

**SOUTHWICK-TOLLAND-GRANVILLE
REGIONAL SCHOOL DISTRICT**

**REPORT ON EXAMINATION OF
BASIC FINANCIAL STATEMENTS**

YEAR ENDED JUNE 30, 2020

SOUTHWICK-TOLLAND-GRANVILLE 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
Southwick-Tolland-Granville Regional School District
Southwick, Massachusetts 01077

Report on the Financial Statements

We have audited the accompanying basic financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Southwick-Tolland-Granville Regional School District (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 the 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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, located on the following pages, and required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financials 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 March 18, 2021, on our consideration of the 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



March 18, 2021

Management's Discussion and Analysis

Management's Discussion and Analysis

As management of the Southwick-Tolland-Granville Regional School District (District), we offer readers of these financial statements this narrative overview and analysis of the financial activities for the year ended June 30, 2020. The District complies with financial reporting requirements issued by the Governmental Accounting Standards Board (GASB). Management's discussion and analysis are part of these requirements. All amounts, unless otherwise indicated, are expressed in whole dollars.

The Governmental Accounting Standards Board (GASB) is the authoritative standard setting body that provides guidance on how to prepare financial statements in conformity with generally accepted accounting principles (GAAP). Users of these financial statements (such as investors and rating agencies) rely on the GASB to establish consistent reporting standards for all governments in the United States. This consistent application is the only way users (including citizens, the media, legislators and others) can assess the financial condition of one government compared to others.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Southwick-Tolland-Granville Regional School District's basic financial statements. These basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The government-wide financial statements provide both long-term and short-term information about the District as a whole. The fund financial statements focus on the individual components of the District's government, reporting the District's operations in more detail than the government-wide statements. Both presentations (government-wide and fund) allow the user to address relevant questions, broaden the basis of comparison and enhance the District's accountability. An additional part of the basic financial statements are the notes to the basic financial statements. This report also contains other required supplementary information in addition to the basic financial statements themselves.

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

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

Both of the government-wide financial statements distinguish functions that are principally supported by member town assessments and intergovernmental revenues.

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 a government's near-term financing requirements.

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

In accordance with accounting standards, the District reports fund balance components as nonspendable, restricted, committed, assigned and unassigned. Additionally, the District's stabilization funds are reported within the general fund.

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 all other major funds. 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 for the general fund to demonstrate compliance with this budget.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The District maintains two different fiduciary funds. The other postemployment benefit trust fund is used to accumulate resources to provide funding for future other postemployment benefit (OPEB) liabilities. The agency fund is used to account for assets held in a purely custodial capacity.

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.

COVID-19. 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 31, 2021. As of June 30, 2020, the District incurred COVID-19 related expenses totaling \$70,800, the majority of which relate to food service expenditures. The District anticipates being reimbursed for these costs through the Coronavirus Relief Fund and has recorded a receivable related to the anticipated reimbursements.

Government-wide Financial Analysis

Net position may serve over time as a useful indicator of a government's financial position. Liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$5.8 million at the close of 2020. Key components of the District's governmental activities financial position are listed below.

	2020	2019
Assets:		
Current assets.....	\$ 4,549,576	\$ 4,173,632
Capital assets, net of accumulated depreciation....	55,292,142	56,731,892
Total assets.....	59,841,718	60,905,524
Deferred outflows of resources.....	8,006,535	4,568,206
Liabilities:		
Current liabilities (excluding debt).....	646,837	477,129
Noncurrent liabilities (excluding debt).....	46,888,149	40,438,611
Current debt.....	1,444,784	1,376,165
Noncurrent debt.....	23,044,953	23,990,127
Total liabilities.....	72,024,723	66,282,032
Deferred inflows of resources.....	1,621,971	1,641,446
Net position:		
Net investment in capital assets.....	31,203,850	31,365,600
Restricted.....	5,274	27,486
Unrestricted.....	(37,007,565)	(33,842,834)
Total net position.....	\$ (5,798,441)	\$ (2,449,748)

Net position of \$31.2 million reflects the District's net investment in capital assets (e.g., buildings, machinery and equipment, and books); 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.

An additional portion of net position totaling \$5,000, relates to external restrictions placed on funds primarily for federal and state grants. The remaining balance of unrestricted net position reflects a deficit balance totaling \$37.0 million, which is due to the recognition of the net pension liability and net other postemployment benefit liability of \$13.2 million and \$33.1 million, respectively.

Governmental Activities

The District's net position decreased by \$3.3 million in 2020. The change in net position is primarily due to an increase in the net other postemployment benefits liability and related deferred outflows and inflows of resources of \$2.5 million, an increase to the net pension liability and related deferred outflows and inflows of resources of \$522,000, and depreciation expense (which is not budgeted) exceeding debt principal payments by \$1.2 million. These decreases were offset by a \$122,000 general fund operating surplus, \$271,000 of capital grants and \$254,000 of proceeds from the sale of capital assets.

	2020	2019
Program Revenues:		
Charges for services.....	\$ 251,598	\$ 321,438
Operating grants and contributions.....	7,205,904	6,294,316
Capital grants and contributions.....	270,875	937,852
General Revenues:		
Member town assessments.....	13,943,031	13,472,852
Grants and contributions not restricted to specific programs.....	10,798,126	9,898,532
Unrestricted investment income.....	19,746	21,447
Miscellaneous.....	96,401	39,156
Gain on sale of capital assets.....	253,500	-
Total revenues.....	32,839,181	30,985,593
Expenses:		
General administration.....	2,322,425	1,998,982
Woodland School.....	2,355,877	2,301,875
Powder Mill School.....	2,758,312	2,553,182
Southwick Regional School.....	6,133,687	6,160,402
Special education.....	3,405,476	3,453,102
Student transportation.....	1,054,045	1,150,465
Food services.....	359,307	556,121
Other school services.....	25,937	46,111
Maintenance.....	272,754	384,183
Interest.....	765,498	792,037
Depreciation.....	2,478,331	2,473,956
Programs with other school districts (tuitions).....	2,126,226	1,909,468
Federal and state grants.....	815,776	859,346
Private grants.....	500	23,894
Employee benefits.....	4,651,469	3,533,596
Pension benefits.....	6,487,281	5,147,685
Insurance.....	104,173	102,514
COVID-19.....	70,800	-
Total expenses.....	36,187,874	33,446,919
Change in net position.....	(3,348,693)	(2,461,326)
Net position, beginning of year.....	(2,449,748)	11,578
Net position, end of year.....	\$ (5,798,441)	\$ (2,449,748)

Financial Analysis of the Government's Funds

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

Governmental funds. The focus of *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing 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 \$4.2 million, an increase of \$191,000 in comparison with the prior year.

The general fund is the chief operating fund. At the end of the current year, total fund balance of the general fund was \$2.1 million, of which \$121,000 is committed for capital stabilization, \$824,000 is assigned for encumbrances and subsequent year expenditures and \$1.1 million was unassigned. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 3.7% of total general fund expenditures, while total fund balance represents 6.9% of that same amount.

The school choice fund ended the year with a fund balance of \$1.2 million, which was a decrease of \$70,000, from the prior year. For the year ended June 30, 2020, the school choice fund recognized revenues of \$709,000 and expenditures of \$779,000.

The nonmajor funds ended the year with a fund balance of \$934,000, an increase of \$139,000 from the prior year. This change was due to expected timing differences between the receipt and expenditures of grants and revolving funds.

General Fund Budgetary Highlights

The original 2020 approved budget for the General Fund authorized \$25.5 million in appropriations. The District approved a supplemental appropriation totaling \$189,000 to fund the deficit in the school lunch revolving fund.

General fund revenues came in \$36,000 over budget while expenditures came in \$611,000 under budget. This was mainly due to school closures, which resulted from the COVID-19 pandemic. The District also received \$254,000 of proceeds from the sale of capital assets, which was unbudgeted.

Capital Asset and Debt Administration

In conjunction with the annual operating budget, the District annually prepares a capital budget for the upcoming year.

Capital assets. The District's investment in capital assets as of June 30, 2020, amounts to \$55.3 million (net of accumulated depreciation). This investment in capital assets includes buildings and improvements, land improvements, furniture and equipment, and vehicles.

Major additions during the year related to the purchase of school buses and vans for \$255,000, the purchase of equipment for \$139,000, parking lot improvements of \$474,000 and playground improvements of \$125,000.

Debt administration. Outstanding long-term debt at June 30, 2020, totaled \$24.5 million. Of this, \$790,000 relates to unamortized premiums from the 2013 and 2017 debt issuances. During 2020, the District issued \$500,000 in capital improvement bonds and paid down \$1.3 million in debt principal expense.

Please refer to notes 4, 6 and 7 to the basic financial statements 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 Southwick-Tolland-Granville Regional School District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Finance and Operations, Southwick-Tolland-Granville Regional School District, 86 Powder Mill Road, Southwick, MA 01077.

Basic Financial Statements

STATEMENT OF NET POSITION

JUNE 30, 2020

	<u>Primary Government</u>	
		<u>Governmental Activities</u>
ASSETS		
CURRENT:		
Cash and cash equivalents.....	\$	4,478,776
Receivables, net of allowance for uncollectibles:		
Intergovernmental.....		<u>70,800</u>
Total current assets.....		4,549,576
NONCURRENT:		
Capital assets, net of accumulated depreciation.....		<u>55,292,142</u>
TOTAL ASSETS.....		<u>59,841,718</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pensions.....		1,823,686
Deferred outflows related to other postemployment benefits.....		<u>6,182,849</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES.....		<u>8,006,535</u>
LIABILITIES		
CURRENT:		
Warrants payable.....		258,646
Accrued payroll.....		83,053
Accrued interest.....		120,534
Compensated absences.....		184,604
Bonds payable.....		<u>1,444,784</u>
Total current liabilities.....		<u>2,091,621</u>
NONCURRENT:		
Compensated absences.....		553,810
Net pension liability.....		13,213,763
Net other postemployment benefits liability.....		33,120,576
Bonds payable.....		<u>23,044,953</u>
Total noncurrent liabilities.....		<u>69,933,102</u>
TOTAL LIABILITIES.....		<u>72,024,723</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pensions.....		1,261,473
Deferred inflows related to other postemployment benefits.....		<u>360,498</u>
TOTAL DEFERRED INFLOWS OF RESOURCES.....		<u>1,621,971</u>
NET POSITION		
Net investment in capital assets.....		31,203,850
Restricted for:		
Gifts and grants.....		5,274
Unrestricted.....		<u>(37,007,565)</u>
TOTAL NET POSITION.....	\$	<u><u>(5,798,441)</u></u>

See notes to basic financial statements.

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>					
General administration.....	\$ 2,322,425	\$ -	\$ -	\$ -	\$ (2,322,425)
Woodland School.....	2,355,877	-	-	-	(2,355,877)
Powder Mill School.....	2,758,312	-	-	270,875	(2,487,437)
Southwick Regional School.....	6,133,687	27,385	-	-	(6,106,302)
Special education.....	3,405,476	34,421	87,003	-	(3,284,052)
Student transportation.....	1,054,045	-	202,190	-	(851,855)
Food services.....	359,307	143,964	135,452	-	(79,891)
Other school services.....	25,937	24,063	124,480	-	122,606
Maintenance.....	272,754	-	-	-	(272,754)
Interest.....	765,498	-	-	-	(765,498)
Depreciation.....	2,478,331	-	-	-	(2,478,331)
Programs with other school districts (tuitions).....	2,126,226	21,765	709,148	-	(1,395,313)
Federal and state grants.....	815,776	-	900,744	-	84,968
Private grants.....	500	-	-	-	(500)
Employee benefits.....	4,651,469	-	-	-	(4,651,469)
Pension benefits.....	6,487,281	-	4,976,087	-	(1,511,194)
Insurance.....	104,173	-	-	-	(104,173)
COVID-19.....	70,800	-	70,800	-	-
Total Governmental Activities.....	\$ <u>36,187,874</u>	\$ <u>251,598</u>	\$ <u>7,205,904</u>	\$ <u>270,875</u>	\$ <u>(28,459,497)</u>

See notes to basic financial statements.

(Continued)

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2020

		<u>Primary Government</u>
		<u>Governmental Activities</u>
Changes in net position:		
Net (expense) revenue from previous page.....	\$	<u>(28,459,497)</u>
<i>General revenues:</i>		
Member town assessments.....		13,943,031
Grants and contributions not restricted to specific programs.....		10,798,126
Unrestricted investment income.....		19,746
Miscellaneous revenue.....		96,401
Gain on sale of capital assets.....		<u>253,500</u>
 Total general revenues.....		 <u>25,110,804</u>
 Change in net position.....		 (3,348,693)
 <i>Net position:</i>		
Beginning of year.....		<u>(2,449,748)</u>
 End of year.....	\$	 <u><u>(5,798,441)</u></u>

See notes to basic financial statements.

(Concluded)

**GOVERNMENTAL FUNDS
BALANCE SHEET**

JUNE 30, 2020

	General	School Choice	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents.....	\$ 2,392,155	\$ 1,223,065	\$ 863,556	\$ 4,478,776
Receivables, net of uncollectibles:				
Intergovernmental.....	-	-	70,800	70,800
TOTAL ASSETS.....	\$ 2,392,155	\$ 1,223,065	\$ 934,356	\$ 4,549,576
LIABILITIES				
Warrants payable.....	258,646	-	-	258,646
Accrued payroll.....	83,053	-	-	83,053
TOTAL LIABILITIES.....	341,699	-	-	341,699
FUND BALANCES				
Restricted.....	-	1,223,065	934,356	2,157,421
Committed.....	120,953	-	-	120,953
Assigned.....	823,502	-	-	823,502
Unassigned.....	1,106,001	-	-	1,106,001
TOTAL FUND BALANCES.....	2,050,456	1,223,065	934,356	4,207,877
TOTAL LIABILITIES AND FUND BALANCES.....	\$ 2,392,155	\$ 1,223,065	\$ 934,356	\$ 4,549,576

See notes to basic financial statements.

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

JUNE 30, 2020

Total governmental fund balances.....	\$	4,207,877
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....		55,292,142
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.....		6,384,564
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.....		(120,534)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:		
Bonds payable.....		(24,489,737)
Net pension liability.....		(13,213,763)
Net other postemployment benefits liability.....		(33,120,576)
Compensated absences.....		(738,414)
Net effect of reporting long-term liabilities.....		<u>(71,562,490)</u>
Net position of governmental activities.....	\$	<u>(5,798,441)</u>

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2020

	General	School Choice	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:				
Member town assessments.....	\$ 13,943,031	\$ -	\$ -	\$ 13,943,031
Intergovernmental.....	10,819,891	709,148	1,517,961	13,047,000
Intergovernmental - Teachers Retirement.....	4,976,087	-	-	4,976,087
Fee charges.....	27,385	-	206,808	234,193
Investment income.....	19,699	-	47	19,746
Contributions and donations.....	-	-	198,423	198,423
Miscellaneous revenue.....	96,401	-	-	96,401
Intergovernmental - COVID-19 relief.....	-	-	70,800	70,800
TOTAL REVENUES.....	29,882,494	709,148	1,994,039	32,585,681
EXPENDITURES:				
Current:				
General administration.....	2,322,425	-	-	2,322,425
Woodland School.....	2,355,877	-	-	2,355,877
Powder Mill School.....	2,758,312	-	-	2,758,312
Southwick Regional School.....	6,133,687	-	-	6,133,687
Special education.....	3,295,046	-	110,430	3,405,476
Student transportation.....	946,329	-	180,783	1,127,112
Food services.....	-	-	359,858	359,858
Other school services.....	-	-	25,937	25,937
Maintenance.....	277,821	-	-	277,821
Employee benefits.....	2,189,304	-	-	2,189,304
Pension benefits.....	989,061	-	-	989,061
Pension benefits - Teachers Retirement.....	4,976,087	-	-	4,976,087
Insurance.....	104,173	-	-	104,173
Programs with other school districts (tuitions).....	1,347,226	779,000	-	2,126,226
COVID-19.....	-	-	70,800	70,800
Federal and state grants.....	-	-	922,956	922,956
Private grants.....	-	-	191,543	191,543
Capital outlay.....	-	-	661,673	661,673
Debt service:				
Debt service principal.....	1,295,000	-	-	1,295,000
Interest.....	854,574	-	-	854,574
TOTAL EXPENDITURES.....	29,844,922	779,000	2,523,980	33,147,902
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	37,572	(69,852)	(529,941)	(562,221)
OTHER FINANCING SOURCES (USES):				
Issuance of bonds.....	-	-	499,610	499,610
Proceeds from the sale of capital assets.....	253,500	-	-	253,500
Transfers in.....	20,000	-	189,005	209,005
Transfers out.....	(189,005)	-	(20,000)	(209,005)
TOTAL OTHER FINANCING SOURCES (USES).....	84,495	-	668,615	753,110
NET CHANGE IN FUND BALANCES.....	122,067	(69,852)	138,674	190,889
FUND BALANCES AT BEGINNING OF YEAR.....	1,928,389	1,292,917	795,682	4,016,988
FUND BALANCES AT END OF YEAR.....	\$ 2,050,456	\$ 1,223,065	\$ 934,356	\$ 4,207,877

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2020

Net change in fund balances - total governmental funds.....		\$ 190,889
<p>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.</p>		
Capital outlay.....	1,038,581	
Depreciation expense.....	<u>(2,478,331)</u>	
Net effect of reporting capital assets.....		(1,439,750)
<p>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.</p>		
Issuance of bonds.....	(499,610)	
Net amortization of premium from issuance of bonds.....	81,165	
Debt service principal payments.....	<u>1,295,000</u>	
Net effect of reporting long-term debt.....		876,555
<p>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.</p>		
Net change in compensated absences accrual.....	29,746	
Net change in accrued interest on long-term debt.....	7,911	
Net change in deferred outflow/(inflow) of resources related to pensions.....	(181,278)	
Net change in net pension liability.....	(340,855)	
Net change in deferred outflow/(inflow) of resources related to other postemployment benefits...	3,639,082	
Net change in net other postemployment benefits liability.....	<u>(6,130,993)</u>	
Net effect of recording long-term liabilities.....		<u>(2,976,387)</u>
Change in net position of governmental activities.....		<u>\$ (3,348,693)</u>

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2020

	Other Postemployment Benefit Trust Fund	Agency Funds
ASSETS		
Cash and cash equivalents.....	\$ -	\$ 280,092
Investments:		
Mutual funds.....	250,303	-
TOTAL ASSETS.....	250,303	280,092
LIABILITIES		
Liabilities due depositors.....	-	118,827
Other liabilities.....	-	161,265
TOTAL LIABILITIES.....	-	280,092
NET POSITION		
Restricted for other postemployment benefits.....	\$ 250,303	\$ -

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

YEAR ENDED JUNE 30, 2020

	Other Postemployment Benefit Trust Fund
<u>ADDITIONS:</u>	
Contributions:	
Employer contributions.....	\$ 20,000
Employer contributions for other postemployment benefit payments....	947,794
Total contributions.....	967,794
Net investment income:	
Investment income.....	10,369
TOTAL ADDITIONS.....	978,163
<u>DEDUCTIONS:</u>	
Other postemployment benefit payments.....	947,794
NET INCREASE IN NET POSITION.....	30,369
NET POSITION AT BEGINNING OF YEAR.....	219,934
NET POSITION AT END OF YEAR.....	\$ 250,303

See notes to basic financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying basic financial statements of the Southwick-Tolland-Granville 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 Southwick-Tolland-Granville Regional School District operates under a regional agreement established in 1988 and began operations July 1, 1988. The agreement was modified, effective July 1, 2012, to admit the Town of Granville as a member. The District is comprised of the Towns of Southwick, Tolland and Granville and serves the educational needs of students in grades Pre-K through 12.

The form of government is an elected seven-member school committee, who are responsible for appointing a Superintendent who is the chief operating official for the District.

The District operates three school buildings – Woodland School, Powder Mill School and Southwick Regional School, all of which are located in the Town of Southwick, Massachusetts. All three school buildings and campus grounds are owned by the Town of Southwick and are leased to the District at no cost. The District is responsible for both the operating and capital costs related to all buildings, which are apportioned to the Towns in accordance with state laws and the District's regional agreement.

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

Joint Venture

The District, along with six other school districts, is a member of the Lower Pioneer Valley Educational Collaborative (Collaborative) and the Lower Pioneer Valley Educational Corporation (Corporation). The Collaborative is a governmental entity formed in accordance with the General Laws of Massachusetts, for the purposes of providing students with special needs services, vocational education services and transportation services. The Corporation is a nonprofit organization formed under IRS code section 501(c)3 and was established primarily for the purpose of holding real estate and other assets used by the Collaborative. A member of the District's school committee serves on the Board of Trustees of the Corporation.

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.

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 of 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 recipients 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.

For the most part, the effect of interfund activity has been removed from the government-wide financial statements. However, the effect of interfund services provided and used between functions is not eliminated as the elimination of these charges would distort the direct costs and program revenues reported for the functions affected.

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 *school choice fund* is reported as a major fund. It is used to account for activities related to the State's school choice program.

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

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 project 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* is used to accumulate resources to provide funding for future other postemployment benefits (OPEB) liabilities.

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. For more information on the fair value of the District's financial instruments, see Note 2 – Cash and Investments.

F. Accounts Receivable

Government-Wide and Fund Financial Statements

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

Intergovernmental

Various federal and state grants for operating and capital purposes are applied for and received annually. For non-expenditure driven grants, receivables are recorded as soon as all eligibility requirements imposed by the provider have been met. For expenditure driven grants, receivables are recorded when the qualifying expenditures are incurred and all other grant requirements are met. These receivables are considered 100% collectible and therefore do not report an allowance for uncollectibles.

G. Inventories

Government-Wide and Fund Financial Statements

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

H. Capital Assets

Government-Wide Financial Statements

Capital assets, which include construction in progress, land improvements, building improvements, furniture and equipment and vehicles 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. Construction period interest is not capitalized on governmental activities capital assets.

All purchases and construction costs in excess of \$5,000 (\$1,000 for computers and AV equipment) 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>
Land improvements.....	15 - 20
Buildings and improvements.....	10 - 30
Furniture, equipment and computers.....	3 - 30
Vehicles.....	5 - 8

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 has reported deferred outflows of resources related to pensions and other postemployment benefits 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 has reported deferred inflows of resources related to pensions and other postemployment benefits in this category.

Governmental Fund Financial Statements

In addition to liabilities, the governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents assets that have been recorded in the governmental fund financial statements, but the revenue is not available and so will not be recognized as an inflow of resources (revenue) until it becomes available. The District has no items that qualify for reporting 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 net position.

Fund Financial Statements

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

L. Net Position and Fund Equity

Government-Wide Financial Statements (Net Position)

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

Net position is reported as restricted when amounts that are not available for appropriation or are legally restricted by outside parties for a specific future use. Net position has been “restricted for” the following:

“Grants and gifts” represents assets that have restrictions placed on them from outside parties.

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide 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 District’s highest level of decision-making authority. School Committee Meeting is the highest level of decision-making authority that can, by vote, 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 Business Manager is permitted to assign fund balance. Assignments generally only exist temporarily. Additional action does not have to be taken for the removal of an assignment.

“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 general fund is the only fund that reports a positive unassigned fund balance amount.

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

M. Long-term debt

Government-Wide Financial Statements

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

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 Hampden County Regional 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 and sick leave in varying amounts based on collective bargaining agreements, state laws and executive policies.

Government-Wide Financial Statements

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

Governmental Fund Financial Statements

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

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 balance sheet as "Cash and Cash Equivalents". The deposits and investments of the trust funds are held separately from those of other funds.

Statutes authorize the investment in obligations of the U.S. Treasury, agencies, and instrumentalities, certificates of deposit, repurchase agreements, money market accounts, bank deposits and the State Treasurer's Investment Pool (Pool). In addition, there are various restrictions limiting the amount and length of deposits and investments.

Custodial Credit Risk – Deposits

In the case of deposits, this is 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 deposit policy for custodial credit risk. At year-end, the carrying amount of deposits totaled \$4,758,868 and the bank balance totaled \$4,944,355. Of the bank balance, \$715,360 was covered by Federal Depository Insurance, \$3,786,540 was covered by the Depositors Insurance Fund and \$442,455 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Investments

The District's OPEB Trust assets are invested in mutual funds, which are administered by the Public Agency Retirement Services (PARS). As of June 30, 2020, the value of these investments totaled \$250,303.

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of a failure by the counterparty, the entity will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. The District's investments in mutual funds are not subject to custodial credit risk.

Interest Rate Risk

The District has not adopted a formal policy related to interest rate risk.

Credit Risk

The District has not adopted a formal policy related to 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 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.

As of June 30, 2020, the District had \$250,303 of Level 1 investments in mutual funds.

NOTE 3 - RECEIVABLES

Outstanding receivables for the year ended June 30, 2020, total \$70,800 and relate to reimbursements due from the coronavirus relief fund.

NOTE 4 - CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
<u>Capital assets being depreciated:</u>				
Land improvements.....	\$ 1,182,558	\$ 606,170	\$ -	\$ 1,788,728
Buildings and improvements.....	61,561,560	29,000	-	61,590,560
Furniture, equipment and computers.....	3,757,803	148,668	(31,141)	3,875,330
Vehicles.....	2,963,458	254,743	(1,741,642)	1,476,559
	<u>69,465,379</u>	<u>1,038,581</u>	<u>(1,772,783)</u>	<u>68,731,177</u>
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(237,048)	(78,750)	-	(315,798)
Buildings and improvements.....	(7,017,615)	(2,041,950)	-	(9,059,565)
Furniture, equipment and computers.....	(3,339,015)	(119,931)	31,141	(3,427,805)
Vehicles.....	(2,139,809)	(237,700)	1,741,642	(635,867)
	<u>(12,733,487)</u>	<u>(2,478,331)</u>	<u>1,772,783</u>	<u>(13,439,035)</u>
Total governmental activities capital assets, net.....	\$ <u>56,731,892</u>	\$ <u>(1,439,750)</u>	\$ <u>-</u>	\$ <u>55,292,142</u>

Depreciation expense is unallocated in the Statement of Activities.

NOTE 5 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

For the year ended June 30, 2020, \$20,000 was transferred into the general fund from the preschool revolving fund and \$189,005 was transferred from the general fund to the school lunch revolving fund to support cafeteria operations.

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

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

There was no short-term financing activity for the year ended June 30, 2020.

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 Towns 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
General Obligation Bonds				
School building construction.....	2038	\$ 19,455,000	2.00-5.00	\$ 15,450,000
Equipment and building improvements.....	2021	350,000	2.10	70,000
School building construction.....	2038	7,805,000	2.00-4.00	6,745,000
Equipment and building improvements.....	2022	350,000	2.70	140,000
				22,405,000
Subtotal General Obligation Bonds Payable...				
Direct Borrowings				
Equipment and building improvements.....	2023	375,000	2.80	225,000
Equipment and building improvements.....	2023	150,000	3.50	90,000
Equipment and building improvements.....	2024	600,000	2.75	480,000
Equipment and building improvements.....	2025	368,309	2.03	368,309
Equipment and building improvements.....	2024	131,301	1.94	131,301
				1,294,610
Subtotal Direct Borrowings Payable.....				
Total Bonds Payable.....				23,699,610
Add: Unamortized premium on bonds.....				790,127
Total Bonds Payable, net.....				\$ 24,489,737

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

Year	General Obligation Bonds Payable:			Direct Borrowings Payable:		
	Principal	Interest	Total	Principal	Interest	Total
2021.....	\$ 1,035,000	\$ 780,492	\$ 1,815,492	\$ 332,610	\$ 29,374	\$ 361,984
2022.....	1,015,000	735,334	1,750,334	332,000	20,769	352,769
2023.....	985,000	689,294	1,674,294	332,000	12,177	344,177
2024.....	1,035,000	643,244	1,678,244	225,000	3,585	228,585
2025.....	1,065,000	608,542	1,673,542	73,000	1,482	74,482
2026.....	1,100,000	572,744	1,672,744	-	-	-
2027.....	1,130,000	543,194	1,673,194	-	-	-
2028.....	1,160,000	512,844	1,672,844	-	-	-
2029.....	1,195,000	481,642	1,676,642	-	-	-
2030.....	1,230,000	441,244	1,671,244	-	-	-
2031.....	1,270,000	405,018	1,675,018	-	-	-
2032.....	1,305,000	366,488	1,671,488	-	-	-
2033.....	1,350,000	321,112	1,671,112	-	-	-
2034.....	1,400,000	273,112	1,673,112	-	-	-
2035.....	1,450,000	223,262	1,673,262	-	-	-
2036.....	1,505,000	170,512	1,675,512	-	-	-
2037.....	1,560,000	115,750	1,675,750	-	-	-
2038.....	1,615,000	58,912	1,673,912	-	-	-
Total.....	\$ 22,405,000	\$ 7,942,740	\$ 30,347,740	\$ 1,294,610	\$ 67,387	\$ 1,361,997

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 and unissued debt.

Changes in Long-term Liabilities

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

	Beginning Balance	Bonds and Notes Issued	Bonds and Notes Redeemed	Other Increases	Other Decreases	Ending Balance	Due Within One Year
Governmental Activities:							
Long-term general obligation bonds payable....	\$ 23,405,000	\$ -	\$ (1,000,000)	\$ -	\$ -	\$ 22,405,000	\$ 1,035,000
Long-term direct borrowings payable.....	1,090,000	499,610	(295,000)	-	-	1,294,610	332,610
Add: Unamortized premium on bonds.....	871,292	-	(81,165)	-	-	790,127	77,174
Total bonds payable.....	25,366,292	499,610	(1,376,165)	-	-	24,489,737	1,444,784
Compensated absences.....	768,160	-	-	162,294	(192,040)	738,414	184,604
Net pension liability.....	12,872,908	-	-	1,349,040	(1,008,185)	13,213,763	-
Net other postemployment benefits liability.....	26,989,583	-	-	7,098,787	(967,794)	33,120,576	-
Total governmental activity long-term liabilities.....	\$ 65,996,943	\$ 499,610	\$ (1,376,165)	\$ 8,610,121	\$ (2,168,019)	\$ 71,562,490	\$ 1,629,388

NOTE 8 – GOVERNMENTAL FUND BALANCE CLASSIFICATIONS

The District classifies fund balance according to the constraints imposed on the use of the resources.

There are 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. The District has no current balances that qualify as nonspendable.

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 District from its highest level of decision-making authority.
- Assigned: fund balances that contain self-imposed constraints of the District to be used for a particular purpose.
- Unassigned: fund balance of the general fund that is not constrained for any particular purpose and the deficit fund balances for other funds that would otherwise be restricted.

The District has classified its governmental fund balances with the following hierarchy:

	<u>General</u>	<u>School Choice</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Fund Balances:				
Restricted for:				
School choice.....	\$ -	\$ 1,223,065	\$ -	\$ 1,223,065
Capital projects.....	-	-	401,445	401,445
Federal and state grants.....	-	-	3,032	3,032
Private grants.....	-	-	2,242	2,242
Revolving funds.....	-	-	527,637	527,637
Committed to:				
Capital stabilization.....	120,953	-	-	120,953
Assigned to:				
Encumbrances:				
General administration.....	3,109	-	-	3,109
Woodland School.....	3,796	-	-	3,796
Powder Mill School.....	8,232	-	-	8,232
Southwick Regional School.....	3,865	-	-	3,865
Maintenance.....	4,500	-	-	4,500
Subsequent year expenditures.....	800,000	-	-	800,000
Unassigned.....	1,106,001	-	-	1,106,001
Total Fund Balances.....	<u>\$ 2,050,456</u>	<u>\$ 1,223,065</u>	<u>\$ 934,356</u>	<u>\$ 4,207,877</u>

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 \$120,953 and is reported as committed fund balance within the General Fund.

NOTE 9 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance. Settlement claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

The District's health insurance activities are provided by a premium based insurance plan.

NOTE 10 - PENSION PLAN

Plan Descriptions

The District is a member of the Hampden County Regional Retirement System (HCRRS), a cost-sharing multiple-employer defined benefit pension plan covering eligible employees of the 35 member units. The system is administered by five board members (Board) on behalf of all current employees and retirees except for current teachers and retired teachers. Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan.

The District is a member of the Massachusetts Teachers' Retirement System (MTRS), a cost-sharing multi-employer defined benefit plan. MTRS is managed by the Commonwealth of Massachusetts (Commonwealth) on behalf of teachers and 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 and DESE licensed personnel 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 \$4,976,087 is reported in the general fund as intergovernmental revenue and pension expense in the current year. The portion of the Commonwealth's collective net pension liability associated with the District is \$41,034,022 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 HCRRS 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 \$1,008,185 and 26.09% 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 \$13,213,763 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. 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 3.25%, which increased from its 3.23% proportion measured at December 31, 2018.

Pension Expense

For the year ended June 30, 2020, the District recognized a pension expense of \$1,530,318. At June 30, 2020, the District reported deferred outflows of resources related to pensions of \$1,823,686 and deferred inflows of resources related to pensions of \$1,261,473.

The balances of deferred outflows and inflows of resources related to pensions at June 30, 2020, consist of the following:

Deferred Category	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Differences between expected and actual experience..... \$	179,422	\$ (100,520)	\$ 78,902
Difference between projected and actual earnings, net.....	-	(395,077)	(395,077)
Changes in assumptions.....	1,512,111	-	1,512,111
Changes in proportion and proportionate share of contributions...	132,153	(765,876)	(633,723)
Total deferred outflows/(inflows) of resources..... \$	1,823,686	\$ (1,261,473)	\$ 562,213

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

Year ended June 30:

2021.....	\$ 223,144
2022.....	208,927
2023.....	107,654
2024.....	(163,442)
2025.....	185,930
Total deferred outflows/(inflows) of resources..... \$	562,213

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.....	Appropriations increase 8.00% per year through fiscal 2030 and 3.75% per year thereafter.
Inflation rate.....	3.25%
Projected salary increases.....	Varies by length of service with ultimate rates of 4.00% for Group 1 employees with 11 or more years of service, 4.25% for Group 2 with 9 or more years of service and 4.50% for Group 4 employees with 8 or more years of service.
Cost of living adjustments.....	3.0% of the first \$18,000 of retirement income.
Rates of retirement.....	Varies based upon age for general employees, police and fire employees.

Mortality rates:

Pre-retirement.....	RP-2014 Blue Collar Employee Mortality Table set forward one year for females and projected generationally with Scale MP-2017.
Healthy retiree.....	RP-2014 Blue Collar Healthy Annuitant Mortality Table set forward one year for females and projected generationally with Scale MP-2017.
Disabled retiree.....	RP-2014 Blue Collar Healthy Annuitant Mortality Table set forward one year for females and projected generationally with Scale MP-2017.
Investment rate of return/Discount rate.....	7.15% (previously 7.50%).

Investment policy

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

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

Asset Class	Long-Term Expected Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity.....	21.00%	6.15%
International developed markets equity..	13.00%	6.78%
International emerging markets equity...	5.00%	8.65%
Core fixed income.....	15.00%	1.11%
High yield fixed income.....	8.00%	3.51%
Real estate.....	10.00%	4.33%
Commodities.....	4.00%	4.13%
Hedge fund, GTTA, risk parity.....	11.00%	3.19%
Private equity.....	13.00%	9.99%
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 16.36%. 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 7.15%, 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 pension liability to changes in the discount rate

The following presents the net pension liability, calculated using the discount rate of 7.15%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.15%) or 1-percentage-point higher (8.15%) than the current rate:

	1% Decrease (6.15%)	Current Discount (7.15%)	1% Increase (8.15%)
The District’s proportionate share of the net pension liability.....	\$ 16,266,973	\$ 13,213,763	\$ 10,642,925

Changes in assumptions – The discount rate was lowered from 7.50% to 7.15%.

Changes in plan provisions – None.

NOTE 11– POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description

The Southwick-Tolland-Granville Regional School District administers a single-employer defined benefit healthcare plan (“the Plan”). The Plan provides lifetime healthcare and life 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 also negotiated between the District and union representatives. The required contribution is based on a pay-as-you-go financing requirement. The District contributes 50% of the cost of current-year premiums for eligible retired plan members and their spouses. Plan members receiving benefits contribute the remaining 50% of their premium costs. For 2020, the District contributed \$967,794 to the plan.

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. During 2020, the District pre-funded future OPEB liabilities totaling \$20,000 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 \$250,303.

Employees Covered by Benefit Terms

The following table represents the Plan's membership at June 30, 2018:

Active members.....	142
Inactive members currently receiving benefits.....	<u>204</u>
Total.....	<u><u>346</u></u>

Components of the Net OPEB Liability

The following table represents the components of the Plan's OPEB liability as of June 30, 2020:

Total OPEB liability.....	\$ 33,370,879
Less: OPEB plan's fiduciary net position.....	<u>(250,303)</u>
Net OPEB liability.....	<u><u>\$ 33,120,576</u></u>
The OPEB plan's fiduciary net position as a percentage of the total OPEB liability.....	0.75%

Significant Actuarial Methods and Assumptions

The total OPEB liability in the June 30, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified that was updated to June 30, 2020.

Valuation date.....	June 30, 2018
Actuarial cost method.....	Entry Age Normal.
Amortization method.....	Level percentage of payroll - payments increase 3.0% per year.
Remaining amortization period.....	27 years from July 1, 2019.
Asset valuation method.....	Fair value.
Investment rate of return.....	7.00%

Discount rate.....	2.21% as of June 30, 2020, and 3.50% as of June 30, 2019.
Inflation rate.....	3.00%
Projected salary increases.....	Service-related increases for Group 1 (excluding Teachers) and Group 2 employees: 6.00% decreasing over 9 years to an ultimate level of 4.25%. Service-related increases for Teachers: 7.50% decreasing over 20 years to an ultimate level of 4.00%.
Health Care Trend Rates:	
Non-Medicare.....	0.8% for year 1, then 7.0% decreasing by 0.25% each year to an ultimate level of 4.5% per year.
Medicare.....	2.0% for year 1, then 7.0% decreasing by 0.25% each year to an ultimate level of 4.5% per year.
Dental.....	-3.7% for year 1, then 3.0% per year.
Mortality rates:	
Pre-retirement.....	Non-Teachers: RP-2014 Blue Collar Employee Mortality Table projected generationally with Scale MP-2018. Teachers: RP-2014 White Collar Employee Mortality Table projected generationally with Scale MP-2016.
Healthy retiree.....	Non-Teachers: RP-2014 Blue Collar Healthy Annuitant Mortality Table projected generationally with Scale MP-2018. Teachers: RP-2014 White Collar Healthy Annuitant Mortality Table projected generationally with Scale MP-2016.
Disabled retiree.....	Non-Teachers: RP-2014 Blue Collar Healthy Annuitant Mortality set forward 1 year and projected generationally with scale MP-2018. Teachers: RP-2014 White Collar Healthy Annuitant Mortality Table projected generationally with Scale MP-2016.

Rate of return

For the year ended June 30, 2020, the annual money-weighted rate of return on investments, net of investment expense, was 4.58%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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 OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of geometric real rates of return for each major asset class included in the 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.....	48.30%	6.15%
International developed markets equity.....	10.35%	6.78%
International emerging markets equity.....	10.35%	8.65%
Core fixed income.....	23.00%	1.11%
Real estate.....	8.00%	4.33%
Total.....	100.00%	

Discount rate

The discount rate used to measure the total OPEB liability was 2.21% and 3.50% as of June 30, 2020 and June 30, 2019, respectively. The projection of cash flows used to determine the discount rate assumed that contributions will be made in accordance with the Plan's funding policy. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be insufficient to make all projected benefit payments to current plan members. Therefore, the discount rate is a blend of the long-term expected rate of return and a yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

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

The following table presents the Plan's net OPEB liability, calculated using the discount rate of 2.21%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate.

	1% Decrease (1.21%)	Current Discount Rate (2.21%)	1% Increase (3.21%)
Net OPEB liability..... \$	39,141,332	\$ 33,120,576	\$ 28,354,917

Sensitivity of the net OPEB liability to changes in the healthcare trend

The following table presents the net OPEB liability, calculated using the current healthcare trend rate, as well as what the net OPEB liability would be if it were calculated using a healthcare trend rate that is 1-percentage-point lower or 1-percentage-point higher.

	1% Decrease	Current Trend	1% Increase
Net OPEB liability..... \$	27,452,237	\$ 33,120,576	\$ 40,525,010

Summary of Significant Accounting Policies

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

Change 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.....	\$ 27,209,517	\$ 219,934	\$ 26,989,583
Changes for the year:			
Service cost.....	969,974	-	969,974
Interest.....	969,696	-	969,696
Changes in assumptions.....	5,169,486	-	5,169,486
Benefit payments.....	(947,794)	(947,794)	-
Contributions.....	-	967,794	(967,794)
Investment Income.....	-	10,369	(10,369)
Net change.....	<u>6,161,362</u>	<u>30,369</u>	<u>6,130,993</u>
Balances at June 30, 2020.....	<u>\$ 33,370,879</u>	<u>\$ 250,303</u>	<u>\$ 33,120,576</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 \$3,459,705 and reported deferred outflows 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.....	\$ 1,132,407	\$ -	\$ 1,132,407
Difference between projected and actual earnings, net....	12,877	-	12,877
Changes of assumptions.....	<u>5,037,565</u>	<u>(360,498)</u>	<u>4,677,067</u>
Total deferred outflows/(inflows) of resources.....	<u>\$ 6,182,849</u>	<u>\$ (360,498)</u>	<u>\$ 5,822,351</u>

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

<u>Year ended June 30:</u>	
2021.....	\$ 1,536,128
2022.....	1,536,128
2023.....	1,715,053
2024.....	<u>1,035,042</u>
 Total deferred outflows/(inflows) of resources....	 \$ <u>5,822,351</u>

Changes in assumptions

- The discount rate was updated from 3.50% as of June 30, 2019 to 2.21% as of June 30, 2020.
- The impact of the excise tax on high cost health plans (part of the Patient Protection and Affordable Care Act) was removed, as the tax was repealed effective December 20, 2019.

Changes in plan provisions – None.

NOTE 12 – 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 against the District. 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, 2020 cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2020.

NOTE 13 – 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 expenditures incurred 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 31, 2021. 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. The full extent of the financial impact cannot be determined as of the date of the financial statements.

NOTE 14 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 18, 2021, which is the date the financial statements were available to be issued.

NOTE 15 - 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.

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Required Supplementary Information

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.

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

YEAR ENDED JUNE 30, 2020

	Budgeted Amounts		Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance to Final Budget
	Original Budget	Final Budget			
REVENUES:					
Member town assessments.....	\$ 13,943,031	\$ 13,943,031	\$ 13,943,031	\$ -	-
Intergovernmental.....	10,737,022	10,737,022	10,819,891	-	82,869
Fee charges.....	20,000	20,000	27,384	-	7,384
Investment income.....	-	-	19,078	-	19,078
Miscellaneous revenue.....	85,000	85,000	96,401	-	11,401
TOTAL REVENUES.....	24,785,053	24,785,053	24,905,785	-	120,732
EXPENDITURES:					
Current:					
General administration.....	2,550,778	2,537,801	2,322,425	3,109	212,267
Woodland School.....	2,350,479	2,352,608	2,355,877	3,796	(7,065)
Powder Mill School.....	2,706,725	2,708,821	2,758,312	8,232	(57,723)
Southwick Regional School.....	6,233,876	6,238,355	6,133,687	3,865	100,803
Special education.....	3,241,152	3,245,425	3,295,046	-	(49,621)
Student transportation.....	1,152,715	1,152,715	946,329	-	206,386
Maintenance.....	343,769	343,769	277,821	4,500	61,448
Employee benefits.....	2,341,000	2,341,000	2,189,304	-	151,696
Pension benefits.....	1,008,185	1,008,185	989,061	-	19,124
Insurance.....	105,450	105,450	104,173	-	1,277
Programs with other school districts (tuitions).....	1,311,717	1,311,717	1,347,226	-	(35,509)
Debt service:					
Debt service principal.....	1,295,000	1,295,000	1,295,000	-	-
Interest.....	862,574	862,574	854,574	-	8,000
TOTAL EXPENDITURES.....	25,503,420	25,503,420	24,868,835	23,502	611,083
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	(718,367)	(718,367)	36,950	(23,502)	731,815
OTHER FINANCING SOURCES (USES):					
Proceeds from the sale of capital assets.....	-	-	253,500	-	253,500
Use of prior year reserves.....	148,367	148,367	-	-	(148,367)
Use of excess and deficiency.....	550,000	739,005	-	-	(739,005)
Transfers in.....	20,000	20,000	20,000	-	-
Transfers out.....	-	(189,005)	(189,005)	-	-
TOTAL OTHER FINANCING SOURCES (USES).....	718,367	718,367	84,495	-	(633,872)
NET CHANGE IN FUND BALANCE.....	-	-	121,445	(23,502)	97,943
BUDGETARY FUND BALANCE, Beginning of year.....	1,792,677	1,792,677	1,792,677	-	-
BUDGETARY FUND BALANCE, End of year.....	\$ 1,792,677	\$ 1,792,677	\$ 1,914,122	\$ (23,502)	\$ 97,943

See notes to required supplementary information.

Pension Plan Schedules

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

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

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

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

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

Year	Proportion of the net pension liability (asset)	Proportionate share of the net pension liability (asset)	Covered payroll	Net pension liability as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total pension liability
December 31, 2019.....	3.25%	\$ 13,213,763	\$ 3,902,487	338.60%	50.23%
December 31, 2018.....	3.23%	12,872,908	3,696,568	348.24%	47.33%
December 31, 2017.....	3.53%	12,620,575	3,870,169	326.10%	50.82%
December 31, 2016.....	3.60%	13,129,178	3,914,042	335.44%	46.82%
December 31, 2015.....	3.52%	11,002,334	3,665,753	300.14%	49.22%
December 31, 2014.....	3.51%	10,070,751	3,511,724	286.78%	51.38%

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.

SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
HAMPDEN COUNTY REGIONAL RETIREMENT SYSTEM

Year	Actuarially determined contribution	Contributions in relation to the actuarially determined contribution	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
June 30, 2020.....	\$ 1,008,185	\$ (1,008,185)	\$ -	3,941,512	26.09%
June 30, 2019.....	928,335	(928,335)	-	3,733,534	24.86%
June 30, 2018.....	938,030	(938,030)	-	3,908,871	24.00%
June 30, 2017.....	898,505	(898,505)	-	3,953,182	22.73%
June 30, 2016.....	813,015	(813,015)	-	3,702,411	21.96%
June 30, 2015.....	750,007	(750,007)	-	3,546,841	21.15%

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

See notes to required supplementary information.

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

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
2020.....	\$ 41,034,022	\$ 4,976,087	53.95%
2019.....	38,759,034	3,927,667	54.84%
2018.....	38,682,421	4,067,397	54.25%
2017.....	38,876,229	3,965,630	52.73%
2016.....	36,639,889	2,971,338	55.38%
2015.....	27,727,150	1,926,338	61.64%

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

See notes to required supplementary information.

Other Postemployment Benefit Plan Schedules

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

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

**SCHEDULE OF 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.....	\$ 989,818	\$ 929,976	\$ 902,356	\$ 969,974
Interest.....	715,876	836,834	904,571	969,696
Differences between expected and actual experience....	(2,656,745)	-	1,877,343	-
Changes of assumptions.....	(733,085)	(901,248)	1,503,294	5,169,486
Benefit payments.....	-	(732,805)	(919,262)	(947,794)
Net change in total OPEB liability.....	(1,684,136)	132,757	4,268,302	6,161,362
Total OPEB liability - beginning.....	24,492,594	22,808,458	22,941,215	27,209,517
Total OPEB liability - ending (a).....	<u>\$ 22,808,458</u>	<u>\$ 22,941,215</u>	<u>\$ 27,209,517</u>	<u>\$ 33,370,879</u>
Plan fiduciary net position				
Employer contributions.....	\$ 20,000	\$ 20,000	\$ 20,000	\$ 20,000
Employer contributions for OPEB payments.....	733,085	732,805	919,262	947,794
Net investment income.....	-	-	4,934	10,369
Benefit payments.....	(733,085)	(732,805)	(919,262)	(947,794)
Net change in plan fiduciary net position.....	20,000	20,000	24,934	30,369
Plan fiduciary net position - beginning of year.....	155,000	175,000	195,000	219,934
Plan fiduciary net position - end of year (b).....	<u>\$ 175,000</u>	<u>\$ 195,000</u>	<u>\$ 219,934</u>	<u>\$ 250,303</u>
Net OPEB liability - ending (a)-(b).....	<u>\$ 22,633,458</u>	<u>\$ 22,746,215</u>	<u>\$ 26,989,583</u>	<u>\$ 33,120,576</u>
Plan fiduciary net position as a percentage of the total OPEB liability.....	0.77%	0.85%	0.81%	0.75%
Covered-employee payroll.....	N/A	N/A	N/A	N/A
Net OPEB liability as a percentage of covered-employee payroll.....	N/A	N/A	N/A	N/A

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

See notes to required supplementary information.

**SCHEDULE OF THE 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.....	\$ 1,447,528	\$ (967,794)	\$ 479,734	N/A	N/A
June 30, 2019.....	1,405,367	(939,262)	466,105	N/A	N/A
June 30, 2018.....	1,737,524	(752,805)	984,719	N/A	N/A
June 30, 2017.....	1,659,745	(753,085)	906,660	N/A	N/A

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

See notes to required supplementary information.

SCHEDULE OF INVESTMENT RETURNS
OTHER POSTEMPLOYMENT BENEFIT PLAN

<u>Year</u>	<u>Annual money-weighted rate of return, net of investment expense</u>
June 30, 2020.....	4.58%
June 30, 2019.....	2.43%
June 30, 2018.....	0.00%
June 30, 2017.....	0.00%

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 ACCOUNTABILITY

A. 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 majority vote. Increases to the budget subsequent to the approval of the annual budget require majority Committee approval.

The majority of appropriations are non-continuing which lapse at the end of each year. Others are continuing appropriations for which the governing body has authorized that an unspent balance from a prior year be carried forward and made available for spending in the current year. These carry forwards are included as part of the subsequent year’s original budget.

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 \$25.5 million in appropriations. The District approved supplemental appropriations totaling \$189,000 to fund a deficit in the school lunch revolving fund.

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.....	\$	121,445
<u>Perspective differences:</u>		
Activity of the stabilization fund recorded in the general fund for GAAP.....		622
<u>Basis of accounting differences:</u>		
Recognition of revenue for on-behalf payments.....		4,976,087
Recognition of expenditures for on-behalf payments.....		<u>(4,976,087)</u>
Net change in fund balance - GAAP basis.....	\$	<u>122,067</u>

C. Appropriation Deficits

During 2020, actual expenditures exceeded appropriations for Woodland School, Powder Mill School, special education and programs with other school districts (tuitions).

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

The Schedule of the District's Proportionate Share of the Net Pension Liability details the 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 discount rate was lowered from 7.50% to 7.15%.

E. Changes in Plan Provisions:

None.

NOTE C – OTHER POSTEMPLOYMENT BENEFITS

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

The Other Postemployment Benefit Plan**A. Schedule of Changes in the District's Net Other Postemployment Benefit Liability and Related Ratios**

The Schedule of Changes in the District's Net Other Postemployment Benefit Liability and Related Ratios presents multi-year trend information on changes in the Plan's total OPEB liability, changes in the Plan's net

position, and ending net OPEB liability. 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-employee 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. Methods and assumptions used to determine contribution rates are as follows:

Valuation date.....	June 30, 2018
Actuarial cost method.....	Entry Age Normal.
Amortization method.....	Level percentage of payroll - payments increase 3.0% per year.
Remaining amortization period.....	27 years from July 1, 2019.
Asset valuation method.....	Fair value.
Investment rate of return.....	7.00%
Discount rate.....	2.21% as of June 30, 2020, and 3.50% as of June 30, 2019.
Inflation rate.....	3.00%
Projected salary increases.....	Service-related increases for Group 1 (excluding Teachers) and Group 2 employees: 6.00% decreasing over 9 years to an ultimate level of 4.25%. Service-related increases for Teachers: 7.50% decreasing over 20 years to an ultimate level of 4.00%.
Health Care Trend Rates:	
Non-Medicare.....	0.8% for year 1, then 7.0% decreasing by 0.25% each year to an ultimate level of 4.5% per year.
Medicare.....	2.0% for year 1, then 7.0% decreasing by 0.25% each year to an ultimate level of 4.5% per year.
Dental.....	-3.7% for year 1, then 3.0% per year.

Mortality rates:

Pre-retirement.....	<p>Non-Teachers: RP-2014 Blue Collar Employee Mortality Table projected generationally with Scale MP-2018.</p> <p>Teachers: RP-2014 White Collar Employee Mortality Table projected generationally with Scale MP-2016.</p>
Healthy retiree.....	<p>Non-Teachers: RP-2014 Blue Collar Healthy Annuitant Mortality Table projected generationally with Scale MP-2018.</p> <p>Teachers: RP-2014 White Collar Healthy Annuitant Mortality Table projected generationally with Scale MP-2016.</p>
Disabled retiree.....	<p>Non-Teachers: RP-2014 Blue Collar Healthy Annuitant Mortality set forward 1 year and projected generationally with scale MP-2018.</p> <p>Teachers: RP-2014 White Collar Healthy Annuitant Mortality Table projected generationally with Scale MP-2016.</p>

C. Schedule of Investment Returns

The Schedule of Investment Returns includes the money-weighted investment return on other postemployment assets, net of investment expense.

D. Changes in Assumptions:

- The discount rate was updated from 3.50% as of June 30, 2019, to 2.21% as of June 30, 2020.
- The impact of the excise tax on high cost health plans (part of the Patient Protection and Affordable Care Act) was removed, as the tax was repealed effective December 20, 2019.

E. Changes in Plan Provisions:

None.