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ACTON-BOXBOROUGH REGIONAL SCHOOL DISTRICT

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

YEAR ENDED JUNE 30, 2020

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ACTON-BOXBOROUGH REGIONAL SCHOOL DISTRICT REPORT ON EXAMINATION OF BASIC FINANCIAL STATEMENTS

JUNE 30, 2020

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Independent Auditor's Report

To the Honorable School Committee
Acton-Boxborough Regional School District
Acton, 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 the Acton-Boxborough 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 of material misstatement.

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

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

Opinions

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

Other Matters

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

Other Reporting Required by *Government Auditing Standards*

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

_____, 2020

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Management's Discussion and Analysis

Management's Discussion and Analysis

As management of the Acton-Boxborough Regional School District (the "District"), we offer readers of these financial statements this narrative overview and analysis of the financial activities for the year ended June 30, 2020. We encourage readers to consider the information presented in this report.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Acton-Boxborough Regional School District's basic financial statements. These basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

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

The *statement of net position* presents information on all assets, liabilities and deferred inflows/outflows of resources, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position is improving or deteriorating.

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

Both of the government-wide financial statements distinguish functions that are principally supported by member town assessments and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The District had no business type activities.

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

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

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

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The District maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and other major funds as applicable. Data for certain governmental funds are combined into a single aggregated presentation under the caption *nonmajor governmental funds*.

The District adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided as required supplementary information for the general fund to demonstrate compliance with this budget.

Fiduciary funds. Fiduciary funds, which include the other postemployment benefits trust, scholarships and student activities, 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 basis used for fiduciary funds is full accrual.

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

Financial Highlights. The following tables provide a comparative analysis of the District's government-wide financial statements.

	2020	2019
Assets:		
Current assets.....	\$ 96,081,598	\$ 16,101,196
Capital assets, nondepreciable.....	7,340,059	404,440
Capital assets, net of accumulated depreciation....	70,441,082	72,082,867
Total assets.....	173,862,739	88,588,503
Deferred outflows of resources.....	4,083,066	4,206,826
Liabilities:		
Current liabilities (excluding debt).....	8,666,898	4,725,591
Noncurrent liabilities (excluding debt).....	71,417,545	76,209,962
Current debt.....	4,642,533	2,352,573
Noncurrent debt.....	90,534,289	12,188,064
Total liabilities.....	175,261,265	95,476,190
Deferred inflows of resources.....	8,299,306	1,053,729
Net position:		
Net investment in capital assets.....	60,054,286	60,054,137
Unrestricted.....	(65,669,052)	(63,788,727)
Total net position.....	\$ (5,614,766)	\$ (3,734,590)

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	2020	2019
Program Revenues:		
Charges for services..... \$	3,241,703	\$ 4,085,999
Operating grants and contributions.....	24,956,759	21,526,239
Capital grants and contributions.....	2,768,557	282,724
General Revenues:		
Member town assessments.....	72,757,539	71,333,313
Grants and contributions not restricted to specific programs.....	18,452,838	17,908,590
Unrestricted investment income.....	409,627	369,397
Miscellaneous.....	60,417	39,270
Total revenues.....	122,647,440	115,545,532
Expenses:		
District administration.....	3,323,071	3,074,439
Instructional leadership.....	4,943,362	5,317,057
Classroom and specialist teachers.....	46,270,497	43,927,366
Professional development.....	261,830	345,093
Instructional materials.....	1,816,239	2,284,710
Pupil transportation services.....	4,891,319	4,864,248
Operations and maintenance.....	5,909,713	6,028,917
Guidance, counseling and testing.....	3,636,075	3,266,171
Other school services.....	4,663,798	4,168,838
Food services.....	1,653,256	1,782,379
Out of district tuition.....	6,239,783	6,109,226
Community education.....	1,470,689	1,946,291
Employee benefits.....	34,328,186	30,450,551
Insurance.....	217,963	215,704
Interest.....	1,148,741	414,934
Depreciation.....	3,753,094	3,713,195
Total expenses.....	124,527,616	117,909,119
Change in net position.....	(1,880,176)	(2,363,587)
Net position, beginning of year, as restated.....	(3,734,590)	(1,371,003)
Net position, end of year..... \$	<u>(5,614,766)</u>	<u>(3,734,590)</u>

Entity-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. Liabilities and deferred inflows or resources exceeded assets and deferred outflows of resources by \$5.6 million at the close of 2020.

One component of net position, \$60.1 million, reflects the District's investment in capital assets (e.g., land, buildings, vehicles, and equipment); less any related debt used to acquire those assets that are still outstanding. The District uses these capital assets to provide services to pupils; consequently, these assets are *not* available for future spending. Although the investment in its capital assets is reported net of its related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The other component of net position, unrestricted net position, reports a deficit balance of \$65.7 million. The deficit balance is primarily due to the impact of reporting a \$39.5 million other postemployment benefit liability and a \$31.4 million net pension liability on the Districts Statement of Net Position.

The governmental activities net position decreased by \$1.9 million in 2020. This decrease is primarily due to a \$2.4 million increase in the net pension liability, net of deferred outflows and inflows of resources related to pensions.

On March 27, 2020, the United States Federal Government established the Coronavirus Aid, Relief and Economic Security (CARES) Act in response to the economic downfall caused by the COVID-19 pandemic. This Act requires that the payment from these funds be used only to cover expenses that; are necessary due to the public health emergency with respect COVID-19; were not accounted for in the budget most recently approved as of March 27, 2020; and were incurred during the period that begins on March 1, 2020, and ends on December 30, 2020. As of June 30, 2020, the District incurred COVID-19 related expenses totaling \$137,000, the majority of which relate to teacher stipends and other instructional costs. The District anticipates being reimbursed for these costs through the Coronavirus Relief Fund and the Federal Emergency Management Agency and has recorded receivables related to the anticipated reimbursements.

Financial Analysis of the Governmental Funds

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

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

As of the end of the current year, governmental funds reported combined ending fund balances of \$90.6 million, an increase of \$77.1 from the prior year; which was mainly due to the issuance of \$75.0 million of long-term debt.

The general fund is the chief operating fund. At the end of the current year, unassigned fund balance of the general fund was \$3.6 million while total fund balance equaled \$6.4 million. Restricted fund balance totaled \$1 million and relates to the capital stabilization fund. Assignments of fund balance for encumbrances and subsequent years' expenditures totaled \$558,000 and \$1.1 million, respectively. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 3.4% of total general fund expenditures.

The Douglas/Gates School Construction fund is used to account for the construction of the new Douglas/Gates elementary school. Current year activity includes \$2.4 million in capital grants from the Massachusetts School Building Authority (MSBA), which has committed to funding 49.70% of eligible construction costs. Capital expenditures totaled \$4.9 million during 2020 and the District permanently financed \$75.0 million of anticipated construction costs through the issuance of long-term debt. The proceeds from the long-term debt included \$70.0 million of bond proceeds and a \$5.0 million premium from the issuance of the bonds.

General Fund Budgetary Highlights

Member communities are apportioned an assessment to fund the District's budgeted operating, transportation, construction, capital, and debt service costs. The method of determining a community's assessment is based on the regional agreement and uses a three-year average of pupil enrollment, unless otherwise defined in the regional agreement. The District's budget is not approved until both member communities vote on it favorably.

The District adopts an annual budget for the General Fund in conformity with the guidelines described above. The original 2020 approved budget for the General Fund authorized \$91.0 million in appropriations including \$555,000 of encumbrances carried over from the prior year.

Actual revenues exceeded the budget by \$484,000, which was principally due to state aid for transportation and charter school reimbursements coming in higher than budgeted; as well as investment income.

Actual expenditures plus encumbrances were \$432,000 under budget. This was due to the net effect of various line-items being over/under budget. The most significant line-item that were over/under budget were operations and maintenance which was \$868,000 under budget and programs with other district's which was \$862,000 over budget, mainly due to special education services.

Capital Asset and Debt Administration

At June 30, 2020, the District had \$92.0 million of outstanding long term debt, bearing interest rates of 2% to 5%, maturing through 2050. During 2020, the District issued \$76.2 million of long-term debt and received \$6.3 million in premiums on the debt to finance the construction of the new Douglas/Gates elementary school as well as other District capital projects.

During the year, there was a total of \$9.6 million in purchases that qualified for capitalization. This included construction costs related to the new Douglas/Gates elementary school, paving, new athletic field lighting, auditorium lighting, several new school busses, and other capital improvements.

The District has been approved for a \$36.8 million capital grant from the Commonwealth's school building assistance program for the Douglas/Gates elementary school construction project. Under this program, assistance is paid to support construction costs and reduce the total debt service of the District. The MSBA has approved a 49.70% reimbursement rate for approved construction costs. The District anticipates receiving \$2,416,351 of grant proceeds in 2021 associated with costs incurred in 2020, which has been recognized as a receivable at June 30, 2020.

Please refer to Notes 4, through 7 for further discussion of the capital asset and debt activity.

Requests for Information

This financial report is designed to provide a general overview of the Acton-Boxborough Regional School District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Finance, Acton-Boxborough Regional School District, 15 Charter Rd, Acton, MA 01720.

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Basic Financial Statements

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STATEMENT OF NET POSITION

JUNE 30, 2020

	<i>Primary Government</i>
	<u>Governmental Activities</u>
ASSETS	
CURRENT:	
Cash and cash equivalents.....	\$ 91,986,845
Receivables, net of allowance for uncollectibles:	
Departmental and other.....	18,834
Intergovernmental.....	4,023,658
Other assets.....	<u>52,261</u>
Total current assets.....	<u>96,081,598</u>
NONCURRENT:	
Capital assets, nondepreciable.....	7,340,059
Capital assets, net of accumulated depreciation.....	<u>70,441,082</u>
Total noncurrent assets.....	<u>77,781,141</u>
TOTAL ASSETS.....	<u>173,862,739</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to other postemployment benefits....	136,309
Deferred outflows related to pensions.....	<u>3,946,757</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES.....	<u>4,083,066</u>
LIABILITIES	
CURRENT:	
Warrants payable.....	3,554,183
Accrued payroll.....	540,444
Accrued interest.....	926,801
Other liabilities.....	795,157
Compensated absences.....	2,850,313
Due to other governments.....	183,333
Capital lease obligations.....	537,654
Bonds payable.....	<u>3,921,546</u>
Total current liabilities.....	<u>13,309,431</u>
NONCURRENT:	
Compensated absences.....	550,637
Net pension liability.....	31,360,065
Net other postemployment benefits liability.....	39,506,843
Due to other governments.....	1,740,801
Capital lease obligations.....	1,698,066
Bonds payable.....	<u>87,095,422</u>
Total noncurrent liabilities.....	<u>161,951,834</u>
TOTAL LIABILITIES.....	<u>175,261,265</u>
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue.....	552,412
Deferred inflows related to pensions.....	1,026,726
Deferred inflows related to other postemployment benefits.....	<u>6,720,168</u>
TOTAL DEFERRED INFLOWS OF RESOURCES.....	<u>8,299,306</u>
NET POSITION	
Net investment in capital assets.....	60,054,286
Unrestricted.....	<u>(65,669,052)</u>
TOTAL NET POSITION.....	<u>\$ (5,614,766)</u>

See notes to basic financial statements.

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STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2020

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
<i>Governmental Activities:</i>					
District administration.....	\$ 3,323,071	\$ -	\$ -	\$ -	\$ (3,323,071)
Instructional leadership.....	4,943,362	-	79,934	-	(4,863,428)
Classroom and specialist teachers...	46,270,497	-	4,775,508	-	(41,494,989)
Professional development.....	261,830	-	-	-	(261,830)
Instructional materials.....	1,816,239	-	186	-	(1,816,053)
Pupil transportation services.....	4,891,319	-	-	-	(4,891,319)
Operations and maintenance.....	5,909,713	-	237,389	-	(5,672,324)
Guidance, counseling and testing.....	3,636,075	-	365	-	(3,635,710)
Other school services.....	4,663,798	1,250,272	1,755,050	-	(1,658,476)
Food services.....	1,653,256	1,003,005	239,435	-	(410,816)
Out of district tuition.....	6,239,783	-	-	-	(6,239,783)
Community education.....	1,470,689	988,426	-	-	(482,263)
Employee benefits.....	34,328,186	-	17,868,892	-	(16,459,294)
Insurance.....	217,963	-	-	-	(217,963)
School Construction Assistance.....	-	-	-	2,768,557	2,768,557
Interest.....	1,148,741	-	-	-	(1,148,741)
Depreciation.....	3,753,094	-	-	-	(3,753,094)
Total Governmental Activities.....	\$ 124,527,616	\$ 3,241,703	\$ 24,956,759	\$ 2,768,557	\$ (93,560,597)

See notes to basic financial statements.

(Continued)

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STATEMENT OF ACTIVITIES (continued)

YEAR ENDED JUNE 30, 2020

	<u>Primary Government</u>
	<u>Governmental Activities</u>
Changes in net position:	
Net (expense) revenue from previous page..... \$	(93,560,597)
<i>General revenues:</i>	
Member town assessments.....	72,757,539
Grants and contributions not restricted to specific programs.....	18,452,838
Unrestricted investment income.....	409,627
Miscellaneous revenue.....	60,417
Total general revenues.....	<u>91,680,421</u>
Change in net position.....	(1,880,176)
<i>Net position:</i>	
Beginning of year, as restated.....	<u>(3,734,590)</u>
End of year..... \$	<u><u>(5,614,766)</u></u>
	(Concluded)

See notes to basic financial statements.

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GOVERNMENTAL FUNDS BALANCE SHEET

JUNE 30, 2020

	General	Douglas/Gates School Construction	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents.....	\$ 8,073,724	\$ 71,629,214	\$ 12,283,907	\$ 91,986,845
Receivables, net of uncollectibles:				
Departmental and other.....	-	-	18,834	18,834
Intergovernmental.....	1,280,773	2,416,351	326,534	4,023,658
Other assets.....	52,261	-	-	52,261
TOTAL ASSETS.....	\$ 9,406,758	\$ 74,045,565	\$ 12,629,275	\$ 96,081,598
LIABILITIES				
Warrants payable.....	\$ 1,705,407	\$ 1,513,767	\$ 335,009	\$ 3,554,183
Accrued payroll.....	540,444	-	-	540,444
Other liabilities.....	794,778	-	379	795,157
TOTAL LIABILITIES.....	3,040,629	1,513,767	335,388	4,889,784
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue.....	-	-	552,412	552,412
TOTAL DEFERRED INFLOWS OF RESOURCES.....	-	-	552,412	552,412
FUND BALANCES				
Restricted.....	1,018,724	72,531,798	11,741,475	85,291,997
Assigned.....	1,702,984	-	-	1,702,984
Unassigned.....	3,644,421	-	-	3,644,421
TOTAL FUND BALANCES.....	6,366,129	72,531,798	11,741,475	90,639,402
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES.....	\$ 9,406,758	\$ 74,045,565	\$ 12,629,275	\$ 96,081,598

See notes to basic financial statements.

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

JUNE 30, 2020

Total governmental fund balances.....	\$	90,639,402
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....		77,781,141
The statement of net position includes certain deferred inflows of resources and deferred outflows of resources that will be amortized over future periods. In governmental funds, these amounts are not deferred.....		(3,663,828)
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.....		(926,801)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:		
Bonds payable.....	(91,016,968)	
Net pension liability.....	(31,360,065)	
Net other postemployment benefits liability.....	(39,506,843)	
Due to other governments.....	(1,924,134)	
Capital lease obligations.....	(2,235,720)	
Compensated absences.....	(3,400,950)	
Net effect of reporting long-term liabilities.....		<u>(169,444,680)</u>
Net position of governmental activities.....	\$	<u>(5,614,766)</u>

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2020

	General	Douglas/Gates School Construction	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:				
Member town assessments.....	\$ 72,757,539	\$ -	\$ -	\$ 72,757,539
Intergovernmental.....	17,603,699	2,416,351	5,203,275	25,223,325
Departmental and other.....	-	-	4,982,292	4,982,292
Contributions and donations.....	-	-	278,003	278,003
Food services.....	-	-	1,067,345	1,067,345
Intergovernmental - Teachers Retirement.....	17,868,892	-	-	17,868,892
Investment income.....	408,377	-	1,250	409,627
Miscellaneous revenue.....	23,220	-	37,197	60,417
TOTAL REVENUES.....	108,661,727	2,416,351	11,569,362	122,647,440
EXPENDITURES:				
Current:				
District administration.....	3,322,713	-	358	3,323,071
Instructional leadership.....	5,728,154	-	4,637	5,732,791
Classroom and specialist teachers.....	40,358,239	-	5,912,975	46,271,214
Professional development.....	243,495	-	18,335	261,830
Instructional materials, equipment and technology.....	1,560,430	-	255,809	1,816,239
Pupil transportation services.....	4,878,513	-	12,806	4,891,319
Operations and maintenance.....	5,256,185	-	267,144	5,523,329
Guidance, counseling and testing.....	3,493,815	-	142,260	3,636,075
Other school services.....	2,351,943	-	2,311,138	4,663,081
Food services.....	-	-	1,653,256	1,653,256
Out of district tuition.....	6,239,783	-	-	6,239,783
Community education.....	-	-	1,470,689	1,470,689
Employee benefits.....	13,503,639	-	85,388	13,589,027
Pension benefits - teachers' retirement.....	17,868,892	-	-	17,868,892
Insurance.....	188,585	-	29,378	217,963
Capital outlay.....	1,863,860	4,885,214	2,867,571	9,616,645
Debt service:				
Principal.....	1,505,000	-	-	1,505,000
Interest.....	381,218	-	-	381,218
TOTAL EXPENDITURES.....	108,744,464	4,885,214	15,031,744	128,661,422
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	(82,737)	(2,468,863)	(3,462,382)	(6,013,982)
OTHER FINANCING SOURCES (USES):				
Capital lease financing.....	611,979	-	-	611,979
Issuance of bonds.....	-	69,955,000	6,220,000	76,175,000
Premium from issuance of bonds.....	-	5,045,661	1,281,307	6,326,968
TOTAL OTHER FINANCING SOURCES (USES).....	327,979	75,000,661	7,785,307	83,113,947
NET CHANGE IN FUND BALANCES.....	245,242	72,531,798	4,322,925	77,099,965
FUND BALANCES AT BEGINNING OF YEAR, AS RESTATED.....	6,120,887	-	7,418,550	13,539,437
FUND BALANCES AT END OF YEAR.....	\$ 6,366,129	\$ 72,531,798	\$ 11,741,475	\$ 90,639,402

See notes to basic financial statements.

DRAFT

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

YEAR ENDED JUNE 30, 2020

Net change in fund balances - total governmental funds.....	\$	77,099,965
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital outlay.....	9,604,038	
Capital asset deletions.....	(557,110)	
Depreciation expense.....	<u>(3,753,094)</u>	
Net effect of reporting capital assets.....		5,293,834
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are unavailable and amortized in the Statement of Activities.		
Principal payments on capital leases.....	789,429	
Capital lease financing.....	(611,979)	
Due to other governments.....	183,333	
Issuance of bonds.....	(76,175,000)	
Premium from issuance of bonds.....	(6,326,968)	
Debt service principal payments.....	<u>1,505,000</u>	
Net effect of reporting long-term debt.....		(80,636,185)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.		
Net change in compensated absences accrual.....	(311,240)	
Net change in accrued interest on long-term debt.....	(767,523)	
Net change in deferred outflow/(inflow) of resources related to pensions.....	(969,510)	
Net change in net pension liability.....	(1,402,891)	
Net change in deferred outflow/(inflow) of resources related to other postemployment benefits.....	(6,448,121)	
Net change in net other postemployment benefits liability.....	<u>6,261,495</u>	
Net effect of recording long-term liabilities.....		<u>(3,637,790)</u>
Change in net position of governmental activities.....	\$	<u>(1,880,176)</u>

See notes to basic financial statements.

DRAFT

FIDUCIARY FUNDS STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2020

	Other Postemployment Benefit Trust Fund	Private Purpose Trust Funds	Agency Funds
ASSETS			
Cash and cash equivalents.....	\$ 32,453	\$ 88,840	\$ 250,367
Investments:			
Government sponsored enterprises.....	-	53,123	-
Corporate bonds.....	-	118,131	-
Municipal bonds.....	-	10,041	-
Bond mutual funds.....	1,686,812	13,314	-
Equity mutual funds.....	4,460,582	-	-
TOTAL ASSETS.....	6,179,847	283,449	250,367
LIABILITIES			
Liabilities due depositors.....	-	-	250,367
NET POSITION			
Restricted for other postemployment benefits.....	6,179,847	-	-
Held in trust for other purposes.....	-	283,449	-
TOTAL NET POSITION.....	\$ 6,179,847	\$ 283,449	\$ -

See notes to basic financial statements.

DRAFT

FIDUCIARY FUNDS STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

YEAR ENDED JUNE 30, 2020

	Other Postemployment Benefit Trust Fund	Private Purpose Trust Funds
ADDITIONS:		
Contributions:		
Employer contributions.....	\$ 900,000	\$ -
Employer contributions for other postemployment benefit payments....	1,588,350	-
Private donations.....	-	23,684
Total contributions.....	2,488,350	23,684
Net investment income.....	349,948	6,124
TOTAL ADDITIONS.....	2,838,298	29,808
DEDUCTIONS:		
Other postemployment benefit payments.....	1,588,350	-
Educational scholarships.....	-	28,250
TOTAL DEDUCTIONS.....	1,588,350	28,250
NET INCREASE (DECREASE) IN NET POSITION.....	1,249,948	1,558
NET POSITION AT BEGINNING OF YEAR.....	4,929,899	281,891
NET POSITION AT END OF YEAR.....	\$ 6,179,847	\$ 283,449

See notes to basic financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The District was formed in 1955 pursuant to Chapter 71 of the Massachusetts General Laws (MGL). The District consists of the Towns of Acton and Boxborough, Massachusetts. An eleven-member School Committee (Committee) governs the District, which consists of elected members from the District for a term of three years.

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

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

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

Fund Financial Statements

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

Major Fund Criteria

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

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

Fiduciary funds are reported by fund type.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation*Government-Wide Financial Statements*

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

The statement of activities demonstrates the degree to which the direct expenses of a particular function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include the following:

- Charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment.
- Grants and contributions that are restricted to meeting the operational requirements of a particular function or segment.
- Grants and contributions that are restricted to meeting the capital requirements of a particular function or segment.

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

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

Fund Financial Statements

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

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

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

The following major governmental funds are reported:

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

The *Douglas/Gates School Construction fund* is used to account for the construction of the new Douglas/Gates elementary school.

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

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

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

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

The following fiduciary fund types are reported:

The *other postemployment benefit trust fund (OPEB)* is used to account for funds to offset the anticipated cost of premium payments for, or direct payments made to, retired employees of the District, and to any eligible surviving spouse of or dependents of deceased employees of the District.

The *private-purpose trust fund* is used to account for trust arrangements under which principal and investment income exclusively benefit individuals, private organizations, or other governments.

The *agency fund* is used to account for assets held in a purely custodial capacity.

D. Cash and Investments

Government-Wide and Fund Financial Statements

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

E. Fair Value Measurements

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

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

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

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

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

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

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

F. Accounts Receivable

Government-Wide and Fund Financial Statements

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

Intergovernmental

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

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

G. Inventories

Government-Wide and Fund Financial Statements

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

H. Capital Assets*Government-Wide Financial Statements*

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

All purchases and construction costs in excess of \$25,000 are capitalized at the date of acquisition or construction, respectively, with expected useful lives of greater than one year.

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

<u>Capital Asset Type</u>	<u>Estimated Useful Life (in years)</u>
Buildings.....	40
Machinery and equipment.....	5 - 10
Improvements.....	15

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

Governmental Fund Financial Statements

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

I. Deferred Outflows/Inflows of Resources*Government-Wide Financial Statements (Net Position)*

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

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

Governmental Fund Financial Statements

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

J. Interfund Receivables and Payables

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

Government-Wide Financial Statements

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

Fund Financial Statements

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

K. Interfund Transfers

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

Government-Wide Financial Statements

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

Fund Financial Statements

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

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

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

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

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

Fund Financial Statements (Fund Balances)

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

The governmental fund balance classifications are as follows:

“Nonspendable” fund balance includes amounts that cannot be spent because they are either not in spendable form or they are legally or contractually required to be maintained intact.

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

“Committed” fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision-making authority. A vote of the School Committee is the highest level of decision-making authority that can commit funds for a specific purpose. Once voted, the limitation imposed by the vote remains in place until the funds are used for their intended purpose or a vote is taken to rescind the commitment.

“Assigned” fund balance includes amounts that are constrained by the District’s intent to be used for specific purposes, but are neither restricted nor committed. The school committee or school district official delegated that authority by the regional school district agreement has the authority to assign fund balance. Funds are assigned when the District has an obligation to purchase goods or services from the current years’ appropriation.

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

The District’s spending procedure is to spend restricted fund balance first, with the exception of the capital stabilization; which is appropriated on an as-needed basis, followed by committed, assigned and unassigned fund balance. Most governmental funds are designated for one purpose at the time of their creation. Therefore, any expenditure from the fund will be allocated to the applicable fund balance classifications in the order of the aforementioned spending policy. The general fund and certain other funds may have more than one purpose.

M. Long-term Debt*Government-Wide and Proprietary Fund Financial Statements*

Long-term debt is reported as liabilities in the government-wide statement of net position. Material bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

Governmental Fund Financial Statements

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

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 Middlesex County Contributory Retirement System and the Massachusetts Teachers Retirement System and additions to/deductions from the Systems' fiduciary net position have been determined on the same basis as they are reported by the Systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

O. Investment Income

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

P. Compensated Absences

Employees are granted vacation leave in varying amounts based on collective bargaining agreements, state laws and executive policies. Administrative, support personnel and custodians are allowed to carryover a maximum of one year's allotment of vacation leave.

As a possible incentive for employment longevity, a sum of money will be paid to teachers having taught in the School District for at least fifteen years, and who leave the district prior to age 66. The incentive is calculated by multiplying the difference between the teacher's last annual Schedule A salary and that for a Step One on the bachelor's level for that same year and the relevant multiplication factor. The teachers' early retirement incentive expires June 30, 2021. There is a similar, smaller early retirement incentive for administrators who were hired prior to July 1, 2009.

Government-Wide and Proprietary Fund Financial Statements

Vested or accumulated vacation is reported as liabilities and expensed as incurred.

Governmental Fund Financial Statements

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

Q. Use of Estimates*Government-Wide and Fund Financial Statements*

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

R. Total Column*Fund Financial Statements*

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

NOTE 2 - CASH AND INVESTMENTS

A cash and investment pool is maintained that is available for use by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Cash and Cash Equivalents". The deposits of the trust funds are held separately from those of other funds.

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

The Pool meets the criteria of an external investment pool. The Pool is administered by the Massachusetts Municipal Depository Trust (MMDT), which was established by the Treasurer of the Commonwealth who serves as Trustee. The fair value of the position in the Pool is the same as the value of the Pool shares.

Custodial Credit Risk- Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk.

At year-end, the carrying amount of the District's deposits totaled \$6,771,698 and the bank balance totaled \$7,945,264. Of the bank balance, \$906,124 was covered by Federal Depository Insurance, \$809,460 was covered by the Depositors Insurance Fund, \$2,964,396 was collateralized, and \$3,265,284 was uncollateralized.

Investments

As of June 30, 2020, the District had the following investments:

Investment Type	Fair value	Maturities			
		Under 1 Year	1-5 Years	6-10 Years	Over 10 Years
Debt securities:					
Government sponsored enterprises....	\$ 53,123	\$ -	\$ 48,115	\$ 5,008	\$ -
Corporate bonds.....	118,131	15,097	103,034	-	-
Municipal bonds.....	10,041	-	-	-	10,041
Bond mutual funds.....	1,700,126	-	289,006	1,411,120	-
Total debt securities.....	1,881,421	\$ 15,097	\$ 440,155	\$ 1,416,128	\$ 10,041
Other investments:					
Equity mutual funds.....	4,460,582				
MMDT - Cash portfolio.....	85,586,810				
Total investments.....	\$ 91,928,813				

Quality Rating	Government Sponsored Enterprises	Corporate Bonds	Municipal Bonds	Bond Mutual Funds
AAA.....	\$ -	\$ 10,076	\$ -	\$ -
AA+.....	53,123	-	-	-
AA.....	-	-	10,041	13,316
AA-.....	-	20,002	-	-
A+.....	-	15,217	-	-
A.....	-	-	-	209,250
A-.....	-	23,765	-	-
BBB+.....	-	28,632	-	-
BBB.....	-	20,439	-	896,694
BB.....	-	-	-	422,396
B.....	-	-	-	158,470
Total.....	\$ 53,123	\$ 118,131	\$ 10,041	\$ 1,700,126

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of a failure by the counterparty, the District will not be able to recover the value of its investments or collateral security that are in the possession of an outside party.

The District does not have an investment policy for custodial credit risk.

Interest Rate Risk

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

Credit Risk

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

Concentration of Credit Risk

The District places no limit on the amount that may be invested in any one issuer.

Fair Market Value of Investments

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

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The District has the following recurring fair value measurements as of June 30, 2020:

District Investments	June 30, 2020	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investment Type				
Investments measured at fair value:				
<u>Debt securities:</u>				
Government sponsored enterprises.....	\$ 53,123	\$ 53,123	\$ -	\$ -
Corporate bonds.....	118,131	-	118,131	-
Municipal bonds.....	10,041	10,041	-	-
Bond mutual funds.....	1,700,126	1,700,126	-	-
Total debt securities.....	1,881,421	1,763,290	118,131	-
<u>Other investments:</u>				
Equity mutual funds.....	4,460,582	4,460,582	-	-
Total investments measured at fair value.....	6,342,003	\$ 6,223,872	\$ 118,131	\$ -
Investments measured at amortized cost:				
MMDT - Cash portfolio.....	85,586,810			
Total investments.....	\$ 91,928,813			

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

MMDT investments are valued at amortized cost. Under the amortized cost method, an investment is valued initially at its cost and adjusted for the amount of interest income accrued each day over the term of the investment to account for any difference between the initial cost and the amount payable at its maturity. If amortized cost is determined not to approximate fair value, the value of the portfolio securities will be determined under procedures established by the Advisor.

NOTE 3 - RECEIVABLES

At June 30, 2020, receivables for the individual major governmental funds and nonmajor governmental funds in the aggregate including the applicable allowances for uncollectible accounts are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
Departmental and other.....	\$ 18,834	\$ -	\$ 18,834
Intergovernmental.....	4,023,658	-	4,023,658
Total.....	<u>\$ 4,042,492</u>	<u>\$ -</u>	<u>\$ 4,042,492</u>

Governmental funds report *deferred inflows of resources* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. There was \$552,412 of such receivables at the end of the current fiscal year, consisting of amounts due to grants and revolving accounts.

NOTE 4 - CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 404,440	\$ -	\$ -	\$ 404,440
Construction in progress.....	849,781	6,085,838	-	6,935,619
Total capital assets not being depreciated....	<u>1,254,221</u>	<u>6,085,838</u>	<u>-</u>	<u>7,340,059</u>
<u>Capital assets being depreciated:</u>				
Buildings.....	97,909,632	-	-	97,909,632
Machinery and equipment.....	3,043,459	435,237	(24,751)	3,453,945
Vehicles.....	3,760,556	714,353	(33,414)	4,441,495
Improvements.....	6,852,812	2,368,610	-	9,221,422
Total capital assets being depreciated.....	<u>111,566,459</u>	<u>3,518,200</u>	<u>(58,165)</u>	<u>115,026,494</u>
<u>Less accumulated depreciation for:</u>				
Buildings.....	(36,208,544)	(2,578,300)	-	(38,786,844)
Machinery and equipment.....	(1,710,347)	(221,777)	18,959	(1,913,165)
Vehicles.....	(771,741)	(464,713)	33,414	(1,203,040)
Improvements.....	(2,194,059)	(488,304)	-	(2,682,363)
Total accumulated depreciation.....	<u>(40,884,691)</u>	<u>(3,753,094)</u>	<u>52,373</u>	<u>(44,585,412)</u>
Total capital assets being depreciated, net.....	<u>70,681,768</u>	<u>(234,894)</u>	<u>(5,792)</u>	<u>70,441,082</u>
Total governmental activities capital assets, net.....	<u>\$ 71,935,989</u>	<u>\$ 5,850,944</u>	<u>\$ (5,792)</u>	<u>\$ 77,781,141</u>

Depreciation expense is unallocated.

NOTE 5 - CAPITAL LEASES

The District is obligated under several leases for school busses that are accounted for as capital leases. The lease obligations are accounted for as a liability in the government-wide financial statements. The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2019, were as follows:

<u>Years ending June 30:</u>	<u>Governmental Activities</u>
2021.....	\$ 580,896
2022.....	580,896
2023.....	926,282
2024.....	95,226
2025.....	<u>210,000</u>
Total minimum lease payments.....	2,393,300
Less: amounts representing interest.....	<u>(157,580)</u>
Present value of minimum lease payments... \$	<u><u>2,235,720</u></u>

The assets acquired through capital lease are as follows:

	<u>Governmental Activities</u>
Vehicles.....	\$ 3,681,129
Less: accumulated depreciation...	<u>(1,805,226)</u>
Total.....	<u><u>\$ 1,875,903</u></u>

NOTE 6 - SHORT-TERM FINANCING

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

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

Short-term loans are general obligations and carry maturity dates that are limited by statute. Interest expenditures and expenses for short-term borrowings are accounted for in the general fund.

At June 30, 2020, the District had no short-term debt outstanding.

NOTE 7 - LONG-TERM DEBT

State law permits the District, under the provisions of Chapter 71, Section 16, to authorize indebtedness not to exceed an amount approved by the Emergency Finance Board. Furthermore, written notice of the amount of debt authorized and general purpose of the debt must be given to the Board of Selectmen in each of the Town's comprising the District. Details related to the District's outstanding indebtedness at June 30, 2020, and the debt service requirements are as follows:

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2020
GOB Refunding 2014, Original 2005 (SHS)...	2025	\$ 10,330,900	4.00	\$ 6,032,000
GOB Refunding 2014, Original 2004 (JHS)...	2025	3,064,100	4.00	1,643,000
GOB Tax exempt Bonds Series B	2028	1,050,000	2.00	840,000
GOB Capital Improvements.....	2050	6,220,000	5.00	6,220,000
GOB Elementary/Early Childhood.....	2050	69,955,000	2.70	69,955,000
Total Bonds Payable.....				84,690,000
Add: Unamortized premium on bonds.....				6,326,968
Total Bonds Payable, net.....				<u>\$ 91,016,968</u>

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

Year	Principal	Interest	Total
2021.....\$	3,480,000	\$ 2,775,606	\$ 6,255,606
2022.....	3,540,000	2,696,605	6,236,605
2023.....	3,665,000	2,537,906	6,202,906
2024.....	3,720,000	2,373,555	6,093,555
2025.....	3,785,000	2,206,356	5,991,356
2026.....	2,295,000	2,035,905	4,330,905
2027.....	2,375,000	1,924,253	4,299,253
2028.....	2,455,000	1,808,468	4,263,468
2029.....	2,440,000	1,689,788	4,129,788
2030.....	2,530,000	1,567,787	4,097,787
2031.....	2,005,000	1,441,288	3,446,288
2032.....	2,105,000	1,341,037	3,446,037
2033.....	2,210,000	1,235,788	3,445,788
2034.....	2,320,000	1,125,287	3,445,287
2035.....	2,390,000	1,055,688	3,445,688
2036.....	2,465,000	983,987	3,448,987
2037.....	2,510,000	934,688	3,444,688
2038.....	2,560,000	884,487	3,444,487
2039.....	2,615,000	833,288	3,448,288
2040.....	2,665,000	780,987	3,445,987
2041.....	2,745,000	701,038	3,446,038
2042.....	2,830,000	618,687	3,448,687
2043.....	2,890,000	558,550	3,448,550
2044.....	2,950,000	497,138	3,447,138
2045.....	3,015,000	430,762	3,445,762
2046.....	3,085,000	362,925	3,447,925
2047.....	3,155,000	293,513	3,448,513
2048.....	3,225,000	222,526	3,447,526
2049.....	3,295,000	149,962	3,444,962
2050.....	3,370,000	75,825	3,445,825
Total.....\$	<u>84,690,000</u>	<u>\$ 36,143,680</u>	<u>\$ 120,833,680</u>

The District has been approved for a \$36.8 million capital grant from the Commonwealth's school building assistance program for the Douglas/Gates elementary school construction project. Under this program, assistance is paid to support construction costs and reduce the total debt service of the District. The MSBA has approved a 49.70% reimbursement rate for approved construction costs. The District anticipates receiving \$2,416,351 of grant proceeds in 2021 associated with costs incurred in 2020, which has been recognized as a receivable at June 30, 2020.

The District is subject to various debt limits by statute and may issue additional general obligation debt under the normal debt limit. At June 30, 2020, the District had no authorized or unissued debt.

Changes in Long-term Liabilities

During the year ended June 30, 2020, the following changes occurred in long-term liabilities:

	Beginning Balance as Restated	Bonds and Notes Issued	Bonds and Notes Redeemed	Other Increases	Other Decreases	Ending Balance	Due Within One Year
Long-term bonds payable.. \$	10,020,000	\$ 76,175,000	\$ (1,505,000)	\$ -	\$ -	\$ 84,690,000	\$ 3,480,000
Add: Unamortized premium on bonds.....	-	6,326,968	-	-	-	6,326,968	441,546
Total bonds payable.....	10,020,000	82,501,968	(1,505,000)	-	-	91,016,968	3,921,546
Capital lease obligations...	2,413,170	-	-	486,790	(664,240)	2,235,720	537,654
Due to other governments...	2,107,467	-	-	-	(183,333)	1,924,134	183,333
Compensated absences...	3,089,710	-	-	2,916,500	(2,605,260)	3,400,950	2,850,313
Net pension liability.....	29,957,174	-	-	4,018,267	(2,615,376)	31,360,065	-
Other postemployment benefits.....	45,768,338	-	-	-	(6,261,495)	39,506,843	-
Total long-term liabilities... \$	<u>93,355,859</u>	<u>\$ 82,501,968</u>	<u>\$ (1,505,000)</u>	<u>\$ 7,421,557</u>	<u>\$ (12,329,704)</u>	<u>\$ 169,444,680</u>	<u>\$ 7,492,846</u>

Compensated absences and other postemployment liabilities related to governmental activities are normally paid from the funds reporting payroll and related expenditures, which consist of the general fund accounts.

NOTE 8 – DUE TO OTHER GOVERNMENTS

The District has an annual obligation to the Town of Acton for costs avoided in the construction of the Middle Fort Pond Brook Sewer District. The amount owed represents the total projected costs to construct an on-site facility and sewage collection system for the school campus located on Charter and Hayward roads. The annual payment is \$183,333 through July 1, 2029 with a final payment of \$90,800 on July 1, 2030. At June 30, 2020 the remaining balance was \$1,924,134.

NOTE 9 - GOVERNMENTAL FUND BALANCE CLASSIFICATIONS

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

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

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

Massachusetts General Law Ch. 71 §16G½ allows for the establishment of a Stabilization fund for any purpose for which regional school districts may borrow money or for such other district purpose as the commissioner of elementary and secondary education may approve. The stabilization fund may be appropriated by vote of two-thirds of all of the members of the regional district school committee. At year-end, the balance of the stabilization fund totaled \$1,018,724 and is reported as restricted fund balance within the General Fund.

As of June 30, 2020, the governmental fund balances consisted of the following:

	General	Douglas/Gates School Construction	Nonmajor Governmental Funds	Total Governmental Funds
Fund Balances:				
Restricted for:				
Douglas/Gates elementary school construction fund... \$	-	\$ 72,531,798	\$ -	\$ 72,531,798
Capital stabilization fund.....	1,018,724	-	-	1,018,724
Federal and State Grants.....	-	-	2,689,099	2,689,099
Gifts and Private Grants.....	-	-	272,216	272,216
Food Services.....	-	-	257,635	257,635
School Choice.....	-	-	28,376	28,376
Other school services.....	-	-	1,550,762	1,550,762
Revolving funds.....	-	-	1,046,246	1,046,246
Community Education.....	-	-	430,167	430,167
School feasibility study.....	-	-	56,588	56,588
Other capital projects fund.....	-	-	5,410,386	5,410,386
Assigned to:				
Encumbrances:				
District administration.....	32,207	-	-	32,207
Instructional leadership.....	2,393	-	-	2,393
Professional development.....	40	-	-	40
Instructional materials, equipment and technology.....	17,789	-	-	17,789
Pupil transportation services.....	6,108	-	-	6,108
Operations and maintenance.....	85,481	-	-	85,481
Guidance, counseling and testing.....	153	-	-	153
Other school services.....	2,456	-	-	2,456
Programs with other school districts (tuitions).....	127,810	-	-	127,810
Employee benefits.....	58,000	-	-	58,000
Capital outlay.....	225,547	-	-	225,547
Excess and deficiency used for subsequent year's budget.....	1,145,000	-	-	1,145,000
Unassigned.....	3,644,421	-	-	3,644,421
Total Fund Balances..... \$	\$ 6,366,129	\$ 72,531,798	\$ 11,741,475	\$ 90,639,402

NOTE 10 - RISK FINANCING

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

The District participates with the Town of Acton in a health insurance risk pool trust administered by Acton Health Insurance Trust (Trust), a two member organization established pursuant to Chapter 32B, Section 12 and chapter 40, section 3A of the Massachusetts General Laws to obtain health insurance for member governments at costs eligible for larger groups. The Trust offers a variety of premium based plans to its members with each participating governmental unit being charged a premium for coverage based on rates established by the Trust. The District is obligated to pay the group its required premiums and, in the event the Trust is terminated, its pro-rata share of a deficit should one exist.

NOTE 11 - PENSION PLAN*Plan Description*

The District is a member of the Middlesex County Regional Retirement System (MCRS), a cost-sharing multiple-employer defined benefit pension plan covering eligible employees of the 71 member units. The MCRS is administered by five board members (Board) on behalf of all current employees and retirees except for current teachers and retired teachers. Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan.

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

Special Funding Situation

The Commonwealth is a nonemployer contributor and is required by statute to make 100% of all actuarially determined employer contributions on behalf of the District to the MTRS. Therefore, the District is considered to be in a special funding situation as defined by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and the Commonwealth is a nonemployer contributor in MTRS. Since the District does not contribute directly to MTRS, there is no net pension liability to recognize. The total of the Commonwealth provided contributions have been allocated based on each employer's covered payroll to the total covered payroll of employers in MTRS as of the measurement date of June 30, 2019. The District's portion of the collective pension expense, contributed by the Commonwealth, of \$17,868,892 is reported in the general fund as intergovernmental revenue and pension expense in the current fiscal year. The portion of the Commonwealth's collective net pension liability associated with the District is \$147,351,210 as of the measurement date.

Benefits Provided

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

consecutive) preceding retirement. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification. Members become vested after ten years of creditable service.

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

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

Contributions

Chapter 32 of the MGL governs the contributions of plan members and member units. Active plan members are required to contribute to the System at rates ranging from 5% to 9% of gross regular compensation with an additional 2% contribution required for compensation exceeding \$30,000. The percentage rate is keyed to the date upon which an employee's membership commences. The member units are required to pay into the MCRS a legislatively mandated actuarial determined contribution that is apportioned among the employers based on active current payroll. The District's proportionate share of the required contribution equaled its actual contribution for the year ended December 31, 2019, was \$2,615,376, 17.61% of covered payroll, actuarially determined as an amount that, when combined with plan member contributions, is expected to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability.

Pension Liabilities

At June 30, 2020, the District reported a liability of \$31,360,065 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2020. Accordingly, update procedures were used to roll forward the total pension liability to the measurement date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At December 31, 2019, the District's proportion was 1.96%, an increase from its proportion of 1.92% measured at December 31, 2018.

Pension Expense

For the year ended June 30, 2020, the District recognized pension expense of \$4,987,777 and reported deferred outflows of resources and deferred inflows related to pensions of \$3,946,757 and \$1,026,726, respectively.

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The changes in deferred outflows of resources and inflows of resources related to pensions is as follows:

Deferred Category	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Differences between expected and actual experience.....	\$ 763,058	\$ (71,023)	\$ 692,035
Difference between projected and actual earnings, net.....	-	(813,791)	(813,791)
Changes in assumptions.....	2,159,645	-	2,159,645
Changes in proportion and proportionate share of contributions...	1,024,054	(141,912)	882,142
Total deferred outflows/(inflows) of resources.....	\$ <u>3,946,757</u>	\$ <u>(1,026,726)</u>	\$ <u>2,920,031</u>

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

Year ended June 30:	
2021.....	\$ 1,390,012
2022.....	651,181
2023.....	735,506
2024.....	<u>143,332</u>
Total.....	\$ <u>2,920,031</u>

Actuarial Assumptions - The total pension liability in the January 1, 2020, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement that was rolled back to December 31, 2019:

Valuation date.....	January 1, 2020
Actuarial cost method.....	Entry Age Normal Cost Method
Amortization method.....	Prior year's total contribution increased by 6.50% for fiscal 2020 through fiscal 2027, and thereafter the remaining unfunded liability will be amortized on a 4.00% annual increasing basis; ERI liability amortized in level payments.
Remaining amortization period.....	17 years from July 1, 2018 for non-ERI liability, 1 year from July 1, 2018 for 2002 ERI, 2 years from July 1, 2018 for 2033 ERI, and 4 years from July 1, 2018 for 2010 ERI.
Asset valuation method.....	The difference between the expected return and the actual investment return on a market value basis is recognized over a five year period. Asset value is adjusted as necessary to be within 20.00% of the market value.
Investment rate of return/Discount rate.....	7.30%, net of pension plan investment expense, including inflation, previously 7.50%.
Inflation rate.....	3.25%
Projected salary increases.....	Varies by length of service with ultimate rates of 4.00% for Group 1, 4.25% for Group 2 and 4.50% for Group 4.

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Cost of living adjustments..... 3.00% of the first \$16,000 of retirement income, as of July 1, 2019.

Mortality rates:

Pre-retirement..... The RP-2014 Blue Collar Healthy Annuitant Mortality Table projected generationally with Scale MP-2017.

Healthy retiree..... The RP-2014 Blue Collar Healthy Annuitant Mortality Table projected generationally with Scale MP-2017.

Disabled retiree..... The RP-2014 Blue Collar Healthy Annuitant Mortality Table set forward one year and projected generationally with Scale MP-2017.

Investment policy

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of January 1, 2020, are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return	Long-Term Expected Asset Allocation
Domestic equity.....	6.15%	21.00%
International developed markets equity.....	6.78%	13.00%
International emerging markets equity.....	8.65%	5.00%
Core fixed income.....	1.11%	15.00%
High-yield fixed income.....	3.51%	8.00%
Real estate.....	4.33%	10.00%
Commodities.....	4.13%	4.00%
Hedge funds, GTAA, risk parity.....	3.19%	11.00%
Private equity.....	9.99%	13.00%
Total.....		100.00%

Rate of return

For the year ended December 31, 2019, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 16.21%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount rate

The discount rate used to measure the total pension liability was 7.30%, previously 7.50%. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that contributions will be made at rates equal to the actuarially determined contribution rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net position liability to changes in the discount rate

The following presents the net position liability, calculated using the discount rate of 7.3%, as well as what the net position liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.3%) or 1-percentage-point higher (8.3%) than the current rate:

December 31, 2019, Measurement Date			
	1% Decrease (6.3%)	Current Discount (7.3%)	1% Increase (8.3%)
The District's proportionate share of the net pension liability.....	\$ 38,539,036	\$ 31,360,065	\$ 25,319,145

Changes of Assumptions

The net investment return assumption was lowered from 7.50% to 7.30%.

Changes in Plan Provisions

As permitted by Section 19 of Chapter 188 of the Acts of 2010, the Cost of Living Adjustment base was increased from \$14,000 to \$16,000 as of July 1, 2019.

NOTE 12 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

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

Funding Policy – Contribution requirements are established, and may be amended, by the District. The required contribution is based on a pay-as-you-go financing requirement. The current health insurance contribution rates of Plan members and the District are 25% and 75%, respectively, except for certain plans which are 50%/50%. The Plan members and District each contribute 50% towards a \$15,000 term life insurance premium.

The Commonwealth of Massachusetts passed special legislation that has allowed the District to establish a postemployment benefit trust fund and to enable the District to begin pre-funding its OPEB liabilities. The Trust is managed by a 5-member Board of Trustees who are authorized to manage the Trust in accordance with the Trust Agreement.

During 2020, the District pre-funded future OPEB liabilities \$900,000 by contributing funds to the Other Postemployment Benefit Fund in excess of the pay-as-you-go required contribution. These funds are reported within the Fiduciary Funds financial statements. As of June 30, 2020, the balance of this fund totaled \$6.0 million.

The annual money-weighted rate of return on OPEB plan investments was 1.89%. The money-weighted rate of return expresses investment performance, net of OPEB plan investment expense, adjusted for the changing amounts actually invested.

Plan Membership – The following table represents the Plan's membership at June 30, 2020:

Active members.....	841
Inactive members currently receiving benefits.....	380
Total.....	<u>1,221</u>

The components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation are summarized in the following table:

Total OPEB liability.....	\$ 45,686,690
Less: OPEB plan's fiduciary net position.....	<u>(6,179,847)</u>
Net OPEB liability.....	<u>\$ 39,506,843</u>
The OPEB plan's fiduciary net position as a percentage of the total OPEB liability.....	13.5%

Significant Actuarial Assumption – The total other postemployment benefit liability in the July 1, 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all periods in the measurement that was rolled forward to June 30, 2020:

Valuation date.....	July 1, 2019
Actuarial cost method.....	Individual Entry Age Normal
Asset valuation method.....	Market value of assets as of reporting date, June 30, 2020.
Investment rate of return.....	6.72%, net of OPEB plan investment expense, including inflation.
Municipal bond rate.....	2.66% as of June 30, 2020 (source: S&P Municipal Bond 20-Year High Grade Index - SAPIHG).
Single equivalent index rate.....	6.50% net of OPEB plan investment expense, including inflation, previously 5.50%.
Inflation rate.....	2.50% as of June 30, 2020, and for future periods.
Projected salary increases.....	3.00% annually as of June 30, 2020, and for future periods.
Cost of living adjustment.....	Not Applicable.

Pre-retirement mortality.....	General: RP-2014 Mortality Table for Blue Collar Employees projected generationally with scale MP-2016 for males and females. Teachers: RP-2014 Mortality Table for White Collar Employees projected generationally with scale MP-2016 for males and females.
Post-retirement mortality.....	General: RP-2014 Mortality Table for Blue Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females. Teachers: RP-2014 Mortality Table for White Collar Employees projected generationally with scale MP-2016 for males and females.
Disabled mortality.....	General: RP-2014 Mortality Table for Blue Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females. Teachers: RP-2014 Mortality Table for White Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females.

Investment policy

The OPEB plan's assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the OPEB plan. The long-term real rate of return on OPEB investments was determined using the District's investment policy.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real of returns (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return of by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The District's expected future real rate of return of 4.22% is added to the expected inflation of 2.50% to produce the long-term expected nominal rate of return of 6.72%. Best estimates of geometric real rates of return for each major asset class included in the OPEB plan's target asset allocation as of June 30, 2020 are summarized in the following table.

Asset Class	Long-Term Expected Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity - large cap.....	20.00%	4.80%
Domestic equity - small/mid cap.....	10.00%	5.29%
International equities - developed market....	10.00%	5.45%
International equities - emerging market....	5.00%	6.42%
Domestic fixed income.....	25.00%	2.05%
International fixed income.....	10.00%	3.00%
Alternatives.....	20.00%	6.50%
Real estate.....	0.00%	6.25%
Total.....	100.00%	

Discount rate - The discount rate used to measure the total OPEB liability was 6.50% as of June 30, 2020, and 5.50% as of June 30, 2019. The projection of cash flows used to determine the discount rate assumed that contributions will be made in accordance with the District's funding policy. Based on these assumptions, the OPEB Plan's Fiduciary Net Position is projected to be sufficient to make all projected benefit payments to current plan members. Therefore, the long-term expected rate of return on the OPEB Plan assets was applied to all projected future benefits payments.

Sensitivity of the net position liability to changes in the discount rate – The following table presents the net other postemployment benefit liability and service cost, calculated using the discount rate of 6.5%, as well as what the

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net other postemployment benefit liability and service cost would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate.

	1% Decrease (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
Net OPEB liability..... \$	<u>45,748,830</u>	<u>\$ 39,506,843</u>	<u>\$ 33,929,402</u>

Sensitivity of the net position liability to changes in the healthcare trend – The following table presents the net other postemployment benefit liability and service cost, calculated using the current healthcare trend rate of 4.50%, as well as what the net other postemployment benefit liability and service cost would be if it were calculated using a healthcare trend rate that is 1-percentage-point lower or 1-percentage-point higher.

	1% Decrease (3.50%)	Current Trend (4.50%)	1% Increase (5.50%)
Net OPEB liability..... \$	<u>33,656,999</u>	<u>\$ 39,506,843</u>	<u>\$ 46,703,080</u>

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2019..... \$	50,942,895	\$ 5,174,557	\$ 45,768,338
Changes for the year:			
Service cost.....	1,386,040	-	1,386,040
Interest.....	2,834,996	105,290	2,729,706
Differences between expected and actual experience...	(2,445,112)	-	(2,445,112)
Changes in assumptions and other inputs.....	(5,443,779)	-	(5,443,779)
Contributions.....	-	2,488,350	(2,488,350)
Benefit payments.....	<u>(1,588,350)</u>	<u>(1,588,350)</u>	<u>-</u>
Net change.....	<u>(5,256,205)</u>	<u>1,005,290</u>	<u>(6,261,495)</u>
Balances at June 30, 2020..... \$	<u>45,686,690</u>	<u>\$ 6,179,847</u>	<u>\$ 39,506,843</u>

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB – For the year ended June 30, 2020, the District recognized OPEB expense of \$2,702,124. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Deferred Category	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Differences between expected and actual experience.... \$	-	\$ (2,082,874)	\$ (2,082,874)
Difference between projected and actual earnings, net...	136,309	-	136,309
Changes in assumptions.....	-	(4,637,294)	(4,637,294)
Total deferred outflows/(inflows) of resources..... \$	<u>136,309</u>	<u>\$ (6,720,168)</u>	<u>\$ (6,583,859)</u>

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

Year ended June 30:

2021.....	\$ (1,141,433)
2022.....	(1,141,433)
2023.....	(1,141,431)
2024.....	(1,114,286)
2025.....	(1,168,723)
Thereafter.....	(876,553)
	<u>\$ (6,583,859)</u>

Changes of Assumptions

- Due to the GASB Statement #75 standards, the discount rate has been changed from 5.50% to 6.50%.
- Based on the recommendations of PERAC, the mortality table has been updated from the RP-2000 Employees Mortality Table projected generationally with scale BB and a base year 2009 to the RP-2014 Mortality Table projected generationally with scale MP-2016 for males and females.
- The expected long-term medical trend has been updated from 5.50% to 4.50%.
- Based on recent research by the Society of Actuaries, we have updated the assumption of morbidity or age-related costs of medical care.

Changes in Plan Provisions – None.

NOTE 13 - COMMITMENTS AND CONTINGENCIES

The District participates in a number of federal award programs. Although the grant programs have been audited in accordance with the provisions of the Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, these programs are still subject to financial and compliance audits. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although it is expected such amounts, if any, to be immaterial.

Various legal actions and claims are pending. Litigation is subject to many uncertainties, and the outcome of individual litigated matters is not always predictable. Although the amount of liability, if any, at June 30, 2019, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2020.

NOTE 14 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through _____, 2020, which is the date the financial statements were available to be issued.

NOTE 15 - COVID-19

On March 10, 2020, the Massachusetts Governor declared a state of emergency in response to the coronavirus outbreak. The World Health Organization officially declared the novel Coronavirus (COVID-19) a pandemic the following day. In an attempt to slow the spread of COVID-19, governments issued various stay at home orders that caused global economic shutdowns and substantial financial market impact. Starting in March 2020, the Governor continued to issue orders allowing governments to operate and carry out essential functions safely. These included modifying the state's Open Meeting Law, issuing a stay-at-home order, and introducing a phased approach to reopening State businesses. Although the School was closed to students for a period of time, most employees continued to perform their daily duties and maintain the School's operations.

On March 27, 2020, the United States Federal Government established the Coronavirus Aid, Relief and Economic Security (CARES) Act in response to the economic downfall caused by the COVID-19 pandemic. This Act requires that the payment from these funds be used only to cover expenses that; are necessary due to the public health emergency with respect COVID-19; were not accounted for in the budget most recently approved as of March 27, 2020; and were incurred during the period that begins on March 1, 2020, and ends on December 30, 2020. The Commonwealth and communities throughout the Commonwealth were awarded a portion of this federal funding. In addition to funding from the CARES Act, there are several other federal and state grants available.

The School has incurred unanticipated costs specifically related to the pandemic; however, the full extent of the financial impact cannot be determined as of the date of the financial statements.

NOTE 16 - RESTATEMENT OF BEGINNING BALANCES PREVIOUSLY REPORTED

Beginning fund balance of the general fund has been restated to reflect the reclassification of the debt stabilization fund to the general fund. Accordingly, previously reported fund balance of \$5,119,004 increased by \$1,001,883 and totals \$6,120,887.

Beginning net position of the governmental activities has been restated to reflect the recognition of the sewer assessment obligation as a long-term liability due to other governments. Accordingly, previously reported position which was a deficit of \$1,627,123, decreased by \$2,107,467 and totals a deficit of \$3,734,590.

NOTE 17 - IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

During 2020, the following GASB pronouncement was implemented:

- GASB Statement #95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. This pronouncement postponed the effective dates of certain provisions in GASB Statements and Implementation Guides that first became effective or are scheduled to be effective for periods beginning after June 15, 2018 or later.

The following GASB pronouncements will be implemented in the future:

- The GASB issued Statement #84, *Fiduciary Activities*, which is required to be implemented in 2021.
- The GASB issued Statement #87, *Leases*, which is required to be implemented in 2022.
- The GASB issued Statement #89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which is required to be implemented in 2022.
- The GASB issued Statement #90, *Majority Equity Interests – an amendment of GASB Statements #14 and #61*, which is required to be implemented in 2021.
- The GASB issued Statement #91, *Conduit Debt Obligations*, which is required to be implemented in 2023.
- The GASB issued Statement #92, *Omnibus 2020*, which is required to be implemented in 2022.
- The GASB issued Statement #93, *Replacement of Interbank Offered Rates*, which is required to be implemented in 2022.
- The GASB issued Statement #94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, which is required to be implemented in 2023.
- The GASB issued Statement #96, *Subscription-Based Information Technology Arrangements*, which is required to be implemented in 2023.
- The GASB issued Statement #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*, in which certain paragraphs are required to be implemented in 2021 and 2022.

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

Required Supplementary Information

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General Fund Budgetary Comparison Schedule

The General Fund is the general operating fund of the District. It is used to account for all of the District's financial resources, except those required to be accounted for in another fund.

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

YEAR ENDED JUNE 30, 2020

	Budgeted Amounts			
	Amounts Carried Forward From Prior Year	Current Year Initial Budget	Original Budget	Final Budget
REVENUES:				
Member town assessments.....	\$ -	\$ 72,757,539	\$ 72,757,539	\$ 72,757,539
Intergovernmental.....	-	17,324,572	17,324,572	17,324,572
Investment income.....	-	200,000	200,000	200,000
Miscellaneous revenue.....	-	10,000	10,000	10,000
TOTAL REVENUES.....	-	90,292,111	90,292,111	90,292,111
EXPENDITURES:				
Current:				
District administration.....	56,961	3,258,654	3,315,615	3,318,115
Instructional leadership.....	585	5,575,862	5,576,447	5,576,447
Classroom and specialist teachers.....	13,424	40,592,096	40,605,520	40,579,020
Professional development.....	385	282,420	282,805	281,215
Instructional materials, equipment and technology.....	72,020	1,710,648	1,782,668	1,793,353
Pupil transportation services.....	2,759	5,265,536	5,268,295	5,258,295
Operations and maintenance.....	150,209	5,818,324	5,968,533	6,209,533
Guidance, counseling and testing.....	1,807	3,357,196	3,359,003	3,359,003
Other school services.....	4,287	2,434,773	2,439,060	2,459,365
Programs with other school districts (tuitions).....	13,487	5,492,466	5,505,953	5,505,953
Employee benefits.....	2,280	13,593,735	13,596,015	13,541,015
Insurance.....	-	173,750	173,750	238,750
Capital outlay.....	236,809	1,231,433	1,468,242	1,221,842
Debt service:				
Debt service principal.....	-	1,480,000	1,480,000	1,480,000
Interest.....	-	431,218	431,218	431,218
TOTAL EXPENDITURES.....	555,013	90,698,111	91,253,124	91,253,124
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	(555,013)	(406,000)	(961,013)	(961,013)
OTHER FINANCING SOURCES (USES):				
Transfers out.....	-	(284,000)	(284,000)	(284,000)
NET CHANGE IN FUND BALANCE.....	(555,013)	(690,000)	(1,245,013)	(1,245,013)
FUND BALANCES AT BEGINNING OF YEAR.....	-	5,119,004	5,119,004	5,119,004
FUND BALANCES AT END OF YEAR.....	\$ (555,013)	\$ 4,429,004	\$ 3,873,991	\$ 3,873,991

See notes to required supplementary information.

Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance to Final Budget
72,757,539	\$ -	\$ -
17,603,699	-	279,127
391,536	-	191,536
23,220	-	13,220
90,775,994	-	483,883
3,322,713	32,207	(36,805)
5,728,154	2,393	(154,100)
40,358,239	-	220,781
243,495	40	37,680
1,560,430	17,789	215,134
4,878,513	6,108	373,674
5,256,185	85,481	867,867
3,493,815	153	(134,965)
2,351,943	2,456	104,966
6,239,783	127,810	(861,640)
13,503,639	58,000	(20,624)
188,585	-	50,165
1,251,881	225,547	(255,586)
1,505,000	-	(25,000)
381,218	-	50,000
90,263,593	557,984	431,547
512,401	(557,984)	915,430
(284,000)	-	-
228,401	(557,984)	915,430
5,119,004	-	-
5,347,405	\$ (557,984)	\$ 915,430

Pension Plan Schedules

The Schedule of Funding Progress presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

The Schedule of Employer Contributions presents multiyear trend information for required and actual contributions relating to the cost-sharing plan as a whole, of which the District is one participating employer, as well as the District's proportionate share of the plan's annual contributions.

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

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

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SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY MIDDLESEX COUNTY RETIREMENT SYSTEM

Year	Proportion of the net pension liability (asset)	Proportionate share of the net pension liability (asset)	Covered- employee payroll	Net pension liability as a percentage of covered- employee payroll	Plan fiduciary net position as a percentage of the total pension liability
December 31, 2019.....	1.96%	\$ 31,360,065	\$ 14,855,796	211.10%	49.45%
December 31, 2018.....	1.92%	29,957,174	13,431,428	223.04%	46.40%
December 31, 2017.....	1.91%	27,084,083	12,887,573	210.16%	49.27%
December 31, 2016.....	1.94%	27,434,445	12,732,786	215.46%	45.49%
December 31, 2015.....	1.82%	23,515,180	12,897,778	182.32%	46.13%
December 31, 2014.....	1.82%	21,781,913	12,401,710	175.64%	47.65%

Note: this schedule is intended to present information for 10 years.

Until a 10-year trend is compiled, information is presented for those years for which information is available.

See notes to required supplementary information.

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SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS MIDDLESEX COUNTY RETIREMENT SYSTEM

Year	Actuarially determined contribution	Contributions in relation to the actuarially determined contribution	Contribution deficiency (excess)	Covered- employee payroll	Contributions as a percentage of covered- employee payroll
December 31, 2019.....	\$ 2,615,376	\$ (2,615,376)	-	\$ 14,855,796	17.61%
December 31, 2018.....	2,467,453	(2,467,453)	-	13,431,428	18.37%
December 31, 2017.....	2,318,753	(2,318,753)	-	12,887,573	17.99%
December 31, 2016.....	2,086,065	(2,086,065)	-	12,732,786	16.38%
December 31, 2015.....	1,961,424	(1,961,424)	-	12,897,778	15.21%
December 31, 2014.....	1,756,208	(1,756,208)	-	12,401,710	14.16%

Note: this schedule is intended to present information for 10 years.

Until a 10-year trend is compiled, information is presented for those years for which information is available.

See notes to required supplementary information.

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

The Commonwealth of Massachusetts is a nonemployer contributor and is required by statute to make all actuarially determined employer contributions on behalf of the member employers which creates a special funding situation. Therefore, there is no net pension liability to recognize. This schedule discloses the Commonwealth's 100% share of the associated collective net pension liability; the portion of the collective pension expense as both a revenue and pension expense recognized; and the Plan's fiduciary net position as a percentage of the total liability.

Year	Commonwealth's 100% Share of the Associated Net Pension Liability	Expense and Revenue Recognized for the Commonwealth's Support	Plan Fiduciary Net Position as a Percentage of the Total Liability
2019.....	\$ 147,351,210	\$ 17,868,892	53.95%
2018.....	136,192,824	13,801,171	54.84%
2017.....	131,012,265	13,674,131	54.25%
2016.....	126,992,148	12,954,032	52.73%
2015.....	118,499,343	9,611,351	55.38%

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

See notes to required supplementary information.

Other Postemployment Benefit Plan Schedules

The Schedule of Changes in the District's Net Other Postemployment Benefit Liability presents multi-year trend information on the Plan's net other postemployment benefit liability and related ratios.

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

The Schedule of Investment Return presents multi-year trend information on the money-weighted investment return on the Plan's other postemployment assets, net of investment expense.

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SCHEDULE OF CHANGES IN THE DISTRICT'S NET OPEB LIABILITY AND RELATED RATIOS OTHER POSTEMPLOYMENT BENEFIT PLAN

	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020
Total OPEB Liability				
Service Cost.....	\$ 1,587,326	\$ 1,638,860	\$ 1,744,862	\$ 1,386,040
Interest.....	2,408,061	2,598,396	2,693,466	2,834,996
Differences between expected and actual experience....	-	-	-	(2,445,112)
Changes of assumptions.....	-	(458,279)	-	(5,443,779)
Benefit payments.....	(1,209,591)	(1,426,261)	(1,426,261)	(1,588,350)
Net change in total OPEB liability.....	2,785,796	2,352,716	3,012,067	(5,256,205)
Total OPEB liability - beginning.....	42,792,316	45,578,112	47,930,828	50,942,895
Total OPEB liability - ending (a).....	\$ 45,578,112	\$ 47,930,828	\$ 50,942,895	\$ 45,686,690
Plan fiduciary net position				
Employer contributions.....	\$ 862,066	\$ 811,755	\$ 900,000	\$ 900,000
Employer contributions for OPEB payments.....	1,209,591	1,426,261	1,426,261	1,588,350
Net investment income.....	178,628	157,890	360,276	105,290
Benefit payments.....	(1,209,591)	(1,426,261)	(1,426,261)	(1,588,350)
Other.....	(62,066)	-	-	-
Net change in plan fiduciary net position.....	978,628	969,645	1,260,276	1,005,290
Plan fiduciary net position - beginning of year.....	1,966,008	2,944,636	3,914,281	5,174,557
Plan fiduciary net position - end of year (b).....	\$ 2,944,636	\$ 3,914,281	\$ 5,174,557	\$ 6,179,847
Net OPEB liability - ending (a)-(b).....	\$ 42,633,476	\$ 44,016,547	\$ 45,768,338	\$ 39,506,843
Plan fiduciary net position as a percentage of the total OPEB liability.....	6.46%	8.17%	10.16%	13.53%
Covered-employee payroll.....	\$ 48,838,493	\$ 48,838,493	\$ 50,303,648	\$ 55,778,193
Net OPEB liability as a percentage of covered-employee payroll.....	87.29%	90.13%	90.98%	70.83%

Note: this schedule is intended to present information for 10 years.

Until a 10-year trend is compiled, information is presented for those years for which information is available.

See notes to required supplementary information.

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SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS OTHER POSTEMPLOYMENT BENEFIT PLAN

Year	Actuarially determined contribution	Contributions in relation to the actuarially determined contribution	Contribution deficiency (excess)	Covered- employee payroll	Contributions as a percentage of covered- employee payroll
June 30, 2020.....	\$ 2,488,350	\$ (2,488,350)	\$ -	\$ 55,778,193	4.46%
June 30, 2019.....	1,426,261	(1,426,261)	-	50,303,648	2.84%
June 30, 2018.....	1,271,657	(1,271,657)	-	48,838,493	2.60%
June 30, 2017.....	1,209,591	(1,209,591)	-	48,838,493	2.48%

Note: this schedule is intended to present information for 10 years.

Until a 10-year trend is compiled, information is presented for those years for which information is available.

See notes to required supplementary information.

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SCHEDULE OF INVESTMENT RETURNS OTHER POSTEMPLOYMENT BENEFIT PLAN

<u>Year</u>	<u>Annual money-weighted rate of return, net of investment expense</u>
June 30, 2020.....	1.89%
June 30, 2019.....	10.09%
June 30, 2018.....	8.20%
June 30, 2017.....	9.09%

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

See notes to required supplementary information.

NOTE A - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITYA. Budgetary Information

The District adopts a balanced budget that is approved by the Committee. The Superintendent of Schools presents an annual budget to the Committee, which includes estimates of revenues and other financing sources and recommendations of expenditures and other financing uses. The Committee, which has the full authority to amend and/or reject the budget or any line item, adopts the expenditure budget by a two-thirds vote and ratification by both member communities' Town Meetings, as required by MGL. Increases to the budget subsequent to the approval of the annual budget also require a two-thirds vote of School Committee and Town Meeting ratification.

The majority of appropriations are non-continuing which lapse at the end of each year.

The District adopts an annual budget for the General Fund in conformity with the guidelines described above. The initial 2020 approved budget for the General Fund authorized \$91.0 million in appropriations.

The District's accounting office has the responsibility to ensure that budgetary control is maintained. Budgetary control is exercised through the District's accounting system.

B. Budgetary - GAAP Reconciliation

For budgetary financial reporting purposes, the Uniform Municipal Accounting System basis of accounting (established by the Commonwealth) is followed, which differs from the GAAP basis of accounting. A reconciliation of budgetary-basis to GAAP-basis results for the general fund for the year ended June 30, 2020, is presented below:

Net change in fund balance - budgetary basis.....	\$	228,401
<u>Perspective differences:</u>		
Activity of the stabilization fund recorded in the general fund for GAAP.....		16,841
<u>Basis of accounting differences:</u>		
Recognition of revenue for on-behalf payments.....		17,868,892
Recognition of expenditures for on-behalf payments.....		(17,868,892)
Net change in fund balance - GAAP basis.....	\$	<u>245,242</u>

NOTE B - PENSION PLANA. Schedule of the District's Proportionate Share of the Net Pension Liability

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

B. Schedule of District's Contributions

Governmental employers are required to pay an annual appropriation as established by PERAC. The appropriation includes the amounts to pay the pension portion of each member's retirement allowance, an amount to amortize the actuarially determined unfunded liability to zero in accordance with the system's funding schedule, and additional appropriations in accordance with adopted early retirement incentive programs. The appropriations are payable on July 1 and January 1. The District may choose to pay the entire appropriation in July at a discounted rate. Accordingly, actual contributions may be less than the "total appropriation". The pension fund appropriation is allocated to the District based on covered payroll.

C. Schedule of the Special Funding Amounts of the Net Pension Liabilities

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

D. Changes in Assumptions

The net investment return assumption was lowered from 7.50% to 7.30%.

E. Changes in Plan Provisions

As permitted by Section 19 of Chapter 188 of the Acts of 2010, the Cost of Living Adjustment base was increased from \$14,000 to \$16,000 as of July 1, 2019.

NOTE C - OTHER POST-RETIREMENT BENEFITS

The District administers a single-employer defined benefit healthcare plan (the "Plan"). The Plan provides lifetime healthcare insurance for eligible retirees and their spouses through two separate plans. The District's group health insurance plan covers its active members and the Group Insurance Commission covers its retired members.

A. Schedule of the District's Proportionate Share of the Net Other Postemployment Benefit Liability

The Schedule of the District's Proportionate Share of the Net Other Postemployment Benefit Liability details the Plan's net other postemployment benefit liability (asset) and the covered employee payroll. It also demonstrates the Plan's net position as a percentage of the total liability and the Plan's net other postemployment benefit liability as a percentage of covered payroll.

B. Schedule of the District's Contributions

The Schedule of the District's Contributions includes the District's annual required contribution to the Plan, along with the contribution made in relation to the actuarially determined contribution and the covered employee payroll. The District is not required to fully fund this contribution. It also demonstrates the contributions as a percentage of covered payroll.

C. Schedule of Investment Returns

The Schedule of Investment Return includes the money-weighted investment return on the Plan's other postemployment assets, net of investment expense.

D. Changes in Assumptions

- Due to the GASB Statement #75 standards, the discount rate has been changed from 5.50% to 6.50%.
- Based on the recommendations of PERAC, the mortality table has been updated from the RP-2000 Employees Mortality Table projected generationally with scale BB and a base year 2009 to the RP-2014 Mortality Table projected generationally with scale MP-2016 for males and females.
- The expected long-term medical trend has been updated from 5.50% to 4.50%.
- Based on recent research by the Society of Actuaries, we have updated the assumption of morbidity or age-related costs of medical care.

E. Changes in Plan Provisions – None

NEXT DOCUMENT

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

REPORTS ON FEDERAL AWARD PROGRAMS

YEAR ENDED JUNE 30, 2020

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ACTON-BOXBOROUGH REGIONAL SCHOOL DISTRICT

REPORTS ON FEDERAL AWARD PROGRAMS

YEAR ENDED JUNE 30, 2020

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**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
Acton-Boxborough Regional School District

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 Acton-Boxborough 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 Acton-Boxborough Regional School District's basic financial statements, and have issued our report thereon dated _____, 2020.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

_____, 2020

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

Independent Auditor's Report

To the Honorable School Committee
Acton-Boxborough Regional School District

Report on Compliance for Each Major Federal Program

We have audited the Acton-Boxborough Regional School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Acton-Boxborough Regional Schools District's major federal programs for the year ended June 30, 2020. The Acton-Boxborough Regional School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Acton-Boxborough Regional School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Acton-Boxborough Regional School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Acton-Boxborough Regional School District's complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control Over Compliance

Management of the Acton-Boxborough Regional School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In

planning and performing our audit of compliance, we considered the Acton-Boxborough Regional School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Acton-Boxborough Regional School District's internal control over compliance.

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

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

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

Report on Schedule of Expenditures of Federal Awards Required by Uniform Guidance

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Acton-Boxborough 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 Acton-Boxborough Regional School District's basic financial statements. We issued our report thereon dated _____, 2020, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

_____, 2020

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2020

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Amount Passed Through to Sub-Recipients	Expenditures
CHILD NUTRITION CLUSTER:				
U.S. DEPARTMENT OF AGRICULTURE:				
<u>Passed through State Department of Elementary and Secondary Education:</u>				
Non-Cash Assistance (Commodities):				
National School Lunch Program.....	10.555	09-002	\$ - \$	92,144
Cash Assistance:				
National School Lunch Program.....	10.555	09-002	-	244,913
Total National School Lunch Program.....			-	337,057
Cash Assistance:				
School Breakfast Program.....	10.553	09-002	-	32,810
TOTAL CHILD NUTRITION CLUSTER.....			-	369,867
SPECIAL EDUCATION CLUSTER:				
U.S. DEPARTMENT OF EDUCATION:				
<u>Passed through State Department of Elementary and Secondary Education:</u>				
Special Education Grants to States (IDEA, Part B).....	84.027	240-291796-2020-0600	-	1,277,598
Special Education Preschool Grants (IDEA, Preschool).....	84.173	262-291799-2020-0600	-	32,105
TOTAL SPECIAL EDUCATION CLUSTER.....			-	1,309,703
U.S. DEPARTMENT OF TREASURY:				
<u>Passed through Executive Office of Administration and Finance:</u>				
COVID-19 - Coronavirus Relief Fund.....	21.019	102-394513-2021-0600	-	112,626
U.S. DEPARTMENT OF EDUCATION:				
<u>Passed through State Department of Elementary and Secondary Education:</u>				
Title I Grants to Local Educational Agencies.....	84.010	305-291800-2020-0600	-	136,255
Improving Teacher Quality State Grants.....	84.367	140-291797-2020-0600	-	72,810
Student Support and Academic Enrichment Program.....	84.424	309-291801-2020-0600	-	10,000
English Language Acquisition State Grant.....	84.365	180-291798-2020-0600	-	32,271
TOTAL EDUCATION.....			-	251,336
U.S. DEPARTMENT OF HOMELAND SECURITY:				
<u>Passed through the Massachusetts Emergency Management Agency:</u>				
COVID-19 - Disaster Grants - Public Assistance (Presidentially Declared Disasters).....	97.036	4496DR-MA-ABRSDY	-	23,917
TOTAL.....			\$ - \$	2,067,449

See notes to Schedule of Expenditures of Federal Awards.

Note 1 - Definition of Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of the Acton-Boxborough Regional School District under programs of the federal government for the year ended June 30, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Acton-Boxborough Regional School District, it is not intended to and does not present the financial position or changes in net position of the Acton-Boxborough Regional School District.

Note 2 - Significant Accounting Policies

The accounting and reporting policies of the Acton-Boxborough Regional School District are set forth below:

- (a) Basis of Presentation - The accompanying Schedule of Expenditures of Federal Awards is presented on the modified accrual basis of accounting. Accordingly, expenditures are recognized when the liability is incurred. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- (b) Cash Assistance - School Breakfast and Lunch Program - Program expenditures represent federal reimbursement for meals provided during the year.
- (c) Non-Cash Assistance (Commodities) - School Lunch Program - Program expenditures represent the value of donated foods received during the year.
- (d) The Acton-Boxborough Regional School District has not elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

A. Summary of Auditor's Results

1. The auditor's report expresses an unmodified opinion on the financial statements of Acton-Boxborough Regional School District.
2. No significant deficiencies relating to the audit of the basic financial statements are reported in the 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*.
3. No instances of noncompliance material to the financial statements of Acton-Boxborough Regional School District were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by Uniform Guidance.
5. The auditor's report on compliance for the major federal award programs for Acton-Boxborough Regional School District expresses an unmodified opinion.
6. There were no current year audit findings relative to the major federal award programs for the Acton-Boxborough Regional School District.
7. The special education cluster was tested as a major program.
8. The threshold for distinguishing Types A and B programs was \$750,000.
9. The Acton-Boxborough Regional School District was determined to be a low-risk auditee.

B. Findings-Basic Financial Statements Audit

None

C. Findings and Questioned Costs-Major Federal Award Programs Audit

None

D. Summary Schedule of Prior Audit Findings

None

NEXT DOCUMENT

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ACTON-BOXBOROUGH REGIONAL SCHOOL DISTRICT

MANAGEMENT LETTER

JUNE 30, 2020

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

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Acton-Boxborough Regional School District (District) as of and for the year ended June 30, 2020, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

However, during our audit we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with various District personnel and will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

The District's written responses to the matters identified in our audit have not been subjected to the audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

This communication is intended solely for the information and use of management of the Acton-Boxborough Regional School District and is not intended to be and should not be used by anyone other than these specified parties.

_____, 2020

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ACTON-BOXBOROUGH REGIONAL SCHOOL DISTRICT

MANAGEMENT LETTER

JUNE 30, 2020

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School Store

Current Year Comment

The high school operates a school store for its staff and student body. Much of its sales are of apparel items (shirts, hats, etc.) which is not subject to state sales tax. But some items (e.g., notebooks, writing implements, etc.) are sold for which sales tax is not collected.

We recommend that the school store collect and remit sales tax on taxable items as appropriate.

Management Response

We concur with this recommendation and it will be implemented in fiscal 2021.

Fraud Risk Assessment

Prior Year Comment

We previously noted that the COSO framework for the design, implementation and conduct of systems of internal controls and the assessment of their effectiveness places emphasis on fraud risks and compliance and is the new standard for assessing the effectiveness of internal controls. Fraud risks are considered in the context that individuals or entities may act outside of the organization's expected standards of ethical conduct; i.e. the opportunity for errors or misappropriation of assets exists when there are inadequate controls to prevent or detect these types of transactions.

To address this risk, we recommended that the District perform a risk assessment to identify, analyze, and manage the risk of asset misappropriation. Risk assessment is a key element of internal control that minimizes the possibility of misappropriation.

The risk assessment should be performed and documented by a consultant or management-level individual who has extensive knowledge of the District. This outside consultant or management member would conduct interviews or lead group discussion with personnel who have knowledge of the District, its environment, and its processes. The risk assessment process should consider the District's vulnerability to misappropriation of assets.

We recommended that management develop and implement a fraud risk assessment program to identify, analyze, and manage the risk of asset misappropriation.

Status

A fraud risk assessment was completed by an experienced consultant in fiscal 2020.

Consider Adopting a Cash and Investment Policy

Prior Year Comment

The District does not have an investment policy to address the types of credit risk disclosures required in Note 2 of the financial statements. Accounting standards have highlighted the need for governmental entities to consider adopting cash and investment policies that take into account custodial, credit and interest rate risk. Such policies establish guidelines for matters such as 1) the types of banks the District should have deposits with; 2) the maximum period that an investment can be held and; 3) the highest concentration the District can have in any one investment type or issuer.

We recommended that the District adopt a cash and investment policy with consideration to the specific types of risks required for disclosure.

Status

The District has drafted and intends to formally adopt a cash and investment policy in fiscal 2021.

Documentation of Internal Controls

Prior Year Comment

In December 2013, the U.S. Office of Management and Budget (OMB) issued *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) in an effort to (1) streamline guidance for federal awards while easing the administrative burden and (2) to strengthen oversight over the expenditure of federal funds and to reduce the risks of waste, fraud and abuse.

In conformance with Uniform Guidance, the non-Federal entity must: (a) Establish and maintain effective internal control over the Federal awards that provides reasonable assurance that the non-Federal entity is managing the Federal awards in compliance with Federal statutes, regulations, and the terms and conditions of the Federal awards. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States (the Green Book) and the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Management should evaluate and assess the government’s internal control system to determine whether each of the five essential elements of a comprehensive framework of internal control is present throughout the organization; whether each element addresses all of the associated principles; and whether all five elements effectively function together.

We recommended management follow the best practice for establishing and documenting their internal control system using the COSO Internal Control Framework.

Status

The District has a draft federal financial internal controls and procedures manual and plans to finalize and implement it in fiscal 2021.

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Employee Reimbursements

Prior Year Comment

There are some instances when an employee will make purchases on behalf of the District on their personal credit card and subsequently be reimbursed by the District for these purchases. While these may be legitimate purchases made that contain proper supporting documentation (i.e. itemized receipts), reimbursements made to employees should be limited and if possible, avoided. Purchases should generally be made through the warrant process to ensure that the goods purchased contain proper levels of approval prior to payment. In performing our auditing procedures, it was noted that there were excessive reimbursements to several school department employees for purchases made throughout the year.

We recommended that reimbursement of employee expenditures be limited to special circumstances and items and not be a normal operating procedure.

Status

Procedures were implemented in fiscal 2020 that curtailed the "normal" use of employee reimbursements as a means of procurement. As a result, such reimbursements declined by over 80% (in dollar value) from the previous year.

NEXT DOCUMENT



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ACTON-BOXBOROUGH REGIONAL SCHOOL DISTRICT, MASSACHUSETTS

FRAUD RISK ASSESSMENT REPORT

Prepared by:
Eric A. Kinshurf, CPA

June 1, 2020

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Preface

The following Fraud Risk Assessment Report has been prepared by Eric A. Kinshurf, CPA for the Acton-Boxborough Regional School District, Massachusetts, with input from the Director of Finance and selected employees from the Business Office and Schools. Its purpose is to document an administrative understanding of the risks of fraud residing within the Regional School District and to report the summary results of a recent review of the Regional School District's operational procedures in order to:

- Ensure there are adequate procedures and internal controls in place designed to prevent, detect and deter fraud;
- Identify potential risk areas and develop administrative and departmental action items for minimizing these risks; and
- Highlight the Regional School District's oversight function designed to prevent, detect and deter fraud.

The Director of Finance is responsible for reviewing and approving the procedures and internal controls submitted to them by Senior Management. These procedures are designed to prevent, detect and deter fraud by the continuous monitoring of the effectiveness of these procedures and internal controls.

This report contains an assessment of the areas determined to have an element of risk and a description of administrative and departmental action items planned for implementation to strengthen those areas.

The assessments and recommendations by Eric A. Kinshurf, CPA, are in the Appendix B. The Appendix B has a Fraud Risk Management Plan for each Department. If changes are made to these recommendations or corrective actions adopted by the Regional School District, please update the Comments section of the Fraud Risk Management Plans.

It should be noted that this document should be considered a working document which is consistently reviewed and updated.

Introduction to Fraud

According to a recent publication, Management Anti-Fraud Programs and Controls – Guidance to Help Prevent, Deter, and Detect Fraud¹;

“Fraud can range from minor employee theft and unproductive behavior to misappropriation of assets and fraudulent financial reporting. Material financial statement fraud can have a significant adverse effect on an entity’s market value, reputation, and ability to achieve its strategic objectives. A number of highly publicized cases have heightened the awareness of the effects of fraudulent financial reporting and have led many organizations to be more proactive in taking steps to prevent or deter its occurrence. Misappropriation of assets, though often not material to the financial statements, can nonetheless result in substantial losses to an entity if a dishonest employee has the incentive and opportunity to commit fraud.

The risk of fraud can be reduced through a combination of prevention, deterrence, and detection measures. However, fraud can be difficult to detect because it often involves concealment through falsification of documents or collusion among management, employees, or third parties. Therefore, it is important to place a strong emphasis on fraud prevention, which may reduce opportunities for fraud to take place and fraud deterrence, which could persuade individuals that they should not commit fraud because of the likelihood of detection and punishment. Moreover, prevention and deterrence measures are much less costly than the time and expense required for fraud detection and investigation.

An entity’s management has both the responsibility and the means to implement measures to reduce the incidence of fraud. The measures an organization takes to prevent and deter fraud also can help create a positive workplace environment that can enhance the entity’s ability to recruit and retain high-quality employees.

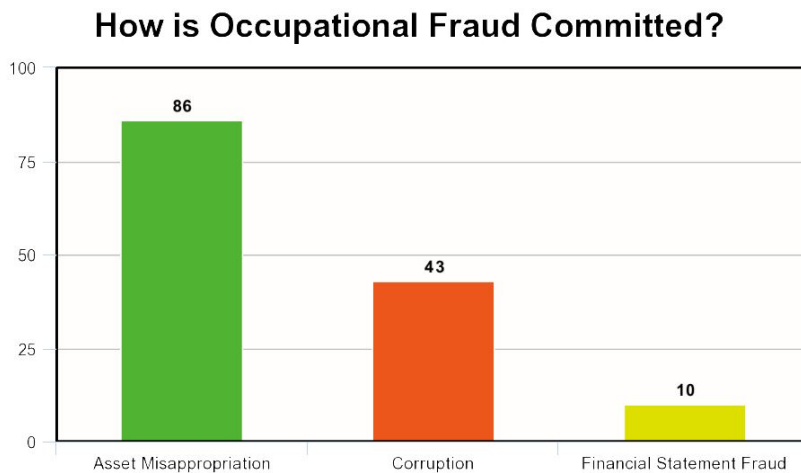
Research suggests that the most effective way to implement measures to reduce wrongdoing is to base them on a set of core values that are embraced by the entity. These values provide an overarching message about the key principles guiding all employees’ actions. This provides a platform upon which a more detailed code of conduct can be constructed, giving more specific guidance about permitted and prohibited behavior, based on applicable laws and the organization’s values. Management needs to clearly articulate that all employees will be held accountable to act within the organization’s code of conduct.”

¹ Published as an exhibit to SAS No. 99 and SAS No. 113, Consideration of Fraud in a Financial Statement Audit, a joint publication of the American Institute of Certified Public Accountants, Association of Certified Fraud Examiners, Financial Executives International, Information Systems Audit and Control Association, the Institute of Internal Audits, Institute of Management Accountants and Society for Human Resources Management.

Fraud Charts

The information illustrated in the following charts are based on a report provided by the Association of Certified Fraud Examiners regarding occupational fraud and abuse, based on their recently published *2020 Global Study on Occupational Fraud and Abuse*.

The chart below illustrates the most common types of occupational fraud committed in the United States:

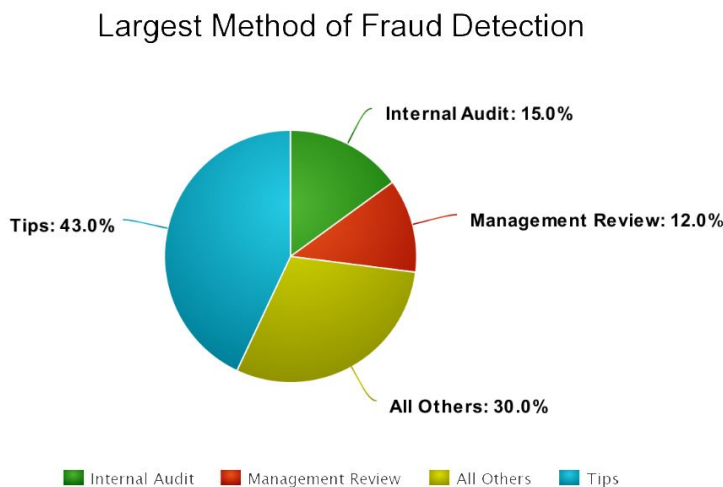


Asset Misappropriation is theft of cash or skimming, fraudulent disbursements, theft or misuse of inventory or assets.

Corruption is bribes, conflict of interest, illegal gratuities, and economic extortion.

Financial Statement Fraud is fictitious or understated revenue, concealing or overstating liabilities or expenses, and improper asset valuations or disclosures.

The following chart illustrates the largest method fraud is most likely detected:



Assessment of the School District's Operational Fraud Risk

Initial Assessment

An initial assessment was completed of potential fraud risk on a departmental and school basis. This initial assessment was provided to Senior Management for their observations. A preliminary assessment was then prepared incorporating these observations.

Interviews

A number of interviews with key department heads and school staff were conducted, informing them about the increased national awareness of fraud detection and prevention, the new audit standards and to develop an understanding of the procedures and internal controls within the respective areas. Strengths and weaknesses were openly discussed. Attendees were also provided a preliminary assessment of fraud risk in their respective departments and given an opportunity to comment.

Final Assessment

Based on the information provided during interviews, and upon further review by Senior Management, a final assessment of departmental fraud risk was prepared. These assessments are attached to this report as Appendix B.

Identified Areas of Fraud Risk

The following highlights some **recurring areas of Fraud Risk** observed during some Department Interviews. The detailed observations by Department are outlined in Appendix B.

Revenue Collection Process

Overall, funds are either deposited to the bank is done frequently by departments and schools handling activities and food services or turned over to the Treasurer on a timely basis. Funds awaiting deposit or turnover are stored in a secure area. In some instances, within the student activities, receipts are not given for all transactions.

Lack of Communication of Established Policies and Procedures

The District has an Anti-Fraud Procedures section contained in its Manual of Financial Procedures. The anti-fraud section includes descriptions of types of fraud and what actions employees must follow if fraud is suspected. The policy also includes a section for 'whistle-blower' protection. Most employees interviewed for this assessment weren't aware of the anti-fraud procedures nor how to access if needed. Research reveals that the most effective way to reduce the potential for fraud is to make employees aware of the importance of and the existence of policies that address fraud. We recommend the existing anti-fraud procedures policy be reviewed and distributed to all employees. We also recommend that employees receive training and as part of the annual ethics acknowledgement process, be required to review and affirm that they have read and understood the anti-fraud and whistleblower procedures policy.

We recommend a fraud risk “tip hotline”. A tip hotline is a good fraud detection tool. The 2020 Global study of occupational fraud shows that 43% of scams were detected as tips. Telephone hotlines and E-mail were used by whistle blowers in 33% of cases.

Override of Established Internal Controls

Purchase order and invoice processing steps are being followed but not always in the order prescribed in the District’s Manual of Financial Procedures. Examples include instances in which invoices are sent to Accounts Payable without purchase orders; purchase orders being written up after the fact with administration staff often required to create the write up; or purchase orders and invoices being received simultaneously. This is an override of established internal controls and is a fraud risk.

We recommend the accounts payable procedures outlined in the Manual of Financial Procedures be reviewed and district staff involved in the submission and processing of payables be retrained to increase efficiency and accountability.

Accounts Payable maintains a significant number of vendors on file (estimated 14,000), many of which are likely duplicate, outdated, or inactive. In the interview process, we were advised that Accounts Payable and Accounting staff have started a project to review inactive, duplicate, merged or older, non-used vendors from the system as time permits. We recommend that dedicated resources be allocated to update and purge the vendor list to reduce potential errors, increase efficiency and reduce potential for fraud.

Summary of Recommendations

1. Make employees aware of the existing fraud and whistleblower policies
2. Review the current vendor list and deactivate any unused vendors
3. Require the use of established purchase order and payable processing procedures
4. Set a “tone at the top” by having management contemplate and communicate potential fraud risks on a periodic basis
5. Perform periodic internal audits

Assessment of School's Financial Reporting Fraud Risk

Purchasing and Approval System

The Director of Finance is responsible for ensuring adherence to Massachusetts General Law Chapter 30B.

Petty Cash Funds

The Regional School District maintains small amounts of petty cash for food services, student activities and athletics. Given that sufficient controls are in place for maintaining and accounting of cash throughout the year, as well as the small amount of petty cash on hand at any given period, fraud risk associated with petty cash funds is believed to be low.

External Financial Reporting

External financial reporting is coordinated through the Director of Finance. The Outside Auditors assist in preparing the external financial reports. The Director of Finance reviews the external financial reports and submits to fulfill continuing disclosure requirements imposed on the School through bond covenants for its bonded debt and by state law. Other outside governmental agencies also receive reports regularly.

Internal Budget Reporting

Each school and department within the District have access to MUNIS software to view and run reports. The Director of Finance's Office oversees dissemination and regular monitoring of budget performance and spending.

Oversight

The Director of Finance is responsible for the development of procedures and internal controls designed to prevent, detect and deter fraud and the continuous internal monitoring of the effectiveness of those procedures and internal controls.

The Director of Finance is responsible for reviewing and approving the procedures and internal controls. The School Committee is approving school-wide policies. The Director of Finance is charged with reviewing and discussing fraud related and other financial matters with the School's independent auditors.

Appendix A – Fraud Risk Management Plan

Fraud Risk Management Plan

It is increasingly important that organizations be proactive in their approach of assessing and managing fraud risks.

The fraud risk management program has the following elements.

- A review with department heads in every department areas of fraud risk. These areas would include issues and controls related to cash collections, procurement, and the use of Regional School Districts' assets.
- For each identified fraud risk, we will identify the current controls in place and make recommendations for improvement.
- The monitoring of the identified risks is accomplished by testing, observation, and analytical review.

Another element to the program to consider would be the implementation of anonymous tip line. According to the attached report provided by the Association of Certified Fraud Examiners, for all companies with an anonymous fraud hotline in place, median loss was reduced by 51%. The single biggest method of fraud detection in a company is through tips (43%) followed by internal audits (15%) and management review (12%).

There are two attachments which accompany this section of our review. Attachment 1 is the report provided by the Association of Certified Fraud Examiners regarding occupational fraud and abuse, based on a study conducted by them, "2020 Global Study on Occupational Fraud and Abuse". Attachment 2 contains inquiries and questions to consider when assessing fraud risks. The tables provided serve as tools for identifying fraud risks.

Attachment 1

(Based on information from the Association of Certified Fraud Examiners “2020 Global Study on Occupational Fraud and Abuse”).

The Association of Certified Fraud Examiners estimates that the typical organization loses 5% of revenues each year to fraud. If applied to the 2019 estimated Gross World Product of \$90.5 trillion, this translates to a potential projected global fraud loss of nearly \$4.5 trillion.

The median loss caused by the frauds in the study was \$125,000. Additionally, 21% of the cases involved losses of \$1 million or more.

The median duration — the amount of time from when the fraud commenced until it was detected — for the fraud cases reported to us was 14 months.

Occupational frauds can be classified into three primary categories: asset misappropriations, corruption and financial statement fraud. Of these, asset misappropriations are the most common, occurring in 86% of the cases in the study, as well as the least costly, causing a median loss of \$125,000. In contrast, only 10% of cases involved financial statement fraud, but those cases had the greatest financial impact, with a median loss of \$954,000. Corruption schemes fell in the middle, 43% of cases and median loss of \$200,000.

Many cases involve more than one category of occupational fraud. Approximately one-third of schemes in the study included more than one of the three primary forms of occupational fraud.

Tips are consistently and by far the most common detection method. Over 43% of all cases were detected by a tip — more than twice the rate of any other detection method. Employees accounted for about 50% of all tips that led to the discovery of fraud.

Organizations with hotlines were much more likely to catch fraud by a tip, which the data shows is the most effective way to detect fraud. Median losses were nearly double (\$198,000) at organizations without hotlines compared to organizations with hotlines (\$100,000).

The smallest organizations tend to suffer disproportionately large losses due to occupational fraud. Additionally, the specific fraud risks faced by small businesses differ from those faced by larger organizations, with certain categories of fraud being much more prominent at small entities than at their larger counterparts.

The banking and financial services, government and public administration, and manufacturing industries continue to have the greatest number of cases reported in the research, while the mining and wholesale trade had the largest reported median losses.

The presence of anti-fraud controls is associated with reduced fraud losses and shorter fraud duration. Fraud schemes that occurred at victim organizations that had implemented any of several common anti-fraud controls were significantly less costly and were detected much more quickly than frauds at organizations lacking these controls.

The higher the perpetrator's level of authority, the greater fraud losses tend to be. Owners/executives only accounted for 20% of all cases, but they caused a median loss of \$600,000. Employees, conversely, committed approximately 41% of occupational fraud with a median loss of \$60,000. Managers ranked in the middle, committing 35% of frauds with a median loss of \$150,000.

Collusion helps employees evade independent checks and other anti-fraud controls, enabling them to steal larger amounts. The median loss in a fraud committed by a single person was \$90,000, but as the number of perpetrators increased, losses rose. In cases with two perpetrators the median loss was \$105,000. For three or more perpetrators it rose significantly to \$350,000.

More than 75% of the frauds in the study were committed by individuals working in one of seven departments: accounting, operations, sales, executive/upper management, customer service, purchasing and finance.

It takes time and effort to recover the money stolen by perpetrators, and many organizations are never able to fully do so. At the time of the survey, 54% of the victim organizations had not recovered any of their losses due to fraud, and less than 12% made full recovery of losses.

Attachment 2 – (Based on information obtained from the PPC Account Audit Checklist of Questions)

Inquiries about Fraud Risks for Responsible Officials

Required Inquiry	Possible Questions
<p>Their knowledge of any actual fraud or suspicions of fraud affecting the governmental unit.</p>	<ul style="list-style-type: none"> • Are you aware of any actual instances of fraud within the governmental unit? • Do you have any reason to suspect fraud may be occurring within the governmental unit? If so, where and how? • Have you seen any changes in employee behavior?
<p>Their awareness of any allegations of fraud or suspected fraud affecting the governmental unit.</p>	<ul style="list-style-type: none"> • Have you received any communications from employees, former employees, regulators, or others alleging fraud?
<p>Their understanding of the risks of fraud within the governmental unit, including any specific fraud risks the governmental unit has identified or account balances or transaction classes that may be susceptible to fraud.</p>	<ul style="list-style-type: none"> • Which types of transactions, account balances, financial statement classifications, or locations are most at risk for intentional misstatement or theft? • Have you identified any specific risks of fraud within the governmental unit? • What would be the easiest way for someone to misstate the financial statements or steal assets without getting caught? • If someone were going to overstate or understate revenue, how would they do it? • If someone were going to steal and cover it up, how would they do it? • Does the governmental unit use source documents that could be easily accessed and forged? • How could false entries be made to the accounting system? • What departures from GAAP are most common? What departures from GAAP are most likely? • Where are the weaknesses in internal controls? • Which controls can be bypassed or overridden? Are there instances where controls have been bypassed or overridden in the past? • Have other governments identified any common frauds? • Have there been changes within governments in general or their activities that have created or changed risks of fraud?
<p>How they communicate to employees the importance of ethical behavior and appropriate operating practices.</p>	<ul style="list-style-type: none"> • What instructions do you give to employees about how they are expected to behave? • How do you make it clear to employees that fraudulent or unethical behavior will not be tolerated?
<p>Programs and controls the governmental unit has implemented to address identified fraud risks or otherwise help prevent, deter, and detect fraud and how those programs and controls are monitored.</p>	<ul style="list-style-type: none"> • What measures have you taken to address specific risks of fraud within the governmental unit? • What controls have been implemented to prevent one person from perpetrating and concealing a fraud when segregation of duties is not possible? • What procedures are in place for initiating, approving, and processing nonroutine transactions? • How have employees been told to communicate suspected fraud? • Are there any other programs and controls in place to help prevent, deter, or detect fraud? <p>How do you monitor the governmental unit's antifraud programs and controls to make sure they are working as intended?</p>
<p>The nature and extent of monitoring multiple locations or component units and whether any of them have a higher level of fraud risk.</p>	<ul style="list-style-type: none"> • Do fraud risks exist or are they more likely to exist in particular government locations? • How do you monitor the governmental unit's operating locations to reduce the likelihood of fraud occurring and going undetected?
<p>Whether they have reported to the audit committee (or its equivalent) about how the governmental unit's internal control serves to prevent, deter, and detect material misstatements due to fraud.</p>	<ul style="list-style-type: none"> • Have you reported to the audit committee (or its equivalent) about how the governmental unit's internal control serves to prevent, deter, and detect material misstatements due to fraud?

301.23 Inquiries also should be made of other employees to determine whether they are aware of **fraud** that is occurring or have suspicions of fraudulent activity. Deciding which employees to make inquiries of and the extent of those inquiries is a matter of professional judgment that depends primarily on whether the auditor believes those employees may provide information that is relevant to identifying **fraud** risks. At a minimum, the auditor should ask the following questions:

- Are you aware of any actual **fraud** within the governmental unit?
- Do you have any reason to suspect **fraud** is occurring within the governmental unit? If so, where and how?
- Do you have any reason to suspect your superior is committing **fraud**?

Possible Inquiries about Fraud Risk for Government Employees

Suggested Questions	Direct Inquiries to
<ul style="list-style-type: none"> • Do you know of anyone who is stealing from the governmental unit? • Do you suspect that anyone is stealing from the governmental unit? • Do you know of anyone who is manipulating the accounts or records? • How could someone steal from the governmental unit without getting caught? <ul style="list-style-type: none"> • If I were to [indicate potential fraud], how would I get caught? • How would you describe the governmental unit's (and/or management's) values and ethics? <ul style="list-style-type: none"> • What is it like to work here? How is the overall morale? • Are you upset with the governmental unit for any reason? Do you know of anyone who is? • Have you ever been asked to ignore or override a policy or procedure that is part of your job? Who asked you? • Have you ever seen another employee circumventing governmental unit policies, procedures, or controls? What explanation did they give? • Have you noticed any unusual changes in the behavior or lifestyle of management or any other employees? <ul style="list-style-type: none"> • Do you know of any employees who are under pressure to make ends meet financially? • How do you think this governmental unit compares with others in terms of the honesty of its employees? <ul style="list-style-type: none"> • Do you think your co-workers are honest? • Has anyone you work with ever asked you to do anything you thought was illegal or unethical? What would you do if someone asked you? <ul style="list-style-type: none"> • Have you ever been asked to enter false information in the accounting system or records? • Has anyone you work with ever asked you to withhold information from the auditors or alter documents or records? • Has the governmental unit communicated how you should report suspected fraud? If so, would you feel comfortable in reporting suspected fraud in this manner? Do you believe that reporting suspected fraud would not be held against you by management or others? <ul style="list-style-type: none"> • Is there anything else you would like to add, or anyone else we should talk to? • I must ask you one last question. Have you yourself done anything against the governmental unit that was illegal or unethical? 	All employees selected
<ul style="list-style-type: none"> • How is management and/or the board compensated? • Has management exerted any pressure upon you or others to override, modify, or falsify compensation awards, agreements, or plans without sufficient justification and approval for the situation? • Has there been any significant turnover in personnel? In what departments? • Are there any recent or planned layoffs or changes in pay rates or benefit plans that have or could upset the workforce? • Have recent bonuses, raises, and promotions met employee expectations? Is there anything planned in those areas that could cause resentment among employees? • Have employees complained about work conditions, management demands or style, or other matters that could lead to pressures or incentives to commit fraud? 	Human resources
<ul style="list-style-type: none"> • How active is management in supervising the accounting department? • Does management (including senior finance executives) demonstrate an attitude of "shoot the messenger" when learning of unfavorable financial results or incidents? • What are the weaknesses in internal controls? • Do any of the accounting policies seem inappropriate or overly aggressive? • Does management always tend to favor amounts that are on the high (low) side when developing accounting estimates, such as estimated liabilities and valuation accounts? • Does management often use materiality to justify questionable accounting practices? • Does it ever seem like the method of accounting for a transaction is more important than the transaction itself? Can you give me an example? • Does anyone run personal expenses through the governmental unit? 	Accounting and finance

Suggested Questions	Direct Inquiries to
<ul style="list-style-type: none"> • What aspect of the governmental unit's performance is management most concerned about? • Are there any changes in procedures or improvements in controls that could easily be made, but management has chosen not to? • Have there been any unusual changes in the way transactions are processed? • Are there any third parties that have expectations about the governmental unit's performance? What are their needs or expectations? • Have you ever been asked to record any journal entries that seemed unusual or lacked support? • Have you ever been asked to make false entries in the accounting records? 	
<ul style="list-style-type: none"> • Have relationships with particular suppliers significantly changed (improved or deteriorated) in the past year? • What types of vendor complaints do you typically receive? • Do any vendors have a close or unusual relationship with management? 	Purchasing

Appendix B - Departmental Fraud Risk Assessment Forms

Identified Areas of Fraud Risk which are listed in first column of matrices below:

T: Indicates Potential Theft or Misappropriation of Assets

F: Indicates Potential Fraudulent Financial Reporting

C: Indicates Potential for Corruption

ACTON-BOXBOROUGH REGIONAL SCHOOL DISTRICT

Fraud Risk Management Plan

Human Resources

Department: Human Resources

Location: 15 Charter Road, Acton

Cash Collection: No

Formal Policies and Procedures Manual – Yes

of Employees: 5

	Identified Area of Fraud Risk	Control and Monitoring Procedures	Recommendations	Comments
T,C	Favoritism/Collusion with School hiring process.	<p>Full job descriptions and qualification requirements are posted for every position.</p> <p>Positions are posted on District website, <i>SchoolSpring</i> and <i>Indeed</i> platforms. Use <i>Applitrack</i> online for applications. Postings stay on <i>Applitrack</i> for 5 days.</p> <p>Applications are reviewed at the individual school level although Human Resources Department also has access to applicant information. Final decision on hiring for certified staff is made by Superintendent. Approval for non-certified staff is made by Central Office hiring committee representative.</p> <p>There is a pre-employment background check including CORI and references. All new employees are fingerprinted.</p> <p>Offer letter is generated and sent by Human Resources.</p>	N/A	

T	Lack of Segregation of Duty – Payroll Process.	Utilizes a shared database, software product <i>Personnel Action Form</i> , which creates an e-form paper trail from HR to notify Payroll of new hires, terminations, changes of circumstances. Payroll Department has access to pay rates but isn't advised by HR of pay changes or leave reasons.	N/A		
T	Confidential Information not secured.	HR maintains separate files of confidential information in locked drawer in Deputy Superintendent's office which is locked after business hours.	N/A		
T	Health insurances invoices, detail by person, not matching payroll deductions or employee documents.	HR validates employee and dependent eligibility for health coverage. Documentation by employees required to make changes. Health insurance invoices are reconciled to employee deductions periodically.	N/A		
T,F	Expenditures not reviewed	Expenditures are reviewed monthly and compared by HR and finance accountant.	N/A		
F	Compensated Absences/Abuse of Time off	HR manages sick time and time off. Online system used for this purpose. Staff requests time off through system. Supervisor approves followed by Deputy Superintendent approval. Timecards were eliminated a few years ago and have been replaced by sign-in sheets, which are used by general education, special education and kindergarten assistants.	We recommend that use of sign-in sheets be replaced with a digital sign-in software solution.		

T,F	Lack of a formal Policies and Procedures manual/Incorrect processes being followed	Department maintains policies and procedures for all relevant areas and responsibilities.	N/A	
T,F	Communication to employees the importance of ethical behavior and appropriate operating practices	Employee handbooks covering ethical behavior, harassment, confidentiality and conflict of interest provided to all employees who must read and sign at time of hire and annually thereafter.	N/A	
T,F	Knowledge of actual fraud or suspicions of fraud affecting the District Lack of Policy stating if fraud suspected what to do	<p>There is no knowledge of current fraud or suspicions of fraud affecting the District.</p> <p>The District has an anti-fraud procedures section contained in its Manual of Financial Procedures. The anti-fraud section includes descriptions of types of fraud and what actions employees must follow if fraud is suspected. The policy also includes a section for 'whistle-blower' protection.</p> <p>Most employees interviewed for this assessment weren't aware of the anti-fraud procedures nor how to access if needed.</p>	We recommend existing anti-fraud procedures be reviewed and distributed to all employees. We also recommend that as part of ethics training, employees be required to review and affirm annually that they have read the procedures policy.	

Fraud Management Plan Approvals

Prepared by:

Marie Altieri, Deputy Superintendent

Approved by:

Peter Light, Superintendent

ACTON-BOXBOROUGH REGIONAL SCHOOL DISTRICT

Fraud Risk Management Plan

Treasurer

Department: Treasurer

Location: 15 Charter Road, Acton

Cash Collection: Yes

Formal Policies and Procedures – Yes

of Employees: 2

	Identified Area of Fraud Risk	Control and Monitoring Procedures	Recommendations	Comments
T,F	Cash Collection – Theft of Funds	N/A	N/A	
T,F	Cash Drawer – Theft of Funds	Payments are kept in a locked safe in Treasurer's office.	N/A	
T,F	Deposits not done on a timely basis	For miscellaneous payments, Treasurer's office takes in, bank deposits are made weekly. Food services, student activities, transportation and athletics make deposits directly to bank. Treasurer's best practice is that bank deposits occur weekly. Treasurer stays on top of departments and schools to ensure timeliness of bank deposits and turnovers. Treasurer gets a copy of all deposits.	N/A	

T,F	Cash Reconciliations not being done in a timely manner	<p>Cash book maintained (excel spreadsheet). All accounts linked to cash flow. Monthly cash flow report is produced and cash flow is monitored frequently.</p> <p>Treasurer does reconciliations of all bank accounts (6 banks/24 bank accounts) monthly.</p> <p>Treasurer accumulates deposits, prepares a summary sheet, then sends to Accounts Payable for entry into MUNIS.</p> <p>Petty cash (which is minimal) is counted annually on site for food services, school activities and athletics.</p>	N/A		
T,F	Receivables/Receipts not being maintained or reconciled – money being stolen and records manipulated	School district has very few receivables. Finance Department reviews and reconciles monthly.	N/A		
F	Rate of return on investments not being maximized due to collusion with banks.	The district follows investment guidelines prescribed in its Manual of Financial Procedures for investment of general, special revenue and capital projects funds. Massachusetts General Laws, Chapter 44, section 55B adhered to.	N/A		
T,F ,C	Lack of a formal Policies and Procedures manual/incorrect processes being followed	<p>The Treasurer's office follows procedures prescribed by the Finance Department's comprehensive Manual of Financial Procedures.</p> <p>In addition, the Treasurer's Office maintains a binder of step by step procedures for specific functions.</p>	N/A		

T,F ,C	<p>Knowledge of actual fraud or suspicions of fraud affecting the District</p> <p>Lack of Policy stating if fraud suspected what to do</p>	<p>There is no knowledge of current fraud or suspicions of fraud affecting the District.</p> <p>The District has an Anti-Fraud Procedures section contained in its Manual of Financial Procedures. The ant-fraud section includes descriptions of types of fraud and what actions employees must follow if fraud is suspected. The policy also includes a section for 'whistle-blower' protection.</p> <p>Most employees interviewed for this assessment weren't aware of the anti-fraud procedures nor how to access if needed.</p>	<p>We recommend existing anti-fraud procedures be reviewed and distributed to all employees. We also recommend that as part of ethics training, employees be required to review and affirm annually that they have read the procedures policy.</p>	
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Fraud Management Plan Approvals

Prepared by:

Margaret Dennehy, District Treasurer

Melissa Andrew, Assistant Treasurer

Approved by:

David Verdolino, Director of Finance

ACTON-BOXBOROUGH REGIONAL SCHOOL DISTRICT

Fraud Risk Management Plan

Finance

Department: Finance

Location: 15 Charter Road, Acton

Cash Collection: No

Formal Policies and Procedures Manual - Yes

of Employees: 8.5

	Identified Area of Fraud Risk	Control and Monitoring Procedures	Recommendations	Comments
T,F	Cash Collection – Theft of Funds	Finance office does not collect cash.	N/A	
T	Cash Drawer – Theft of Funds	N/A	N/A	
T	Turnovers not being made in a timely manner	N/A	N/A	
T,F	Cash receipts and reconciliations not being done in a timely manner	Finance accountant reconciles cash and payments with schools and departments that handle cash on a monthly basis.	N/A	
T,F	Books not being maintained properly	Financial accounts are audited by external auditors Powers and Sullivan, LLC annually.	N/A	
T,F	Expenditures not reviewed	Expenditures are monitored continually to ensure budget adherence. Beginning in September of every fiscal year, finance accountant sends monthly spending updates to schools and departments.	N/A	

T,F	Compensated Absences/Abuse of Time off	<p>Human Resources Department manages sick time and time off. Online system used for this purpose. Staff requests time off through system. Supervisor approves followed by Deputy Superintendent approval.</p> <p>Timecards were eliminated a few years ago and have been replaced by sign-in sheets, which are used by general education, special education and kindergarten assistants.</p>	We recommend that use of sign-in sheets be replaced with a digital sign-in software solution.		
T,F	Lack of Internal Audits	<p>While internal audits are not routinely performed, finance and accounting closely monitor day to day procedures as prescribed in the District's detailed Manual of Financial Procedures.</p> <p>In addition, the Finance Director meets with staff every two weeks to ensure operations are running smoothly.</p>	N/A		
T,F	The nature and extent of monitoring multiple locations and whether any of them have a higher level of fraud risk	The fraud risk assessment will highlight areas where the District is susceptible to fraud and make recommendations to mitigate the risk.	Follow recommendations in the Fraud Risk Assessment.		
T,F ,C	Lack of a formal Policies and Procedures manual/Incorrect processes being followed	Finance Department maintains a comprehensive manual of financial procedures which covers internal policies and procedures. Aspects covered include amongst others record keeping, procurement, cash management, investments, contracts, payroll, accounts payable, cash management, management reporting and anti-fraud.	N/A		

T,F ,C	<p>Knowledge of actual fraud or suspicions of fraud affecting the District</p> <p>Lack of Policy stating if fraud suspected what to do</p>	<p>There is no knowledge of current fraud or suspicions of fraud affecting the District.</p> <p>The District has an Anti-Fraud Procedures section contained in its Manual of Financial Procedures. The ant-fraud section includes descriptions of types of fraud and what actions employees must follow if fraud is suspected. The policy also includes a section for 'whistle-blower' protection.</p> <p>Most employees interviewed for this assessment were not aware of the anti-fraud procedures nor how to access if needed.</p>	<p>We recommend existing anti-fraud procedures be reviewed and distributed to all employees. We also recommend that as part of ethics training, employees be required to review and affirm annually that they have read the procedures policy.</p>	
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Fraud Management Plan Approvals

Prepared by:

David Verdolino, Director of Finance

Approved by:

Peter Light, Superintendent

ACTON-BOXBOROUGH REGIONAL SCHOOL DISTRICT

Fraud Risk Management Plan

Accounts Payable

Department: Accounts Payable
Acton

Location

: 15 Charter Road,

Cash Collection: No

Formal Policies and Procedures Manual – Yes

of Employees: 2

	Identified Area of Fraud Risk	Control and Monitoring Procedures	Recommendations	Comments
T	Turnovers not made in a timely manner	Deposits and revenues received (for items such as facilities rental) are posted in MUNIS. District accountant and Treasurer's office get copies of turnover sheet. Treasurer makes bank deposit and accountant posts deposit items into general ledger.	N/A	
T,F	Payments not being reconciled with District Accountant	District accountant performs this function periodically. Discrepancies are addressed.	N/A	
T,F	Receivables not being maintained or reconciled – money being stolen and records manipulated	District has very few receivables. Receivables are reconciled monthly.	N/A	

T,F	Fictitious vendors being paid	<p>Vendor files are available to be viewed on MUNIS by administrative staff but access to the more confidential vendor information is restricted to Accounts Payable team.</p> <p>W9s are required for all new vendors. W9s are locked in a file cabinet in an office that is locked if staff is not present.</p> <p>The district maintains an estimated 14,000 vendors on file. Accounts Payable and Accounting have started a project to review inactive, duplicate, merged or older, non-used vendors from the system.</p>	Accounts Payable maintains a significant number of vendors on file many of which are possibly duplicate, outdated, or inactive. Dedicated resources should be allocated to update and purge the vendor list to reduce potential errors, increase efficiency and reduce potential for fraud.		
T	Departments can pick up vendor checks	Vendor checks can be picked up but only after warrant is approved.	N/A		
T,F	Lack of segregation of duty for vendor payments	There is a separation of duties and a policy and process in place for vendor payments.	N/A		
T,F	Bills being approved for payments that are unlawful, excessive or fraudulent.	<p>Purchase order and invoice processing steps are being followed but not always in the order prescribed in the District's Manual of Financial Procedures.</p> <p>Examples include instances in which invoices are sent to Accounts Payable without purchase orders; purchase orders not being filled out with enough relevant information or purchase orders sometimes are written up after the fact with administration staff often required to create the write up; or purchase orders and invoices being received simultaneously.</p>	We recommend the accounts payable procedures outlined in the Manual of Financial Procedures be reviewed and district staff involved in the submission and processing of payables be retrained to increase efficiency and accountability.		

T,F ,C	Lack of a formal Policies and Procedures manual/Incorrect processes being followed		The Accounts Payable Department follows procedures prescribed by the Finance Department's comprehensive Manual of Financial Procedures.		N/A	
T,F ,C	Knowledge of actual fraud or suspicions of fraud affecting the District Lack of Policy stating if fraud suspected what to do		There is no knowledge of current fraud or suspicions of fraud affecting the District. The District has an Anti-Fraud Procedures section contained in its Manual of Financial Procedures. The anti-fraud section includes descriptions of types of fraud and what actions employees must follow if fraud is suspected. The policy also includes a section for 'whistle-blower' protection. Most employees interviewed for this assessment weren't aware of the anti-fraud procedures nor how to access if needed.		We recommend the existing anti-fraud procedures be reviewed and distributed to all employees. We also recommend that as part of ethics training, employees be required to review and affirm annually that they have read the procedures policy.	

Fraud Management Plan Approvals

Prepared by:

Rebecca Allen, Senior Accounts Payable Specialist

Eleanor Recko, Accounts Payable Clerk

Approved by:

David Verdolino, Director of Finance

ACTON-BOXBOROUGH REGIONAL SCHOOL DISTRICT

Fraud Risk Management Plan

Payroll

Department: Payroll

Location: 15 Charter Road, Acton

Cash Collection: No

Formal Policies and Procedures Manual - Yes

of Employees: 2

	Identified Area of Fraud Risk	Control and Monitoring Procedures	Recommendations	Comments
T	Lack of Segregation of Duties – Payroll Process	<p>Payroll utilizes a shared database, software product <i>Personnel Action Form</i>. The database creates and e-form paper trail from Human Resources which notifies Payroll of new hires, terminations, changes of circumstances.</p> <p>Payroll Department knows pay rates but isn't told pay changes or leave reasons.</p> <p>Human Resources does budget check after every payroll period to ensure accuracy.</p> <p>After each payroll period, system is updated to offset encumbrances. Finance accountant checks to ensure proper deductions are accurate.</p>	N/A	
T	Confidential Information not secured	<p>Confidential payroll information saved to desktop <i>One Drive</i> with restricted access. For employees that submit timesheets, they are secured in a locked file cabinet in Payroll office which is locked at night.</p> <p>Access to confidential payroll information is limited to Payroll staff.</p>	N/A	

T	Health insurances invoices, detail by person, not matching payroll deductions or employee documents.		Human Resources responsible for this activity. (See HR section for detail).		N/A		
T	Monitoring vacation and sick time.		Payroll doesn't monitor vacation and sick time (HR responsibility).				
T,F ,C	Lack of a formal Policies and Procedures manual/Incorrect processes being followed		Payroll staff follows procedures prescribed by the Finance Department's comprehensive Manual of Financial Procedures which covers payroll operations. Payroll also maintains a documented manual of procedures.		N/A		
T,F ,C	Knowledge of actual fraud or suspicions of fraud affecting the District Lack of Policy stating if fraud suspected what to do		There is no knowledge of current fraud or suspicions of fraud affecting the District. The District has an Anti-Fraud Procedures section contained in its Manual of Financial Procedures. The anti-fraud section includes descriptions of types of fraud and what actions employees must follow if fraud is suspected. The policy also includes a section for 'whistle-blower' protection. Most employees interviewed for this assessment weren't aware of the anti-fraud procedures nor how to access if needed.		We recommend existing anti-fraud procedures be reviewed and distributed to all employees. We also recommend that as part of ethics training, employees be required to review and affirm annually that they have read the procedures policy.		

Fraud Management Plan Approvals

Prepared by:

Di Wu, Payroll Supervisor

Linda Koch, Payroll Specialist

Approved by:

David Verdolino, Director of Finance

ACTON-BOXBOROUGH REGIONAL SCHOOL DISTRICT

Fraud Risk Management Plan

Accounting

Department: Accounting

Location: 15 Charter Road, Acton

Cash Collection: No

Formal Policies and Procedures Manual - Yes

of Employees: 2

	Identified Area of Fraud Risk	Control and Monitoring Procedures	Recommendations	Comments
F	Books not being maintained properly	Financial accounts are audited by Powers and Sullivan, LLC annually.	N/A	
F	Reports not being filed in a timely manner	Required reports (such as 1099's) are filed in a timely manner.	N/A	
T,F	Bills being paid that are unlawful, excessive or fraudulent	Invoices are linked to purchase orders.	N/A	
T,F	Fictitious vendors being paid	Accounting staff works with Accounts Payable Department for payments. W9s received for all new vendors. Vendors are checked as they come in. New vendors W9's are checked against existing vendor database to ensure duplicates do not exist. MUNIS system has built in features to flag if invoice looks like a duplicate. Accounting also does detailed reconciliations of liabilities accounts of with vendors.	N/A	

T,F	Lack of segregation of duties for vendor disbursements	<p>Every requisition flows through Accounting for approval before payment made</p> <p>Manual checks are signed by Treasurer and only issued after school committee approves warrant.</p>	N/A		
T,F	Cash reconciliation not done in a timely manner	<p>Accountant oversees cash receipts and accounts payable to ensure charged to right accounts.</p> <p>Reconciliation of student activities accounts with schools is done quarterly.</p>	N/A		
T	Collusion/funds not deposited	<p>Copies of bank deposits and for school activities, facilities rental and other receipts are sent to Accounting by the various schools and departments monthly. Discrepancies are reconciled</p>	N/A		
T,F	Receipts/receivables not being maintained or reconciled, or records being manipulated	See above	N/A		
T,F	Expenditures or liability accounts not reviewed	<p>Expenditures are monitored frequently. Spending reports are generated and distributed to schools and departments monthly, starting in September of each fiscal year. Financial models and forecasts used to track spending and projected spending. If anomalies appear, Accounting works with individual school or department to discuss.</p>	N/A		
T	Confidential payroll information not secured	<p>Accounting monitors payroll: works closely with Payroll and Human Resources departments to ensure employees are properly classified.</p>	N/A		

T,F ,C	Lack of a formal Policies and Procedures manual/Incorrect processes being followed		Accounting follows procedures prescribed by the Finance Department's comprehensive Manual of Financial Procedures.		N/A	
T,F ,C	<p>Knowledge of actual fraud or suspicions of fraud affecting the District</p> <p>Lack of Policy stating if fraud suspected what to do</p>		<p>There is no knowledge of current fraud or suspicions of fraud affecting the District.</p> <p>The District has an Anti-Fraud Procedures section contained in its Manual of Financial Procedures. The anti-fraud section includes descriptions of types of fraud and what actions employees must follow if fraud is suspected. The policy also includes a section for 'whistle-blower' protection.</p> <p>Most employees interviewed for this assessment weren't aware of the anti-fraud procedures nor how to access if needed.</p>		We recommend existing anti-fraud procedures be reviewed and distributed to all employees. We also recommend that as part of ethics training, employees be required to review and affirm annually that they have read the procedures policy.	

Fraud Management Plan Approvals

Prepared by:

Thomas Blondin, District Accountant

Wenshu Zhao, Budget Analyst

Approved by:

David Verdolino, Director of Finance

ACTON-BOXBOROUGH REGIONAL SCHOOL DISTRICT

Fraud Risk Management Plan

District Food Services

Department: Food Services

Location: 16 Charter Road, Acton

Cash Collection: Yes

Formal Policies and Procedures Manual -

Yes

of Employees: 40

	Identified Area of Fraud Risk	Control and Monitoring Procedures	Recommendations	Comments
T,F	Cash Collection – Theft of Funds	<p>About 70% of payments for food services are prepaid on-line, with the remainder paid by cash (20%) or check (10%).</p> <p>Pre-pay food services are made through an on-line software program called <i>SchoolCafe</i>. Each student has a food service account which is created by parent or guardian. <i>SchoolCafe</i> software allows transactions to be viewed by parents or guardians. Each student has a unique PIN number (picture) which is presented to and verified and keyed in by cashier for every transaction.</p>	N/A	

T	Cash Drawer – Theft of Funds	<p>Cash collected by food services cashiers (High School, Junior High School, and six Elementary Schools) is counted out daily and verified with food service manager of each school. A control sheet is used to account for daily activity.</p> <p>Cash and checks received from daily operations maintained in locking cash registers during meal periods. Payments not deposited in the bank by the eight schools on same day are stored in locked safe in Director's office which is locked at night.</p>	N/A		
T,F	Turnovers not done on a timely basis	<p>Each food service manager makes bank deposits daily. Food Services maintains' only one bank account for all food service deposits. Treasurer receives copies of bank deposits.</p> <p>Control sheet (which shows deposits) sent by managers to Food Services Director daily. Director's administrative assistant enters into Quicken.</p>	N/A		
T,F	Receipts not being reconciled with AP/AR Office	<p>Food Service Director's Administrative assistant reconciles deposits and control sheet daily. Food Service Director reconciles monthly.</p> <p>Deposits and cash receipts reconciled monthly with District finance accountant. A year end reconciliation is also performed by finance accountant.</p>	N/A		
T,F	Fictitious vendors being paid.	Finance/Accounting sets up new vendors and receives and maintains W9's for new vendors.	Periodic Internal Audits		

T,F	Bills being approved for payment that are: unlawful, excessive or fraudulent.		Process in place for vendor payments. Vendors leave invoices. Invoices and open purchase orders entered into MUNIS and Excel by Food Services Director's Administrative Assistant. Food Services Director reviews, approves and signs off. Invoice is then submitted to finance account for payment, who reviews, approves and makes payment to vendor.		N/A		
T,F	Expenditures and Fund Balances not reviewed		Monthly budget and spending updates provided by finance accountant. Food Services also monitors its' budget continually.		N/A		
T,F ,C	Lack of a formal Policies and Procedures manual/incorrect processes being followed		Food Services follow procedures prescribed by the Finance Department's comprehensive Manual of Financial Procedures. Food Service's maintains strong documentation for its processes and procedures.		N/A		

T,F ,C	<p>Knowledge of actual fraud or suspicions of fraud affecting the District</p> <p>Lack of Policy stating if fraud suspected what to do</p>	<p>There is no knowledge of current fraud or suspicions of fraud affecting the District.</p> <p>The District has an Anti-Fraud Procedures section contained in its Manual of Financial Procedures. The ant-fraud section includes descriptions of types of fraud and what actions employees must follow if fraud is suspected. The policy also includes a section for 'whistle-blower' protection.</p> <p>Most employees interviewed for this assessment weren't aware of the anti-fraud procedures nor how to access if needed.</p>	<p>We recommend existing anti-fraud procedures be reviewed and distributed to all employees. We also recommend that as part of ethics training, employees be required to review and affirm annually that they have read the procedures policy.</p>	
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Fraud Management Plan Approvals

Prepared by:

Kirsten Nelson, Director

Kirsten Lynch, Administrative Assistant

Approved by:

Peter Light, Superintendent

ACTON-BOXBOROUGH REGIONAL SCHOOL DISTRICT

Fraud Risk Management Plan

High School Student Activities

Department: Regional High School- Student Activities

Location: 36 Charter Road, Acton

Cash Collection: Yes

Formal Policies and Procedures Manual - Yes

of Employees: 230.5

	Identified Area of Fraud Risk	Control and Monitoring Procedures	Recommendations	Comments
T,F	Cash Collection – Theft of Funds	High School Business Operations Manager maintains approximately 60 to 65 active student activities accounts. Cash, checks and online payments accepted. Depending on the high number of and different types of activity, paper receipts not always given. In those cases, logs are maintained for payments or other forms of receipts such as preprinted lists or ticket stubs are provided.	Ideally, pre-number receipts should be given for all transactions.	
T	Cash Drawer – Theft of Funds	Funds are stored in a locked safe which is locked in a safe room. Keypad code required for entry. System records who enters safe room.	N/A	
T,F	Turnovers not done on a timely basis	Bank deposits are made weekly (or every other week depending on the level of activity). Business Operations Manager makes bank deposits. Copies of bank deposits sent to finance accountant monthly. Bank reconciliations are sent to Treasurer monthly.	N/A	

T,F	Receipts not being reconciled with the General Ledger. Revenue being credited to the wrong account or potential for stolen funds.		Each activity has a separate excel spreadsheet for transactions. Each account is reconciled monthly to bank account.	N/A		
T,F	Expenditures not being reviewed		Finance accountant sends spending reports monthly or more frequently as the fiscal year end approaches. Principal and Business Operations Manager review. If discrepancies occur, work with Finance Accountant to resolve.	N/A		
T,F ,C	Lack of a formal Policies and Procedures manual/incorrect processes being followed		<p>The Business Operations Manager follows procedures prescribed by the Finance Department's comprehensive Manual of Financial Procedures.</p> <p>The Business Operations Manager also maintains a detailed manual of procedures for maintaining and generating reports for student activities, bank deposits, check writing, and other banking transactions. Also follows Massachusetts Department of Elementary and Secondary Education Procedures and Audit Guidelines for Student Activities.</p>	Periodic Internal Audits		

T,F ,C	<p>Knowledge of actual fraud or suspicions of fraud affecting the District</p> <p>Lack of Policy stating if fraud suspected what to do</p>	<p>There is no knowledge of current fraud or suspicions of fraud affecting the District.</p> <p>The District has an Anti-Fraud Procedures section contained in its Manual of Financial Procedures. The ant-fraud section includes descriptions of types of fraud and what actions employees must follow if fraud is suspected. The policy also includes a section for 'whistle-blower' protection.</p> <p>Most employees interviewed for this assessment weren't aware of the anti-fraud procedures nor how to access if needed.</p>	<p>We recommend existing anti-fraud procedures be reviewed and distributed to all employees. We also recommend that as part of ethics training, employees be required to review and affirm annually that they have read the procedures policy.</p>	
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Fraud Management Plan Approvals

Prepared by:

Maurin O'Grady, Associate Principal

Karen Alterisio, Business Operations Manager

Approved by:

Peter Light, Superintendent

ACTON-BOXBOROUGH REGIONAL SCHOOL DISTRICT

Fraud Risk Management Plan

RJ Grey Junior High School Student Activities

Department: RJ Grey Junior High School- Student Activities
Acton

Location: 16 Charter Road,

Cash Collection: Yes

Formal Policies and Procedures Manual - Yes

of Employees: 131

	Identified Area of Fraud Risk	Control and Monitoring Procedures	Recommendations	Comments
T,F	Cash Collection – Theft of Funds	<p>Activities fees charges include student activities clubs, field trips, and revolving funds (musicals, gift accounts, lost books and transportation.</p> <p>Most activities paid by check but cash payments are sometimes made. Online payment option not available.</p> <p>No cash receipts provided.</p> <p>For field trips and activities off campus, teacher/advisors collect funds (along with parental permission slips). A worksheet is maintained for each activity showing the number of students, amount collected and bank deposit slip which is given to Principal's administrative assistant who verifies count, payment and deposit slip.</p> <p>Turnovers by teachers have to occur daily.</p>	We recommend that sequentially numbered pre-number receipts be given for all transactions.	
T	Cash Drawer – Theft of Funds	Funds are stored in a locked file cabinet in administrative assistant's office which is locked at night.	N/A	

T,F	Turnovers not done on a timely basis		Bank deposits are made as often as needed, (sometimes 7-8 times a month) by administrative assistant. Copies of bank deposits sent to Finance Department monthly.	N/A		
T,F	Receipts not being reconciled with the General Ledger. Revenue being credited to the wrong account or potential for stolen funds.		Copies of bank deposits and bank reconciliations sent to District finance accountant monthly. Discrepancies are reconciled. Quicken software utilized.	N/A		
T,F	Expenditures not being reviewed		Administrative Assistant checks and monitors expenditures daily. Finance Accountant sends spending updates monthly which is also reviewed.	N/A		
T,F ,C	Lack of a formal Policies and Procedures manual/incorrect processes being followed		The Principal's office follows procedures prescribed by the Finance Department's comprehensive Manual of Financial Procedures. In addition, the Principal's administrative assistant maintains a binder of practices and procedures for bank deposits and recordation process for student activities collections.	Periodic Internal Audits		

T,F ,C	<p>Knowledge of actual fraud or suspicions of fraud affecting the District</p> <p>Lack of Policy stating if fraud suspected what to do</p>	<p>There is no knowledge of current fraud or suspicions of fraud affecting the District.</p> <p>The District has an Anti-Fraud Procedures section contained in its Manual of Financial Procedures. The ant-fraud section includes descriptions of types of fraud and what actions employees must follow if fraud is suspected. The policy also includes a section for 'whistle-blower' protection.</p> <p>Most employees interviewed for this assessment weren't aware of the anti-fraud procedures nor how to access if needed.</p>	<p>We recommend existing anti-fraud procedures policy be reviewed and distributed to all employees. We also recommend that as part of ethics training, employees be required to review and affirm annually that they have read the procedures policy.</p>	
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Fraud Management Plan Approvals

Prepared by:

Andrew Shen, Principal

Anne Chandler, Administrative Assistant

Approved by:

Peter Light, Superintendent

ACTON-BOXBOROUGH REGIONAL SCHOOL DISTRICT

Fraud Risk Management Plan

Blanchard Elementary School Student Activities

Department: Blanchard Elementary School- Student Activities
Ave. Boxborough

Location: 493 Massachusetts

Cash Collection: Yes

Formal Policies and Procedures Manual - Yes

of Employees: 89

	Identified Area of Fraud Risk	Control and Monitoring Procedures	Recommendations	Comments
T,F	Cash Collection – Theft of Funds	Activities fees charges include student activities, field trips, contributions, picture day, library books and transportation. Most activities paid by check but cash payments are sometimes made. Transactions are recorded on a control sheet. No cash receipts provided.	We recommend that sequentially numbered pre-number receipts be given for all transactions.	
T	Cash Drawer – Theft of Funds	Funds are stored in a locked safe which is locked all the time. Safe maintained in Principal's office which is locked at night.	N/A	
T,F	Turnovers not done on a timely basis	Funds collected are deposited in bank account by Principal's administrative assistant. All checks and payments entered into Quick Books software. Bank deposits are made depending on amount of funds collected and on hand.	N/A	

T,F	Receipts not being reconciled with the General Ledger. Revenue being credited to the wrong account or potential for stolen funds.		Copies of bank deposits and bank reconciliations sent to District Finance Accountant monthly. Discrepancies reconciled.	N/A		
T,F	Expenditures not being reviewed		Principal monitors expenditures at least monthly. Finance accountant also sends budget updates which are compared to school's expenditure tracking.	N/A		
T,F ,C	Lack of a formal Policies and Procedures manual/incorrect processes being followed		<p>The Principal's office follows procedures prescribed by the Finance Department's comprehensive Manual of Financial Procedures.</p> <p>In addition, the Principal's administrative assistant maintains a binder of practices and procedures for bank deposits and recordation process for student activities collections.</p>	Periodic Internal Audits		
T,F ,C	<p>Knowledge of actual fraud or suspicions of fraud affecting the District</p> <p>Lack of Policy stating if fraud suspected what to do</p>		<p>There is no knowledge of current fraud or suspicions of fraud affecting the District.</p> <p>The District has an Anti-Fraud Procedures section contained in its Manual of Financial Procedures. The anti-fraud section includes descriptions of types of fraud and what actions employees must follow if fraud is suspected. The policy also includes a section for 'whistle-blower' protection.</p> <p>Most employees interviewed for this assessment weren't aware of the anti-fraud procedures nor how to access if needed.</p>	We recommend existing anti-fraud procedures policy be reviewed and distributed to all employees. We also recommend that as part of ethics training, employees be required to review and affirm annually that they have read the procedures policy.		

Fraud Management Plan Approvals

Prepared by:

Dana Labb, Principal

Kathy Bower, Administrative Assistant

Approved by:

Peter Light, Superintendent

ACTON-BOXBOROUGH REGIONAL SCHOOL DISTRICT

Fraud Risk Management Plan

District Athletics

Department: District Athletics

Location: 36 Charter Road, Acton

Cash Collection: Yes

Formal Policies and Procedures Manual - Yes

of Employees: 3

	Identified Area of Fraud Risk	Control and Monitoring Procedures	Recommendations	Comments
,F	Cash Collection – Theft of Funds	Department organizes 31 programs and 79 teams Every student pays \$250 per sport with a \$1,000 cap per family. Virtually all pay by check. Online payment option not available. Varsity head coaches collect most of revenue (although Athletic Department staff will on rare occasions). Athletic Department maintains a log of receipts which is compared to what varsity coaches turn in. Department also collects gate receipts for certain events including football, ice hockey, basketball etc. A cash drawer is maintained and used for events (\$300-\$500 depending on event). Cash is counted out before every event by department head or assistant which is then given to ticket director assigned to event. After event, department staff will count out tickets and balance receipts and collections with staff assigned to collect for event. Funds and cash drawer, along with control sheet returned to safe by Department head or assistant.	N/A	

T	Cash Drawer – Theft of Funds		Funds are stored in a locked safe in Athletic Department office. The office is locked at night. Access to combination limited to the three department employees.		N/A		
T,F	Turnovers not done on a timely basis		Department tries to make bank deposits after every event. Copies of bank deposit and summary sheet sent to Treasurer's office soon after each deposit made.		N/A		
T,F	Receipts not being reconciled with District Finance Accountant.		Receipts are reconciled with finance accountant quarterly.		N/A		
T,F	Expenditures not being reviewed		Finance accountant sends monthly reports (as well as month to month and year to year reports) to Athletic Department which compares to their records. Any discrepancies are reconciled.		N/A		
T,F ,C	Lack of a formal Policies and Procedures manual/incorrect processes being followed.		The District Athletics office follows procedures prescribed by the Finance Department's comprehensive Manual of Financial Procedures.		Periodic Internal Audits		

T,F ,C	<p>Knowledge of actual fraud or suspicions of fraud affecting the District</p> <p>Lack of Policy stating if fraud suspected what to do</p>	<p>There is no knowledge of current fraud or suspicions of fraud affecting the District.</p> <p>The District has an Anti-Fraud Procedures section contained in its Manual of Financial Procedures. The ant-fraud section includes descriptions of types of fraud and what actions employees must follow if fraud is suspected. The policy also includes a section for 'whistle-blower' protection.</p> <p>Most employees interviewed for this assessment weren't aware of the anti-fraud procedures nor how to access if needed.</p>	<p>We recommend existing anti-fraud procedures policy be reviewed and distributed to all employees. We also recommend that as part of ethics training, employees be required to review and affirm annually that they have read the procedures policy.</p>	
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Fraud Management Plan Approvals

Prepared by:

Steve Martin, Athletic Director
Assistant

Sandy Alexander, Administrative

Approved by:

Peter Light, Superintendent

ACTON-BOXBOROUGH REGIONAL SCHOOL DISTRICT

Fraud Risk Management Plan

Community Education

Department: Community Education

Location: 15 Charter Road, Acton

Cash Collection: Yes

Formal Policies and Procedures Manual - Yes

of Employees: 19

	Identified Area of Fraud Risk	Control and Monitoring Procedures	Recommendations	Comments
T,F	Cash Collection – Theft of Funds	<p>Cash, checks, Paypal and online payments accepted. Most people pay online.</p> <p>Email receipts provided upon completion of online registration. For cash payments, preprinted receipts provided after transaction logged into system. For field trips where mostly cash and checks are provided, parents fill out permission slips and log is kept of who signed up and paid.</p> <p>For use of facilities and extended day care, invoices generated in system and sent out monthly. Payments tracked against invoices.</p>	N/A	
T	Cash Drawer – Theft of Funds	<p>Funds are stored in a locked safe in Community Education Directors' office which is locked at night. Staff in office has access to safe.</p>	N/A	

T,F	Turnovers not done on a timely basis	Turnovers are brought along with deposit slip to Finance Department every two weeks. Finance Department reviews and reconciles deposits with Community Education staff. Finance department makes bank deposit. Community Education maintains only one bank account.	N/A
T,F	Receipts not being reconciled with the Finance/Accountant	Receipts are reconciled with the finance accountant every few months. Figures are checked against Munis. If discrepancies occur, they are reconciled.	N/A
T,F	Expenditures not being reviewed	Finance accountant sends monthly reports (as well as month to month and year to year reports) to Community Education Director who compares to their records. Any discrepancies are reconciled. Director has access to Munis to review expenditures more frequently.	N/A
T,F ,C	Lack of a formal Policies and Procedures manual/incorrect processes being followed	The Community Education Department follows procedures prescribed by the Finance Department's comprehensive Manual of Financial Procedures.	N/A

T,F ,C	<p>Knowledge of actual fraud or suspicions of fraud affecting the District</p> <p>Lack of Policy stating if fraud suspected what to do</p>	<p>There is no knowledge of current fraud or suspicions of fraud affecting the District.</p> <p>The District has an Anti-Fraud Procedures section contained in its Manual of Financial Procedures. The ant-fraud section includes descriptions of types of fraud and what actions employees must follow if fraud is suspected. The policy also includes a section for 'whistle-blower' protection.</p> <p>Most employees interviewed for this assessment weren't aware of the anti-fraud procedures nor how to access if needed.</p>	<p>We recommend existing anti-fraud procedures policy be reviewed and distributed to all employees. We also recommend that as part of ethics training, employees be required to review and affirm annually that they have read the procedures policy.</p>	
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Fraud Management Plan Approvals

Prepared by:

Erin Bettez, Director

Approved by:

Peter Light, Superintendent

ACTON-BOXBOROUGH REGIONAL SCHOOL DISTRICT

Fraud Risk Management Plan

Facilities

Department: Facilities

Location: 15 Charter Road, Acton

Cash Collection: No

Formal Policies and Procedures Manual – Yes

of Employees: 100

	Identified Area of Fraud Risk	Control and Monitoring Procedures	Recommendations	Comments
T	Procurement: Collusion with Contractors	Director is Massachusetts Certified Public Purchasing Official (MCPPO) certified. Follows MCPPO guidelines and MGL Chapter 149 design/bid/build process.	N/A	
T,F	Lack of Construction Project review and monitoring	For most projects, Facilities Department monitors contract provisions adhered to. For larger capital projects (school construction), external project manager (architectural firm) is hired to oversee project.	N/A	
T,F	Purchase Requisitions and Purchase Orders without proper approvals	Purchase orders follow submission and approval protocol. Facilities Director first approves then the process is followed through MUNIS for Finance Director and Superintendent approval.	N/A	
T	Lack of Records Maintenance	All procurement related documents are stored and maintained as per Massachusetts General Laws, Chapter 30B.	N/A	

T	Lack of Building Security	<p>All buildings have security cameras for exterior and lobbies. High School and Junior High School have interior cameras. Buses also have radios and cameras.</p> <p>Badge access required for entry. District also maintains full time security supervisor.</p>	N/A		
T	Theft or Loss of Equipment, Capital Assets, Inventory	Maintenance shed is gated and locked. Equipment is tagged and inventoried. Capital asset inventory tracked yearly.	N/A		
T	Lack of Motor Vehicle and Maintenance Tracking	School buses are leased. Vehicles are tagged, inventoried and usage monitored. Vehicle asset inventory tracked yearly.	N/A		
T	Misuse or Theft of Fuel	School vehicles use Town of Acton fuel pumps. School drivers have individual access codes. Town tracks school fuel usage and charges costs to school district. Periodic usage reports are monitored.	N/A		
T,F	Expenditures not being reviewed	Finance accountant sends monthly reports (as well as month to month and year to year reports) to facilities director who compares to their records. Any discrepancies are reconciled. Director has access to Munis to review expenditures more frequently.	N/A		

T,F ,C	Lack of a formal Policies and Procedures manual/incorrect processes being followed	Facilities follows procedures prescribed by the Finance Department's comprehensive Manual of Financial Procedures. There are also informal department policies and procedures for use of school facilities, safety procedures and extra duty assignments.	N/A	
T,F ,C	Knowledge of actual fraud or suspicions of fraud affecting the District Lack of Policy stating if fraud suspected what to do	There is no knowledge of current fraud or suspicions of fraud affecting the District. The District has an Anti-Fraud Procedures section contained in its Manual of Financial Procedures. The ant-fraud section includes descriptions of types of fraud and what actions employees must follow if fraud is suspected. The policy also includes a section for 'whistle-blower' protection. Most employees interviewed for this assessment weren't aware of the anti-fraud procedures nor how to access if needed.	We recommend existing anti-fraud procedures policy be reviewed and distributed to all employees. We also recommend that as part of ethics training, employees be required to review and affirm annually that they have read the procedures policy.	

Fraud Management Plan Approvals

Prepared by:

J.D. Head, Director

Approved by:

Peter Light, Superintendent

ACTON-BOXBOROUGH REGIONAL SCHOOL DISTRICT

Fraud Risk Management Plan

Education Technology

Department: Education Technology

Location: 15 Charter Road, Acton

Cash Collection: No

Formal Policies and Procedures Manual - Yes

of Employees: 11

	Identified Area of Fraud Risk	Control and Monitoring Procedures	Recommendations	Comments
T,F	Lack of Data Security	<p>Firewall protection – uses vendor “Sonic Wall Firewall” product, a unified threat management program. One firewall utilized, with backup firewall activated if primary firewall goes down.</p> <p>Firewalls are updated and latest updates installed as become available under maintenance agreement.</p> <p>Utilizes Sophos anti-virus, malware and spyware software which contains automatic updates. Department is currently looking to upgrade to next generation software which will have more capabilities using cloud services.</p> <p>All terminals have anti-virus software.</p> <p>Sign in and passwords required for network access and email. Passwords are not required to be changed periodically.</p>	<p>We recommend that Ed Tech require passwords be changed at least every six months.</p>	

T,F	No Disaster Recovery Plan or Back up Plan in place	There is a disaster recovery plan in place. Servers are virtual and located offsite. Offsite back up is done incrementally on daily for critical departments such as Human Resources and Finance. Less critical departments are backed up weekly.	N/A	
T,F	Data Breach	There is tracking and monitoring software to monitor all access to the network and data.	N/A	
T,F	Not utilizing current technology	<p>Software is reviewed and updated as updates and patches become available.</p> <p>There is a criteria driven equipment replacement plan in place. Desktops are at most replaced every 5 to 7 years; 3-5 years for laptops.</p> <p>Department maintains a home grown file maker inventory database to track equipment which can generate a spreadsheet. All equipment is bar coded.</p> <p>Inventory audits are constantly being performed at each site.</p>	N/A	

T,F ,C	Lack of a formal Policies and Procedures manual/incorrect processes being followed	<p>The Education Technology Department follows procedures prescribed by the Finance Department's comprehensive Manual of Financial Procedures.</p> <p>In addition, all District employees are provided a copy of acceptable use policy for technology.</p> <p>Students are also instructed and receive a copy of responsible student use.</p> <p>School Committee policies are in place regarding use of social media.</p>	N/A		
T,F ,C	<p>Knowledge of actual fraud or suspicions of fraud affecting the District</p> <p>Lack of Policy stating if fraud suspected what to do</p>	<p>There is no knowledge of current fraud or suspicions of fraud affecting the District.</p> <p>The District has an Anti-Fraud Procedures section contained in its Manual of Financial Procedures. The ant-fraud section includes descriptions of types of fraud and what actions employees must follow if fraud is suspected. The policy also includes a section for 'whistle-blower' protection.</p> <p>Most employees interviewed for this assessment weren't aware of the anti-fraud procedures nor how to access if needed.</p>	We recommend existing anti-fraud procedures policy be reviewed and distributed to all employees. We also recommend that as part of ethics training, employees be required to review and affirm annually that they have read the procedures policy.		

Fraud Management Plan Approvals

Prepared by:

Amy Bisiewicz, Director

Approved by:

Peter Light, Superintendent