u>\$ 3,030,602</u>
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Note: This schedule is intended to present information for 10 years. Until a full 10-year trend is compiled, information is presented for those years for which information is available.

See accompanying notes to required supplementary information

ACTON-BOXBOROUGH REGIONAL SCHOOL DISTRICT

Management Letter

For the Year Ended June 30, 2015

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

We have audited the basic financial statements of the Acton-Boxborough Regional School District, as of and for the year ended June 30, 2015, and have issued our reports thereon dated September 30, 2015. As part of our audit, we made a study and evaluation of the School District's system of internal accounting control to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards. Under these standards, the purpose of such evaluations is to establish a basis for reliance on the system of internal accounting control in determining the nature, timing and extent of other auditing procedures that are necessary for expressing an opinion on the financial statements and not to provide assurance on internal control.

The management of the Acton-Boxborough Regional School District is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by them are required to assess the expected benefits and related costs of control procedures. The objectives of such a system are to provide reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with required authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Because of inherent limitations in any system of internal accounting control, errors or irregularities may still occur without being detected. Also, projection of any evaluation of the system to future periods is subject to the risks that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

Our study and evaluation was not designed for the purpose of expressing an opinion on the internal accounting control and would not necessarily disclose all weaknesses in the system. However, as a result of our study and evaluation, and in an effort to be of assistance to the School District, we are submitting for your consideration comments and recommendations intended to improve operations and internal accounting control.

After you have had an opportunity to consider our comments and recommendations, we would be pleased to discuss them with you.

Borgatti Harrison & Co.

Borgatti Harrison & Co.
Framingham, Massachusetts
September 30, 2015

PRIOR YEAR RECOMMENDATIONS:

The following recommendations were made in the prior year and remain unresolved or in process of being resolved.

1. Review and Update Existing Financial Policies

Comment:

The School District has a Manual of Financial Policies which was last updated in 2010. Since operations and Boards of Governance change over time financial policies make become outdated, obsolete or in-effective.

Recommendation:

We recommend that the School District review existing written financial policies and, update if necessary, and also determine which policies have not been written and prepare those for the School Committee approval. We suggest that the School District have formal written policies for earnings and deficiency (free cash), stabilization, investment guidelines for OPEB trust funds and stabilization funds, and a debt policy.

In the recent year, policies for Federal "Red Flag" Rules and Post Issuance Tax Compliance Procedures for Tax Exempt Obligations and Other Tax Benefited Obligations have come to the forefront.

We further suggest that the School Committee routinely review and re-vote all financial policies every three to five years.

Management's Response:

The School District has a manual which was updated in May, 2010. Due to the expansion of the region, clearly the financial practices of the new expanded Region should be reviewed in a new light. The Finance Department has committed to updating the current procedures manual by June 30, 2016.

CURRENT YEAR RECOMMENDATION

1. Capital Lease for Buses

Comment:

The bus capital lease contains a buyout amount at the end of the lease should the School District decide to purchase the buses. Historically, the School will trade the buses in at the end of the lease and enter into a new lease agreement for new buses. It appears to us that this buyout amount keeps getting rolled into the next lease agreement and keeps growing.

Recommendation:

We recommend that the Finance Director review the leasing arrangement to ensure that there isn't in fact this growing liability that the School may one day have to address.

Management's Response:

The current bus lease requires this buyout on August 1, 2017 if not sooner re-bid. We appreciate this indication and will be certain to evaluate any lease renewal in the next cycle.

2. Bank Account Authorized Signers

Comment:

During fiscal 2015 there was a change in District Treasurers. As part of our audit procedures we confirm bank balances with all banks that the School has a relationship with. There was one bank, containing several School bank accounts that had not been updated to recognize the current Treasurer as the authorized signer on the account.

Recommendation:

We recommend that the Treasurer review all banking relationships to make sure that the banks contain all current authorizations and signatures. We also recommend that the School District review who the authorized signers should be on all of the District's bank accounts. Typically the District should have one other person authorized to conduct banking business on behalf of the School besides the Treasurer in case of an emergency. We would prefer that this person be the Superintendent of Schools. We would also prefer that this person not be given the authority to electronically transfer money between accounts and definitely not between banks.

Management's Response:

Upon appointment, the Treasurer did review all banking relationships and make changes needed, except in the case of the Scholarship Funds. Through Fiscal 2015, the District maintained individual bank accounts for each scholarship agency fund under the fiduciary care of the District. Upon appointment as the new District Treasurer, rather than implement new signatory cards for each of the twenty four accounts, the Treasurer determined that the District could be better served by consolidating the funds with one fiscal agent that would provide improved service and reporting. The Assistant Treasurer was also a signer on the individual accounts and at the time was still employed, so this change of banks did not occur until after the fiscal year end.

The District has the part time Treasurer and the full time Assistant Treasurer as authorized signers, providing adequate coverage. Both personnel will be able to step in to conduct business in the absence of the other. Every time an electronic transfer occurs, they both are notified via email from the bank automatically. In light of the above recommendation, the Treasurer will have the bank also notify the Finance Director to provide improved internal control.

3. Strengthen Controls over Payroll

Comment:

As part of our audit we review a sample of employee time reporting records. We noted a couple of instances where there was no supervisory approval on an employee's timesheet, and that there were no timesheets for the ODP Summer Work payroll.

Recommendation:

We recommend that the Finance Director review the employee time reporting procedures to ensure that the School District is protected in cases of disputed hours worked.

Management's Response:

Timesheet approval is decentralized among site management. We agree that all timesheets should be properly approved. The Finance Director is implementing new procedures immediately which require that departmental management authorize timesheets by signing them.

Comment:

All adjustments to the bi-weekly payroll are documented on a Payroll Warrant Activity Sheet which details adjustments made to the payroll for items such as voided checks, voided and reissued checks, and manual checks. The net pay that is reported on the bi-weekly warrant is not always the final net pay per the payroll registers.

Recommendation:

We recommend that this Activity Sheet be signed by the person preparing the form and then be reviewed and approved by a supervisor. We also believe that the School Committee should be approving the gross pay not the net pay and that it should be the final adjusted amount according to the payroll register.

Management's Response:

The activity sheet referred to above is an internal tool for the calculation of funding requirements by the Treasurer. We agree with recommendation to have the School Committee approve the gross pay per the payroll system reports, and will modify the process to implement this. We will revise the payroll warrant documentation process to clearly reconcile with the payroll system generated reports, which should also assist in the bank reconciliation process going forward.

ACTON-BOXBOROUGH REGIONAL SCHOOL DISTRICT

INDEPENDENT AUDITORS' REPORTS PURSUANT
TO GOVERNMENT AUDITING STANDARDS
AND OMB CIRCULAR A-133

YEAR ENDED JUNE 30, 2015

ACTON-BOXBOROUGH REGIONAL SCHOOL DISTRICT
INDEPENDENT AUDITOR'S REPORTS PURSUANT TO GOVERNMENT
AUDITING STANDARDS AND OMB CIRCULAR A-133
YEAR ENDED JUNE 30, 2015

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERES BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PREFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Honorable School Committee
Acton-Boxborough Regional School District
Acton, Massachusetts

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Acton-Boxborough Regional School District, Acton, Massachusetts, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Acton-Boxborough Regional School District's basic financial statements, and have issued our report thereon dated September 30, 2015.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Borgatti Harrison & Co

Borgatti Harrison & Co.

Framingham, Massachusetts
September 30, 2015

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

The Honorable School Committee
Acton-Boxborough Regional School District
Acton, Massachusetts

Report on Compliance for Each Major Federal Program

We have audited the Acton-Boxborough Regional School District, Acton, Massachusetts's compliance with the types of compliance requirements described in the OMB Circular A-133 **Compliance Supplement** that could have a direct and material effect on each of the Acton-Boxborough Regional School District's major federal programs for the year ended June 30, 2015. The Acton-Boxborough Regional School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Acton-Boxborough Regional School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, "Audits of State, Local Governments, and Non-Profit Organizations". Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Acton-Boxborough Regional School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on Acton-Boxborough Regional School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Acton-Boxborough Regional School District, Acton, Massachusetts, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of the Acton-Boxborough Regional School District, Acton, Massachusetts, is responsible for establishing and maintaining effective internal control over compliance with types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Acton-Boxborough Regional School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Acton-Boxborough Regional School District's internal control over compliance.

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

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

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Acton-Boxborough Regional School District, Acton, Massachusetts, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Acton-Boxborough Regional School District's basic financial statements. We issued our report thereon dated September 30, 2015, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements.

The accompanying schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by **OMB Circular A-133** and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Borgatti Harrison & Co.

Framingham, Massachusetts
September 30, 2015

Accompanying Information

ACTON-BOXBOROUGH REGIONAL SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2015

<u>Federal Grantor</u> <u>Pass-through Grantor</u> <u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenses</u>
<u>U.S. Department of Education</u>		
Passed through the Commonwealth of Massachusetts -		
Department of Education		
<u>Special Education Cluster</u>		
Title VIB SPED IDEA	84.027	\$1,201,508
SPED Early Child	84.173	\$ 31,051
SPED E.C. Program Improvement	84.173	8,000
SPED Program Improvement	84.027	12,258
		<u>1,252,817</u>
Title 1	84.010	176,583
Title II A	84.367	63,602
Title III	84.365	8,023
National School Lunch & Breakfast	10.553/5	250,239
		<u>1,751,264</u>
Total U.S. Department of Education		<u>1,751,264</u>
Total Expenditures of Federal Awards		<u>\$1,751,264</u>

See accompanying notes to schedule

ACTON-BOXBOROUGH REGIONAL SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2015

A. Summary of Audit Results

1. The auditor's report expresses an unqualified opinion on the financial statements of the Acton - Boxborough Regional School District, Acton, Massachusetts.
2. No significant deficiencies relating to the audit of the financial statements are reported in the report on compliance and on internal control over financial reporting based on an audit of the financial statements.
3. No instances of noncompliance material to the financial statements of the Acton-Boxborough Regional School District, Acton, Massachusetts were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs is reported in the report on compliance with requirements applicable to each major program and internal control over compliance.
5. The auditor's report on compliance for the major award programs for the Acton-Boxborough Regional School District, Acton, Massachusetts expresses an unqualified opinion.
6. There are no audit findings relative to the major federal award programs for the Acton-Boxborough Regional School District, Acton, Massachusetts.
7. The programs tested as major programs include the following:
 - Special Education Cluster
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. The Acton-Boxborough Regional School District, Acton, Massachusetts was determined to be a low-risk auditee.

CFDA Number
84.027/84.173

B. Findings – Financial Statements Audit

None

C. Findings and Questioned Costs

None

D. Prior Year Audit Findings and questioned Costs

None

ACTON-BOXBOROUGH REGIONAL SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

1. General

The accompanying schedule of expenditures of federal awards presents the activity of all federal financial assistance of the Acton-Boxborough Regional School District, Acton, Massachusetts. The School District reporting entity is defined in Note 1 to the School District's financial statements. Federal financial assistance received directly from federal agencies as well as federal financial assistance passed through other government agencies is included on the schedule.

2. Basis of Accounting

The accompanying schedule of expenditures of federal awards is presented using the modified accrual basis of accounting, which is described in Note 1 to the School District's financial statements.

3. Relationship to Federal Financial Reports

The amounts reported as federal expenditures generally were obtained from the appropriate federal financial reports for the applicable program and periods. The amounts reported in these federal financial reports are prepared from records maintained for each program. These records are periodically reconciled to the general ledger which is the source of the financial statements.

ACTON-BOXBOROUGH REGIONAL SCHOOL DISTRICT
STUDENT ACTIVITY FUNDS
FINANCIAL STATEMENTS
JUNE 30, 2015
AND
REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS

Acton-Boxborough Regional School District
Acton, MA 01720

We have audited the accompanying balance sheet and the statement of activities of the Acton-Boxborough Regional School District - Student Activity Funds, as of and for the year ended June 30, 2015, and the related notes to the balance sheet, which collectively comprise the Student Activity Funds basic financial statements.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position and the activities of the Acton-Boxborough Regional School District - Student Activity Funds as of June 30, 2015, and for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Borgatti Harrison & Co.
Borgatti Harrison & Co.

Framingham, Massachusetts
September 30, 2015

revised
1/26/16

ACTON-BOXBOROUGH REGIONAL SCHOOL DISTRICT

STUDENT ACTIVITY FUNDS

BALANCE SHEET

JUNE 30, 2015

ASSETS

Cash	\$218,861
Total assets	<u>\$218,861</u>

LIABILITIES AND NET ASSETS

\$ -

Unrestricted net assets -

Blanchard Elementary School	25,149
High School	130,119
Middle School	<u>63,593</u>

Total net assets 218,861

Total liabilities and net assets \$218,861

See Accompanying note to financial statements

ACTON-BOXBOROUGH REGIONAL SCHOOL DISTRICT

STUDENT ACTIVITY FUNDS - STATEMENT OF HIGH SCHOOL ACTIVITIES

YEAR ENDED JUNE 30, 2015

<u>Student Activity Funds</u>	<u>Balances</u>			<u>Transfers</u>	<u>Balances</u>
	<u>July 1, 2014</u>	<u>Receipts</u>	<u>Expenses</u>		<u>June 30, 2015</u>
Academic Decathlon	\$ 1,456	\$ 5,650	\$ 719	\$ -	\$ 6,387
Academic Decathlon - Sangrial Foundation	4,178	10,500	8,615	-	6,063
Amnesty International	880	-	78	-	802
ASHA	2,987	3,550	483	436	6,490
Ab Givers	257	-	-	-	257
Ameni for Africa	436	-	-	(436)	-
Arts for Students	-	249	249	-	-
Best Buddies	2,664	-	370	-	2,294
Charms	-	7	-	-	7
Chinatown Field Trip	65	1,092	947	-	210
Class of 2010	3,300	-	-	-	3,300
Class of 2011	1,410	-	-	-	1,410
Class of 2012	3,477	-	-	-	3,477
Class of 2013	2,912	-	-	-	2,912
Class of 2014	14,672	-	9,264	(1,000)	4,408
Class of 2015	4,574	128,665	117,452	(510)	15,277
Class of 2016	1,568	5,693	3,887	1,210	4,584
Class of 2017	306	337	255	265	653
Class of 2018	-	1,794	1,812	35	17
Classics Club	-	126	100	-	26
Common Ground	1,682	284	781	-	1,185
Environmental Club	136	277	478	125	60
Field Trips	492	5,605	5,243	16	870
Field Trip - MCI Shirley	-	2,964	3,132	168	-
F.I.S.H	-	530	-	-	530
Foreign Exchange	5,304	1,709	594	-	6,419
Future Business Leaders	313	2,825	2,881	-	257
iGEM	113	-	91	125	147
Industrial Arts	-	63	-	-	63
Interest Incomes	7,078	2,828	7,089	(963)	1,854
Math Team	212	1,200	2,077	665	-
MESA	343	-	-	-	343
Mock Trial Team	-	1,260	1,054	-	206
NATA/Regatta Field Trip	508	290	912	114	-
National Honor Society	445	148	-	(416)	177
Ocean Bowl Team	290	500	685	-	105
PLADD	5,330	-	300	(500)	4,530
Radio Station	3,055	900	109	-	3,846
Red Cross Club	-	585	137	-	448
Resource Force	113	-	-	125	238
Recycling	8	-	-	-	8
Reunion	1,939	-	-	-	1,939
Science Fair	10	-	-	-	10
Science Team	2,643	30,555	22,710	(376)	10,112
Spectrum - Club T-Shirts	-	391	384	-	7
Speech and Debate Team	2,100	22,899	20,972	-	4,027
Student Council	13,297	5,686	2,787	(1,013)	15,183
Student Council - Efram Memorial Fund	-	-	-	963	963
Trivia Team	1	664	166	-	499

UNICEF Club	-	577	471	-	106	
Veterans Day Breakfast	-	3,467	1,543	467	2,391	
Window Seat	137	2,155	2,373	500	419	
World Language -	-	1,283	1,254	-	29	
World Language - Latin Class	-	248	210	-	38	
World Language -	-	1,245	1,245	-	-	
World Language - Student Workbooks	-	16,680	12,287	-	4,393	
Yearbook	5,166	37,837	35,685	(500)	6,818	
Youth in Philanthropy	-	5,113	2,288	500	3,325	
	<u>\$</u>	<u>95,857</u>	<u>\$ 308,431</u>	<u>\$ 274,169</u>	<u>\$ -</u>	<u>\$ 130,119</u>

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17,609 307,859 270,684

51,784

See accompanying note to financial statements

ACTON-BOXBOROUGH REGIONAL SCHOOL DISTRICT
 STUDENT ACTIVITY FUNDS - STATEMENT OF MIDDLE SCHOOL ACTIVITIES
 YEAR ENDED JUNE 30, 2015

<u>Student Activity Funds</u>	<u>Balances</u> <u>July 1, 2014</u>	<u>Receipts</u>	<u>Expenses</u>	<u>Transfers</u>	<u>Balances</u> <u>June 30, 2015</u>
ASHA	\$ 2,174	\$ (920)	\$ 1,200	\$ -	\$ 54
Arts Happening	-	2,418	2,331	-	87
Blueprint	655	-	-	-	655
Boxtops	2,130	-	-	(2,130)	-
Bullying	23	-	-	(23)	-
Chinese School	401	-	-	-	401
Coats for Kids	250	-	-	-	250
DC Trip	-	8,300	100	-	8,200
Drama Club	616	3,355	1,943	-	2,028
Environmental Club	378	-	-	-	378
End of Year Event	6,464	30,710	23,956	773	13,991
Field Trips	7,477	32,994	33,394	1,075	8,152
7 Red Fundraising	500	-	-	-	500
7 Gold Fundraising	-	1,574	1,574	-	-
7 Orange Fundraising	-	437	437	-	-
7 8 RJG Fundraising	2,590	4	1,765	-	829
Girl Up	74	5,310	5,000	-	384
Interest Income	1,513	39	28	(1,515)	9
Math Counts	1,817	3,000	4,032	(760)	25
Miscellaneous	(2,502)	2,220	-	2,502	2,220
PTSO	70	-	-	-	70
Science for Olympiads	-	-	-	-	-
Ski Club	6,606	14,788	13,114	-	8,280
Ski Trip	917	4,394	4,790	-	521
Speech and Debate	107	3,473	3,560	-	20
Student Council	4,760	5,279	2,830	(2,049)	5,160
Take Action	543	3,930	3,084	-	1,389
Track	2	-	-	(2)	-
World Language	1	-	-	(1)	-
Yearbook	9,779	8,158	7,947	-	9,990
	<u>\$ 47,345</u>	<u>\$ 129,463</u>	<u>\$ 111,085</u>	<u>\$ (2,130)</u>	<u>\$ 63,593</u>

80,126 129,583 107,639 162,169

See accompanying note to financial statements

ACTON-BOXBOROUGH REGIONAL SCHOOL DISTRICT

STUDENT ACTIVITY FUNDS - STATEMENT OF BLANCHARD ELEMENTARY SCHOOL ACTIVITIES

YEAR ENDED JUNE 30, 2015

<u>Student Activity Funds</u>	<u>Balances</u> <u>July 1, 2014</u>	<u>Receipts</u>	<u>Expenses</u>	<u>Transfers</u>	<u>Balances</u> <u>June 30, 2015</u>
Class of 2014	\$ 5,957	\$ -	\$ 2,456	\$ (3,501)	\$ -
Class of 2015	464	8,427	9,566	3,501	2,826
Class of 2016	449	22,770	21,301	-	1,918
Class of 2017	814	300	300	-	814
Class of 2018	226	1,210	1,909	-	(473)
Class of 2019	(78)	666	632	-	(44)
Class of 2020	314	778	1,111	-	(19)
Class of 2021	-	880	877	-	3
Grade Six Spirit Award	675	-	64	-	611
Interest Income	437	14	-	-	451
Misc	16,136	3,549	623	-	19,062
	<u>\$ 25,394</u>	<u>\$ 38,594</u>	<u>\$ 38,839</u>	<u>\$ -</u>	<u>\$ 25,149</u>

21,455 36,946 36,158 21,944

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See accompanying note to financial statements

ACTON-BOXBOROUGH REGIONAL SCHOOL DISTRICT

STUDENT ACTIVITY FUNDS

NOTE TO FINANCIAL STATEMENTS

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Student Activity Funds represent monies belonging to the students of the Acton-Boxborough Regional School District. The Principal of the Schools act in the capacity of an Agent of these funds for the students. All expenditures and transfers of these monies are made under the direction of the students involved in the various student activities.

Accounting Method

The School utilizes the accrual method of accounting, whereby revenues are recognized when earned and expenses are recognized when incurred.

Income Taxes

The Student Activity Funds of the School are not a reporting entity for income tax reporting purposes.