

MASCONOMET REGIONAL SCHOOL DISTRICT

Financial Statements

For the Year Ended June 30, 2022

(With Accountants' Report Thereon)

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INDEPENDENT AUDITORS REPORT

School Committee
Masconomet Regional School District
20 Endicott Road
Boxford, Massachusetts 01921

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Masconomet Regional School District as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Masconomet Regional School District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Masconomet Regional School District, as of June 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Masconomet Regional School District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Masconomet Regional School District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Masconomet Regional School District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by *Title 2 U.S. Code of Federal Regulations Part 200 Uniform Administrative Requirements Cost Principles and Audit Requirements of Federal Awards*, are presented for purposes of additional analysis and are 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 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to

the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 7, 2023, on our consideration of the Masconomet Regional School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Masconomet Regional School District's internal control over financial reporting and compliance.

James J. Giusti

James J. Giusti, CPA, P.C.
Certified Public Accountant
Georgetown, Massachusetts
March 7, 2023

**Masconomet Regional School District
Management's Discussion and Analysis
Required Supplementary Information
June 30, 2022**

As management of the Masconomet Regional School District, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the Masconomet Regional School District for the fiscal year ended June 30, 2022.

Financial Highlights

- At the end of the current fiscal year, unassigned fund balance for the general fund was \$3,758,374. This fund balance amount includes \$1,103,953 which relates to the Stabilization Fund, which is now required to be included with the general fund for financial statement purposes in accordance with the new GASB 54 requirements.
- The current fiscal year activity relating to revenues and expenditures resulted in a increase in Net Position in the amount of \$986,679.
- The Masconomet Regional School District's total outstanding debt decreased by 66.1% during the current year. The decrease was the result of the retirement of \$1,470,000 of general obligation bonds.

Overview of the Financial Statements

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Masconomet Regional School District's finances, in a manner similar to private-sector business.

The *Statement of Net Position* presents information on all of the Masconomet Regional School District's assets and liabilities, with the differences 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 Masconomet Regional School District is improving or deteriorating.

The *statement of activities* presents information showing how the government'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 of the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements report the District's governmental activities (there are no business-type activities). The District's activities are classified as follows:

- **Governmental Activities** – Activities reported here are for educational purposes. Member assessment, charges for services, federal, state and other miscellaneous revenues finance these activities.

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

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

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the District's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The District maintains fiduciary funds to account for activities related to its Other Post Employment Benefits (OPEB) trust fund. The OPEB Trust Fund is used to accumulate resources to provide funding for future OPEB liabilities.

Notes to the Financial Statements

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

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the Masconomet Regional School Districts' progress in funding its obligation to provide pension and OPEB benefits to its employees. The *required supplementary information* also includes budget versus actual information.

Reconciliation of Government-wide Financial Statements to Fund Financial Statements

The governmental activities of the government-wide financial statements and the governmental funds of the fund financial statements do not use the same accounting basis and measurement focus. In accordance with the GASB 34 requirements, capital assets and long-term liabilities are not included on the balance sheet of the governmental funds but are included on the Statement of Net Position. Capital assets are recorded as expenditures when they are purchased in the governmental funds and depreciated over the useful life in the government-wide financial statements. We have included schedules that provide a crosswalk from the government-wide financial statements to the governmental funds of the fund financial statements:

- Reconciliation of the Governmental funds balance sheet – total fund balances to the Statement of Net Position.
- Reconciliation of the statement of revenues and expenditures and changes in fund balance of governmental funds to the statement of activities.

Net Position

Net position may serve over time as a useful indicator of a government's financial position. The following table reflects the condensed net position.

	<u>Governmental Activities</u>	
	<u>2022</u>	<u>2021</u>
Current Assets	\$ 9,718,793	\$ 8,451,292
Noncurrent Assets	119,068	1,291,498
Capital Assets	23,222,431	24,427,547
Total Assets	<u>33,060,292</u>	<u>34,170,337</u>
Deferred Outflows of Resources	<u>10,487,035</u>	<u>12,330,654</u>
Current Liabilities	2,028,914	2,414,611
Long Term Liabilities	66,917,964	93,125,848
Total Liabilities	<u>68,946,878</u>	<u>95,540,459</u>
Deferred Inflows of Resources	<u>37,981,546</u>	<u>15,140,297</u>
Net Position:		
Net Investment in Capital Assets	23,758,929	24,785,543
Restricted	2,259,127	2,341,355
Unrestricted (Deficit) (See Note Below)	(89,399,153)	(91,306,663)
Total Net Position	<u>\$ (63,381,097)</u>	<u>\$ (64,179,765)</u>

The reason the unrestricted Net Position reflects a deficit is that the GASB 75 Net OPEB (Other Post Employment Benefits) liability of \$59,582,407 and the Net Pension Liability of \$6,970,995 (GASB 68) are required to be recorded in the Statement of Net Position.

Changes in Net Position

The following condensed financial information was derived from the government-wide Statement of Activities. It reflects how the District's net position has changed during the fiscal year.

	<u>Governmental Activities</u>	
	<u>2022</u>	<u>2021</u>
Revenues		
Program Revenues:		
Charges for Services	\$ 1,119,128	\$ 916,797
Operating Grants and MTRB Contributions	8,693,578	12,282,653
General Revenues:		
Assessments to Member Towns - Operating	29,640,869	28,910,709
Assessments to Member Towns - Capital/Debt	290,502	295,751
Intergovernmental - Unrestricted	5,274,950	5,240,083
Unrestricted Investment Earnings	13,173	14,609
Other Revenue	35,636	33,113
Total Revenues	<u>45,067,836</u>	<u>47,693,715</u>
Expenses		
Instruction:		
Middle School	6,657,428	7,193,243
High School	12,876,488	13,774,266
Special Education	6,334,961	6,552,263
Other	950,898	1,585,713
Support Services:		
Administration	416,709	477,841
Business	8,150,717	9,549,541
Buildings and Grounds	3,464,877	3,482,548
Food Services	679,598	323,159
MTRS Pension Payments	4,268,370	8,279,844
Other	186,346	352,287
Debt Service	94,765	328,070
Total Expenses	<u>44,081,157</u>	<u>51,898,774</u>
Increase (Decrease) in Net Position	<u>\$ 986,679</u>	<u>\$ (4,205,059)</u>

Governmental Activities

In fiscal year 2022 and 2021 member assessments accounted for approximately 66.4% and 61.2% (respectively) of the total revenues.

Financial Analysis of the District's Funds

Governmental Funds

The focus of the Masconomet Regional School Districts' governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Masconomet Regional School Districts' financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the Masconomet Regional School District itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the Masconomet Regional School Districts' School Committee.

General Fund

Based upon the balance sheet as of the close of each fiscal year, the Commonwealth of Massachusetts Department of Revenue (DOR) determines the amount of fund balance (general fund) available for appropriation. In general, this amount (commonly known as "Excess and Deficiency" or "E&D") is generated when actual revenues on a cash basis exceed budgeted amounts and expenditures and encumbrances (unpaid commitments) are less than appropriations, or both.

The following table reflects the trend in all the components of fund balance and details the Excess and Deficiency.

Changes in Fund Balance General Fund

<u>Fiscal Year</u>	<u>Assigned</u>	<u>Unassigned</u>	<u>Total Fund Balance</u>	<u>Excess and Deficiency</u>
2012	-	1,735,010	1,735,010	1,206,868
2013	-	1,783,409	1,783,409	1,311,833
2014	-	1,494,784	1,494,784	1,255,668
2015	-	1,748,156	1,748,156	1,531,993
2016	78,467	1,904,454	1,982,921	1,320,152
2017	30,000	2,286,844	2,316,844	1,568,969
2018	71,591	2,517,227	2,588,818	1,387,569
2019	-	2,401,119	2,401,119	1,594,418
2020	199,131	3,075,294	3,274,425	1,589,167
2021	670,152	3,032,457	3,702,609	2,032,285
2022	879,815	3,758,374	4,638,189	2,609,993

* The fiscal year ended June 30, 2022 fund balance amount includes \$1,103,953 which relates to the Stabilization Fund, which is required to be included with the general fund for financial statement purposes in accordance with the GASB 54 requirements. Please see the Notes to the Financial Statements for a description of the GASB 54 requirements.

Capital Asset and Debt Administration

Capital assets. The Masconomet Regional School District's investment in capital assets for its governmental activities as of June 30, 2022, amounts to \$23,222,431 (net of accumulated depreciation/amortization). This investment in capital assets includes land, buildings and improvements, vehicles and furniture, fixtures, and equipment. The capital assets as of June 30, 2022, and 2021 are as follows:

**Capital Assets at June 30
(Net of Depreciation)**

	Governmental Activities	
	<u>2022</u>	<u>2021</u>
Land	\$ 86,950	\$ 86,950
Total Capital Assets Not Being Depreciated	<u>86,950</u>	<u>86,950</u>
Buildings and Improvements	22,590,924	23,768,333
Furniture, Fixtures and Equipment	462,803	481,813
Vehicles	81,754	90,451
Total Capital Assets Being Depreciated	<u>23,135,481</u>	<u>24,340,597</u>
Total	<u><u>\$ 23,222,431</u></u>	<u><u>\$ 24,427,547</u></u>

Debt

The District had \$755,000 in bonds outstanding on June 30, 2022. This represents a \$1,470,000 decrease or 66.1% reduction from the previous year.

Outstanding Debt at June 30

Governmental Activities	<u>2022</u>	<u>2021</u>
General Obligation Bonds Payable	<u>\$ 755,000</u>	<u>\$ 2,225,000</u>

Request for Information

This financial report is designed to provide a general overview of the Masconomet Regional School Districts' finances for all those with an interest in the government's finances. Requests for additional financial information should be addressed to:

Assistant Superintendent for Finance and Operations
 Masconomet Regional School District
 20 Endicott Road
 Boxford, Massachusetts 01921

Masconomet Regional School District
Statement of Net Position
June 30, 2022

	<u>Government - Wide Activities</u>
Assets	
Current:	
Cash/Investments	\$ 8,427,295
Accounts Receivable:	
Intergovernmental	1,291,498
Noncurrent:	
Right-to-use leased assets, net of accumulated amortization	119,068
Capital Assets:	
Assets Not Being Depreciated (Land)	86,950
Assets Being Depreciated, Net	23,135,481
Total Assets	33,060,292
 Deferred Outflows of Resources	
Pension	1,195,522
Other Post Employment Benefits Payable	9,291,513
Total Deferred Outflows of Resources	10,487,035
 Liabilities	
Current:	
Warrants Payable	946,660
Withholdings Payable	259,741
Accrued Interest Payable	7,964
Bonds Payable	755,000
Lease Liability	59,533
Other	16
Noncurrent:	
Compensated Absences Payable	305,344
Leasing Liability	59,218
Net Pension Liability	6,970,995
Net Other Post Employment Benefits Payable	59,582,407
Total Liabilities	68,946,878
 Deferred Inflows of Resources	
Other Post Employment Benefits Payable	36,218,645
Pension	1,762,901
Total Deferred Inflows of Resources	37,981,546
 Net Position	
Net Investment in Capital Assets	23,758,929
Restricted for:	
Capital Projects	108,004
Other Purposes	2,151,123
Unrestricted (Deficit)	(89,399,153)
Total Net Position	\$ (63,381,097)

Masconomet Regional School District
Statement of Activities
Fiscal Year Ended June 30, 2022

<u>Functions/Programs</u>	Program Revenues			Net (Expenses) Revenues and Changes in Net Position
Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	
<i>Governmental Activities:</i>				
Instruction:				
Middle School	\$ 6,657,428	\$ 50	\$ -	\$ (6,657,378)
High School	12,876,488	720,943	615,950	(11,539,595)
Special Education	6,334,961	14,400	1,941,043	(4,379,518)
Other	950,898	11,780	258,281	(680,837)
Support Services:				
Administration	416,709	-	25,633	(391,076)
Business	8,150,717	22,709	845,162	(7,282,846)
Buildings and Grounds	3,464,877	22,418	-	(3,442,459)
Food Services	679,598	140,311	739,139	199,852
MTRS Pension Payments	4,268,370	-	4,268,370	-
Other	186,346	186,517	-	171
Debt Service	94,765	-	-	(94,765)
Total Governmental Activities	\$ 44,081,157	\$ 1,119,128	\$ 8,693,578	(34,268,451)
 <i>General Revenues:</i>				
Assessments to Member Towns - Operating				29,640,869
Assessments to Member Towns - Capital/Debt				290,502
Intergovernmental - Unrestricted				5,274,950
Unrestricted Investment Earnings				13,173
Other Revenue				35,636
Total General Revenues and Special Items				35,255,130
Change in Net Position				986,679
Net Position:				
Beginning of the Year				(64,179,765)
Prior Period Adjustment				(188,011)
Beginning of Year as Restated				(64,367,776)
End of Year				\$ (63,381,097)

Masconomet Regional School District
Governmental Funds
Balance Sheet
June 30, 2022

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:			
Cash/Investments	\$ 5,817,257	\$ 2,610,038	\$ 8,427,295
Accounts Receivable:		-	-
Intergovernmental	1,291,498	-	1,291,498
Total Assets	\$ 7,108,755	\$ 2,610,038	\$ 9,718,793
Liabilities:			
Warrants Payable	\$ 919,311	\$ 27,349	\$ 946,660
Withholdings Payable	259,741	-	259,741
Other Liabilities	16	-	16
Total Liabilities	1,179,068	27,349	1,206,417
Deferred Inflows of Resources:			
Unavailable Revenue	1,291,498	-	1,291,498
Total Deferred Inflows of Resources	1,291,498	-	1,291,498
Fund Equity:			
Fund Balances:			
Restricted	-	2,259,127	2,259,127
Committed	-	323,562	323,562
Assigned	879,815	-	879,815
Unassigned	3,758,374	-	3,758,374
Total Fund Balances	4,638,189	2,582,689	7,220,878
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 7,108,755	\$ 2,610,038	\$ 9,718,793

Masconomet Regional School District
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
Fiscal Year Ended June 30, 2022
(Continued on Page 14)

	General <u>Fund</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
<u>Revenues:</u>			
Assessments to Member Towns - Operating	\$ 29,640,869	\$ -	\$ 29,640,869
Assessments to Member Towns - Capital, Debt, and Other	290,502	-	290,502
Intergovernmental			
State Aid - Education	5,253,339	-	5,253,339
State Aid - Transportation	806,369	-	806,369
State Aid - School Construction	1,291,498	-	1,291,498
Other State and Federal Grants	279,692	3,295,332	3,575,024
MTRS Pension Payments	4,268,370	-	4,268,370
Charges for Services	-	1,059,321	1,059,321
Departmental	41,458	16,098	57,556
Contributions and Donations	-	65,426	65,426
Investment Income -	15,424	-	15,424
Other	35,636	-	35,636
Total Revenues	<u>41,923,157</u>	<u>4,436,177</u>	<u>46,359,334</u>
<u>Expenditures:</u>			
Instruction:			
Middle School	6,824,131	-	6,824,131
High School	12,645,749	563,008	13,208,757
Pupil Personnel Services	4,640,446	1,812,205	6,452,651
Other	628,718	172,539	801,257
Support Services:			
Administration	393,517	26,056	419,573
Business	8,100,989	67,702	8,168,691
Buildings and Grounds	2,439,607	30,668	2,470,275
Food Services	-	741,557	741,557
MTRS Pension Payments	4,268,370	-	4,268,370
Lease Right-to-Use Asset	178,602	-	178,602
Other	-	186,346	186,346
Lease Payment	67,219	-	67,219
Debt Service	1,582,000	-	1,582,000
Total Expenditures	<u>41,769,348</u>	<u>3,600,081</u>	<u>45,369,429</u>

Masconomet Regional School District
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
Fiscal Year Ended June 30, 2021
(Continued from Page 13)

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Excess of Revenues Over (Under) Expenditures	153,809	836,096	989,905
Other Financing Sources (Uses):			
Transfers In	688,901	-	688,901
Transfers (Out)		(688,901)	(688,901)
Lease Financing	178,602	-	178,602
Total Other Financing Sources (Uses)	867,503	(688,901)	178,602
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	1,021,312	147,195	1,168,507
Fund Balance, Beginning	3,702,609	2,537,773	6,240,382
Prior Period Adjustment	(85,732)	(102,279)	(188,011)
Fund Balance, Beginning as Restated	3,616,877	2,435,494	6,052,371
Fund Balance, Ending	\$ 4,638,189	\$ 2,582,689	\$ 7,220,878

Masconomet Regional School District
 Reconciliation of the Governmental Funds Balance Sheet
 Total Fund Balances to the Statement of Net Position
 June 30, 2022

Total Governmental Fund Balances	\$	7,220,878
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		23,222,431
Right-to-use leased assets, net of accumulated amortization, used in governmental activities are not financial resources and not reported in the governmental funds		119,068
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		1,291,498
In the Statement of Activities, interest is accrued on outstanding long term debt. In the fund financial statements, interest is not reported until due.		(7,964)
Certain liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:		
Compensated Absences Payable		(305,344)
Bonds Payable		(755,000)
Leasing Payable		(118,751)
Other Post Employment Benefits Payable		(59,582,407)
Net Pension Liabilities		(6,970,995)
Deferred outflows of resources are not due and payable in the current period and, therefore, are not reported in the governmental funds:		
Other Post Employment Benefits Payable		9,291,513
Net Pension Liabilities		1,195,522
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the governmental funds:		
Other Post Employment Benefits Payable		(36,218,645)
Net Pension Liabilities		(1,762,901)
Net Position of Governmental Activities	\$	(63,381,097)

Masconomet Regional School District
 Reconciliation of the Statement of Revenues, Expenditures,
 and Changes in Fund Balances of Governmental Funds
 to the Statement of Activities
 Fiscal Year Ended June 30, 2022

Net Change in Fund Balances - Total Governmental Funds	\$ 1,168,507
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.	(1,264,650)
Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable differ between the two statements. This amount represents the net change in Unearned Revenue.	(1,291,498)
The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on Net Position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	1,529,851
This item represents the current year OPEB cost. Since it is a long term liability, it is not reported in the governmental funds.	947,862
This item represents the current year Pension cost. Since it is a long term liability, it is not reported in the governmental funds.	(107,047)
Some expenses reported in the Statement of Activities, such as accrued interest and compensated absences payable, do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. This represents the net change in those expenses.	<u>3,655</u>
Change in Net Position of Governmental Activities	<u><u>\$ 986,680</u></u>

Masconomet Regional School District
Statement of Fiduciary Net Position
Fiduciary Funds - OPEB Trust
June 30, 2022

	<u>OPEB Trust</u>
Assets	
Investments	
Fixed Income	\$ 494,986
	494,986
Total Assets	494,986
Liabilities	
Current:	
Other Liabilities	-
	-
Total Liabilities	-
Net Position	
Reserved for	-
Other Post Employment Benefits Trust	494,986
	494,986
Total Net Position	\$ 494,986

Masconomet Regional School District
Statement of Changes in Fiduciary Net Position
Fiduciary Funds - OPEB Trust
Fiscal Year Ended June 30, 2022

	<u>OPEB Trust</u>
Additions:	
Contributions:	
Employer	\$ 1,269,483
Total Contributions	<u>1,269,483</u>
Investment Earnings:	
Interest, Dividends and Other	\$ 1,583
Net Investment Earnings	<u>1,583</u>
Total Additions	<u>1,271,066</u>
Deductions:	
Medical, Dental and Life Insurance for Retirees	<u>1,269,483</u>
Total Deductions	<u>1,269,483</u>
Net Increase (Decrease) in Fiduciary Net Position	<u>1,583</u>
Net Position:	
Beginning of the Year	<u>493,403</u>
End of the Year	<u><u>\$ 494,986</u></u>

Masconomet Regional School District
Notes to the Financial Statements
June 30, 2022

I Summary of Significant Accounting Policies

The accounting policies of the Masconomet Regional School District, as reflected in the accompanying financial statements for the year ended June 30, 2022, conform to accounting principles generally accepted in the United States of America for local government units, except as indicated hereafter.

The more significant accounting policies of the District are summarized below.

A. Reporting Entity

The financial statements of the Masconomet Regional School District include the operations of all organizations for which the School Committee exercises oversight responsibility. Oversight responsibility is demonstrated by financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters.

Based on the aforementioned oversight criteria, the Regional School District was the only entity determined necessary for inclusion in the accompanying financial statements.

B. Government-Wide and Fund Financial Statements

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

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

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

Major Fund Criteria

Major funds must be reported if the following criteria are met:

- If the total assets and deferred outflows, liabilities and deferred inflows, revenues, or expenditures/expenses of an individual governmental or enterprise fund are at least 10% of the corresponding element (assets, liabilities, etc.) for all funds of that category or type (total governmental or total enterprise funds), and

- If the total assets and deferred outflows, liabilities and deferred inflows, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5% of the corresponding element for all governmental and enterprise funds combined.

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

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. These revenues are recognized when they become measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Primary sources of revenue considered susceptible to accrual consist principally of member assessments amounts due under grants, charges for services and investment income. All other revenues are recognized when received.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to this general rule include: (1) accumulated vacation, accumulated sick pay, and other employee amounts which are not to be liquidated from expendable and available resources; and (2) debt service expenditures which are recognized when due.

The District reports the following major governmental funds:

General Fund - This is the District's general operating fund. It accounts for all financial resources of the general government except those required to be accounted for in another 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 types of funds are included in the nonmajor category:

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

The capital projects fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets of the governmental funds. The permanent fund is used to account for and report financial resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the governmental programs.

Proprietary fund financial statements (if applicable), are reported using the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when the liabilities are incurred.

Proprietary funds (if applicable), distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

The following fiduciary fund types are reported:

The other postemployment benefit trust fund is used to accumulate resources for future other postemployment benefits (OPEB) liabilities.

The private-purpose trust funds (if applicable), used to account for trust arrangements that exclusively benefit individuals, private organizations, or other governments. Some of these trusts have donor restrictions and trustee policies that do not allow the endowment portion to be spent.

D. Assets, Deferred Outflows/Inflows of Resources, Liabilities and Fund Balances

i. Deposits and Investments

The District's cash and cash equivalents are considered to be demand deposits and short term investments with original maturities of three months or less from the date of acquisition.

State and local statutes place certain limitations on the nature of deposits and investments available to the District. Deposits (including demand deposits, term deposits and certificates of deposit) in any one financial institution may not exceed certain prescribed levels without collateralization by the financial institutions involved. Investments can also be made in securities issued by or unconditionally guaranteed by the U.S. governments or agencies that have a maturity of less than one year from the date of purchase, repurchase agreements guaranteed by such securities with maturity dates of no more than 90 days from the date of purchase, and units in the Massachusetts Depository Trust ("MMDT").

ii. Capital Assets

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

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

Land, buildings and improvements, vehicles and furniture fixtures and equipment are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	40
Furniture, Fixtures and Equipment	5-15
Vehicles	10

iii. Deferred Outflows/Inflows of Resources

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

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

The District's governmental fund financial statements (balance sheet) reflect deferred inflows of resources for revenues that are not considered "available". The government wide financial statements (statement of net position) reflect deferred inflows and outflows of resources related to pensions and other post employment benefits.

iv. Net Position and Fund Equity

Government-Wide Financial Statements (Net Position)

Net position represents the difference between assets/deferred outflows and liabilities/deferred inflows.

Net position reported as "net investment in capital assets" includes capital assets, net of accumulated depreciation less the principal balance of outstanding debt used to acquire capital assets. Unspent proceeds of capital related debt are not considered to be debt used to acquire capital assets.

Net position is reported as restricted when there is an externally imposed restriction on its use or it is limited by enabling legislation.

v. Fund Balances

Fund Balance Classification Policies and Procedures

The Governmental Accounting Standards Board (GASB) issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). This Statement establishes accounting and financial reporting standards for all governmental funds. It establishes criteria for classifying fund balances into specifically defined classifications.

Fund balance for governmental funds should be reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to the constraints on the specific purposes for which the amounts in those funds can be spent.

GASB 54 requires the fund balance amounts to be reported within one of the fund balance categories list below.

1. *Nonspendable*, includes amounts that cannot be spent because they are (a) not in spendable form (such as fund balance associated with inventories) or are (b) legally or contractually required to stay intact (i.e. corpus of a permanent trust fund). This does not apply to the Masconomet Regional School District as of June 30, 2022,

2. *Restricted*, constraints are placed on the use of resources that can be spent only for the specific purposes that are either (a) imposed by creditors, grantors or contributors, or (b) imposed by law through constitution provisions or through enabling legislation, (for example, gifts, donations and most revolving funds.

3. *Committed*, includes amounts that can be used only for the specific purposes determined by a formal action of the School Committee (the District’s highest level of decision-making authority).

4. *Assigned*, intended (by the School Committee, Superintendent or Assistant Superintendent of Finance and Operations) to be used by the government for specific purposes, but do not meet the criteria to be classified as restricted or committed, and

5. *Unassigned*, the residual classification for the government’s general fund and includes all spendable amounts not contained in the restricted, committed or assigned categories.

The School Committee is the highest level of decision making authority in the District. Committed fund balance cannot be used for any other purposes without formal action by the School Committee.

The District has not formally adopted a policy for its use of unrestricted fund balance. Therefore, in accordance with GASB 54, it considered that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which any of the unrestricted fund balance classifications could be used.

Details of Fund Balance Classifications

The following schedule shows the detail of the fund balance classifications displayed in the aggregate on the District’s balance sheet.

<u>Fund</u>	<u>Account</u>	<u>General Fund</u>	<u>Non Major Funds</u>
Fund Balances:			
Restricted for:			
202	Book Store	\$ -	7,652
203	College Prep	-	46,055
205	Community School Program	-	12,198
206	Field Trips	-	6,901
217	Circuit Breaker	-	985,347
218	Athletic & Co-curricular	-	192,970
219	Non Resident Tuition - SPED	-	85,797
220	School Lunch	-	264,019

<u>Fund</u>	<u>Account</u>	<u>General Fund</u>	<u>Non Major Funds</u>
Fund Balances :			
Restricted for:			
221	Use of School Property	\$ -	86,628
222	Non Resident Tuition - International	-	13,358
225	Summer School	-	43,484
226	SPED Summer Program	-	-
258	TTEF/MEF Gift Fund	-	7,183
262	Cultural Council HS	-	85
263	Fidelity Gift Fund	-	750
265	Joe Carroll Gift Fund	-	2,700
266	Gifts & Donations	-	110,953
267	Music Dept Gift Fund	-	5,613
268	Essential School Health Service Grant	-	12,525
269	ESSER III	-	96,718
270	FY 2022 SPED IDEA	-	35,917
275	FY 2021 CVRF Middleton	-	102
286	Title IIA Teacher Quality (DOE 140)	-	862
288	FY 2022 Title IV Student Support	-	(2,952)
294	ESSER II Grant	-	(28,305)
301	Capital Project - Irrigation System	-	11,685
302	Capital Project - Waste Water Tmt Plant	-	4,131
312	Capital Project - Tech Infrastructure	-	25,893
319	Capital Project - Fy 18 Safety Security	-	1
321	Capital Project - HVAC & Generator	-	913
324	Capital Project - Hot water Heater	-	1,183
326	Capital Project - HVAC Repairs	-	-
327	Capital Project - Snow Removal Equipment	-	738
328	Capital Project - Woodshop	-	24,791
329	Capital Project - Sidewalks/Paving	-	1
330	Capiatl Project - Capital Plan	-	38,669
702	Mitigation Trust Fund	-	3,340
801	Student Activity MS	-	44,589
802	Student Activity HS	-	116,633
	Total Restricted	-	2,259,127
Committed to:			
210	Restitution	-	12,781
211	MS Obligations/Lost Book	-	4,915
212	HS Obligations/Lost Book	-	31,811
215	Performing Arts	-	9,445
216	School Choice	-	174,351
243	Building Insurance	-	81,280
245	Accounting Software	-	7,629
247	Mandated Compliance	-	1,350
	Total Committed	-	323,562
Assigned to:			
	Instruction and Support Services	327,971	-
	Reserved for Subsequent Year Expenditures	551,844	-
	Total Assigned	879,815	-
Unassigned		3,758,374	-
Total Fund Balances		\$ 4,638,189	2,582,689

Stabilization Fund

The District has established a stabilization fund in accordance with Massachusetts General Laws Chapter 71 Section 16G½. That section of the law stipulates that “A regional school district may, upon a majority vote of all the members of the regional district school committee and, with the approval of a majority of the local appropriating authorities of the member municipalities, establish a stabilization fund and may, in any year, include in its annual budget for deposit in the stabilization fund an amount not exceeding five per cent of the aggregate amount apportioned to the member municipalities for the preceding fiscal year or such larger amount as may be approved by the director of accounts. The aggregate amount in the fund at any time shall not exceed five per cent of the combined equalized valuations of the member municipalities. Any interest shall be added to and become a part of the fund.” The stabilization fund may be appropriated by vote of two-thirds of all of the members of the regional district school committee for any purpose for which regional school districts may borrow money or for such other district purpose as the director of accounts may approve. The District’s stabilization fund has a current balance of \$1,103,953. The stabilization fund is reported as a component of unassigned fund balance in the general fund on the District’s balance sheet in accordance with the GASB 54 requirements.

Pensions

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

II Stewardship, Compliance and Accountability

A. Net Position – Unrestricted (Deficit)

The reason the unrestricted net position reflects a deficit is that the GASB 75 OPEB (Other Post-Employment Benefits) liability of \$59,582,407, is required to be recorded in the Statement of Net Position. In addition, the GASB 68 Net Pension Liability of \$6,970,995, is recorded in the financial statements as of June 30, 2022.

General Budgetary Information

i. General Budget Policies

The District’s original budget is adopted by the School Committee and must be approved by a majority of the member communities. The budget approved by the member communities is a “bottom line” budget, The School Committee may, at its discretion, transfer between appropriation accounts.

ii. Budget Basis of Accounting

The amounts shown in the financial statements as the final budgeted amounts consist of the original adopted budget - adjusted by any transfers or supplemental appropriations authorized by the School Committee.

The following reconciliation summarizes the differences between the budget and GAAP basis principles for the year ended June 30, 2022:

	<u>Revenues</u>
As Reported Budget Basis	\$ 37,651,199
Adjustments:	
Other Revenues Not Reported on Budget Basis (Stabilization Fund)	3,588
MTRS - Pension Payments	4,268,370
As Reported GAAP Statement	<u>\$ 41,923,157</u>

	<u>Expenditures</u>
As Reported Budget Basis	\$ 37,341,763
Adjustments:	
Beginning Encumbrances	308,583
Ending Encumbrances	(327,970)
Lease Right-to-Use Asset	178,602
MTRS - Pension Payments	4,268,370
As Reported GAAP Statement	<u>\$ 41,769,348</u>

III Detailed Notes on All Funds

A. Deposits and Investments

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a formal deposit policy for custodial credit risk. As of June 30, 2022, none (\$0) of the District's bank balance of \$10,090,896 was exposed to credit risk.

Investments

The Districts investments are included in two accounts; MMDT in the amount of \$3,115,819 and the TD Bank investment sweep account of \$5,629,095. The TD Account(s) are covered by a LOC held by a third party. This LOC covers \$5,629,095 above FDIC insurance coverage.

Interest Rate Risk - Investments

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, the District does not currently have any investments that are subject to interest rate risk.

Custodial Credit Risk - Investments

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the 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 District does not have a policy for custodial credit risk of investments. As of June 30, 2022, the District was not exposed to custodial credit risk.

Credit Risk-Investments

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District does not have a formal policy relating to credit risk. However, the District does not currently have investments that are subject to this risk.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The District does not have a formal policy that limits the amount it may invest in a single issuer. However, the District does not currently have investments that are subject to this risk.

Fair Value Measurement

Statement #72 of the Government Accounting Standards Board ("GASB") *Fair Value Measurements and Application*, sets forth the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under GASB 72 are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the District has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement. Unobservable inputs reflect the Districts' own assumptions about the inputs market participants would use in pricing the asset or liability (including assumptions about risk). Unobservable inputs are developed based on the best information available in the circumstances and may include the District's own data.

The District does not have any investments, as of June 30, 2022, that are subject to reporting using the fair value hierarchy.

B. Capital Assets

a) Capital asset activity for the year ended June 30, 2022 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Governmental Activities:				
Assets Not Being Depreciated:				
Land	\$ 86,950	\$ -	\$ -	\$ 86,950
Total Capital Assets Not Being Depreciated	<u>86,950</u>	<u>-</u>	<u>-</u>	<u>86,950</u>
Assets Being Depreciated:				
Buildings and Improvements	46,935,862	-	-	46,935,862
Furniture, Fixtures and Equipment	7,498,544	159,895	-	7,658,439
Vehicles	220,013	-	-	220,013
Total Capital Assets Being Depreciated	<u>54,654,419</u>	<u>159,895</u>	<u>-</u>	<u>54,814,314</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	(23,167,529)	(1,177,409)		(24,344,938)
Furniture, Fixtures and Equipment	(7,016,731)	(178,905)		(7,195,636)
Vehicles	(129,562)	(8,697)		(138,259)
Total Accumulated Depreciation	<u>(30,313,822)</u>	<u>(1,365,011)</u>	<u>-</u>	<u>(31,678,833)</u>
Total Capital Assets Being Depreciated, Net	<u>24,340,597</u>	<u>(1,205,116)</u>	<u>-</u>	<u>23,135,481</u>
Governmental Activities Capital Assets, Net	<u>\$ 24,427,547</u>	<u>\$ (1,205,116)</u>	<u>\$ -</u>	<u>\$ 23,222,431</u>

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

Instruction:	
Middle School	\$ 2,210
High School	2,210
Other	165,608
Support Services:	
Administration	1,042
Buildings and Grounds	1,193,941
	<u>\$ 1,365,011</u>

GASB 87 Leased Equipment

b) The District has an operating lease agreement to lease copiers. This long-term lease is recorded in accordance with GASB 87. The District calculated all lease assets and liabilities as of June 30, 2022.

During fiscal year 2022, the District entered into an equipment lease, effective for July 19, 2021 to July 19, 2023.

The lease agreement, is summarized as follows:

<u>Description</u>	<u>Date</u>	<u>Payment Terms</u>	<u>Payment Amounts (Annual)</u>	<u>Interest Rate</u>	<u>Total Assets</u>	<u>Accumulated Amortization 6/30/2022</u>	<u>Net Assets</u>
Copiers	7/19/2021	3 years	\$ 67,219	4%	\$ 178,602	\$ 59,534	\$ 119,068

Annual requirements to amortize long-term obligations is as follows:

<u>Fiscal Year End</u>	<u>Lease Liability Amortization</u>
2023	59,533
2024	59,218

The lease payments are as follows:

<u>Year Ending 30- June</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Lease Payments</u>
2023	\$ 62,212	\$ 5,007	\$ 67,219
2024	\$ 64,667	\$ 2,552	\$ 67,219

C. Accounts Receivable

Intergovernmental:

Due from Commonwealth of Massachusetts:

Current:

School Building Assistance Bureau Grant	1,291,498	
Total Current	<u>1,291,498</u>	<u>\$1,291,498</u>
Total Intergovernmental		<u><u>\$1,291,498</u></u>

The District was approved for a construction assistance program administered by the Massachusetts School Building Authority (MSBA). The MSBA will reimburse the District for a percentage of the principal and interest costs related to the school building project. The District received \$1,291,498 in the current fiscal year – all of which was recognized as revenue in the fund financial statements which utilize the modified accrual basis of accounting. Only the amount related to debt interest was recognized in the entity wide financial statements since the amount related to the construction costs had been accrued in prior fiscal years. The District will receive \$1,291,498 over the remaining life of the related bond. The reimbursements for interest are based on the current debt amortization schedule and are subject to change if the debt is refunded and the interest rate is reduced. An intergovernmental receivable has been recorded in the accompanying financial statements for the portion of the MSBA assistance related to the approved construction costs – since those costs have already been expended. The MSBA intergovernmental receivable has been deferred in the fund financial statements and has been recognized as revenue (in a prior fiscal year) in the entity wide financial statements. The portion of the MSBA assistance related to the future interest cost will be recognized as revenue in the entity wide statements as reimbursements are received and the related expenditures are incurred.

D. Debt

Notes Payable

(a) Bond Authorizations

There are no bond authorizations which have not been issued.

(b) Bond Anticipation and Other Short Term Notes

There are no short term notes that have been issued by the District.

D. Debt (Continued)

(c) Long Term Debt

General obligation bonds outstanding at June 30, 2022 bear interest at various rates.

Changes in Long Term Debt - the following is a summary of bond transactions for the year ended June 30, 2022.

<u>Project</u>	<u>Issue Date</u>	<u>Rate</u>	<u>Outstanding June 30, 2021</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Outstanding June 30, 2022</u>
School Construction	April 1, 2002	4.37% - 5.10%	\$ 750,000	\$ -	\$ (750,000)	\$ -
School Construction	September 15, 2003	3.50% - 5.00%	1,475,000	-	(720,000)	755,000
Total Outstanding			<u>\$ 2,225,000</u>	<u>\$ -</u>	<u>\$ (1,470,000)</u>	<u>\$ 755,000</u>

Summary of Debt Service Requirements to Maturity

	<u>General Long Term Debt</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	755,000	37,750	792,750
	<u>\$755,000</u>	<u>\$37,750</u>	<u>\$792,750</u>

(d) Changes in the government's long-term liabilities for the year ended June 30, 2022 are as follows:

	<u>Balance July 1, 2021</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2022</u>	<u>Current Portion</u>
Compensated Absences Payable	\$ 291,763	\$ 13,581		\$ 305,344	\$ -
Bonds Payable	2,225,000		(1,470,000)	755,000	755,000
Net Pension Liability	7,691,391		(720,396)	6,970,995	-
Lease Payable	0	118,751		118,751	59,533
Other Post Employment Benefits Payable	84,387,694		(24,805,287)	59,582,407	-
Total Governmental Activities	<u>\$ 94,595,848</u>	<u>\$ 132,332</u>	<u>\$ (26,995,683)</u>	<u>\$ 67,732,497</u>	<u>\$ 814,533</u>

E. Compensated Absences and Interfund Transfers

i. Interfund Transfers

The District's financial statements reflect transactions between the various funds. These transactions represent operating transfers and do not constitute revenues or expenditures of the funds.

Interfund Transfers

	<u>Transfers In</u>	<u>Transfers (Out)</u>	<u>Total</u>
General	\$ 688,901	\$ -	\$ 688,901
Non-Major Governmental	-	(688,901)	(688,901)
Total	<u>\$ 688,901</u>	<u>\$ (688,901)</u>	<u>\$ -</u>

ii. Compensated Absences

Vacation and sick leave are granted to employees based on contractual agreements and/or years of service.

The accumulated vacation leave benefit liability is reflected in the accompanying financial statements. Since accumulated sick leave benefits cannot be “bought back” a liability is not required.

iii. Long-Term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the government-wide financial statements and in the fund financial statements for proprietary fund types (if applicable).

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Issuance costs are reported as debt service expenditures.

iv. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

v. Total Column

Government-Wide Financial Statements

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

Fund Financial Statements

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

vi. **Other Information**

A. General Information about the Pension Plan

Plan Description

The District provides pension benefits to eligible employees by contributing to the Essex Regional Retirement System, a cost sharing multiple-employer defined benefit pension plan administered by the Essex Regional Retirement System. The System is administered by a five member board on behalf of all eligible current employees and retirees (not including teachers who are included in the Massachusetts Teachers’ Retirement System). The system provides retirement benefits, cost of living adjustments, disability benefits and death benefits.

The system is a member of the Massachusetts Contributory Retirement System and is governed by Chapter 32 of the Massachusetts General Laws (M.G.L.). The authority to establish and amend benefit provisions requires a statutory change to Chapter 32. The Essex Regional Retirement System issues a stand-alone financial report that is available to the public at https://www.essexregional.com/sites/g/files/vyhlf3121/f/uploads/essex_regional_retirement_system_financial_statements_12-31-2021.pdf

or by writing to the Essex Regional Retirement System, 491 Maple Street, Suite 202, Danvers, Massachusetts 01923-4025.

Benefits Provided

The Essex Regional Retirement System provides retirement, disability and death benefits as detailed below:

Retirement Benefits

Employees covered by the Contributory Retirement Law are classified into one of four groups depending on job classification. Group 1 comprises most positions in state and local government. It is the general category of public employees. Group 4 comprises mainly police and firefighters. Group 2 is for other specified hazardous occupations. (Officers and inspectors of the State Police are classified as Group 3.)

For employees hired prior to April 2, 2012, the annual amount of the retirement allowance is based on the member's final three-year average salary multiplied by the number of years and full months of creditable service at the time of retirement and multiplied by a percentage according to the table below based on the age of the member at retirement.

<u>Benefit %</u>	<u>Group 1</u>	<u>Group 2</u>	<u>Group 4</u>
		<u>Hired on or before April 1 2012</u>	
2.50%	65+	60+	55+
2.40%	64	59	54
2.30%	63	58	53
2.20%	62	57	52
2.10%	61	56	51
2.00%	60	55	50
1.90%	59	N/A	49
1.80%	58	N/A	48
1.70%	57	N/A	47
1.60%	56	N/A	46
1.50%	55	N/A	45

For employees hired on April 2, 2012 or later, the annual amount of the retirement allowance is based on the member's final five-year average salary multiplied by the number of years and full months of creditable service at the time of retirement and multiplied by a percentage according to the tables below based on the age and years of the member at retirement:

<u>Benefit %</u>	<u>Group 1</u>	<u>Group 2</u>	<u>Group 4</u>
		<u>Hired after April 1 2012</u>	
2.50%	67+	62+	57+
2.35%	66	61	56
2.20%	65	60	55
2.05%	64	59	54
1.90%	63	58	53
1.75%	62	57	52
1.60%	61	56	51
1.45%	60	55	50

For all employees, the maximum annual amount of the retirement allowance is 80 percent of the member's final average salary. Any member who is a veteran also receives an additional yearly retirement allowance of \$15 per year of creditable service, not exceeding \$300. The veteran allowance is paid in addition to the 80 percent maximum.

Retirement Benefits - Superannuation

Members of Group 1, 2 or 4 hired prior to April 2, 2012 may retire upon the attainment of age 55. For retirement at ages below 55, twenty years of creditable service is required.

Members hired prior to April 2, 2012 who terminate before age 55 with ten or more years of creditable service are eligible for a retirement allowance upon the attainment of age 55 (provided they have not withdrawn their accumulated deductions from the Annuity Savings Fund of the System).

Members of Group 1 hired April 2, 2012 or later may retire upon the attainment of age 60. Members of Group 2 or 4 hired April 2, 2012 or later may retire upon the attainment of age 55.

Members hired April 2, 2012 or later who terminate before age 55 (60 for members of Group 1) with ten or more years of creditable service are eligible for a retirement allowance upon the attainment of age 55 (60 for members of Group 1) provided they have not withdrawn their accumulated deductions from the Annuity Savings Fund of the System.

Ordinary Disability Benefits

A member who is unable to perform his or her job due to a non-occupational disability will receive a retirement allowance if he or she has ten or more years of creditable service and has not reached age 55. The annual amount of such allowance shall be determined as if the member retired for superannuation at age 55 (age 60 for Group 1 members hired on or after April 2, 2012), based on the amount of creditable service at the date of disability. For veterans, there is a minimum benefit of 50 percent of the member's most recent year's pay plus an annuity based on his or her own contributions.

Accidental Disability Benefit

For a job-connected disability, the benefit is 72 percent of the member's most recent annual pay plus an annuity based on his or her own contributions, plus additional amounts for surviving children. Benefits are capped at 75 percent of annual rate of regular compensation for employees who become members after January 1, 1988.

Death Benefits

In general, the beneficiary of an employee who dies in active service will receive a refund of the employee's own contributions. Alternatively, if the employee were eligible to retire on the date of death, a spouse's benefit will be paid equal to the amount the employee would have received under Option C. The surviving spouse of a member who dies with two or more years of credited service has the option of a refund of the employee's contributions or a monthly benefit regardless of eligibility to retire, if they were married for at least one year. There is also a minimum widow's pension of \$500 per month, and there are additional amounts for surviving children.

If an employee's death is job-connected, the spouse will receive 72 percent of the member's most recent annual pay, in addition to a refund of the member's accumulated deductions, plus additional amounts for surviving children. However, in accordance with Section 100 of Chapter 32, the surviving spouse of a police officer, firefighter or corrections officer who is killed in the line of duty will be eligible to receive an annual benefit equal to the maximum salary held by the member at the time of death. Upon the death of a job-connected disability retiree who retired prior to November 7, 1996 and could not elect an Option C benefit, a surviving spouse will receive an allowance of \$9,000 per year if the member dies for a reason unrelated to cause of disability.

Contributions

Active members of the Essex Regional Retirement System contribute 5%, 7%, 8% or 9% of their gross regular compensation depending on the date upon which their membership began. An additional 2% is required from employees for earnings in excess of \$30,000. The District is

required to pay an actuarially determined rate. The contribution requirement of plan members is determined by M.G.L. Chapter 32. The District's contribution requirement is established by and may be amended by the Essex Regional Retirement System with the approval of the Public Employee Retirement Administration Commission.

The District's contractually required contribution rate for the year ended June 30, 2022 was 29.42% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the District were \$831,903 for the year ending June 30, 2022.

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

At June 30, 2022, the District reported a liability of \$6,970,995 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2022. Accordingly, update procedures were utilized to roll forward the liability to the measurement date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At December 31, 2021, the District's proportion was 2.007%.

For the year ended June 30, 2022, the District recognized pension expense of \$938,950. At June 30, 2022, the 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>
Differences between expected and actual experience	\$ 580	\$ (213,303)
Net differences between projected and actual earnings on pension plan investments	-	(1,545,284)
Change in assumptions	772,187	
Changes in proportion and differences between contributions and proportionate share of contributions	422,755	(4,314)
Contributions subsequent to the measurement date	-	-
	<u>\$ 1,195,522</u>	<u>\$ (1,762,901)</u>

Contributions made subsequent to the measurement date (deferred outflows of resources) are recognized as a reduction of the net pension liability in the next fiscal year. The District did not have any deferred outflows of resources for contributions made subsequent to the measurement date. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	Amount
2023	\$ 88,157
2024	(234,502)
2025	(257,793)
2026	(163,241)
Thereafter	-
Total	<u>\$ (567,379)</u>

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of January 1, 2022, using the following actuarial assumptions, applied to all periods included in the measurement that was updated to December 31, 2021.

Valuation Date	January 1, 2022
Actuarial Cost Method	Entry age normal cost method
Salary Increases	Based on years of service, ranging from 7.5% at 0 years of service decreasing to 3.75% after 5 years of service.
Investment Rate of Return/Discount Rate	7.0% (previously 7.30%)
Inflation Rate	2.75% (2.75% in previous report)
Cost of Living Adjustments	3% of first \$14,000
Rates of Retirement	Varies based upon age for general employees, police and fire employees.
Mortality Rates Were Based on the Tables Noted Below:	
Pre-Retirement	RP-2014 Employee Mortality Table projected generationally with Scale MP-2021
Healthy Retiree	RP-2014 Healthy Annuitant Mortality Table projected generationally with Scale MP-2021
Disabled	RP-2014 Healthy Annuitant Mortality Table set forward one year projected generationally with Scale MP-2021

Changes in Actuarial Assumptions and Plan Provisions

Actuarial Assumptions

The following changes were reflected in the January 1, 2022, valuation:

- The net investment return assumption decreased from 7.30% to 7.00%.
- The mortality assumption was revised to update the mortality improvement projection scale from MP-2019 to MP-2021 and to change the age set forward for disabled participants from two years to one year.
- The administrative expense assumption increased from \$1,000,000 for calendar year 2020 to \$1,150,000 for calendar year 2022

Plans Provisions

- The System increased the COLA base from \$14,000 to \$16,000.

Investment Policy

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

In performing the actuarial valuation, various assumptions are made regarding mortality, retirement, disability and withdrawal rates as well as salary increases and investment returns. A comparison of the results of the current valuation and the prior valuation is made to determine how closely actual experience relates to expected. A comparison of the results of the current valuation and the prior valuation is made to determine how closely actual experience relates to expected. The mortality tables listed in the assumption table were determined to contain provisions appropriate to reasonably reflect future mortality improvement, based on a review of the mortality experience of the plan.

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

	<u>Target Allocation</u>	<u>Long Term Expected Rate of Return</u>
Domestic Equity	22.00%	6.11%
International Developed Markets Equity	11.50%	6.49%
International Emerging Markets Equity	4.50%	8.12%
Core Fixed Income	15.00%	0.38%
High Yield Fixed Income	8.00%	2.48%
Private Equity	15.00%	9.93%
Real Estate	10.00%	3.72%
Timberland	4.00%	3.44%
Hedge Funds, PCS	10.00%	2.63%
Total	<u>100.00%</u>	

Rate of Return

The annual money-weighted rate of return on pension plan investments for December 31, 2021 (net of investment expenses) was 19.69% (and 12.14% for December 31, 2020). The money-weighted rate of return expresses investment performance, net of pension plan investment expense, is adjusted for the changing amounts actually invested, measured monthly.

Discount Rate

The discount rate used to measure the total pension liability was 7.0% (and 7.3% in the prior valuation). 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 the Essex Regional Retirement System contributions will be made at rates equal to the actuarially determined contribution rates.

For this purpose, only employer contributions that are intended to fund benefits for the current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service cost for future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Essex Regional Retirement System, calculated using the discount rate of 7.0%, as well as what the Essex Regional Retirement System's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0%) or 1-percentage-point higher (8.0%) than the current rate:

	1% Decrease <u>(6.0%)</u>	Discount Rate <u>(7.0%)</u>	1% Increase <u>(8.0%)</u>
District's proportionate share of the Net Pension Liability	\$9,427,359	\$6,970,995	\$4,908,224

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued Essex Regional Retirement System financial report. The System issues a stand-alone financial report that can be obtained through the Systems website https://www.essexregional.com/sites/g/files/vyhlif3121/f/uploads/essex_regional_retirement_system_financial_statements_12-31-2021.pdf

A. Massachusetts Teachers Retirement System

Special Funding Situation

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*. The MTRS covers certified teachers and certain school administrators. The Commonwealth is a nonemployer contributor and is responsible for 100% of the contributions and future benefit requirements of the MTRS. Therefore, the District is considered to be in a "special funding situation" according to GASB Statement #68 *Accounting and Financial Reporting for Pensions*. Since the District does not contribute to the MTRS it does not have a pension liability to report.

MTRS is managed by the Commonwealth on behalf of municipal teachers and municipal teacher retirees. 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.

For the fiscal year ended June 30, 2022, the District's proportionate share of the collective pension expense was \$4,268,370. The District's proportionate share was based on its percentage share of covered payroll in the MTRS. Accordingly, the accompanying financial statements include the

required adjustments, which have increased both Intergovernmental revenues and the Education expenditures by the same amount in the fund financial statements and the education expense and program revenue in the government wide financial statements. The net effect of this adjustment does not change the excess of revenues and other financing sources over expenditures and other financing uses for the year ended June 30, 2022, or fund balance/net position at June 30, 2022.

The Commonwealth's proportionate share of net pension liability associated with the District is \$53,191,171. The MTRS is part of the Commonwealth's reporting entity and does not issue a stand-alone audited financial report. The Commonwealth's report is available on the internet at: https://www.macomptroller.org/wp-content/uploads/acfr_fy-2021.pdf

Benefits provided

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

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

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
1984-6/30/1996	8% of regular compensation
7/1/1996 to 6/30/2001	9% of regular compensation
7/1/2001 to present	11% of regular compensation (for teachers hired after 7/1/01 and those accepting provisions of Chapter 114 of the Acts of 2000)
1979 to present	An additional 2% of regular compensation over \$30,000

In addition, members who join the system on or after April 2, 2012 and who have achieved 30 years of creditable service, will have their withholding rate reduced to 8% for those participating in Retirement Plus, otherwise the withholding are reduced to 6% plus 2% on earnings over \$30,000 per year.

Actuarial Assumptions

The total pension liability for the June 30, 2021 measurement date was determined by an actuarial valuation as of January 1, 2019 rolled forward to June 30, 2020. This valuation used the following assumptions:

1. (a) 7.00% investment rate of return (7.15% in the previous valuation), (b) 3.5% interest rate

credited to the annuity savings fund and (c) 3.0% cost of living increase on the first \$13,000 per year.

2. Salary increases are based on analyses 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 Pub-2010 Teachers Employees mortality table (headcount weighted) projected generationally with Scale MP-2020 (gender distinct).
- Post-retirement - reflects Pub-2010 Teachers Retirees mortality table (headcount weighted) projected generationally with Scale MP-2020 (gender distinct).
- Disability – assumed to be in accordance with Pub-2010 Teachers Retirees mortality table (headcount weighted) projected generationally with Scale MP-2020 (gender distinct).

4. An Experience Study was performed as follows:

- Dated July 21, 2014 and encompasses the period January 1, 2006 to December 31, 2011, updated to reflect post-retirement mortality from 2012 to 2020 for post-retirement mortality.

Investment assets of the MTRS are with the Pension Reserves Investment Trust (PRIT) Fund. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage. Best estimates of geometric rates of return for each major asset class included in the PRIT Fund’s target asset allocation as of June 30, 2021 are summarized in the following table:

	<u>Target Allocation</u>	<u>Long- Term Expected Real Rate of Return</u>
Global Equity	39.0%	4.8%
Core fixed income	15.0%	0.3%
Private Equity	13.0%	7.8%
Portfolio Completion Strategies	11.0%	2.9%
Real Estate	10.0%	3.7%
Value Added Fixed Income	8.0%	3.9%
Timber/Natural Resources	4.0%	4.3%
Total	<u>100.00%</u>	

Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s fiduciary net position is available in the Commonwealth of Massachusetts financial report. The financial report is available on the internet at: https://www.macomptroller.org/wp-content/uploads/acfr_fy-2021.pdf

B. Other Post Employment Benefits (OPEB) Disclosures

Summary of Significant Accounting Policies (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District's Plan and additions to/deductions from Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

General Information About the Plan

Plan Description.

Plan Administration: The District administers all activity related to the other post-employment benefits plan - a single employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for all eligible employees of the District. The District's School Committee has the authority to establish and amend benefit terms.

Plan Membership: At June 30, 2022, the plans membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefit payments	148
Active Plan Members	<u>277</u>
Total	<u>425</u>

Benefits Provided: The District provides retired employees and their spouses and dependents with payments for a portion of their health care and life insurance benefits. Benefits are provided through a third party insurer.

Contributions. Retirees and their spouses pay 27.5% of the cost of medical premiums and 30% of the dental premiums. In addition, the retirees and their spouses pay 23% of the premiums for a \$10,000 life insurance policy. Benefits paid by the District are on a pay-as-you-go basis. The contribution requirements of plan members and the District are established through collective bargaining and may be amended from time to time.

Net OPEB Liability

The District's net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

Total OPEB Liability	\$60,077,393
Plan Fiduciary Net Position	<u>(494,986)</u>
Net OPEB Liability	<u>\$59,582,407</u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.82%

Actuarial assumptions. The total OPEB liability was determined by an actuarial valuation as of July 1, 2020 (rolled forward to June 30, 2022), using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.00%
Salary Increases	3.00%
Investment Rate of Return	4.09%
Health Cost Trend Rates	8% decreasing to 5%
Retirement Age	All: Rates from 20 years and age 55
Mortality	PUB 2010 w/MP2021 projection

Investments

Investment Policy: The plan’s policy in regard to the allocation of invested assets is approved and may be amended by the District. The policy pursues an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The following was the adopted asset allocation policy as of June 30, 2022.

Changes in Assumption:

The investment rate of return was changed from 2.18% to 4.09%.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of 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. The target allocations and best estimates of arithmetic real rates of return for each major asset class summarized in the target asset allocation as of June 30, 2022, are summarized in the table below:

	Target <u>Allocation</u>	Long Term Expected <u>Rate of Return</u>
Domestic Equity	0.00%	N/A
Fixed Income	100.00%	1.00%
Private Equity	0.00%	N/A
Real Estate	0.00%	N/A
Cash	0.00%	N/A
	<u>100.00%</u>	

Concentrations

The OPEB plan did not hold investments in any one organization that represent 5% or more of the OPEB plan’s fiduciary net position.

Rate of Return

For the year ended June 30, 2022, the annual money-weighted rate of return on investments, net of investment expense, was 1.0%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount rate: The discount rate used to measure the total OPEB liability was 4.09% (2.18% in the prior valuation). The projection of cash flows used to determine the discount rate assumed that District contributions will not be made at rates equal to the actuarially determined contribution

rates. Based on those assumptions, the OPEB plan’s fiduciary net position was not projected to be available to make all projected future benefit payments of current plan members. Therefore a blended long-term expected rate of return on OPEB plan investments was applied to determine the total OPEB liability.

Changes in Net OPEB Liability

	Increase (Decrease)		
	Total OPEB <u>Liability</u>	Plan Fiduciary <u>Net Position</u>	Net OPEB <u>Liability</u>
Balances on 6/30/2021	\$84,881,059	\$493,365	84,387,694
Changes for the Year:			
Service Cost	4,092,499	-	4,092,499
Interest	1,825,814	-	1,825,814
Differences Between Expected and Actual Experience	(5,111,244)	-	(5,111,244)
Changes in Assumptions	(24,341,252)	-	(24,341,252)
Contributions - Employer		1,269,483	(1,269,483)
Net Investment Income	-	1,622	(1,622)
Benefit Payments	(1,269,483)	(1,269,483)	-
Administrative Expense	-	-	-
Net Changes	<u>(24,803,666)</u>	<u>1,622</u>	<u>(24,805,288)</u>
Balances on 6/30/2022	<u>\$60,077,393</u>	<u>\$494,987</u>	<u>\$59,582,406</u>

Sensitivity of the net OPEB liability to changes in the discount rate: The following presents the net OPEB liability of the District, as well as what the District’s net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

	1% Decrease <u>3.09%</u>	Discount Rate <u>4.09%</u>	1% Increase <u>5.09%</u>
Net OPEB Liability (asset)	\$69,985,095	\$59,582,407	\$51,273,349

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates: The following presents the net OPEB liability of the District, as well as what the District’s net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease (7.0% decreasing to <u>4.0%</u>)	Healthcare Trend Rates (8.0% decreasing to <u>5.0%</u>)	1% Increase (9.0% decreasing to <u>6.0%</u>)
Net OPEB Liability (asset)	\$50,176,826	\$59,582,407	\$71,733,433

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

For the year ended June 30, 2022, the District recognized OPEB expense of \$332,375. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,257,881	\$ (15,934,268)
Change in assumptions	8,016,557	(20,284,377)
Net differences between projected and actual earnings of OPEB plan investments	17,075	-
Contributions subsequent to the measurement date	-	-
	<u>\$ 9,291,513</u>	<u>\$ (36,218,645)</u>

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

Year ended June 30:	Amount
2023	\$ (5,585,938)
2024	(5,586,229)
2025	(5,587,300)
2026	(6,412,908)
2027	(4,101,629)
2028	173,439
2029	173,433
Total	<u>\$ (26,927,132)</u>

OPEB plan fiduciary net position. Detailed information about the OPEB plan's fiduciary net position is available in the accompanying financial statements.

Allocation of Accrued Other Post Employment Benefit Costs. Other Post Employment Benefit Costs were accrued and reported in the Statement of Activities. The costs were allocated as follows:

Instruction:

Middle School	(\$173,309)
High School	(321,159)
Special Education	(117,852)
Other	(15,967)

Support Services:

Administration	(9,994)
Debt	(40,177)
Business	(207,445)
Buildings and Grounds	(61,958)

Total	<u><u>(\$947,861)</u></u>
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C. Subsequent Year Authorization

The School Committee adopted a fiscal year 2023 budget totaling \$38,367,132. The accompanying financial statements do not reflect the adoption of the fiscal year 2023 budget. The budgetary amounts will be financed by the following sources:

FY2023

Member Assessments	\$ 29,887,107
State and Federal Aid	7,305,526
Local Receipts	56,000
Excess and Deficiency	551,844
Fund Transfers	566,655
Total	<u><u>\$ 38,367,132</u></u>

D. Implementation of New GASB Pronouncements

Current Year Implementations –

In June 2017, the GASB issued GASB Statement No. 87, *Leases*. This Statement redefined the manner in which long-term leases are accounted and reported. As amended, the provisions of this Statement became effective in fiscal year 2022. The District has included the required changes relating to GASB87 in the fiscal year ended June 30, 2022 financial statements.

In June 2018, the GASB issued GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. This statement established accounting requirements for interest costs incurred before the end of a construction period. As amended, the provisions of this Statement became effective in fiscal year 2022. The adoption of this standard did not have a material impact on the District's financial statements.

In June 2020, the GASB issued GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – An Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32*. The objective of this Statement was to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution OPEB plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code Section 457 deferred compensation plans that meet the definition of a pension plan and for benefits provided through those plans. The provisions of this Statement became effective in fiscal year 2022. The adoption of this standard did not have a material impact on the District’s financial statements

Future Year Implementations -

In May 2019, the GASB issued GASB Statement No. 91, *Conduit Debt Obligations*. The objective of this Statement is to standardize the reporting of conduit debt obligations by issuers by clarifying the existing definition of conduit debt obligation, among other matters. As amended, the provisions of this Statement are effective for financial reporting periods beginning after December 15, 2021 (fiscal year 2023). The District is currently evaluating whether adoption will have a material impact on the financial statements.

In March 2020, the GASB issued GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements. The provisions of this Statement are effective for financial reporting periods beginning after June 15, 2022 (fiscal year 2023). The District is currently evaluating whether adoption will have a material impact on the financial statements.

In May 2020, the GASB issued GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. The objective of this Statement is to address accounting for subscription-based information technology arrangements to government end users based on the standards established in Statement No. 87, as amended. The provisions of this Statement are effective for financial reporting periods beginning after June 15, 2022 (fiscal year 2023). The District is currently evaluating whether adoption will have a material impact on the financial statements.

In June 2022, the GASB issued GASB Statement No. 100, *Accounting Changes and Error Corrections – An Amendment of GASB Statement No 62*. The objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent and comparable information for decision making or assessing accountability. The provisions of this Statement are effective for financial reporting periods beginning after June 15, 2023 (fiscal year 2024). The District is currently evaluating whether adoption will have a material impact on the financial statements.

In June 2022, the GASB issued GASB Statement No. 101, *Compensate Absences*. The objective of this Statement is to update the recognition and measurement guidance for compensated absences by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The provisions of this Statement are effective for financial reporting periods beginning after December 15, 2023 (fiscal year 2025). The District is currently evaluating whether adoption will have a material impact on the financial statements.

E. Prior Period Adjustment

Government Wide Financial Statements

There are two prior period adjustments reflected in the Government Wide Financial Statements, on the Statement of Activities. The first adjustment, in the amount of \$85,072, relates to a correction of a prior period encumbrance item. The second adjustment, in the amount \$102,279, relates to the correction of the prior period balance for the circuit breaker fund balance reflected in the general ledger. The total of these two adjustments equals \$188,011 and is reflected in the Statement of Activities.

Fund Financial Statements

The prior period adjustment noted above, in the amount of \$188,011, is also reflected in the Fund Financial Statements, on the Statement of Revenues, Expenditures and Changes in Fund Balances. The \$85,072 amount is shown in the General Fund column and the \$102,279 amount is shown in the Non-Major Governmental Funds column.

Required Supplementary Information

Masconomet Regional School District
Required Supplementary Information
General Fund
Statement of Revenues and Expenditures - Budget and Actual
For the Year Ended June 30, 2022

	<u>Budgeted Amounts</u>		Actual Budget Basis <u>Amounts</u>	Variance with Final Budget Favorable <u>(Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Assessments to Member Towns - Operating	\$ 29,640,869	\$ 29,640,869	\$ 29,640,869	\$ -
Assessments to Member Towns - Capital and Debt	290,502	290,502	290,502	-
Intergovernmental				
State Aid - Education	5,253,339	5,253,339	5,253,339	-
State Aid - Transportation	588,428	588,428	806,369	217,941
State Aid - School Construction	1,291,498	1,291,498	1,291,498	-
Other State and Federal Aid	36,385	36,385	279,692	243,307
Departmental	34,000	34,000	41,458	7,458
Investment Income	48,000	48,000	11,836	(36,164)
Miscellaneous	10,000	10,000	35,636	25,636
Total Revenues	37,193,021	37,193,021	37,651,199	458,178
<u>Expenditures</u>				
Instruction:				
Middle School	6,836,868	6,836,868	6,824,131	12,737
High School	12,776,654	12,776,654	12,658,535	118,119
Special Education	4,687,001	4,687,001	4,616,222	70,779
Other	854,978	854,978	719,943	135,035
Support Services:				
Administration	391,040	391,040	392,479	(1,439)
Business	9,236,285	9,236,285	8,091,961	1,144,324
Buildings and Grounds	2,013,663	2,013,663	2,456,492	(442,829)
Debt Service	1,582,000	1,582,000	1,582,000	-
Total Expenditures	38,378,489	38,378,489	37,341,763	1,036,726
Excess (Deficiency) of Revenues Over Expenditures	(1,185,468)	(1,185,468)	309,436	1,494,904
<u>Other Financing Sources (Uses):</u>				
Operating Transfers In	747,901	747,901	688,901	(59,000)
Other Available Funds	437,567	437,567	437,567	-
Total Other Financing Sources (Uses)	1,185,468	1,185,468	1,126,468	(59,000)
Excess (Deficiency) of Revenues and Other Financing Sources (Uses) Over (Under) Expenditures	\$ -	\$ -	\$ 1,435,904	\$ 1,435,904

See Notes to the Required Supplementary Information

Required Supplementary Information
Schedule of the Masconomet Regional School District's Proportionate Share of the Net
Pension Liability
Essex Regional Retirement System**
Last Ten Fiscal Years*

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportionate share of net pension liability (asset) (%)	2.007000%	1.938000%	1.939000%	1.899000%	1.706000%	1.744000%	1.821000%	1.825243%
District's proportionate share of net pension liability (asset) (\$)	6,970,995	7,691,391	8,170,995	8,020,835	6,421,804	6,719,969	6,617,673	6,171,240
District's covered payroll	2,827,461	3,106,271	2,974,269	2,571,786	2,460,943	2,538,981	2,349,100	2,185,432
District's proportionate share of net pension liability (asset) as a percentage of its covered payroll	246.55%	247.61%	274.72%	311.88%	260.95%	264.67%	281.71%	282.38%
Plan fiduciary net position as a percentage of the pension liability	67.01%	59.73%	55.46%	51.89%	55.40%	51.12%	51.01%	50.42%

*Historical information prior to implementation of GASB 67/68 is not required..

** The amounts presented for each fiscal year were determined as of December 31.

See Notes to the Required Supplementary Information

Required Supplementary Information
Schedule of the Masconomet Regional School District's Contributions
Essex Regional Retirement System
Last Ten Fiscal Years

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 831,903	\$ 748,159	\$ 696,545	\$ 634,468	\$ 531,381	\$ 505,357	\$ 500,382	\$ 469,570
Contributions in relation to the contractually required contribution	<u>(831,903)</u>	<u>(748,159)</u>	<u>(696,545)</u>	<u>(634,468)</u>	<u>(531,381)</u>	<u>(505,357)</u>	<u>(500,382)</u>	<u>(469,570)</u>
Contribution deficiency (excess)	<u>\$ -</u>							
District's covered payroll	2,827,461	3,106,271	2,974,269	2,571,786	2,460,943	2,538,981	2,349,100	2,249,066
Contributions as a percentage of covered payroll	29.42%	24.09%	23.42%	24.67%	21.59%	19.90%	21.30%	20.88%

This schedule is intended to show information for 10 years. Additional years' information will be displayed as it becomes available.

See Notes to the Required Supplementary Information

Required Supplementary Information
Schedule of Masconomet Regional School's Proportionate Share of the Collective Net Pension Liability
Massachusetts Teachers' Retirement System
Last Ten Fiscal Years

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportionate share of the collective net pension liability (asset) (%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
District's proportionate share of the collective net pension liability (asset) (\$)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the collective net pension liability (asset) associated with District (\$)	<u>\$ 53,191,171</u>	<u>\$ 67,035,492</u>	<u>\$ 59,428,611</u>	<u>\$ 56,272,028</u>	<u>\$ 55,156,659</u>	<u>\$ 54,124,167</u>	<u>\$ 48,433,340</u>	<u>\$ 37,657,633</u>
Total	<u>\$ 53,191,171</u>	<u>\$ 67,035,492</u>	<u>\$ 59,428,611</u>	<u>\$ 56,272,028</u>	<u>\$ 55,156,659</u>	<u>\$ 54,124,167</u>	<u>\$ 48,433,340</u>	<u>\$ 37,657,633</u>
District's covered payroll	18,168,479	17,858,213	17,152,020	16,666,806	16,365,911	15,923,187	15,016,509	14,525,203
District's proportionate share of the collective net pension liability (asset) as a percentage of its covered payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the pension liability	62.03%	50.67%	53.95%	54.84%	54.25%	52.73%	55.38%	61.64%
District's expense and revenue recognized for Commonwealth support	<u>\$ 4,268,370</u>	<u>\$ 8,279,844</u>	<u>\$ 7,206,751</u>	<u>\$ 5,702,355</u>	<u>\$ 5,756,861</u>	<u>\$ 5,521,020</u>	<u>\$ 3,928,375</u>	<u>\$ 2,616,256</u>

This schedule is intended to show information for 10 years. Additional years' information will be displayed as it becomes available.

See Notes to the Required Supplementary Information

Masconomet Regional School District
Required Supplementary Information
Schedule of Changes in the Net OPEB Liability and Related Ratios
June 30, 2022
Last 10 Fiscal Year

	2022	2021	2020	2019	2018	2017
Total OPEB liability						
Service cost	\$ 4,092,499	\$ 3,700,626	\$ 3,905,467	\$ 3,498,881	\$ 3,613,500	\$ 2,370,000
Interest	1,825,814	1,992,121	2,401,543	2,273,388	2,184,764	1,900,000
Changes of benefit terms	-	-	-	-	-	-
Difference between expected and actual experience	(5,111,244)	(1,984,272)	(17,845,131)	2,935,053	1,895,106	-
Changes in assumptions	(24,341,252)	6,420,059	1,653,412	2,827,030	-	25,085,821
Benefit payments	(1,269,483)	(1,263,406)	(1,321,025)	(1,201,759)	(1,210,119)	(1,160,000)
Net change in total OPEB liability	(24,803,666)	8,865,128	(11,205,734)	10,332,593	6,483,251	28,195,821
Total OPEB liability - beginning	84,881,059	76,015,931	87,221,665	76,889,072	70,405,821	42,210,000
Total OPEB liability - ending (a)	<u>\$ 60,077,393</u>	<u>\$ 84,881,059</u>	<u>\$ 76,015,931</u>	<u>\$ 87,221,665</u>	<u>\$ 76,889,072</u>	<u>\$ 70,405,821</u>
Plan Fiduciary net position						
Contributions - employer	\$ 1,269,483	\$ 1,263,406	\$ 1,321,025	\$ 1,211,759	\$ 1,260,119	\$ 1,160,000
Net investment income	1,622	886	8,142	12,308	5,731	2,840
Benefit payments	(1,269,483)	(1,263,406)	(1,321,025)	(1,201,759)	(1,210,119)	(1,160,000)
Administrative expense	-	-	-	-	-	-
Net change in plan fiduciary net position	1,622	886	8,142	22,308	55,731	2,840
Plan fiduciary net position - beginning	493,365	492,479	484,337	462,029	406,298	403,458
Plan fiduciary net position - ending (b)	<u>\$ 494,987</u>	<u>\$ 493,365</u>	<u>\$ 492,479</u>	<u>\$ 484,337</u>	<u>\$ 462,029</u>	<u>\$ 406,298</u>
District's net OPEB liability - ending (a) - (b)	<u>\$ 59,582,406</u>	<u>\$ 84,387,694</u>	<u>\$ 75,523,452</u>	<u>\$ 86,737,328</u>	<u>\$ 76,427,043</u>	<u>\$ 69,999,523</u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.82%	0.58%	0.65%	0.56%	0.60%	0.58%
Covered payroll	\$ 22,038,080	\$ 21,838,276	\$ 21,728,991	\$ 20,840,338	\$ 20,235,375	\$ 19,840,000
District's net OPEB liability as a percentage of covered payroll	270.36%	386.42%	347.57%	416.20%	377.69%	352.82%

Notes to Schedule:

Benefit changes - None

Implied Subsidy - Approximately \$100,000 is included in Benefit Payments/Contributions

This schedule is intended to show information for 10 years. Additional years' information will be displayed as it becomes available.

See Notes to the Required Supplementary Information

Masconomet Regional School District
Required Supplementary Information
Schedule of Contributions and Assumptions
Other Post Employment Benefits
June 30, 2022
Last 10 Fiscal Year

	2022	2021	2020	2019	2018	2017
Actuarial determined contribution	\$ 9,374,143	\$ 8,650,828	\$ 9,654,914	\$ 8,657,480	\$ 5,785,547	\$ 5,040,000
Contributions in relating to the actuarially determined contribution	1,269,483	1,263,406	1,321,025	1,211,759	1,260,119	1,160,000
Contribution deficiency (excess)	<u>\$ 8,104,660</u>	<u>\$ 7,387,422</u>	<u>\$ 8,333,889</u>	<u>\$ 7,445,721</u>	<u>\$ 4,525,428</u>	<u>\$ 3,880,000</u>
Covered payroll	\$ 22,038,080	\$ 21,838,276	\$ 21,728,991	\$ 20,840,338	\$ 20,235,375	\$ 19,840,000
Contributions as a percentage of covered payroll	5.76%	5.79%	6.08%	5.81%	6.23%	5.85%
Notes to Schedule						
Valuation date	7/1/2021	7/1/2020	7/1/2019	7/1/2018	7/1/2017	
Census date	6/30/2022	6/30/2020	6/30/2020	6/30/2018	6/30/2018	
Actuarial cost method	Entry Age Normal					
Amortization Method	N/A					
Amortization Period	N/A					
Asset valuation method	Market Value					
Inflation	3.00%					
Participation Rate	85.00%					
Healthcare cost trend rates	Med : 8.0% decreasing to 5% ultimately, Dental 5%					
Salary increases	3.00%					
Retirement age	All: Rates from 20 years and Age 55 & 10 years					
Mortality	Pub 2010 w/MP2021 projection					
Investment rate of return	4.09%	2.18%	2.66%	2.79%	2.98%	

This schedule is intended to show information for 10 years. Additional years' information will be displayed as it becomes available.

See Notes to the Required Supplementary Information

Masconomet Regional School District
 Required Supplementary Information
 Schedule of Investment Returns - Other Post Employment Benefits
 June 30, 2022
 Last 10 Fiscal Years

	2022	2021	2020	2019	2018	2017
Annual money-weighted rate of return, net of investment expense	0.30%	0.20%	1.70%	2.60%	1.30%	0.70%

This schedule is intended to show information for 10 years. Additional years information will be displayed as it becomes available.

See Notes to the Required Supplementary Information

Masconomet Regional School District
Notes to the Required Supplementary Information
June 30, 2022

I. Budgetary Information

i. General Budget Policies

The District’s original budget is adopted by the School Committee and must be approved by a majority of the member communities. The budget approved by the member communities is a “bottom line” budget, The School Committee may, at its discretion, transfer between appropriation accounts.

ii. Budget Basis of Accounting

The amounts shown in the financial statements as the final budgeted amounts consist of the original adopted budget - adjusted by any transfers or supplemental appropriations authorized by the School Committee.

The following reconciliation summarizes the differences between the budget and GAAP basis principles for the year ended June 30, 2022:

	<u>Revenues</u>
As Reported Budget Basis	\$ 37,651,199
Adjustments:	
Other Revenues Not Reported on Budget Basis (Stabilization Fund)	3,588
MTRS - Pension Payments	4,268,370
As Reported GAAP Statement	\$ 41,923,157
	<u>Expenditures</u>
As Reported Budget Basis	\$ 37,341,763
Adjustments:	
Beginning Encumbrances	308,583
Ending Encumbrances	(327,970)
Lease Right-to-Use Asset	178,602
MTRS - Pension Payments	4,268,370
As Reported GAAP Statement	\$ 41,769,348

II. Pension Plans

i. Plan Description

The District provides pension benefits to eligible employees by contributing to the Essex Regional Retirement System, a cost sharing multiple-employer defined benefit pension plan administered by the Essex Regional Retirement System. The System is administered by a five member board on behalf of all eligible current employees and retirees (not including teachers who are included in the Massachusetts Teachers’ Retirement System). The system provides retirement benefits, cost of living adjustments, disability benefits and death benefits.

The District is a member of the Massachusetts Contributory Retirement System and is

governed by Chapter 32 of the Massachusetts General Laws (MGL). The authority to establish and amend benefit provisions requires a statutory change to Chapter 32. The Essex Regional Retirement System issues a publicly available financial report in accordance with guidelines established by the Commonwealth's Public Employee Retirement Administration Commission. That report may be obtained by writing to the Essex Regional Retirement System, 491 Maple Street, Suite 202, Danvers, Massachusetts 01923-4025.

The District, also, provides benefits to teachers through 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. The Commonwealth of Massachusetts is statutorily responsible for 100% of the actuarially determined employer contributions. Therefore, the District has a special funding situation.

ii. Funding Plan

Active members of the Essex Regional Retirement System contribute either 5%, 7%, 8% or 9% of their gross regular compensation depending on the date upon which their membership began. An additional 2% is required from employees for earnings in excess of \$30,000. The District is required to pay an actuarially determined rate. The contribution requirements of plan members are determined by M.G.L. Chapter 32. The District's contribution requirement is established and may be amended by the Essex Regional Retirement System with the approval of the Public Employee Retirement Administration Commission.

iv. Changes in Actuarial Assumptions and Plan Provisions
Actuarial Assumptions

The following changes were reflected in the January 1, 2022, valuation:

- The net investment return assumption decreased from 7.30% to 7.00%.
- The mortality assumption was revised to update the mortality improvement projection scale from MP-2019 to MP-2021 and to change the age set forward for disabled participates from two years to one year.
- The administrative expense assumption increased from \$1,000,000 for calendar year 2020 to \$1,150,000 for calendar year 2022

Plans Provisions

The System increased the COLA base from \$14,000 to \$16,000.

v. Schedule of District's Proportionate Share of the Net Pension Liability - Essex Regional Retirement System

The schedule details the District's percentage of the collective net pension liability, the proportionate amount of the collective net pension liability, the District's covered payroll, the District's proportionate share of the collective net pension liability as a percentage of the District's covered payroll and the plans fiduciary net position as a percentage of the total pension liability. As more information becomes available, this will be a ten year schedule.

vi. Schedule of the District's Contributions

The schedule details the District's contractually required contributions, the contributions made by the District, the deficiency/(excess) of contributions made by the District, the District's covered payroll and the District's contributions as a percentage of covered payroll. The schedule is a ten year schedule.

vii. Schedule of District's Proportionate Share of the Net Pension Liability - Massachusetts Teachers' Retirement System

Since the Commonwealth of Massachusetts is statutorily responsible for 100% of the actuarially determined employer contribution, the District has a special funding situation. Therefore, the District does not recognize a net pension liability. This schedule provides information about the state's proportionate share of the collective net pension liability associated with the District and the plans fiduciary net position as a percentage of the total pension liability. It, also, details the District's revenue and expense recognized from the Commonwealth's support. As more information becomes available, this will be a ten year schedule.

III. Other Postemployment Benefits (OPEB) Disclosures

Plan Description

Plan Administration: The District administers all activity related to the other post-employment benefits plan - a single employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for all eligible employees of the District. Management of the plan is vested in the School Committee and the District's Treasurer. The District's School Committee has the authority to establish and amend benefit terms.

Benefits Provided: The District administers all activity related to the other post-employment benefits plan - a single employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for all eligible employees of the District.

Contributions. Retirees and their spouses pay 27.5% of the cost of medical premiums and 30% of the dental premiums. In addition, the retirees and their spouses pay 23% of the premiums for either a \$2,000 or \$10,000 life insurance policy. Benefits paid by the District are on a pay-as-you-go basis. The contribution requirements of plan members and the District are established through collective bargaining and may be amended from time to time.

iii. Schedule of Net OPEB Liability and Related Ratios

The schedule provides information about the changes in the OPEB liability and the changes in the fiduciary net position of the plan. The schedule, also, provides the plan fiduciary net position as a percentage of the total OPEB liability, the covered payroll and the District's net OPEB liability as a percentage of covered payroll.

iv. Schedule of Contributions - Other Post Employment Benefits

The schedule details the District's actuarially required contributions, the contributions made by the District, the deficiency/(excess) of contributions made by the District, the District's covered payroll and the District's contributions as a percentage of covered payroll.

v. Schedule of Investment Rate of Returns - Other Post Employment Benefits

The schedule details the District's annual money weighted rate of return, net of investment expense.

IV. Massachusetts Teachers Retirement System

Special Funding Situation

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*. The MTRS covers certified teachers and certain school administrators. The Commonwealth is a nonemployer contributor and is responsible for 100% of the contributions

and future benefit requirements of the MTRS. Therefore, the District is considered to be in a “special funding situation” according to GASB Statement #68 *Accounting and Financial Reporting for Pensions*. Since the District does not contribute to the MTRS it does not have a pension liability to report.

MTRS is managed by the Commonwealth on behalf of municipal teachers and municipal teacher retirees. 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.

For the fiscal year ended June 30, 2022, the District’s proportionate share of the collective pension expense was \$4,268,370. The District’s proportionate share was based on its percentage share of covered payroll in the MTRS. Accordingly, the accompanying financial statements include the required adjustments, which have increased both Intergovernmental revenues and the Education expenditures by the same amount in the fund financial statements and the education expense and program revenue in the government wide financial statements. The net effect of this adjustment does not change the excess of revenues and other financing sources over expenditures and other financing uses for the year ended June 30, 2022, or fund balance/net position at June 30, 2022.

The Commonwealth’s proportionate share of net pension liability associated with the District is \$53,191,171. The MTRS is part of the Commonwealth’s reporting entity and does not issue a stand-alone audited financial report. The Commonwealth’s report is available on the internet at: https://www.macomptroller.org/wp-content/uploads/acfr_fy-2021.pdf

Benefits provided

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

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

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
1984-6/30/1996	8% of regular compensation
7/1/1996 to 6/30/2001	9% of regular compensation
7/1/2001 to present	11% of regular compensation (for teachers hired after 7/1/01 and those accepting provisions of Chapter 114 of the Acts of 2000)
1979 to present	An additional 2% of regular compensation over \$30,000

In addition, members who join the system on or after April 2, 2012 and who have achieved 30 years of creditable service, will have their withholding rate reduced to 8% for those participating in Retirement Plus, otherwise the withholding are reduced to 6% plus 2% on earnings over \$30,000 per year.

Actuarial Assumptions

The total pension liability for the June 30, 2021 measurement date was determined by an actuarial valuation as of January 1, 2019 rolled forward to June 30, 2020. This valuation used the following assumptions:

1. (a) 7.00% investment rate of return (7.15% in the previous valuation), (b) 3.5% interest rate credited to the annuity savings fund and (c) 3.0% cost of living increase on the first \$13,000 per year.
2. Salary increases are based on analyses 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 Pub-2010 Teachers Employees mortality table (headcount weighted) projected generationally with Scale MP-2020 (gender distinct).
 - Post-retirement - reflects Pub-2010 Teachers Retirees mortality table (headcount weighted) projected generationally with Scale MP-2020 (gender distinct).
 - Disability – assumed to be in accordance with Pub-2010 Teachers Retirees mortality table (headcount weighted) projected generationally with Scale MP-2020 (gender distinct).
4. An Experience Study was performed as follows:
 - Dated July 21, 2014 and encompasses the period January 1, 2006 to December 31, 2011, updated to reflect post-retirement mortality from 2012 to 2020 for post-retirement mortality.

i. Schedule of Proportionate Share of the Net Pension Liability – Massachusetts Teachers Retirement System

The schedule provides information about the net pension liability for the District’s teachers. The Commonwealth of Massachusetts is responsible for the entire liability.

Masconomet Regional School District
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2022

<i>Federal Grantor/Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Pass-through Grantor and Number</i>	<i>Federal Expenditures(\$)</i>
Child Nutrition Cluster-Cluster			
United States Department of Agriculture			
National School Lunch Program			
National School Lunch Program	10.555	MA DESE,05-298-1	736,407
		MA DESE,05-298-1-Commodities	
National School Lunch Program	10.555	Non-Cash	53,584
		MA DESE,05-298-1 Emergency	
COVID-19 National School Lunch Program	10.555	Operating Cost	10,628
		MA DESE,05-298-1 Supply Chain	
COVID-19 National School Lunch Program	10.555	Assitance	38,266
Total National School Lunch Program			<u>838,885</u>
Total United States Department of Agriculture			<u>838,885</u>
Total Child Nutrition Cluster-Cluster			838,885
Special Education Cluster (IDEA)-Cluster			
Department of Education			
Special Education Grants to States			
Special Education Grants to States	84.027	MA DESE, 240-390327-2021-0705	169,581
Special Education Grants to States	84.027	MA DESE, 240-532080-2022-0705	343,543
Special Education Grants to States	84.027	MA DESE, 252-532078-2022-0705	89,853
Total Special Education Grants to States			<u>602,977</u>
Total Department of Education			<u>602,977</u>
Total Special Education Cluster (IDEA)-Cluster			602,977
Other Programs			
Department of Education			
Title I Grants to Local Educational Agencies			
Title I Grants to Local Educational Agencies	84.010	MA DESE, 305-532065-2022-0705	97,347
Title I Grants to Local Educational Agencies	84.010	MA DESE, 305-387898-2021-0705	3,223
Total Title I Grants to Local Educational Agencies			<u>100,570</u>
Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)			
Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	84.367	MA DESE, 140-387900-2021-0705	15,866
Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	84.367	MA DESE, 140-532067-2022-0705	25,786
Total Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)			<u>41,652</u>

**Masconomet Regional School District
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2022**

<i>Federal Grantor/Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Pass-through Grantor and Number</i>	<i>Federal Expenditures(\$)</i>
Student Support and Academic Enrichment Program			
Student Support and Academic Enrichment Program	84.424	MA DESE, 309-532076-2022-0705	11,137
Total Student Support and Academic Enrichment Program			11,137
Education Stabilization Fund Under The Coronavirus Aid, Relief,And Economic Security Act			
COVID-19 Education Stabilization Fund Under The Coronavirus Aid, Relief,And Economic Security Act	84.425	MA DESE, 115-498712-2021-0705	401,792
COVID-19 Education Stabilization Fund Under The Coronavirus Aid, Relief,And Economic Security Act	84.425	MA DESE, 119-580583-2022-0705	38,419
COVID-19 Education Stabilization Fund Under The Coronavirus Aid, Relief,And Economic Security Act	84.425	MA DESE, 121-510311-2022-0705	19,525
COVID-19 Education Stabilization Fund Under The Coronavirus Aid, Relief,And Economic Security Act	84.425	MA DESE, 113-387897-2021-0705	2,253
Total Education Stabilization Fund Under The Coronavirus Aid, Relief,And Economic Security Act			461,989
<i>Total Department of Education</i>			615,348
United States Department of Agriculture			
Child Nutrition Discretionary Grants Limited Availability			
Child Nutrition Discretionary Grants Limited Availability	10.579	MA DESE,05-298-1	7,707
Total Child Nutrition Discretionary Grants Limited Availability			7,707
<i>Total United States Department of Agriculture</i>			7,707
Total Other Programs			623,055
Total Expenditures of Federal Awards			\$ 2,064,917

The accompanying notes are an integral part of this schedule

Masconomet Regional School District
Notes to Schedule of Expenditures of Federal Awards
June 30, 2022

(1) Basis of Presentation

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of the Masconomet Regional School District under programs of the federal government for the year ended June 30, 2022. The information in this schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Masconomet Regional School District, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Masconomet Regional School District.

(2) Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(3) Indirect Cost Rates

The Masconomet Regional School District has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

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

School Committee
Masconomet Regional School District
20 Endicott Road
Boxford, Massachusetts 01921

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Masconomet Regional School District, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Masconomet Regional School District's basic financial statements, and have issued our report thereon dated March 7, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Masconomet 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 of the Masconomet Regional School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Masconomet 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.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Masconomet Regional School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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.

James J. Giusti

James J. Giusti
Certified Public Accountant
Georgetown, Massachusetts
March 7, 2023

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM
GUIDANCE

School Committee
Masconomet Regional School District
20 Endicott Road
Boxford, Massachusetts 01921

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Masconomet Regional School District's compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on each of Masconomet Regional School District's major federal programs for the year ended June 30, 2022. Masconomet 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.

In our opinion, Masconomet Regional School District 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, 2022.

Basis for Opinion on Each Major Federal Program

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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance).j Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Masconomet Regional School District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Masconomet Regional School District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Masconomet Regional School District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Masconomet Regional School District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, Government Auditing Standards, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Masconomet Regional School District's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Masconomet Regional School District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Masconomet Regional School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Masconomet Regional School District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

James J. Giusti

James J. Giusti
Certified Public Accountant
Georgetown, Massachusetts
March 7, 2023

Masconomet Regional School District
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2022

Section I Summary of Auditor's Results
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Financial Statements

Type of report the auditor issued: Unmodified report on financial statements prepared in accordance with Generally Accepted Accounting Principles

Internal control over financial reporting:

- . Material weakness(es) identified? _____ yes X no
- . Significant Deficiency(ies) identified? _____ yes X none reported

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major federal programs:

- . Material weakness(es) identified? _____ yes X no
- . Significant Deficiency(ies) identified? _____ yes X none reported

Type of auditor's report issued on compliance for major federal programs: Unmodified

Any audit finding disclosed that are required to be reported in accordance with 2 CFR 200.516 (a)? _____ yes X no

Identification of major federal programs:

The major programs identified were:

<u>Funding Source</u>	<u>Program</u>	<u>CFDA#</u>
U.S. Department of Agriculture	Child Nutrition Cluster	10.555
U.S. Department of Education	COVID-19 Education Stabilization Funds	84.425

Dollar threshold used to distinguish Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee: _____ yes X no

Section II Findings - Financial Statement Audit

No findings were reported related to the financial statements.

Section III Findings and Questioned Costs for Federal Awards
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No findings or questioned costs were reported related to Federal Awards