

**KING PHILIP REGIONAL SCHOOL DISTRICT**  
BASIC FINANCIAL STATEMENTS AND  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2020  
WITH INDEPENDENT AUDITOR'S REPORT

**KING PHILIP REGIONAL SCHOOL DISTRICT**  
**BASIC FINANCIAL STATEMENTS AND**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

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**INDEPENDENT AUDITOR'S REPORT**

To the Honorable School Committee  
King Philip Regional School District  
Norfolk, Massachusetts

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of King Philip Regional School District, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

***Auditor's Responsibility***

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

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

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

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of King Philip Regional School District, as of June 30, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages v - ix, and the Schedule of the District's Pension Plan Contributions, the Schedule of Changes in the District's Net OPEB Liability and Related Ratios and the Budgetary Comparison Schedule-General Fund and related notes on pages 33 through 37 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the King Philip Regional School District's basic financial statements. The Combining Balance Sheet-Other Governmental Funds and Schedule of Treasurer's Cash are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Combining Balance Sheet - Other Governmental Funds and Schedule of Treasurer's Cash are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting records 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 Combining Balance Sheet – Other Governmental Funds and Schedule of Treasurer's Cash 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 February 26, 2021, 2021 on our consideration of the King Philip 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the King Philip Regional School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the King Philip Regional School District's internal control over financial reporting and compliance.



Norwell, Massachusetts

February 26, 2021

**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**

**INDEPENDENT AUDITOR'S REPORT**

To the Honorable School Committee  
King Philip Regional School District  
Norfolk, Massachusetts

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the King Philip Regional School District, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the King Philip Regional School District's basic financial statements, and have issued our report thereon dated February 26, 2021.

**Internal Control Over Financial Reporting**

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

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the King Philip 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. The 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.

*Lynch, Marini & Associates, Inc*

Norwell, Massachusetts  
February 26, 2021

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

# KING PHILIP REGIONAL SCHOOL DISTRICT

## Management's Discussion & Analysis

June 30, 2020

As management of the King Philip Regional School District (District), we offer readers of these financial statements this narrative overview and analysis of the financial activities for the year ended June 30, 2020.

### **Financial Highlights:**

- The liabilities and deferred inflows of resources exceeded the assets and deferred outflows of resources of the District at the close of the most recent year by approximately \$17.8 million (deficit-net position).
- The total cost of all District services for fiscal year 2019 was approximately \$47.2 million.
- At the end of the current fiscal year, unassigned fund balance for the general fund was approximately \$1.4 million, which was consistent with the prior year.

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

This discussion and analysis are intended to serve as an introduction to the King Philip Regional School District's basic financial statements. These basic financial statements consist of the following components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. Required supplementary information as required by the Governmental Accounting Standards Board (GASB), including the District's Schedule of Pension Plan Contributions, Schedule of Changes in the District's Net OPEB Liability and Related Ratios, and Budgetary Comparison Schedule – General Fund and related notes are presented following the notes to the financial statements. Additionally, certain other information, which is not a required part of the District's basic financial statements in accordance with GASB standards, has been presented for additional analysis.

**Government-wide financial statements:** The government-wide financial statements are designed to provide readers with a broad overview of finances, on a full accrual basis, which is like a private-sector business.

The *statement of net position* presents information on the District's assets plus deferred outflows of resources, less liabilities, less deferred inflows of resources resulting in the aggregate net position of the District. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. The reader should also consider other non-financial factors, such as the condition of the District's capital assets, to assess the overall health of the District.

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

Both government-wide financial statements distinguish functions that are principally supported by intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the District include Administration, Instructional Services and Support Services among others. The District has not classified any activity as a business-type activity.

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



## KING PHILIP REGIONAL SCHOOL DISTRICT

### Management's Discussion & Analysis

June 30, 2020

*Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund statements focus on *near-term inflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluation 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 activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District has several governmental funds. Each major fund is presented in a separate column in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances. The remaining governmental funds are aggregated and shown as other governmental funds.

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

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

**Required supplementary information:** The King Philip Regional School District adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for the general fund as required supplementary information to demonstrate compliance with this budget. Additionally, schedules of the District's pension plan contributions, schedule of changes in the District's net OPEB liability and related ratios are presented following the basic financial statements and notes as required by *Government Accounting Standards*.

**Other information:** Combining schedules for other governmental funds and the schedule of treasurer's cash have been presented for additional analysis.

### **Government-wide financial analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. As indicated in the following chart, governmental liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$17.8 million at the close of fiscal year 2020. This represents a decrease in net position of approximately \$2.2 million from fiscal year 2019.

The net position category - net investment in capital assets of \$43.2 million, reflects investment in capital assets (e.g., land, buildings, machinery, and equipment). The District uses these capital assets to provide services to students and the community; consequently, these assets are *not* available for future spending. Although the investment in capital assets is reported net of related debt and deferred outflows of resources, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**KING PHILIP REGIONAL SCHOOL DISTRICT**

Management's Discussion & Analysis

June 30, 2020

An additional portion of net position of approximately \$3.0 million represents resources that are subject to restrictions on how they may be used. The remaining balance of *unrestricted net position* which may be used to meet the government's ongoing obligations to citizens and creditors reported a deficit balance of approximately \$64.0 million, primarily due to the District's \$61.6 million of other postemployment benefits obligations and net pension liability of \$5.9 million.

	<b>2020</b>	<b>2019</b>
	<b>Governmental</b>	<b>Governmental</b>
	<b><u>Activities</u></b>	<b><u>Activities</u></b>
Current assets	\$ 6,992,398	\$ 5,596,960
Capital assets, net	<u>51,457,296</u>	<u>53,527,174</u>
Total assets	58,449,694	59,124,134
Deferred outflows of resources	16,764,091	7,035,174
Current liabilities	3,742,652	3,483,195
Noncurrent liabilities	<u>74,301,420</u>	<u>63,576,893</u>
Total liabilities	78,044,072	67,060,088
Deferred inflows of resources	14,944,315	14,630,254
Net position:		
Net investment in capital assets	43,248,519	43,896,850
Restricted	2,990,983	1,896,268
Unrestricted	<u>(64,014,104)</u>	<u>(61,324,151)</u>
Total net position	<u>\$ (17,774,602)</u>	<u>\$ (15,531,033)</u>

As indicated in the following table governmental activities net position decreased by approximately \$2.2 million during the current fiscal year. Due to the COVID-19 pandemic and resulting restrictions of in-school access, the District realized certain decreases in charges for services related to school services and use of facilities. The District realized increases in certain operating grants and contributions from the previous year, inclusive of amounts associated with recognition of on-behalf expenses associated with Massachusetts Teachers Retirement participation. This increase, in conjunction with amounts associated with actuarial changes in other postemployment benefits primarily accounted for the significant change in employee benefit expenses from the previous year.

# KING PHILIP REGIONAL SCHOOL DISTRICT

## Management's Discussion & Analysis

June 30, 2020

	2020 Governmental Activities	2019 Governmental Activities
Revenues:		
Charges for services	\$ 1,229,208	\$ 1,541,029
Operating grants and contributions	9,150,562	6,710,332
General revenues:		
Assessments to member towns	26,725,362	26,070,907
Intergovernmental, unrestricted	7,627,013	8,238,422
Other	209,132	48,797
Total revenues	<u>44,941,277</u>	<u>42,609,487</u>
Expenses:		
Administration	1,037,224	1,033,216
Instructional services	17,392,027	15,872,479
School services	3,582,861	4,421,993
Operations and maintenance	3,290,836	3,246,545
Employee benefits and other costs	14,339,618	11,441,217
Other programs	5,025,652	5,563,988
Interest	446,750	520,793
Depreciation	2,069,878	2,072,982
Total expenses	<u>47,184,846</u>	<u>44,173,213</u>
Change in net position	<u>\$ (2,243,569)</u>	<u>\$ (1,563,726)</u>

### **Governmental funds financial analysis**

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

The focus of *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing financing requirements. Fund balance for governmental funds is reported in a classification hierarchy which is based upon the extent to which the government is bound to honor constraints on the specific purposes for which the amounts in those funds can be spent. These classifications are non-spendable, restricted, committed, assigned and unassigned fund balance.

In particular, *unassigned fund balance* represents the residual fund balance which has not been restricted, committed, or assigned to a purpose within that fund. The general fund is the only fund which should report a positive unassigned fund balance amount. Any negative unassigned fund balance represents expenditures incurred for specific purposes which exceeded the amounts restricted, committed, or assigned for that purpose.

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of approximately \$4.7 million, an increase of approximately \$1.1 million from the prior year. Of this amount, \$3.0 million (63.0%) was restricted, approximately \$400,000 (8.4%) was assigned and approximately \$1.4 million (28.6%) was unassigned.

The general fund is the chief operating fund. At the end of the current fiscal year, the District's general fund reported aggregate fund balance of \$1.8 million, which increased approximately \$35,000 from the prior year. Of this amount approximately \$400,000 has been reported as assigned fund balance, which represents the amount appropriated for the next year's budget. Unassigned fund balance of approximately \$1.4 million 77.2% of total general fund balance, and represents amounts not obligated at year end. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance and total fund balance to total fund expenditures and revenues. Total unassigned fund balance represents 3.6% of total general fund revenues and expenditures. This is compared to 3.7% for the same comparisons in the previous year. Total general fund balance represents 4.7% of total general fund expenditures and revenues. This is consistent for the same comparisons in the previous year.

**KING PHILIP REGIONAL SCHOOL DISTRICT**

Management’s Discussion & Analysis

June 30, 2020

**General Fund Budgetary Highlights**

There were no significant changes between the original budget and the final budget. The District realized excess in budgeted revenues of approximately \$212,000 and savings in appropriations of \$223,000.

**Capital Asset and Debt Administration**

**Capital assets** - The District’s investment in capital assets for governmental activities as of June 30, 2020 amounts to \$51.5 million, which is net of accumulated depreciation of \$45.7 million. The investment in capital assets includes land, buildings and related improvements and furniture and fixtures. This is compared to capital assets of \$53.5 million, net of accumulated depreciation of \$43.6 million the previous year.

<u>Description</u>	<u>2020</u>	<u>2019</u>
Land and land improvements	\$ 0.7	\$ 0.7
Buildings and improvements	50.7	52.6
Furniture and equipment	<u>0.1</u>	<u>0.2</u>
Capital assets, net accumulated depreciation	<u>\$ 51.5</u>	<u>\$ 53.5</u>

**Debt obligations** - Outstanding long-term debt as of June 30, 2020 totaled approximately \$8.2 million, compared to \$9.6 million for the prior year. As of September 2015, the District maintains a Standard & Poor's rating of AA+.

**Next year’s budget and economic factors**

- The District's overall fiscal year 2021 budget is \$36.2 million, compared to \$35.5 million for fiscal year 2020.
- Due to the ongoing pandemic, the District during fiscal year 2021, the District has received various grants, including approximately \$349,000 passed-through the member towns, associated with the CARES Act and other pandemic funding.

**Requests for Information**

This financial report is designed to provide a general overview of the King Philip Regional School District’s finances for all those with an interest in the District’s finances. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to the Director of Finance & Operations, King Philip Regional School District, 18 King Street, Norfolk, MA 02056.

**BASIC FINANCIAL STATEMENTS**

**KING PHILIP REGIONAL SCHOOL DISTRICT**

Statement of Net Position

June 30, 2020

	<b>Primary Government Governmental Activities</b>
<b><u>ASSETS</u></b>	
Cash	\$ 6,992,398
Noncurrent assets:	
Capital assets, net of accumulated depreciation	51,457,296
Total assets	<u>58,449,694</u>
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>	
Associated with other postemployment benefit plan	15,352,460
Associated with pension plan	1,411,631
Total deferred outflows of resources	<u>16,764,091</u>
<b><u>LIABILITIES</u></b>	
Accounts payable and other current liabilities	931,777
Salaries, withholdings and benefits payable	1,314,854
Accrued interest	17,000
Long-term liabilities:	
Due within one year	1,479,021
Due in more than one year	74,301,420
Total liabilities	<u>78,044,072</u>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>	
Associated with other postemployment benefit plan	13,573,296
Associated with pension plan	1,371,019
Total deferred inflows of resources	<u>14,944,315</u>
<b><u>NET POSITION</u></b>	
Net investment in capital assets	43,248,519
Restricted	2,990,983
Unrestricted	(64,014,104)
Total net position	<u><u>\$ (17,774,602)</u></u>

See Independent Auditor's Report.

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

**KING PHILIP REGIONAL SCHOOL DISTRICT**

Statement of Activities

For the Year Ended June 30, 2020

<u>Functions/Programs</u>	<u>Program Revenue</u>			<u>Net (Expense)</u>
	<u>Expenses</u>	<u>Charges for</u>	<u>Operating</u>	<u>Revenue and</u>
				<u>Services</u>
			<u>Contributions</u>	<u>Changes in</u>
			<u>Capital</u>	<u>Net Position</u>
			<u>Grants and</u>	
			<u>Contributions</u>	
				<u>Primary</u>
				<u>Government</u>
				<u>Total</u>
				<u>Governmental</u>
				<u>Activities</u>
Primary government				
Governmental activities:				
Administration	\$ 1,037,224	\$	\$	\$ (1,037,224)
Instructional services	17,392,027	355,627	809,365	(16,227,035)
School services	3,582,861	873,581	734,489	(1,974,791)
Operations and maintenance	3,290,836			(3,290,836)
Employee benefits and other costs	14,339,618		5,635,903	(8,703,715)
Other programs	5,025,652		1,970,805	(3,054,847)
Interest	446,750			(446,750)
Depreciation	2,069,878			(2,069,878)
Total governmental activities	<u>\$ 47,184,846</u>	<u>\$ 1,229,208</u>	<u>\$ 9,150,562</u>	<u>\$ (36,805,076)</u>
General revenues:				
Member town assessments				26,725,362
Intergovernmental, unrestricted				7,627,013
Other				209,132
Total general revenues				<u>34,561,507</u>
Change in net position				(2,243,569)
Net position - beginning				(15,531,033)
Net position - ending				<u>\$ (17,774,602)</u>

See Independent Auditor's Report.

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

**KING PHILIP REGIONAL SCHOOL DISTRICT**

Balance Sheet - Governmental Funds

June 30, 2020

	<u>General Fund</u>	<u>SPED Reimbursement Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b><u>ASSETS</u></b>				
Cash	\$ 3,946,735	\$ 1,970,805	\$ 1,074,858	\$ 6,992,398
Total assets	<u>\$ 3,946,735</u>	<u>\$ 1,970,805</u>	<u>\$ 1,074,858</u>	<u>\$ 6,992,398</u>
<b><u>LIABILITIES</u></b>				
Accounts payable and other liabilities	\$ 895,427	\$	\$ 36,350	\$ 931,777
Salaries payable withholdings and benefits payable	1,296,524		18,330	1,314,854
Total liabilities	<u>2,191,951</u>		<u>54,680</u>	<u>2,246,631</u>
<b><u>FUND BALANCES</u></b>				
Restricted		1,970,805	1,020,178	2,990,983
Assigned	400,000			400,000
Unassigned	1,354,784			1,354,784
Total fund balances	<u>1,754,784</u>	<u>1,970,805</u>	<u>1,020,178</u>	<u>4,745,767</u>
Total liabilities and fund balances	<u>\$ 3,946,735</u>	<u>\$ 1,970,805</u>	<u>\$ 1,074,858</u>	<u>\$ 6,992,398</u>

Amounts reported for governmental activities in the statement of net position are different because:

Total fund balances of governmental funds	\$ 4,745,767
Capital assets used in governmental activities are not financial resources and are not reported as assets in governmental funds. The cost of the assets is \$97,117,835 and the accumulated depreciation is \$45,660,538.	51,457,296
Certain deferred outflows of resources are not reflected on fund basis statements.	16,764,091
Certain deferred inflows of resources are not reflected on fund basis statements.	(14,944,315)
Long-term liabilities, including debt, net pension and OPEB obligations and compensated absences are not due and payable in the current period and are not included in funds.	(75,780,441)
Reporting of liabilities on full accrual basis requires associated interest, be accrued.	(17,000)
Net position of governmental activities	<u>\$ (17,774,602)</u>

See Independent Auditor's Report.

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



**KING PHILIP REGIONAL SCHOOL DISTRICT**  
Statement of Revenues, Expenditures and Changes in Fund Balance  
Governmental Funds  
For the Year Ended June 30, 2020

	<u>General Fund</u>	<u>SPED Reimbursement Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
Member town assessments	\$ 26,725,362	\$	\$	\$ 26,725,362
Intergovernmental	11,032,429	1,970,805	895,581	13,898,815
Charges for services	55,875		1,173,333	1,229,208
Interest income	23,010			23,010
Departmental and other	186,031		91	186,122
Total revenues	<u>38,022,707</u>	<u>1,970,805</u>	<u>2,069,005</u>	<u>42,062,517</u>
<b>Expenditures:</b>				
Administration	994,224			994,224
Instructional services	16,328,260		1,063,767	17,392,027
School services	2,396,580		1,186,281	3,582,861
Operations and maintenance	3,228,733			3,228,733
Capital outlay	78,650			78,650
Employee benefits and other costs	8,769,635			8,769,635
Other programs	3,597,670	1,427,982		5,025,652
Debt service:				
Principal	1,405,000			1,405,000
Interest and other costs	448,750			448,750
Total expenditures	<u>37,247,502</u>	<u>1,427,982</u>	<u>2,250,048</u>	<u>40,925,532</u>
Revenues over expenditures	775,205	542,823	(181,043)	1,136,985
<b>Other financing sources (uses):</b>				
Transfers in			740,258	740,258
Transfers out	(740,258)			(740,258)
Total other financing sources and (uses)	<u>(740,258)</u>		<u>740,258</u>	
Revenues and other financing sources over expenditures and other financing (uses)	<u>34,947</u>	<u>542,823</u>	<u>559,215</u>	<u>1,136,985</u>
Fund balance - beginning of year	<u>1,719,837</u>	<u>1,427,982</u>	<u>460,963</u>	<u>3,608,782</u>
Fund balance - end of year	<u>\$ 1,754,784</u>	<u>\$ 1,970,805</u>	<u>\$ 1,020,178</u>	<u>\$ 4,745,767</u>

See Independent Auditor's Report.  
The accompanying notes are an integral part of these financial statements.

**KING PHILIP REGIONAL SCHOOL DISTRICT**  
 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances  
 of Governmental Funds to Statement of Activities  
 For the Year Ended June 30, 2020

Net change in fund balances - total governmental funds:	\$	1,136,985
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p> <p>Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period.</p>		
Depreciation expense recorded for the fiscal year		(2,069,878)
<p>Certain deferred outflows and deferred inflows of resources are recognized on the government-wide financial statements, to be amortized over future periods, and accordingly are not recognized in the fund basis financial statements.</p>		
Net change in deferred outflows of resources associated with the OPEB plan		10,264,978
Net change in deferred outflows of resources associated with the pension plan		(536,061)
Net change in deferred inflows of resources associated with the OPEB plan		457,167
Net change in deferred inflows of resources associated with the pension plan		(771,228)
<p>The issuance and repayment of long term bonds are recorded as other financing sources or uses in the fund financial statements, but have no effect on net position in the government-wide financial statements.</p>		
Principal payments on long term debt		1,405,000
<p>Certain liabilities are not funded through the use of current financial resources and, therefore, are not reported in the fund financial statements; however, these liabilities are reported in the government-wide financial statements. The net change in these liabilities is reflected as an expense in the Statement of Activities. Net changes in liabilities is as follows:</p>		
Net OPEB liability		(13,364,530)
Net pension liability		1,258,451
Capital leases		16,547
Compensated absences		(43,000)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:</p>		
Net change in accrued interest		<u>2,000</u>
Change in net position of governmental activities	\$	<u><u>(2,243,569)</u></u>

See Independent Auditor's Report.  
 The accompanying notes are an integral part of these financial statements.

**KING PHILIP REGIONAL SCHOOL DISTRICT**

Statement of Fiduciary Net Position - Fiduciary Funds

June 30, 2020

	<u>Private Purpose Trust Funds</u>	<u>Agency Funds</u>
<b><u>ASSETS</u></b>		
Cash	\$ 95,534	\$ 240,772
Total assets	95,534	<u><u>240,772</u></u>
<b><u>LIABILITIES</u></b>		
Due to student groups		\$ 240,772
Total liabilities		<u><u>240,772</u></u>
<b><u>NET POSITION</u></b>		
Amounts held in trust for scholarships	<u><u>\$ 95,534</u></u>	

See Independent Auditor's Report.

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

**KING PHILIP REGIONAL SCHOOL DISTRICT**  
Statement of Changes in Fiduciary Net Position - Fiduciary Funds  
June 30, 2020

	<b>Private Purpose Trust Funds</b>
<b>ADDITIONS</b>	
Contributions and interest income	\$ 47,014
Total additions	47,014
<b>DEDUCTIONS</b>	
Scholarships and awards	45,691
Total deductions	45,691
Change in net position	1,323
Net position held in trust, beginning of year	94,211
Net position held in trust, end of the year	\$ 95,534

See Independent Auditor's Report.  
The accompanying notes are an integral part of these financial statements.

**NOTES TO FINANCIAL STATEMENTS**

# KING PHILIP REGIONAL SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2020

## **NOTE 1. ORGANIZATION AND REPORTING ENTITY**

### **A. Organization**

The King Philip Regional School District (District), located in Norfolk, Massachusetts, was established in 1954 under Chapter 71 of the Massachusetts General Laws, as amended and supplemented, and an Agreement, as amended, September 2001 among the towns of Norfolk, Plainville, and Wrentham, which as member towns, comprise the District. The District operates the public-school system for member towns from middle school through high school grades (grade levels 7 through 12).

### **B. Reporting Entity**

The District is governed by a representative school committee comprised of 9 individuals, 3 from each member town. Two are elected members and one is an appointed member. School committee members are elected by the public to oversee and control activities to public school education in those towns.

As required by accounting principles generally accepted in the United States of America (GAAP) and in accordance with the Governmental Accounting Standards Board, the accompanying financial statements present the King Philip Regional School District (the primary government) and its component units. Component units are included in the reporting entity if their operational and financial relationships with the District are significant. Pursuant to these criteria, the District did not identify any component units requiring inclusion in the accompanying financial statements. The District's most significant joint venture is as a member of the Bi-County Education Collaborative (the Collaborative), which is an educational collaborative established under Massachusetts General Laws and section 501(c)(3) of the Internal Revenue Code. The Collaborative is comprised of (18) member school districts which provides individualized educational services to students with significant learning challenges. The Treasurer of the District also serves as Treasurer of the Collaborative. For fiscal year 2020 the District paid the Collaborative approximately \$734,000 for services provided. Additional information can be obtained by contacting the Collaborative directly: Bi-County Collaborative, 397 East Central Street, Franklin, MA 02038. The District belongs to the Norfolk County Retirement Association, Inc., a cost sharing group for retiree pension benefits. See the accompanying notes for additional details.

## **NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **A. Basis of Financial Statement Presentation**

The District's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the District are discussed below.

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

#### *Government-wide Statements*

In the government-wide Statement of Net Position, the governmental columns are presented on a consolidated basis and are reported on a full accrual, economic resource basis, which recognizes all long-term assets as well as long-term obligations. The District's net position is reported in three parts—net investment in capital assets; restricted net position; and unrestricted net position. The District first utilizes restricted resources to finance qualifying activities.

# KING PHILIP REGIONAL SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2020

The government-wide Statement of Activities reports both the gross and net cost of each of the District's functions. Gross expenses (including depreciation) are reduced on the Statement of Activities by related program revenues, which consist of charges for services and operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The net costs by function are normally covered by general revenue.

Certain costs, such as employee fringe benefits, property and liability insurance, among others are not allocated among the District's functions and are included in employee benefits and other costs expenses in the Statement of Activities. Depreciation is also not allocated among functions and is reported as one amount, in total, on the Statement of Activities.

The government-wide focus is more on the sustainability of the District as an entity and the change in the District's net position resulting from the current year's activities.

### Fund Financial Statements

The financial transactions of the District are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column in the fund financial statements titled Other Governmental Funds. Government Accounting Standards set forth minimum criteria (percentage of the assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The District may electively add funds, as major funds, which have specific community focus.

The District's fiduciary funds are presented in the fiduciary fund financial statements by type (private purpose and agency). Since these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

The following governmental fund types may be used by the District. The District does not use proprietary funds.

### Governmental Funds:

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of governmental funds:

- Major Funds:
  - i. General fund is the general operating fund of the District. It should be used to account for all financial resources not accounted for or reported in another fund.
  - ii. SPED reimbursement fund is a special revenue fund used to account for reimbursement from the Commonwealth of Massachusetts for special education tuition paid.

## KING PHILIP REGIONAL SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2020

- Other Governmental Funds consist of other special revenue, capital project funds, permanent funds and debt service funds that are aggregated and presented in the other governmental fund's column on the governmental fund's financial statements. The following describe the general use of these funds:
  - i. Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.
  - ii. Capital projects funds are used to account for and report financial resources that are restricted, committed, or assigned for expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Capital projects funds exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments. The District accounts for the certain capital asset acquisitions (capital outlay) through the general fund's budgetary process, as well as through certain special revenue funds.
  - iii. Debt service funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. Currently, the District does not utilize a debt service fund.
  - iv. Permanent funds are used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the governmental programs. Currently, the District does not utilize any permanent funds.

Fiduciary Funds: Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support District programs. The reporting focus is on net position and changes in net position and is reported using accrual basis of accounting. The following is a description of the fiduciary funds which may be used by the District:

- i. Private purpose trust funds account for resources legally held in trust for the benefit of persons and organizations other than the District. Since these funds cannot be used for providing District services, they are excluded from the District's government-wide financial statements. Currently, the District does not report any private purpose trust funds.
- ii. Agency funds are used to hold funds on behalf of parties other than the District, primarily public-school student activities. Agency funds are custodial in nature and do not involve measurement of results of operations

### **B. Measurement Focus and Basis of Accounting**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are 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.



## KING PHILIP REGIONAL SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2020

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

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

### **C. Fair Value Measurements**

The District measures assets, except for capital assets, and liabilities at fair value according to the hierarchy established by generally accepted accounting principles. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The hierarchy is based upon valuation inputs, which are assumptions that market participants would use when pricing an asset or a liability, including assumptions about risk. The following are levels considered:

- a. Level 1 inputs are quoted prices in active markets for identical assets or liabilities at the measurement date.
- b. Level 2 inputs are directly observable for an asset or a liability (including quoted prices for similar assets or liabilities), as well as inputs that are indirectly observable for the asset or liability.
- c. Level 3 inputs are unobservable for the asset or liability.

### **D. Cash, Cash Equivalents and Investments**

The District has not adopted formalized deposit and investment policies. The District manages funds pursuant to Massachusetts General Laws. For presentation on the financial statements, “cash” include all demand deposits, and savings accounts. Investments are reported according to the fair value measurement hierarchy established by generally accepted accounting principles. Investments are defined as securities or other assets that (a) a government holds primarily for the purpose of income or profit and (b) has a present service capacity based solely on its ability to generate cash or to be sold to generate cash. Certain investments, such as money market investments, 2a-7 like external investment pools are reported at amortized cost. 2a-7 like pools are external investment pools that operate in conformity with the Securities and Exchange Commission’s (SEC) Rule 2a-7, as promulgated under the Investment Company Act of 1940, as amended and should be measured at the net value per share provided by the pool.

### **E. Interfund Receivables and Payables**

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as “due to and from other funds.” Short-term interfund loans are reported as “interfund receivables and payables.” Long-term interfund loans (noncurrent portion) are reported as “advances from and to other funds.” Interfund receivables and payables between governmental funds within governmental activities are eliminated in the Statement of Net Position.

**KING PHILIP REGIONAL SCHOOL DISTRICT**

Notes to Financial Statements

June 30, 2020

**F. Receivables**

Receivables consist of all revenues earned at year-end and not yet received, net of an allowance for uncollectible amounts. Allowances for uncollectible accounts receivable are based upon historical trends. The District considers all of its receivables collectible and does not report an allowance for uncollectible accounts.

**G. Capital Assets**

The accounting treatment over property, plant, and equipment (capital assets) depends on whether they are reported in the government-wide or fund financial statements.

- Government-wide Statements – In the government-wide financial statements all capital assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated capital assets, which are recorded at their acquisition value (entry price) at the date of donation. Estimated historical cost was used to value most of the assets acquired prior to June 30, 2002. The District generally defines capital assets, which includes land, building and improvements, and furniture and equipment, as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets’ lives are not capitalized.

Prior to July 1, 2002, governmental funds’ infrastructure assets were not capitalized. These assets are valued at estimated historical cost. The District has no significant infrastructure which has been capitalized.

Depreciation of all exhaustible capital assets is recorded as an expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets’ estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

i.	Buildings	40 years
ii.	Building improvements	15 years
iii.	Furniture and equipment	3-10 years

- Fund Financial Statements - In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

**H. Inventories**

The District currently does not report any inventories for financial reporting purposes. The District reports food and supplies purchased in the food service program as expenditures when purchased, rather than when the food and supplies are consumed. The District has determined any amounts not consumed at year-end to be immaterial to the District’ financial statements.

**I. Deferred Outflows of Resources and Deferred Inflows of Resources**

Deferred outflows of resources, as applicable, represent a consumption of assets by the government that is applicable to a future reporting period. These *deferred outflows of resources* have a positive effect on net position and are reported after assets when applicable. Deferred inflows of resources, as applicable, represent the acquisition of assets by the government that is applicable to a future reporting period. These *deferred inflows of resources* have a negative effect on net position and are reported after liabilities when applicable. These amounts are reported in fund and government-wide financial statements based upon the nature of the item.

## KING PHILIP REGIONAL SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2020

### J. Liabilities

Liabilities represent *present obligations* to sacrifice resources for which the government has *little or no discretion to avoid*. The primary focus is on the obligation for the government to perform. The accounting treatment for these obligations depends on whether they are reported in the government-wide or fund financial statements.

Current liabilities are reported in both the fund and government-wide financial statements. Current liabilities represent obligations incurred in the operating cycle for acquisition goods, services, accruals for salaries/wages, vacation accruals, and other obligations due or generally expected to be liquidated within one year from the balance sheet date. Government-wide financial statements also report other current liabilities such as accrued interest, which is reported on a full accrual basis.

Generally, all noncurrent (long term) liabilities are not reported as liabilities in the fund financial statements, but are reported in the government-wide statements. Such obligations consist primarily of such obligations as bonds payable, other postemployment obligations and net pension liabilities.

### K. Compensated Absences

The District's policies and provisions allow employees to earn varying amounts of vacation pay depending upon the number of years employed and the specific contract of each employee. Vacation pay is granted July 1 of each fiscal year. A maximum of two weeks may be accumulated and carried into the next fiscal year; unused vacation must be used within twelve months. The District has reported the estimated liability in the government-wide financial statements as a current obligation.

### L. Equity Classifications

Government-wide Statements: In the government-wide financial statements equity is classified as net position and displayed in three components:

- i. Net investment in capital assets – This component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position.
- ii. Restricted – This component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. These assets may be restricted by constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- iii. Unrestricted – This component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

Fund Financial Statements: In the fund financial statements governmental fund equity is classified as fund balance. Fund balance is further classified based on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. Fund balance may be classified in the following components:

- i. Nonspendable fund balance – consists of amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
- ii. Restricted fund balance – consists of amounts upon which constraints have been placed on their use either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; (b) imposed by law through constitutional provisions or enabling legislation.

## KING PHILIP REGIONAL SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2020

- iii. Committed fund balance – consist of amounts which can only be used for specific purposes pursuant to constraints imposed by the District’s highest level of decision-making authority, the District School Committee. Any modification or rescission must also be made by School Committee vote.
- iv. Assigned fund balance – consist of amounts that are constrained by the District’s intent to be used for a specific purpose. Intent is expressed by (a) the governing body itself, or (b) a body, or official to which the governing body has delegated the authority to assign amounts to be used for specific purposes. Amounts are assigned based upon approval by the Superintendent and Director of Finance & Operations through the District’s procurement and budgeting processes.
- v. Unassigned fund balance – represents the residual classification for the remaining fund balance. It represents amounts that have not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes.

Spending Policy: The District’s spending policy is to spend restricted fund balance first, followed by committed, assigned and unassigned fund balance. The District does not maintain a minimum fund balance policy. Unassigned General fund balance is maintained in accordance with Massachusetts General Law. Most governmental funds were designated for one purpose at the time of their creation. Therefore, any expenditure made from the fund will be allocated to the applicable fund balance classifications in accordance with the spending policy. The general fund and certain other funds may have more than one purpose.

### **M. Member Town Assessments**

Pursuant to Massachusetts General Law, Chapter 71 of the Acts of 1993, the Education Reform Act, the School District's annual assessments to member towns are divided into the following categories:

#### Minimum Local Contribution

The minimum local contribution of member towns for each year is calculated by the Department of Education based upon formulas created by the Education Reform Act. The minimum local contribution is the District's net School spending less state aid (Chapter 70). Net School spending includes the regular operating costs of the School District except those items (other costs) specifically excluded by law (transportation, capital costs, debt, and other extraordinary costs).

#### Other School Spending

The assessments for other School spending include other costs and those regular operating costs above the minimum local contribution. These amounts are apportioned to the member towns based on their respective pupil enrollments in the regional district schools on October 1 of the preceding year.

Amounts assessed to member towns must be paid to the District in equal quarterly installments due no later than the first day of April, June, September and December.

### **N. Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of both the Massachusetts Teachers Retirement System and Norfolk County 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 benefit terms. Investments are reported at fair value. See the additional accompanying note disclosures regarding pension plans.

## KING PHILIP REGIONAL SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2020

### **O. Postemployment Benefits Other Than Pensions (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 Other Postemployment Benefits Plan (the Plan) and additions to/ deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. Total OPEB liability, fiduciary net position, the net OPEB liability and deferred outflows/(inflows) of resources are based on calculations as of the valuation date. The District has not established an irrevocable trust as of June 30, 2020. See the additional accompanying note disclosures regarding other postemployment benefit plans.

### **P. Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 and the reported amounts of revenues and expenditures during the reporting period. Actual results will differ from those estimates.

### **Q. Total Columns**

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

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

## **NOTE 3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

### **A. Budget Process**

The Regional School Committee annually determines the amount to be raised (after deducting the amount of anticipated revenues the District expects to receive) to maintain and operate the District during the next fiscal year and apportions the amount among the member towns in accordance with the terms of the District agreement. The amounts apportioned to each town are certified by the District Treasurer to the Treasurer of each member town. Each town acts on the amounts so certified at the towns' next annual town meeting. Changes between functions in the original appropriation are voted by the School Committee. Supplemental appropriations are acted upon through Special Town Meetings of the member towns. Pursuant to MGL, the District's unassigned fund balance may not exceed 5 percent of the succeeding year's budget. Any excess must be utilized to reduce the member towns' assessments.

Budgets for grants and certain revenues from revolving funds accounted for in special revenue funds are not required to be prepared under the General Laws of Massachusetts. Accordingly, a comparison of actual to budgeted results of operations for the special revenue funds is not presented in the accompanying supplementary information. Budgets for various special revenue funds utilized to account for specific grant programs are established in accordance with the requirements of the Commonwealth or other grantor agencies.

**KING PHILIP REGIONAL SCHOOL DISTRICT**

Notes to Financial Statements

June 30, 2020

Operating costs of the District are apportioned to the member towns according to the Region Agreement based on their respective pupil enrollments in the District as of October 1 of the preceding year. Massachusetts General Law, Chapter 70, as amended by the Education Reform Act of 1993, provides for a minimum amount of spending for local and regional school districts. This net school-spending requirement is made up of the minimum local contribution and Chapter 70 state aid. The Commonwealth computed the fiscal year 2020 minimum local contributions and net school spending requirements for the District as \$18,207,740 and \$25,800,720 respectively. The District appropriated enough funds in fiscal 2020 to meet the net school spending requirements.

Minimum local contributions represent the minimum that must be contributed to support the net school spending of the District. Eligible net school spending costs include all spending of the District except transportation, debt service, and capital costs.

**B. Fund Equities**

Operations of the various District funds for fiscal year 2020 were funded in accordance with the General Laws of Massachusetts. The District classifies fund equity (fund balance) in the fund financial statements as either nonspendable, restricted, committed, or assigned for specific purposes. As of June 30, 2020, the classification of the District's fund balances can be detailed as follows:

	<u>General</u>	<u>SPED</u>	<u>Other</u>	
	<u>Fund</u>	<u>Reimbursement</u>	<u>Governmental</u>	
		<u>Fund</u>	<u>Funds</u>	<u>Total</u>
<b>Restricted:</b>				
Instructional services	\$	\$	\$ 193,697	\$ 193,697
School services			744,722	744,722
Other programs		1,970,805		1,970,805
Capital outlay			81,759	81,759
Subtotal		1,970,805	1,020,178	2,990,983
<b>Assigned:</b>				
Next year's budget	400,000			400,000
Subtotal	400,000			400,000
<b>Unassigned</b>	1,354,784			1,354,784
<b>Total governmental fund balance</b>	<u>\$ 1,754,784</u>	<u>\$ 1,970,805</u>	<u>\$ 1,020,178</u>	<u>\$ 4,745,767</u>

**C. Restricted Net Position**

Restricted net position on the government-wide statement consist of the following:

SPED reimbursement fund	\$	1,970,805
Revolving and other funds		938,419
Capital outlay		81,759
Total restricted net position	<u>\$</u>	<u>2,990,983</u>

**NOTE 4. CASH AND INVESTMENTS**

Massachusetts General Laws, Chapter 44, Section 54 and 55, place certain limitations on cash deposits and investments available to the District. Authorized deposits include demand deposits, term deposits, and certificates of deposit in trust companies, national banks, savings banks, and certain other financial institutions. Cash deposits are reported at carrying amount, which reasonably approximates fair value. As of June 30, 2020, the District maintained no investments.

**KING PHILIP REGIONAL SCHOOL DISTRICT**

Notes to Financial Statements

June 30, 2020

The District maintains deposits in authorized financial institutions. In the case of deposits, custodial credit risk is the risk that in the event of bank failure, the District’s deposits may not be returned. The District does not have a formal deposit policy for custodial credit risk. At June 30, 2020, deposits totaled \$8.1 million and had a carrying amount of \$7.3 million. The difference between deposit amounts and carrying amounts represent outstanding checks, interbank transfers, and other reconciling items. The District’s \$8.1 million of deposits were covered by depository insurance at June 30, 2020.

The District does not maintain policies which address established criteria for the following risks defined by *Government Accounting Standards Board's* Statements.

- Custodial credit risk for investments is the risk that, in the event of the failure of the counter party to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party.
- Interest rate risk is the risk that changes in market interest rates that will adversely affect the fair market value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair market value to changes in market interest rates.
- Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. Credit risk is measured by the assignment of a rating by a nationally recognized statistical rating organization
- Concentration of credit risk – The risk of loss attributed to the magnitude of a government’s investment in a single issuer.
- Foreign currency risk – The risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit.

**NOTE 5. RECEIVABLES**

At June 30, 2020, the District did not report any receivables.

**NOTE 6. CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2020, was as follows:

	<u>Beginning</u>			<u>Ending</u>
<b>Governmental activities:</b>	<b>Balances</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balances</b>
Capital assets not being depreciated:				
Land and land improvements	\$ 887,611	\$	\$	\$ 887,611
subtotal	887,611			887,611
Capital assets being depreciated:				
Buildings and improvements	88,355,231			88,355,231
Furniture and equipment	7,874,993			7,874,993
subtotal	96,230,224			96,230,224
Less: accumulated depreciation:				
Land improvements	155,333	44,381		199,714
Buildings and improvements	35,735,282	1,982,806		37,718,088
Furniture and equipment	7,700,046	42,691		7,742,737
subtotal	43,590,661	2,069,878		45,660,539
Governmental activities capital assets, net	<u>\$ 53,527,174</u>	<u>\$ (2,069,878)</u>	<u>\$</u>	<u>\$ 51,457,296</u>

Depreciation expense of \$2,069,878 was not allocated to the District’s governmental functions. It has been reported in total as a separate line on the Statement of Activities.

**KING PHILIP REGIONAL SCHOOL DISTRICT**

Notes to Financial Statements

June 30, 2020

**NOTE 7. LIABILITIES**

Current liabilities reported as accounts payable and other current liabilities of \$914,297 primarily represent obligations not paid until the subsequent fiscal year. Salaries, withholdings, and benefits payable of \$1,314,854 consist primarily of payroll incurred as of year-end to be paid over the subsequent summer months of \$1.1 million and aggregate withholdings of \$212,000. See Note 11, for details associated of the long-term liabilities of the District.

**NOTE 8. INTERFUND BALANCES**

Interfund transfers for the fiscal year ended June 30, 2020 consisted of the following:

<u>Purpose</u>	<u>General Fund</u>	<u>Other Governmental Funds</u>
Amounts appropriated for athletics and music	\$ (659,804)	\$ 659,804
Transfer to school lunch	(78,000)	78,000
Transfer to capital projects	(2,454)	2,454
Net transfers	<u>\$ (740,258)</u>	<u>\$ 740,258</u>

**NOTE 9. DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES**

The District reports the following deferred outflows of resources and deferred inflows of resources associated with its governmental activities as of June 30, 2020. Additional information regarding the District's pension plan and other postemployment benefit plan can be found in the accompanying notes.

**Deferred Outflows of Resources:**

**Associated with other postemployment plan:**

Assumption changes	\$ 15,352,460
subtotal	<u>15,352,460</u>

**Associated with pension plan:**

Difference between expected and actual experience	\$ 504,457
Difference between projected and actual investment earnings	768,489
Assumption changes	107,990
Changes in proportion and differences between employer contributions and proportionate share of contributions	<u>30,695</u>
subtotal	<u>1,411,631</u>

**Governmental activities - total deferred outflows** **\$ 16,764,091**

**Deferred Inflows of Resources:**

**Associated with other postemployment benefit plan:**

Experience gain	\$ 11,957,512
Assumption changes	<u>1,615,784</u>
subtotal	13,573,296

**Associated with pension plan:**

Difference between projected and actual investment earnings	934,314
Changes in proportion and differences between employer contributions and proportionate share of contributions	<u>436,705</u>
subtotal	<u>1,371,019</u>

**Governmental activities - total deferred inflows** **\$ 14,944,315**



**KING PHILIP REGIONAL SCHOOL DISTRICT**

Notes to Financial Statements

June 30, 2020

**NOTE 10. TEMPORARY BORROWINGS**

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

- Operating expenses prior to obtaining member town assessments, state aid and other revenues through the issuance of revenue anticipation notes (RANs).
- Capital project costs incurred prior to obtaining permanent financing through issuance of bond anticipation notes (BANs),
- Federal and state aided capital projects and other program expenditures prior to receiving reimbursement through issuance of federal and state aid anticipation notes (FANs and SANs).

Temporary loans are general obligations of the District and carry maturity dates that are limited by statute and the outstanding balances are reported in the funds which utilized the loans. Interest expenditures for temporary borrowings are accounted for in the General Fund.

The District did not have any temporary borrowings for the year ended June 30, 2020.

**NOTE 11. LONG-TERM OBLIGATIONS**

The following is a summary of changes in long-term obligations for the year ended June 30, 2020:

<b>Governmental activities:</b>	<b>Beginning Balances</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balances</b>	<b>Current Portion</b>
General obligation bonds, refunding, dtd 10/1/2015, 3.0%-5.0%, due 6/15/2026	\$ 8,025,000	\$	\$ (1,190,000)	\$ 6,835,000	\$ 1,150,000
General obligation bonds, refunding, dtd 10/1/2015, 3.75%-4.0%, due 6/15/2026	1,545,000		(215,000)	1,330,000	220,000
Total long term debt	9,570,000		(1,405,000)	8,165,000	1,370,000
Net compensated absences	49,000	43,000		92,000	92,000
Capital leases	60,324		(16,547)	43,777	17,021
Net other postemployment benefits liability	48,227,561	13,364,530		61,592,091	
Net pension liability	7,146,024		(1,258,451)	5,887,573	
Total governmental activities	<u>\$ 65,052,909</u>	<u>\$ 13,407,530</u>	<u>\$ (2,679,998)</u>	<u>\$ 75,780,441</u>	<u>\$ 1,479,021</u>

**Future debt service & debt authorizations**

The annual requirements to amortize all general obligation bonds and loans outstanding as of June 30, 2020, including interest, are as follows:

<b>Year ending June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2021	\$ 1,370,000	\$ 379,500	\$ 1,749,500
2022	1,370,000	311,000	1,681,000
2023	1,365,000	253,625	1,618,625
2024	1,360,000	174,500	1,534,500
2025	1,355,000	106,750	1,461,750
2026	1,345,000	39,250	1,384,250
Total	<u>\$ 8,165,000</u>	<u>\$ 1,264,625</u>	<u>\$ 9,429,625</u>

The District had no outstanding debt authorizations outstanding at June 30, 2020.

**KING PHILIP REGIONAL SCHOOL DISTRICT**

Notes to Financial Statements

June 30, 2020

Lease obligations

- Operating leases: The District has entered certain operating leases for computers and copiers. Payments are made on a quarterly basis. The District has determined these leases to be immaterial to the financial statements.
- Capital leases – Direct Financings: In accordance with Massachusetts General Laws, the District may enter into lease agreements for a period not to exceed five years and subject to annual appropriation. The District’s capital lease obligation as of June 30, 2020 (as illustrated above) associated with a truck (cost of \$44,000 and accumulated depreciation of \$26,400) and a tractor (cost of \$39,000 and accumulated depreciation of \$11,700) is as follows:

Description	Beginning Balances	Additions	Reductions	Ending Balances	Portion
Ally Bank, truck, payment \$766/month, term 60 months, expiring 2022, total \$319,122	\$ 24,462	\$	\$ (9,197)	\$ 15,265	\$ 9,197
Kubota Leasing, tractor, payment \$652/month, term 60 months, expiring 2021, total \$39,016	35,862	_____	(7,350)	28,512	7,824
Total capital leases - direct borrowing/financing	<u>\$ 60,324</u>	<u>\$</u>	<u>\$ (16,547)</u>	<u>\$ 43,777</u>	<u>\$ 17,021</u>

Future capital lease payments

The future annual principal and interest payments associated with these leases are as follows:

Year ending June 30	Payment
2021	\$ 17,021
2022	13,893
2023	7,824
2024	5,039
Total	<u>\$ 43,777</u>

**A. Retirement Plan**

**1. Norfolk County Contributory Retirement System**

Plan Description

The Norfolk County Contributory Retirement System (the System/Plan) is a multiple-employer, cost sharing, contributory defined benefit pension plan covering all employees of the governmental member units deemed eligible by the Norfolk County Retirement Board (the Board), except for school department employees who serve in a teaching capacity. The pensions for such school employees are administered by the Commonwealth of Massachusetts' Teachers Retirement System (MTRS). Membership in the Plan is mandatory immediately upon the commencement of employment for all non-teaching permanent, full time employees. As of December 31, 2019, the System had 41 participating employers.

The System is a member of the Massachusetts Contributory Retirement System and is governed by Chapter 32 of the Massachusetts General Laws (MGL). The Public Employee Retirement Administration Commission (PERAC) is the state agency responsible for oversight of the Commonwealth's public retirement systems. The System is governed by a five-member Board who establish the policies under which the System operates. The day-today operations of the System are managed by the Executive Director.

## KING PHILIP REGIONAL SCHOOL DISTRICT

### Notes to Financial Statements

June 30, 2020

The System issues an audited financial statement for the year ended December 31, 2019, which may be obtained via the System's website at [www.norfolkcountyretirement.org](http://www.norfolkcountyretirement.org), or by contacting the System directly at: Norfolk County Contributory Retirement System, 480 Neponset Street, Building #15, Canton, MA 02021.

#### Benefits Provided

The System 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 public employee retirement systems (PERS). Those 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, average salary is the average annual rate of regular compensation received during the five consecutive years that produce the highest average, or, if greater, during the last five years (whether consecutive or not) preceding retirement. Benefit payments are based upon a member's age, length of credible service, and group creditable service, and group classification. The authority for amending these provisions rests with the Legislature.

#### Contributions

There are three classes of membership in the retirement system: Group 1, Group 2 and Group 4. Group 1 consists of general employees which includes clerical and administrative positions. Group 2 consists of positions that have been specified as hazardous. Lastly, Group 4 consists of police officers, firefighters and other hazardous positions.

Members become vested after ten years of creditable service. A superannuation retirement allowance may be received upon completion of 20 years of service or upon reaching the age of 55 with 10 years of service if hired after 1978 and if classified in Group 1 or Group 2. A person who became a member on or after April 2, 2012 is eligible for a superannuation retirement allowance upon reaching the age of 60 with 10 years of service if in Group 1, 55 years of age with 10 years of service if in Group 2, and 55 years of age if hired prior to 1978 or if classified in Group 4. Normal retirement for most employees occurs at age 65 (except for certain hazardous duty and public safety positions, whose normal retirement is at age 55).

A retirement allowance consists of two parts: an annuity and a pension. A member's accumulated total deductions and the interest they generate constitute the annuity. The differential between the total retirement benefit and the annuity is the pension. The average retirement benefits are approximately 80-85% pension and 15-20% annuity.

Active members contribute between 5% and 9% of their gross regular compensation. Members joining the System after January 1, 1979 must contribute an additional 2% on regular compensation earned at a rate in excess of \$30,000. The percentage rate is keyed to the date upon which an employee's membership commences. These deductions are deposited in the Annuity Savings Fund and earn interest at a rate determined by the PERAC actuary. When a member's retirement becomes effective, his/her deductions and related interest are transferred to the Annuity Reserve Fund. The pension portion of any retirement benefit is paid from the Pension Fund of the System.

Governmental employers are required to pay an annual appropriation established by PERAC. The total appropriation includes the amount to pay the pension portion of each member's retirement allowance, an amount to amortize the actuarially determined unfunded liability to zero in accordance with the system's funding schedule, and an additional appropriation in accordance with adopted early retirement incentive programs. The total appropriations are payable July 1 and January 1. Employers may choose to pay the entire appropriation in July at a discount rate of approximately 2%. The pension fund appropriations are allocated among employers based on covered payroll.

**KING PHILIP REGIONAL SCHOOL DISTRICT**

Notes to Financial Statements

June 30, 2020

Pension Liabilities, Expenses, and Deferred Outflows of Resources Related to Pensions

Total pension liability	\$ 1,657,574,687
Less:	
Plan fiduciary net position	<u>(1,070,461,310)</u>
Net pension liability	<u>\$ 587,113,377</u>
Plan fiduciary net position as a percentage of total pension liability	64.6%
Total Plan pension expense	\$ 93,403,110
Total Plan pension revenue from nonemployer entities	\$ 3,760,532
District's covered payroll	\$ 3,321,945
The District's percentage share of net pension liability	1.0028%
District's proportionate share of net pension liability of net pension liability	\$ 5,887,573
District's proportionate share, of pension expense	\$ 837,611
District's proportionate share nonemployer revenue	\$ 37,711

The System's pension expense is based on the January 1, 2020 valuation. The difference between expected and actual experience and the effect of assumption changes are amortized over the average expected remaining service lives of active and inactive members (4.27 years). The difference between projected and actual investment earnings is amortized over 5 years. As previously detailed (Note 9), at December 31, 2019 the District's proportionate share of collective deferred outflows of resources and deferred inflows of resources were \$1,411,631 and \$1,371,019, respectively. The net effect of these is to be recognized in future pension expense in future years as follows:

<u>Year</u>	<u>Net Amortization</u>
2020	\$ 156,459
2021	(686)
2022	60,615
2023	<u>(175,776)</u>
	<u>\$ 40,612</u>

Actuarial Assumptions and methods

Valuation date:	January 1, 2020
Actuarial cost method:	Entry Age Normal Cost Method
Asset valuation method:	Market value
Investment rate of return:	7.75%
Projected salary increases:	3.5-5.5%
Inflation:	4.0%
Cost of living increases:	3.0% of first \$18,000 of retirement income.
Mortality:	The RP-2014 Blue Collar Mortality Table adjusted with MP-2014

**KING PHILIP REGIONAL SCHOOL DISTRICT**

Notes to Financial Statements

June 30, 2020

Long term Expected Rate of Return

The long term expected rate of return on Plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of 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 as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return</u>
Domestic Equity	30.5%	6.6%
International Equities	15.5%	8.0%
Fixed Income	20.5%	3.8%
Real Estate	9.5%	8.2%
Private Equity	10.0%	9.1%
Hedge Funds	11.5%	7.2%
Real Assets	2.5%	9.9%
Total	<u>100.0%</u>	

The System’s policy regarding allocation of invested Plan assets is established and may be amended by the Board. Plan assets are managed with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the Plan. The annual money-weighted rate of return on investments, net of investment expense was – 16.28%% for the year ended December 31, 2019.

Discount Rate

The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that Plan member contributions will be made at the current contribution rates and that contributions will be made at rates contractually required rates, actuarially determined. Under Chapter 32 of MGL, employers are required to make the necessary contributions such that the Plan reaches full funding status by the year 2040. Based on those assumptions, the 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 Plan investments was applied to all period of projected benefit payments to determine the total pension liability.

Sensitivity Analysis of the Net Pension Liability to Changes in Discount Rate

The following illustrates the sensitivity of the collective net pension liability to changes in the discount rate. In particular, the table presents the Plan's and the District's proportionate share of the collective net pension liability assuming it was calculated using a single discount rate that is one-percentage-point lower (6.75%) or one-percentage-point higher (8.75%) than the current discount rate (7.75%) at December 31, 2019.

	<u>1% Decrease 6.75%</u>	<u>Current Discount Rate 7.75%</u>	<u>1% Increase 8.75%</u>
System's net pension liability	\$ 762,545,338	\$ 587,113,377	\$ 438,049,042
District's proportionate share	\$ 7,646,805	\$ 5,887,573	\$ 4,392,756

## KING PHILIP REGIONAL SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2020

### 2. Special Funding Situation – Massachusetts Teachers Retirement System (MTRS)

#### Plan Description

The Massachusetts Teachers' Retirement System (MTRS) is a public employee retirement system (PERS) that administers a cost-sharing multi-employer defined benefit plan, as defined in Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans*. MTRS is managed by the Commonwealth of Massachusetts (Commonwealth) on behalf of municipal teachers and municipal teacher retirees. The Commonwealth is a nonemployer contributing entity and is responsible for all contributions and future benefit requirements of the MTRS. The MTRS covers certified teachers in cities (except Boston), towns, regional school districts, charter schools, educational collaborative and Quincy College. The MTRS is part of the Commonwealth's reporting entity and does not issue a stand-alone audited financial report. Financial information of the MTRS' Pension Trust fund financial statements are contained in the Commonwealth's Comprehensive Annual Financial Report (CAFR). The Commonwealth's CAFR may be obtained by contacting the Comptroller's office directly at One Ashburton Place #919, Boston, MA 02108 or by visiting <http://www.mass.gov/comptroller/publications-and-reports/financial-reports/>.

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.

The Commonwealth is a nonemployer contributor and is required by statute to make all actuarially determined employer contributions on behalf of the member employers. Therefore, these employers, including the District, are in a special funding situation as defined by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and the Commonwealth is a nonemployer contributing entity in MTRS. Since the District does not contribute directly to MTRS, there is no net pension liability to recognize. However, the District is required to disclose the portion of the nonemployer contributing entities' (the Commonwealth) share of the collective net pension liability that is associated with the District. In addition, the District must recognize its portion of the collective pension expense as both a revenue and pension expense.

#### 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 public employee retirement systems (PERS). Those 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 based on 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 credible 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.

**KING PHILIP REGIONAL SCHOOL DISTRICT**

Notes to Financial Statements

June 30, 2020

Contributions

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

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

In Addition, members who join the System on or after April 2, 2012 will have their withholding rate reduced to 8% after achieving 30 years of creditable service.

Contributions are provided by the Commonwealth on behalf of the District based upon actuarially determined amounts. The annuity portion of the MTRS retirement is funded by employees, through contribution of a percentage of their compensation as indicated above.

Pension Liabilities and Expenses Related to Pensions

The collective net pension liability of the MTRS was determined by an actuarial valuation as of January 1, 2019 rolled forward to June 30, 2019 (measurement date). The following table illustrates the Plan's net pension liability and the Commonwealth's proportionate share associated with the District.

Total pension liability	\$	54,751,000,000
Less:		
Plan fiduciary net position		29,536,980,000
Net pension liability	\$	<u>25,214,020,000</u>
Plan fiduciary net position as a percentage of total pension liability		53.95%
Commonwealth's proportionate share related to the District	\$	44,974,208
District's covered payroll (approximate)	\$	12,980,000
The District's percentage share of net pension liability		0.18%
Plan's total collective pension expense	\$	3,057,637,552
District's proportionate share of pension expense	\$	5,453,903
Total nonemployer contributions	\$	1,443,710,000
Contributions on behalf of the District	\$	2,575,143
Contributions as a percentage of covered payroll		19.84%

The Commonwealth's actual contribution on behalf of the District was \$2.6 million which has been included on the statement of revenues, expense, and fund balance under intergovernmental revenue and employee benefits and other costs. In the Statement of Activities, the portion of pension expense attributed to the District is \$5.4 million which has been reported as Program Revenue Operating Grant and Contributions and employee benefits and other costs. As the net pension liability is a special funding situation, and the District does not contribute to MTRS, the District does not book a liability in the Statement of Net Position.

**KING PHILIP REGIONAL SCHOOL DISTRICT**

Notes to Financial Statements

June 30, 2020

Actuarial Assumptions

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

1. (a) 7.25% investment rate of return; previously 7.35%  
(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 RP-2014 White Collar Employees Table projected generationally with Scale MP-2016 (gender distinct).
  - Post-retirement: reflects RP-2014 White Collar Healthy Annuitant Table projected generationally with Scale MP-2016 (gender distinct).
  - Disability: assumed to be in accordance with the RP-2014 White Collar Healthy Annuitant Table projected generationally with Scale MP-2016 (gender distinct).
4. 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 through January 1, 2017.

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 rates are combined to produce the long-term expected rate of return by weighing 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, 2019 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return</u>
Global Equity	39.0%	4.9%
Core Fixed Income	15.0%	1.3%
Private Equity	13.0%	8.2%
Portfolio Completion Strategies	11.0%	3.9%
Real Estate	10.0%	3.6%
Value Added Fixed Income	8.0%	4.7%
Timberland/Natural Resources	4.0%	4.1%
Total	<u>100.0%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the Commonwealth's contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rates. Based on those assumptions, the net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.



**KING PHILIP REGIONAL SCHOOL DISTRICT**

Notes to Financial Statements

June 30, 2020

Sensitivity Analysis of the Net Pension Liability to Changes in the Discount Rate

The following illustrates the sensitivity of the collective net pension liability to changes in the discount rate. In particular, the table presents the MTRS collective net pension liability assuming it was calculated using a single discount rate that is one-percentage-point lower (6.25%) or one-percentage-point higher (8.25%) than the current discount rate (7.25%) at June 30, 2019:

	<b>1% Decrease 6.25%</b>	<b>Current Discount Rate 7.25%</b>	<b>1% Increase 8.25%</b>
MTRS -Total net pension liability	\$ 31,232,100,000	\$ 25,214,020,000	\$ 20,062,500,000
Proportionate share associated with the District	\$ 55,708,648	\$ 44,974,208	\$ 35,785,450

**B. Compensated Absences**

Certain employees earn vacation and sick leave as they provide services. The cost of vacation and sick leave benefits is recorded as an expenditure of the applicable fund when incurred. Vacation and sick pay accumulate for various groups of employees based upon personnel by-laws and their respective collective bargaining agreements. Accumulated unused vacation up to a maximum of two weeks may be carried into the next year upon approval but must be used within twelve months. This estimated liability of \$92,000 has been reported in the government-wide financial statements as a current liability.

**C. Other Postemployment Benefits**

Plan Description

The District administers a single employer defined benefit plan which provides post-retirement healthcare and life insurance benefits to employees who retire from the District in either the Massachusetts Teachers Retirement System or Norfolk County Retirement System and be at least 55 years of age. The District offers participants the following plans: Harvard Pilgrim HMO, Harvard Pilgrim PPO, Medicare Enhanced Plan.

The Plan accounts for approximately 368 participants comprised of 233 actives and 135 retirees and beneficiaries receiving benefits. These benefits are provided for and amended under various provisions of Massachusetts General Law, terms of collective bargaining agreements and District ordinances. The Plan has a separately issued actuarial report which may be obtained from the District. The District has not established an irrevocable trust fund to account for the Plan. Accordingly, the Plan does not maintain separate financial statements. The District has not adopted a specific funding policy in accordance with the actuarial valuation, an actuarial determined contribution is not determined.

Funding Policy and Contributions

Retirees prior to July 1, 2008, the District pays approximately 75% of the premium cost for all plans, with the retiree paying the remaining portion. Retirees after July 1, 2008, the District pays approximately the following percentages on a "pay-as-you-go" financing requirements with the retiree paying the remaining portion.

- 0 to 5 years of service - The District does not contribute.
- 5 to fewer than 10 years - 50% of the premium.
- 10 to fewer than 20 years - 60% of the premium.
- 20 or more years - 75% of the premium.

**KING PHILIP REGIONAL SCHOOL DISTRICT**

Notes to Financial Statements

June 30, 2020

GASB Statement #75

In accordance with GASB 75, the District (the employer) recognizes a net OPEB liability measured as the portion of the actuarial present value of the projected benefit payments that is attributable to past periods of employee service, net of the OPEB plan's fiduciary net position. Additional information associated with the actuarial valuation report can be obtained by contacting the District directly. Required supplementary information has been presented for the District pursuant to provisions of GASB Statement #75.

Changes in the Net OPEB Liability:

Since the District has not established an irrevocable trust fund, the Total OPEB liability represents the Net OPEB liability at June 30, 2020.

<b>Changes in Total OPEB Liability</b>	
Balance at June 30, 2019	\$ 48,227,561
<i>Changes for the year:</i>	
Service cost	2,194,665
Interest	1,743,046
Differences between expected and actual experience	(1,995,956)
Changes in assumptions and other inputs	12,675,367
Benefit payments	<u>(1,252,592)</u>
Net changes	<u>13,364,530</u>
Balance at June 30, 2020	<u>\$ 61,592,091</u>

Actuarial Methods and Assumptions

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

Significant actuarial assumptions used in the valuation are as follows:

- Actuarial Cost Method: Entry Age Normal
- Mortality:

Current valuation:

The mortality rates are from the RP-2014 Fully Generational Mortality Table with projection scale MP-2108.

Prior valuation:

The mortality rates are from the RP-2000 Combined Fully Generational Mortality Table with projection scale AA.

- Discount rate:

Current discount rate:

2.21%. The discount rate was based on the Bond Buyer's 20 Bond Index.

Prior discount rate:

3.50%. The discount rate was based on the Bond Buyer's 20 Bond Index.

**KING PHILIP REGIONAL SCHOOL DISTRICT**

Notes to Financial Statements

June 30, 2020

- Health care trend rates:

<u>Year</u>	<u>Valuation</u>	
	<u>Current</u>	<u>Previous</u>
2018	8.00%	7.00%
2019	7.50%	6.00%
2020	7.00%	5.00%
2021	6.50%	5.00%
2022	6.00%	5.00%
2023	5.50%	5.00%
2024+	5.00%	5.00%

- Participant rate: It was assumed that the percentages of current active school employees covered under the District's plans on the day before retirement who elect to continue coverage upon retirement at 90% and 75% for health insurance and life insurance, respectively.
- Percent married: It was assumed that 65% of the male and 50% of the female employees who elect retiree health care coverage for themselves would also elect coverage for their spouse upon retirement. It was assumed that husbands would be three years older than their wives.
- Payroll growth rate: 2.50% annually
- Participant salary increases: 3.50% annually
- Experience Gains and losses: The Plan had an accumulated experience gain over the past two years primarily due to healthcare costs increasing less than assumed.

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

As detailed in Note 9., the District had aggregate deferred outflows of resources and aggregate deferred inflows of resources associated with the OPEB plan of \$15,352,460 and \$13,573,296 respectively. These deferred outflows and deferred inflows are to be amortized over subsequent years as a component of OPEB expense. The remaining future amortization of the deferred inflows are as follows:

<u>Year</u>	<u>Net amount</u>	
	<u>recognized in future</u>	
	<u>OPEB expense</u>	
June 30, 2021	\$	(42,734)
June 30, 2022		(42,734)
June 30, 2023		(42,734)
June 30, 2024		(42,734)
June 30, 2025		221,757
Thereafter		1,728,343
Total	\$	1,779,164

Discount Rate

The discount rate used to measure the total OPEB liability was 2.21% as of June 30, 2019.

**KING PHILIP REGIONAL SCHOOL DISTRICT**

Notes to Financial Statements

June 30, 2020

*Sensitivity of the Total OPEB Liability to Changes in the Discount Rate*

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is one-percentage point lower (1.21%) or one-percentage-point higher (3.21%) than the current discount rate (2.21%) at June 30, 2020:

	<b>1% Decrease</b>	<b>Current</b>	<b>1% Increase</b>
	<b>1.21%</b>	<b>Discount Rate</b>	<b>3.21%</b>
		<b>2.21%</b>	
Total OPEB liability as of June 30, 2020	\$ 74,807,932	\$ 61,592,091	\$ 51,417,226

*Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates*

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one-percentage-point lower (6.50% decreasing to 4.00%) and one-percentage-point higher (8.50% decreasing to 6.00%) than the current healthcare cost trend rates (7.5.00% decreasing to 5.00%) at June 30, 2020:

	<b>1% Decrease</b>	<b>Current</b>	<b>1% Increase</b>
	<b>(6.5% decreasing to</b>	<b>Trend Rate</b>	<b>(8.5% decreasing to</b>
	<b>4%)</b>	<b>(7.5% decreasing to</b>	<b>6%)</b>
		<b>5%)</b>	
Net Total liability as of June 30, 2020	\$ 49,939,674	\$ 61,592,091	\$ 7,740,304

**NOTE 12. RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions, injuries to employees and natural disasters. The District carries commercial insurance for all risk, including health insurance. During fiscal year 2020, the District paid approximately \$3.4 million and \$1.2 million for health insurance premiums for active and retired employees respectively on a pay-as-you go basis.

**NOTE 13. COMMITMENTS AND CONTINGENCIES**

The District maintains ongoing contracts with vendors for various services including transportation of students. Management doesn't believe the District is subject to any claims which may result in material losses to the District as of the date of the financial statements.

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

**NOTE 14. GASB PRONOUNCEMENTS**

The following are pronouncements issued by the Governmental Accounting Standards Board (GASB), which are to be evaluated for the District's financial reporting:

## KING PHILIP REGIONAL SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2020

### **Current pronouncements**

The GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, which postponed the effective implementation dates of certain pronouncements as a result of the COVID-19 pandemic, as follows:

- The effective dates of certain provisions contained in the following pronouncements are postponed by one year: GASB Statements No. 83, No. 84, No. 88, No. 89, No. 90, No. 91, No. 92, and No. 93 and Implementation Guides No. 2018-1, No. 2019-1, and No. 2019-2.
- The effective dates of the following pronouncements are postponed by eighteen months: GASB Statement No. 87 and Implementation Guide No. 2019-3.

### **Future pronouncements**

The GASB issued Statement No. 84, *Fiduciary Activities*, which is required to be implemented in fiscal year 2021, as amended by GASB Statement No. 95. This pronouncement establishes criteria for identifying fiduciary activities and its objective is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The District expects to implement the pronouncement as applicable.

The GASB issued Statement No. 87, *Leases*, which is required to be implemented in fiscal year 2022, as amended by GASB Statement No. 95. This pronouncement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The District expects to implement the pronouncement as applicable.

The GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, which is required to be implemented in fiscal year 2022, as amended by GASB Statement No. 95. This pronouncement improves financial reporting by providing users of financial statements with more relevant information about capital assets and the cost of borrowing for a reporting period. Additionally, it will enhance the comparability of information about capital assets and the cost of borrowing for a reporting period. The District will evaluate the applicability of this pronouncement upon implementation.

The GASB issued Statement No. 90, *Majority Equity Interests – an Amendment of GASB Statements No. 14 and No. 61*, which is required to be implemented in fiscal year 2021, as amended by GASB Statement No. 95. This pronouncement improves the consistency and comparability of reporting a government's majority interest in a legally separate organization and improves the relevance of financial statement reporting for certain component units. The District will evaluate the applicability of this pronouncement upon implementation.

The GASB issued Statement No. 91, *Conduit Debt Obligations*, which is required to be implemented in fiscal year 2023, as amended by GASB Statement No. 95. This pronouncement improves financial reporting by providing a single method of reporting conduit debt obligations by issuers and eliminating diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The District will evaluate the applicability of this pronouncement upon implementation.

The GASB issued Statement No. 92, *Omnibus 2020*, which is generally required to be implemented in fiscal year 2023, as amended by GASB Statement No. 95. This pronouncement addresses a variety of topics and includes specific provisions of previously issued pronouncements. The District will evaluate the applicability of this pronouncement upon implementation.

**KING PHILIP REGIONAL SCHOOL DISTRICT**

Notes to Financial Statements

June 30, 2020

The GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*, which is generally required to be implemented in fiscal year 2022 or thereafter, as amended by GASB Statement No. 95. This pronouncement addresses the accounting and reporting implications resulting from interbank offered rates (IBOR). The District will evaluate the applicability of this pronouncement upon implementation.

The GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, which is generally required to be implemented in fiscal year 2023. This pronouncement addresses the accounting and reporting of arrangements in which a government contracts with an operator to provide public services by conveying control of the right to operate or use a nonfinancial asset for a period of time in an exchange or an exchange-like transaction. The District will evaluate the applicability of this pronouncement upon implementation.

The GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*, which is generally required to be implemented in fiscal year 2023. This pronouncement addresses the accounting and financial reporting for subscription-based information technology arrangements for government end users. The District will evaluate the applicability of this pronouncement upon implementation.

The GASB issued 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*. This pronouncement improves the financial reporting of defined contribution pension plans, defined contribution OPEB plans, and employee benefit plans, while mitigating the costs associated with reporting those plans. The requirements will also enhance the relevance, consistency, and comparability of (1) the information related to Section 457 plans that meet the definition of a pension plan and the benefits provided through those plans and (2) investment information for all Section 457 plans. The requirements of this Statement that are related to the accounting and financial reporting of Section 457 plans are generally required to be implemented in fiscal year 2022. The District will evaluate the applicability of the pronouncement upon implementation.

**NOTE 15. SUBSEQUENT EVENTS**

The District has evaluated all subsequent events through February 26, 2021, the date the financial statements were available to be issued. Significant events are summarized as follows:

**COVID-19 pandemic**

Due to the ongoing pandemic, current socially distance guidelines have limited students being available to completely attend schools on a daily basis. Pursuant to state and federal guidelines, the District opened schools on a hybrid learning model (in-school and remote learning) in September 2020. During fiscal year 2021, the District has received approximately \$1.3 million of various grant funding associated with the ongoing pandemic. Given the unpredictable nature of the pandemic and the effects upon the national, state and local economies, the ultimate impact upon the District cannot be fully determined as of the date of these financial statements

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**REQUIRED SUPPLEMENTARY INFORMATION**

**KING PHILIP REGIONAL SCHOOL DISTRICT**  
**Required Supplementary Information**  
**Schedule of the District's Pension Plan Contributions**  
**Last 10 Fiscal Years**

**Norfolk County Retirement System**

The Norfolk County Retirement System (the System) is a multiple-employer, cost-sharing, contributory defined benefit pension plan covering all eligible employees of the governmental member units deemed eligible by the Norfolk County Retirement Board (the Board), with except for school department employees who serve in a teaching capacity. Based upon the actuarial valuations of the System, the following is presented:

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	1.0028%	1.0978%	1.0956%	1.1187%	1.1868%	1.1510%
System's proportionate share of the net pension liability associated with the District	\$ 5,887,573	\$ 7,146,024	\$ 6,058,716	\$ 5,839,867	\$ 6,076,803	\$ 6,706,370
District's covered payroll (approximate)	\$3.3 million	\$3.1 million	\$3.1 million	\$3.4 million	\$3.1 million	\$3.5 million
District's proportionate share of the net pension liability as a percentage of its covered payroll	177.20%	229.19%	201.12%	174.03%	198.04%	191.10%
Plan fiduciary net position as a percentage of the total pension liability	64.58%	58.35%	63.52%	61.56%	58.55%	60.12%
Actuarially determined contribution	\$ 751,063	\$ 768,014	\$ 701,268	\$ 714,759	\$ 587,229	\$ 596,825
Contributions in relation to the actuarial determined contribution	<u>(751,063)</u>	<u>(768,014)</u>	<u>(701,268)</u>	<u>(714,759)</u>	<u>(587,229)</u>	<u>(596,825)</u>
Contribution deficiency (excess)	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
District contributions as a percentage of covered payroll	22.61%	24.63%	23.28%	21.30%	19.14%	17.01%

**Notes to Schedule:**

**Changes of Assumptions:**

Effective December 31, 2018:

- The RP-2014 Blue Collar Mortality Table adjusted with Scale MP-2014.

Effective December 31, 2017:

- Discount rate is 7.75%; previously 8.0%

Effective December 31, 2015:

- Discount rate is 8.0%; previously 8.25%
- Rates of disability:  
 General employees: 20% (ordinary) and 80% (service connected); previously 45% (ordinary) and 55% (service connected)

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

See Independent Auditor's Report.



**KING PHILIP REGIONAL SCHOOL DISTRICT**  
 Required Supplementary Information  
 Schedule of the District's Pension Plan Contributions  
 Last 10 Fiscal Years

**Special Funding Situation - Massachusetts Teachers' Retirement System**

The Commonwealth of Massachusetts is a nonemployer contributing entity and is required by statute to make all actuarially determined employer contributions on behalf of the member employers. Therefore, these employers are considered to be in a special funding situation as defined by GASB and the Commonwealth is a nonemployer contributing entity in the Massachusetts Teachers' Retirement System (MTRS) (the Plan). Since the District does not contribute directly to the MTRS, there is no net pension liability to recognize. Based upon the actuarial valuations of the Plan, the following is presented:

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.18%	0.18%	0.18%	0.18%	0.18%	0.17%
Commonwealth's proportionate share of the net pension liability associated with the District	\$ 44,974,208	\$ 41,590,749	\$ 41,486,343	\$ 40,751,668	\$ 36,388,439	\$ 27,627,372
District's covered payroll (approximate)	\$ 12,980,000	\$ 12,300,000	\$ 12,000,000	\$ 11,200,000	\$ 11,200,000	\$ 10,700,000
District's proportionate share of the net pension liability as a percentage of its covered payroll	346.49%	338.14%	345.72%	363.85%	324.90%	258.20%
Plan fiduciary net position as a percentage of the total pension liability	53.95%	54.84%	54.25%	52.73%	55.38%	61.64%
Actuarially determined contribution	\$ 2,575,143	\$ 2,306,193	\$ 2,239,726	\$ 2,049,771	\$ 1,814,889	\$ 1,629,172
Contributions in relation to the actuarial determined contribution	(2,575,143)	(2,306,193)	(2,239,726)	(2,049,771)	(1,814,889)	(1,629,172)
Contribution deficiency (excess)	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Contributions as a percentage of covered payroll	19.84%	18.75%	18.66%	18.30%	16.20%	15.23%

**Notes to Schedule:**

**Changes of Assumptions:**

Effective June 30, 2019:

- Discount rate is 7.25%; previously 7.35%

Effective June 30, 2018:

- Discount rate is 7.35%; previously 7.5%

Effective June 30, 2015:

- Discount rate is 7.5%; previously 8.0%

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

See Independent Auditor's Report.

**KING PHILIP REGIONAL SCHOOL DISTRICT**  
 Required Supplementary Information  
 Schedule of Changes in the District's Net OPEB Liability and Related Ratios  
 Last 10 Fiscal Years

The following disclosures illustrate the changes in the Net OPEB liability and related ratios of the District's Other Postemployment Benefit Plan. As of June 30, 2020, the District has not established an irrevocable trust. The Plan has no fiduciary net position. Accordingly, Net OPEB liability and Total OPEB liability are the same. An actuarial determined contribution is not calculated. The following is based upon the actuarial valuations.

	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>Changes in Total OPEB Liability</b>			
<b>Total OPEB Liability - beginning</b>	\$ 48,227,561	\$ 53,717,876	53,721,476
<i>Changes for the year:</i>			
Service cost	2,194,665	1,922,267	2,224,288
Interest	1,743,046	1,707,571	1,976,938
Differences between expected and actual experience	(1,995,956)	(13,857,148)	
Changes in assumptions and other inputs	12,675,367	5,855,984	(2,743,949)
Benefit payments	(1,252,592)	(1,118,989)	(1,460,877)
Net changes	<u>13,364,530</u>	<u>(5,490,315)</u>	<u>(3,600)</u>
<b>Total OPEB Liability - ending</b>	<u>\$ 61,592,091</u>	<u>\$ 48,227,561</u>	<u>\$ 53,717,876</u>
Covered employee payroll (approximate)	\$ 18,800,000	\$ 17,700,000	\$ 17,200,000
Total OPEB liability as a percentage of covered employee payroll	327.62%	272.47%	312.31%

**Notes to Schedule:**

Valuation date:	July 1, 2018 for June 30, 2020 and June 30, 2019. July 1, 2016 for June 30, 2018.
Experience Gains and losses:	The Plan had an accumulated experience gain over the past two years primarily due to healthcare costs increasing less than assumed.
Changes in Discount Rate:	Discount rates are based on the Bond Buyer's 20 Bond Index. The index was 2.21% as of June 30, 2020, 3.50% as of June 30, 2019 and 3.87% as of June 30, 2018.
Changes in Plan Provisions:	None
Assumption changes in current valuation:	The healthcare costs trend rate was reset to 8.0% in 2018, grading down 0.5% per annum to an ultimate rate of 5.0% in years 2024 and later. The mortality, termination and retirement rates were updated to reflect the assumptions used in the January 1, 2017 Massachusetts Teacher's Retirement Systems' Actuarial Valuation report.

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

**KING PHILIP REGIONAL SCHOOL DISTRICT**  
 Required Supplementary Information  
 Budgetary Comparison Schedule - General Fund  
 For the year ended June 30, 2020

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget - Positive (Negative)</b>
<b>Revenues:</b>				
Member town assessments	\$ 26,725,362	\$ 26,725,362	\$ 26,725,362	\$
Intergovernmental	8,236,853	8,236,853	8,275,286	38,433
Other	80,000	80,000	253,721	173,721
Total revenues	35,042,215	35,042,215	35,254,369	212,154
<b>Expenditures:</b>				
Administration	1,030,333	1,030,333	994,224	36,109
Instructional services	16,647,473	16,647,473	16,406,260	241,213
School services	2,685,942	2,685,942	2,387,840	298,102
Operations and maintenance	2,970,803	2,970,803	3,228,733	(257,930)
Employee benefits and other costs	5,893,660	5,893,660	6,012,491	(118,831)
Capital outlay	3,700,450	3,700,450	78,650	(78,650)
Other programs	1,853,750	1,853,750	3,597,670	102,780
Debt service	1,853,750	1,853,750	1,853,750	
Total expenditures	34,782,411	34,782,411	34,559,618	222,793
Excess revenues over (under) expenditures	259,804	259,804	694,751	434,947
<b>Other financing (uses):</b>				
Transfers out	(659,804)	(659,804)	(659,804)	
Total other financing uses	(659,804)	(659,804)	(659,804)	
Excess revenues over (under) expenditure: and other financing (uses)	(400,000)	(400,000)	\$ 34,947	\$ 434,947
<b>Other budget items:</b>				
Use of available fund balance	400,000	400,000		
Total other budget items	400,000	400,000		
Net budget	\$	\$		

**KING PHILIP REGIONAL SCHOOL DISTRICT**

Notes to Required Supplementary Information

June 30, 2020

**NOTE 1. BUDEGTARY BASIS OF ACCOUNTING**

The School Committee annually determines the amount to be raised (after deducting the amount of anticipated revenues the District expects to receive) to maintain and operate the District during the next fiscal year and apportions the amount among the member towns in accordance with the terms of the district agreement. The amounts apportioned to each town are certified by the District Treasurer to the Treasurer of each member town. Each town takes action on the amounts so certified at the towns' next annual town meeting. Changes between functions in the original appropriation are voted by the School Committee. Supplemental appropriations are acted upon through Special Town Meetings of the member towns.

Budgets for grants and certain revenues from revolving funds accounted for in special revenue funds are not required to be prepared under the General Laws of Massachusetts. Accordingly, a comparison of actual to budgeted results of operations for the special revenue funds is not presented. Budgets for various special revenue funds utilized to account for specific grant programs are established in accordance with the requirements of the Commonwealth or other grantor agencies.

Budgets are prepared on a basis other than accounting principles generally accepted in the United States of America (GAAP). The "actual" results column of the Budgetary Comparison Schedule – General Fund are presented on a "budgetary basis" to provide a meaningful comparison with the budget. A reconciliation of the budgetary-basis to GAAP basis results for the General Fund for the year ended June 30, 2020, is presented below:

	<u>Revenues</u>	<u>Expenditures</u>	<u>Other Financing Sources(Uses)</u>
As reported on a budgetary basis	\$ 35,254,369	\$ 34,559,618	\$ (659,804)
School lunch transfer		(78,000)	(78,000)
Reclassification of transfers/timing of expenditures	11,195	8,741	(2,454)
State funded teachers' pension	2,757,143	2,757,143	
As reported on a GAAP basis	<u>\$ 38,022,707</u>	<u>\$ 37,247,502</u>	<u>\$ (740,258)</u>

See Independent Auditor's Report.

**SUPPLEMENTARY INFORMATION - OTHER INFORMATION**

**KING PHILIP REGIONAL SCHOOL DISTRICT**  
Combining Balance Sheet - Other Governmental Funds  
For The Year Ended June 30, 2020

	Other Governmental Funds TOTAL	Special Revenue TOTAL	State Grants	Federal Grants	School Lunch
<u>Assets</u>					
Cash	\$ 1,074,858	\$ 993,099	\$ 1,105	\$ 48,998	\$ 4,377
Total assets	<u>\$ 1,074,858</u>	<u>\$ 993,099</u>	<u>\$ 1,105</u>	<u>\$ 48,998</u>	<u>\$ 4,377</u>
<u>Liabilities</u>					
Accounts payable	\$ 36,350	\$ 36,350	\$	\$	\$
Salaries payable	18,330	18,330		18,330	
Total liabilities	54,680	54,680		18,330	
<u>Fund Balance</u>					
Restricted	1,020,178	938,419	1,105	30,668	4,377
Total fund balance	<u>1,020,178</u>	<u>938,419</u>	<u>1,105</u>	<u>30,668</u>	<u>4,377</u>
Total liabilities and fund balance	<u>\$ 1,074,858</u>	<u>\$ 993,099</u>	<u>\$ 1,105</u>	<u>\$ 48,998</u>	<u>\$ 4,377</u>

See Independent Auditor's Report.

**KING PHILIP REGIONAL SCHOOL DISTRICT**  
Combining Balance Sheet - Other Governmental Funds  
For The Year Ended June 30, 2020

	Facilities Use Revolving	Music Revolving	Athletic Revolving	DECA	Dramatic Arts Revolving
<u>Assets</u>					
Cash	\$ 202,183	\$ 29,941	\$ 377,975	\$ 23,865	\$ 120
Total assets	<u>\$ 202,183</u>	<u>\$ 29,941</u>	<u>\$ 377,975</u>	<u>\$ 23,865</u>	<u>\$ 120</u>
<u>Liabilities</u>					
Accounts payable	\$ 14,690	\$ 113	\$ 3,947	\$	\$
Salaries payable	_____	_____	_____	_____	_____
Total liabilities	14,690	113	3,947		
<u>Fund Balance</u>					
Restricted	187,493	29,828	374,028	23,865	120
Total fund balance	<u>187,493</u>	<u>29,828</u>	<u>374,028</u>	<u>23,865</u>	<u>120</u>
Total liabilities and fund balance	<u>\$ 202,183</u>	<u>\$ 29,941</u>	<u>\$ 377,975</u>	<u>\$ 23,865</u>	<u>\$ 120</u>

See Independent Auditor's Report.

**KING PHILIP REGIONAL SCHOOL DISTRICT**  
Combining Balance Sheet - Other Governmental Funds  
For The Year Ended June 30, 2020

	SAT Prep	Gifts & Donations	Lost Books	Excess Transportation Parking	Parking
<u>Assets</u>					
Cash	\$ 17,533	\$ 13,289	\$ 150	\$ 165,539	\$ 108,024
Total assets	\$ 17,533	\$ 13,289	\$ 150	\$ 165,539	\$ 108,024
<u>Liabilities</u>					
Accounts payable	\$	\$	\$	\$	\$ 17,600
Salaries payable					
Total liabilities					17,600
<u>Fund Balance</u>					
Restricted	17,533	13,289	150	165,539	90,424
Total fund balance	17,533	13,289	150	165,539	90,424
Total liabilities and fund balance	\$ 17,533	\$ 13,289	\$ 150	\$ 165,539	\$ 108,024

See Independent Auditor's Report.



**KING PHILIP REGIONAL SCHOOL DISTRICT**  
 Combining Balance Sheet - Other Governmental Funds  
 For The Year Ended June 30, 2020

	<u>Capital Projects TOTAL</u>	<u>Capital Plans</u>	<u>Wastetreatment Facility</u>
<u>Assets</u>			
Cash	\$ 81,759	\$ 81,134	\$ 625
Total assets	<u>\$ 81,759</u>	<u>\$ 81,134</u>	<u>\$ 625</u>
<u>Liabilities</u>			
Accounts payable	\$	\$	\$
Salaries payable	_____	_____	_____
Total liabilities			
<u>Fund Balance</u>			
Restricted	<u>81,759</u>	<u>81,134</u>	<u>625</u>
Total fund balance	<u>81,759</u>	<u>81,134</u>	<u>625</u>
Total liabilities and fund balance	<u>\$ 81,759</u>	<u>\$ 81,134</u>	<u>\$ 625</u>

See Independent Auditor's Report.

**KING PHILIP REGIONAL SCHOOL DISTRICT**

Schedule of Treasurer's Cash

June 30, 2020

**District's cash balances at June 30, 2020:**

Interest bearing accounts:

Unibank (4) accounts	\$	6,649,218
Wrentham Co-operative Bank (8) accounts		667,770

Non-interest bearing accounts:

PayPal and other		11,516
Petty cash		200

Total \$ 7,328,704

**Presentation of cash in the financial statements:**

General Fund	\$	3,946,735
SPED Reimbursement Fund		1,970,805
Other governmental funds		1,074,858
Private-purpose trust funds		95,534
Agency funds		240,772

Total \$ 7,328,704