

PLEASE POST – NOTICE OF PUBLIC MEETING

Essex North Shore Agricultural & Technical School District
Finance Subcommittee

Essex North Shore Agricultural & Technical School
565 Maple Street
Hathorne, Massachusetts 01937
Maple Street Bistro

Wednesday, May 1, 2019
5:00 p.m.

Agenda

1. *Call to Order*

2. *Approval of Meeting Minutes*

The Subcommittee will consider approval of meeting minutes for the Finance Subcommittee meeting of April 3, 2019.

3. *Financial Statements*

Administrative Recommendation: To approve the Revenue and Expenditure Reports for February 28, 2019. If approved, the statements will be placed on file for audit.

4. *Fiscal Year 2018 Audit Report – Giusti, Hingston & Company*

Administrative Recommendation: Fiscal Year 2018 Audit Report received from Giusti, Hingston & Company. The administration recommends accepting the report as submitted.

5. *Fiscal Year 2019 Grants*

Administrative Recommendation: To accept the following FY2019 Grants:

<u>Grant Description</u>	<u>Amount</u>
MA DESE Improving Student Access to Behavioral & Mental Health	\$20,000(FY19)
MA DESE Teen Dating Violence Prevention and Intervention	\$90,000(FY20)
Essex National Heritage Commission	\$17,394
	\$ 2,000

6. *Acceptance of Donations*

Administrative Recommendation:

To accept the donation of a 2006 Lincoln Navigator with an approximate value of \$4,850 from Mr. Robert H. Taylor of Boxford, Massachusetts to the Automotive Technology Program.

7. *Establishing Scholarships*

Administrative Recommendation: To accept a donation of \$16,000 from the Gene Haas Foundation to establish scholarships to be expended for student machinist-based training or engineering programs.

8. *Purchase of Fitness Equipment*

The administration will provide detail for the purchase of equipment for the Fitness Center in the amount of up to \$33,000 from the Athletic Revolving Account.

9. *Request for Proposal 2019-1*

Administrative Recommendation: To award RFP 2019-1 to Gienapp Architects, LLC of Danvers, Massachusetts for the design and construction administrative services for demolition of the McNamara O'Shea Building.

10. *Request for Proposal 2019-2*

Administrative Recommendation: To award RFP 2019-2 to designLAB architects of Boston, Massachusetts for the design and construction administrative services for the Larkin Exhibit Hall.

11. *Establishing Scholarships*

Administrative Recommendation: To establish a scholarship sponsored by the Theresa Ruth Joens Automotive Technology Tool Fund for a graduating senior from the Automotive Technology Program.

12. *Discussion items that were not reasonably anticipated by the Chairperson (M.G.L., Chapter 30A - Sections 18-25)*

13. *Adjourn*

The listing of matters is those reasonably anticipated by the Chair in accordance with M.G.L., Chapter 30A, Sections 18-25, which may be discussed at the meeting. Not all items listed may in fact be discussed and other items not listed may also be brought up for discussion to the extent permitted by law.

Essex North Shore Agricultural & Technical School District
Finance Subcommittee

Essex North Shore Agricultural & Technical School
565 Maple Street
Hathorne, Massachusetts 01937
Maple Street Bistro

Wednesday, April 3, 2019
5:00 p.m.

Tentative Minutes

Members Attending: Bruce Perkins/Chair, James O'Brien, Christopher Grant, James Picone, Andrew Prazar, William Nichols, Mark Strout, Ex Officio

Absent: Wayne Marquis

Also Attending: Dr. Riccio, Marie Znamierowski, Kathleen Turner

1. Call to Order

Mr. Perkins called the meeting to order at 5:00 pm

Approval of Meeting Minutes

Mr. Prazar made the motion to approve the meeting minutes from the Finance Subcommittee meeting of March 6, 2019.

Dr. Picone seconded the motion. The motion passed.

Financial Statements

Ms. Znamierowski reviewed enrollments and assessments. Expenditures are on target. Revolving funds were also reviewed.

Dr. Picone asked about the deficit on the report.

Ms. Znamierowski explained how this budget balance is reflected in a different aspect.

Dr. Picone asked what is going on with culinary arts.

Ms. Znamierowski explained why the reports shows a negative although they are in a positive. The balance sheet shows a \$130,000 positive.

Dr. Riccio explained how the revolving fund is calculated to cover incidental fees.

Mr. Perkins explained that Shawsheen handles their revolving fund the same way.

The group reviewed how payments are made and if there are every any insufficient fund charges.

Ms. Znamierowski reviewed how the grant money is applied to the budget.

Mr. Strout made the motion to approve the Revenue and Expenditure Reports for January 31, 2019. The statements will be placed on file for audit.

Dr. Picone seconded the motion. The motion passed.

Request for Proposal 2020-1

The group reviewed the status of the building that will be used for this lease.

Dr. Riccio explained the work and upgrades that have been made as requested by the tenant of the building.

Mr. Perkins asked about air quality in the building.

Dr. Riccio said the basement is not being used.

The one year lease is in the best interest since there are no plans for that building for the next year.

Mr. Perkins asked how many staff families take advantage of the Day Care program on campus.

Dr. Riccio estimated there are seven families using this Day Care.

made the motion to award a one-year lease to Peas in a Pod, Inc. of Saugus, MA the sole bidder. The contract will generate rental income to the District of \$7,040 per month.

The total anticipated annual rent is \$84,480.

Mr. Strout made the motion. Dr. Picone seconded the motion. The motion passed.

Request for Proposal (RFP) Update

Dr. Riccio explained the situation of this building and the repairs needed to bring the building up to code presented information on the McNamara O'Shea Science Building and Larkin Cottage

Mr. Strout reminded that the report recommended the building be demolished in some of the options.

Mr. O'Brien asked about the decision to demolish the building for \$1,000,000.

Mr. Prazar asked if there is any imminent danger in leaving the building standing.

It was discussed that the building does not need to be torn down for physical safety purposes, but for the cost to renovate it.

Ms. Znamierowski reminded that this is the first phase of the demolition and no money has been spent.

Dr. Riccio explained that this is in preliminary stages and there is a range of expense to demolish the building and potentially other buildings.

The group discussed the overall plans of the buildings on campus and their sustainability.

The phases of building and demolition should be done in stages in order to utilize the property. The groups that have come to ENSATS to review the property needs were reviewed. There is some pro-bono work being done at this time by some engineers. The students are also involved in some of this preliminary work and surveys.

Once the proposals have been selected they will be brought to the School Committee.

Dr. Riccio asked about the timeline for the project.

Mr. O'Brien reviewed the timelines and the ability to be flexible depending on the stages of the building.

The group discussed the options that are available and the timing for the School Committee vote in May.

Mr. Strout reminded that in February it was voted to demolish the McNamara O'Shea building.

The group discussed the School Committee meeting in February when the options were presented and the vote that took place in February.

Ms. Znamierowski discussed the need for a committee to review the proposals.

Dr. Riccio asked Mr. O'Brien if he would like to be on the Larkin Cottage committee based on his experience with the Agriculture piece of the Larkin Cottage.

Mr. Prazar asked about the funding for the Larkin Cottage project.

Dr. Riccio explained the donors, grants, and foundations that are participating in fundraising, donations, and grants. There are also local business people who are donating funds or resources for the project.

Dr. Riccio explained a security grant that submitted yesterday. It is a partnership grant.

This will be for keyless entry points for both buildings and security cameras.

6. Discussion items that were not reasonably anticipated by the Chairperson (M.G.L., Chapter 30A - Sections 18-25)

7. Adjourn

Mr. Strout made the motion to adjourn at 5:35

Mr. O'Brien seconded the motion. The motion passed.

The meeting adjourned at 5:35

Respectfully submitted by the Recording Secretary.

The listing of matters is those reasonably anticipated by the Chair in accordance with M.G.L., Chapter 30A, Sections 18-25, which may be discussed at the meeting. Not all items listed may in fact be discussed and other items not listed may also be brought up for discussion to the extent permitted by law.

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March 8, 2019

School Committee
Essex North Shore Agricultural and
Technical School District
562 Maple Street
P.O. Box 346
Hathorne, MA 01937

Dear Members of the Committee:

In planning and performing our audit of the financial statements of the Essex North Shore Agricultural and Technical School District as of and for the year ended June 30, 2018, in accordance with auditing standards generally accepted in the United States of America, we considered the Essex North Shore Agricultural and Technical School Districts' internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Essex North Shore Agricultural and Technical School Districts' internal control. Accordingly, we do not express an opinion on the effectiveness of the Essex North Shore Agricultural and Technical School Districts' internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

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

We do not consider the following matters to be significant deficiencies or material weaknesses. However they are matters we want to communicate to the District.

Business Manager Assistant – New Position - Comptroller

Accounting and Reconciliation Procedures

During our review of the revenues, expenditures and all related general ledger accounting transactions, for the fiscal year ended June 30, 2018, we found that the Business Manager is doing a very good job in relation to the recording, reporting and reconciliation procedures. There is a significant amount of very complex accounting transactions that require recording and reconciliation procedures to be performed in a timely manner every month. The current regulatory requirements relating to properly recording and accounting for payroll, personnel and related matters, are very complex and time consuming. In addition, over the past several years, the Governmental Accounting Standards Board (GASB) has implemented new accounting standards that make the accounting requirements more complex.

In addition to the above noted matters, during fiscal 2018, a new general ledger accounting software program was implemented by the District. This was a very extensive and complicated process that took a significant amount of effort by the Business Manager and other business personnel to implement. The new accounting software has some unique aspects that make the preparation of monthly financial reports and related reconciliations quite challenging. An example of one of the complex accounting requirements that must be properly accounted for, relates to inter-fund due to/ due from accounts. Because of the GASB requirements relating to the use of Fund Accounting, all Governments must record and reconcile certain inter-fund accounting transactions. Most accounting software programs have different procedures that must be followed when recording and reconciling the inter-fund due to/ due from general ledger accounts. During our audit, for the fiscal year ended June 30, 2018, we spent a significant amount of time and effort working with the Business Manager to reconcile these due to/due from accounts for June 30, 2018.

New Position - Comptroller

Over the past few years, we have found that the entire operation relating to recording, reporting and reconciling the District's financial accounting matters, has become much more time consuming and complex. During our audit for the fiscal year ended June 30, 2018, we also reviewed the accounting records for July and August of 2018 (fiscal year 2019). During our review of these records, and during our conversations with the Business manager, we have concluded that the Business Manager needs more help to be able to properly perform the required duties each month. Because of all of the matters noted above, the Business Manager has not been able to find the time to perform the needed accounting and reconciliation work relating to fiscal year 2019.

We are extremely concerned that the Business Manager will not be able to perform the very important internal accounting control procedures, relating to recording, reporting and reconciliation, in a timely manner every month. During our conversations with the Business Manager and the Superintendent, it is our understanding that the District is considering hiring a Comptroller to assist the Business Manager with all of the needed accounting and reconciliation work. We totally agree with the proposal to hire a qualified person, who has a high level of accounting skills, to provide the Business Manager with the much needed and critically important assistance. During this process, we are available to provide any assistance that is needed with any accounting matters that come up.

Implementation of New GASB Pronouncements

The Governmental Accounting Standards Board has been very active in developing new standards in the past few years. It is important that the District be aware of the current and proposed standard changes. During fiscal year 2018, the following GASB pronouncements were effective:

- The GASB issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. As noted in the "Notes to the Financial Statements", for the June 30, 2018 Financial Statements, the District is not required to implement GASB 75.
- The GASB issued Statement No 81 Irrevocable Split-Interest Agreements, which is required to be implemented in fiscal year 2018. The implementation of this pronouncement did not impact the financial statements for the District.
- The GASB issued Statement No 82, Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73 which is required to be implemented in fiscal year 2018.
- The GASB issued Statement No. 85, Omnibus 2017 which is required to be implemented in fiscal year 2018.

- The GASB issued Statement No. 86, *Certain Debt Extinguishment Issues* which is required to be implemented in fiscal year 2018. The implementation of this pronouncement did not impact the financial statements for the District.

The following GASB pronouncements will be implemented in future fiscal years:

- The GASB issued Statement No. 83, *Certain Asset Retirement Obligations* which is required to be implemented in fiscal years beginning after June 15, 2018.
- The GASB issued Statement No. 84, *Fiduciary Activities* which is required to be implemented in fiscal years beginning after December 15, 2018.
- The GASB issued Statement No. 87, *Leases* which is required to be implemented in fiscal years beginning after December 15, 2019.
- The GASB issued Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, which is required to be implemented in fiscal years beginning after June 15, 2018.
- The GASB issued Statement No. 89, *Accounting for Interest Costs Incurred* before the end of a construction period which is required to be implemented in fiscal years beginning after December 15, 2019.

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

Cash Reconciliation and Unclaimed Checks

During our review of the cash reconciliation procedures being followed by the District, we found that a good job is being performed by the Business Manager in completing the procedures that are necessary relating to reconciling the general ledger cash account balances to the Treasurer's bank account balances.

During our review of the District Treasurer's cash reconciliation work, we found that a good job is being performed by the Treasurer in reconciling from the Treasurer's Cash Book to the actual bank statement balances each month. However, during our review we noticed that there are some small unreconciled cash variances that should be corrected. During the fiscal year ended June 30, 2018, the District has implemented a new general ledger accounting software program (Infinite Visions). We recommend that the Treasurer consider implementing the Infinite Visions "Cash Module", to help make the entire monthly cash reconciliation work be more efficient. During this process, the cash variances should be identified and corrected.

During our review of the Treasurer's cash reconciliation work, we also noticed that there are some old outstanding checks that have been carried on the outstanding check list that should be added to tailings or other steps should be followed relating to these outstanding checks, as noted below. Although the number of old outstanding checks is not large, there are standard procedures that should be followed by the Treasurer to get these checks off the outstanding check list. Some of the outstanding vendor checks may be in the name of active vendors. Therefore, it is possible that those outstanding checks were replaced by checks written on a subsequent warrant, but not voided in the accounting system. Other outstanding checks may fall under the State's abandoned property law (Massachusetts General Laws Chapter 200A Section 9A).

The normal procedures that must be followed by the Treasurer include reviewing the current checks that are included on the outstanding check lists. The next step is to determine whether the outstanding checks represent an amount still due to the employee/vendor or if they have been replaced by other checks. If the check has been replaced already, the outstanding check should be voided. If the employee/vendor still has

a valid claim, the outstanding check should be voided and replaced. When the employee/vendor cannot be located, the procedures outlined in Massachusetts General Laws Chapter 200A Section 9A should be followed. Amendments to the law have changed the period of time that a check must be outstanding (one year provided the face of the check bears the statement "void if not cashed within 1 year from date of issue") before the abandoned property process may begin. The amended law also changed the required method for notifying the payees that checks remain unclaimed. A summary of the procedures is noted below.

1. All District checks should include the verbiage "void if not cashed within 1 year from date of issue" on their face.
2. After a check has been outstanding for one year the abandoned property process should begin.
3. Annually, the Treasurer should prepare a list of checks that have been outstanding for one year (date of check, check number, payee and amount). The bank should be notified to stop payment on the checks and the checks should be removed from the outstanding check list. The Treasurer's cash book should be increased by the total of the list. In addition, the Treasurer should provide the Business Manager with a copy of the list.
4. The Business Manager should make a journal entry in the general ledger to increase the cash account and the unclaimed checks liability account.
5. The Treasurer should begin the "notification" process in accordance with M.G.L. Chapter 200A, Section 9A which states:

The Treasurer of the City, Town or District may post such notice **using either of the following methods:** (1) by mailing the notice by first class mail, postage prepaid, to the last known address of the beneficiary or person entitled thereto; or (2) if the city, district or town maintains an official website, by posting the notice conspicuously on the website for not less than 60 days. If the apparent owner fails to respond within 60 days after the mailing or posting of the notice, the treasurer shall cause a notice of the check to be published in a newspaper of general circulation, printed in English, in the county in which the city, town or district is located.

In the event that funds appearing to be owed to a corporation, organization, beneficiary or person is \$100 or more and the deadline as provided in the notice has passed and no claim for the funds has been made, the treasurer shall cause an additional notice to be published in a newspaper of general circulation in the county in which the city, district or town is located; provided, however, that the notice shall provide an extended deadline beyond which funds shall not be claimed and such deadline shall be at least 1 year from the date of publication of the notice.

After the notice/publication/waiting period requirements have been met, any checks that remain unclaimed may be closed to the general fund's unreserved fund balance account.

* * * * *

This communication is intended solely for the information and use of management, those charged with governance and others within the organization, and is not intended to be and should not be used by anyone other than those specified parties.

After you have had an opportunity to consider our observations, we shall be pleased to discuss them further with you. We would like to thank you for the cooperation and courtesy extended to us during the course of the engagement.

Very truly yours,

Giusti, Hingston and Company

Giusti, Hingston and Company
Certified Public Accountants

**ESSEX NORTH SHORE AGRICULTURAL AND
TECHNICAL SCHOOL DISTRICT**

Financial Statements

For the Year Ended June 30, 2018

(With Accountants' Report Thereon)

Giusti, Hingston and Company
Certified Public Accountant
36 Jackman St., Unit 1 * Georgetown, MA 01833 * (Tel)978-352-7470

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INDEPENDENT AUDITORS REPORT

School Committee
Essex North Shore Agricultural and Technical School District
562 Maple Street
P.O. Box 346
Hathorne, MA 01937

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Essex North Shore Agricultural and Technical School District, as of and for the year ended June 30, 2018, 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 principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

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 Essex North Shore Agricultural and Technical School District, as of June 30, 2018 and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary statement and the retirement system schedules listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to

the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the Required Supplementary Information relating to Other Post Employment Benefit (OPEB) liabilities, that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by *Title 2 U.S. Code of Federal Regulations Part 200 Uniform Administrative Requirements Cost Principles and Audit Requirements of Federal Awards*.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 8, 2019, on our consideration of the Essex North Shore Agricultural and Technical School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Essex North Shore Agricultural and Technical School District's internal control over financial reporting and compliance.

Giusti, Hingston and Company

Giusti, Hingston and Company
Certified Public Accountants
Georgetown, Massachusetts
March 8, 2019

**Essex North Shore Agricultural and Technical School District
Management's Discussion and Analysis
Required Supplementary Information
June 30, 2018**

As management of the Essex North Shore Agricultural and Technical School District, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the Essex North Shore Agricultural and Technical School District for the fiscal year ended June 30, 2018.

Financial Highlights

- As of June 30, 2018, the Essex North Shore Agricultural and Technical School District has a net position of \$88,953,438. This amount represents the excess of the assets and deferred outflows over the liabilities and deferred inflows, which is presented in the Statement of Net Position. This Statement is one of the two required Government-wide financial statements which are listed on the table of contents at the beginning of the audited financial statements.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$1,776,322. Of this amount, \$196,154 relates to the Stabilization Fund, which is now required to be included with the general fund for financial statement purposes in accordance with the new GASB 54 requirements.
- The Essex North Shore Agricultural and Technical School District has total long term debt of \$29,035,000 as of June 30, 2018, which is shown on the Statement of Net Position and is also shown in the Required Notes to the Financial Statements.

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

The *Statement of Net Position* presents information on all of the Essex North Shore Agricultural and Technical School District's assets and liabilities, with the differences between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Essex North Shore Agricultural and Technical School District is improving or deteriorating.

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

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

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

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Essex North Shore Agricultural and Technical School District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term*

inflows and outflows of spendable resources, as well as on *balances of spendable resources* at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

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

Notes to the Financial Statements

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

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the Salem Contributory Retirement System. The *required supplementary information* also includes budget versus actual information.

Reconciliation of Government-wide Financial Statements to Fund Financial Statements

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

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

Net Position

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

	<u>Governmental Activities</u>		
	<u>2018</u>	<u>2017</u>	<u>Change</u>
Current Assets	\$ 9,103,328	\$ 8,934,352	\$ 168,976
Capital Assets	121,596,765	124,765,000	(3,168,235)
Total Assets	<u>130,700,093</u>	<u>133,699,352</u>	<u>(2,999,259)</u>
Deferred Outflows of Resources	<u>867,313</u>	<u>751,393</u>	<u>115,920</u>
Current Liabilities	4,277,041	8,009,346	(3,732,305)
Long Term Liabilities	37,779,989	38,595,466	(815,477)
Total Liabilities	<u>42,057,030</u>	<u>46,604,812</u>	<u>(4,547,782)</u>
Deferred Inflows of Resources	<u>556,938</u>	<u>273,824</u>	<u>283,114</u>
Net Position:			
Net Investment in Capital Assets	92,053,559	91,056,493	997,066
Restricted	2,089,252	112,731	1,976,521
Unrestricted (Deficit) (See Note Below)	(5,189,373)	(3,597,114)	(1,592,259)
Total Net Position	<u>\$ 88,953,438</u>	<u>\$ 87,572,110</u>	<u>\$ 1,381,328</u>

The reason the unrestricted Net Position reflects a deficit is because of the Net Pension Liability of \$5,757,057 (GASB 68) which is required to be recorded in the Statement of Net Position.

Changes in Net Position

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

	<u>Governmental Activities</u>		
	<u>2018</u>	<u>2017</u>	<u>Change</u>
Revenues			
Program Revenues:			
Charges for Services	\$ 5,603,111	\$ 6,067,541	(464,430)
Operating Grants and MTRB Contributions	11,786,883	9,988,110	1,798,773
Capital Grants and Contributions	4,369,404	809	4,368,595

	<u>Governmental Activities</u>		
	<u>2018</u>	<u>2017</u>	<u>Change</u>
General Revenues:			
Assessments to Members	14,778,442	14,362,986	415,456
Intergovernmental - Unrestricted	79,086	-	79,086
Unrestricted Investment Earnings	67,965	61,940	6,025
Other Revenue	174,124	1,129,727	(955,603)
Total Revenues	<u>36,859,015</u>	<u>31,611,113</u>	<u>5,247,902</u>
Expenses			
Administration	1,613,900	1,449,826	(164,074)
Instruction	18,201,738	17,203,841	(997,897)
Other School Services	1,335,064	1,464,291	129,227
Operation and Maintenance	2,069,561	2,464,204	394,643
Employee Benefits and Fixed Charges	8,350,207	7,760,950	(589,256)
Transportation	1,852,729	1,805,295	(47,435)
Debt Service	1,153,941	1,177,174	23,233
Capital Outlay	406,386	36,313	(370,073)
Adult Education	62,578	44,479	(18,099)
Food Services	431,584	430,000	(1,584)
Total Expenses	<u>35,477,687</u>	<u>33,836,372</u>	<u>(1,641,316)</u>
Increase (Decrease) in Net Position			
Before Prior Period Adjustment	1,381,328	(2,225,259)	3,606,587
Prior Period Adjustment	-	8,561,118	(8,561,118)
Increase (Decrease) in Net Position	<u>\$ 1,381,328</u>	<u>\$ 6,335,859</u>	<u>\$ (4,954,531)</u>

Governmental Activities

In fiscal year 2018 member assessments accounted for approximately 40.1% of the total revenues.

Financial Analysis of the District's Funds

Governmental Funds

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

General Fund

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

The following table reflects the components of fund balance and the Excess and Deficiency balance:

Fund Balance General Fund					
<u>Fiscal Year</u>	<u>Committed</u>	<u>Assigned</u>	<u>Unassigned</u>	<u>Total Fund Balance</u>	<u>Excess and Deficiency</u>
2015	\$1,167,783	\$824,142	\$2,440,196	\$4,432,121	\$1,162,304
2016	367,783	1,164,636	2,634,613	\$4,167,032	\$1,456,404
2017	367,783	1,353,872	2,555,850	\$4,277,505	\$1,330,320
2018	367,783	1,363,279	1,776,322	\$3,507,384	\$1,007,608

Capital Asset and Debt Administration

Capital assets. The Essex North Shore Agricultural and Technical School District's investment in capital assets for its governmental activities as of June 30, 2018, amounts to \$121,596,765 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, vehicles and furniture, fixtures and equipment. The capital assets as of June 30, 2017 and 2018 are as follows:

Capital Assets at June 30 (Net of Depreciation)		
	Governmental Activities	
	<u>2018</u>	<u>2017</u>
Construction Work in Process	\$ -	\$ 3,445,608
Total Capital Assets Not Being Depreciated	-	3,445,608
Buildings and Improvements	119,410,089	119,249,794
Furniture, Fixtures and Equipment	1,262,310	1,154,725
Other	63,120	76,368
Vehicles	861,246	838,505
Total Capital Assets Being Depreciated	121,596,765	121,319,392
Total Capital Assets, Net	\$ 121,596,765	\$ 124,765,000

Debt

The District had \$29,035,000 in long term bonds outstanding on June 30, 2018. This represents a \$675,000 decrease or 2.3% reduction from the previous year.

Outstanding Debt at June 30

Governmental Activities	<u>2018</u>	<u>2017</u>
General Obligation Bonds Payable	<u>\$ 29,035,000</u>	<u>\$ 29,710,000</u>

Request for Information

This financial report is designed to provide a general overview of the Essex North Shore Agricultural and Technical School Districts' finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Superintendent
Essex North Shore Agricultural and
Technical School District
562 Maple Street
P.O. Box 346
Hathorne, MA 01937

Essex North Shore Agricultural and Technical School District
Statement of Net Position
June 30, 2018

	Government - Wide <u>Activities</u>
Assets	
Current:	
Cash/Investments	\$ 8,498,703
Petty Cash	527
Accounts Receivable:	
Due from / to other funds	(31,945)
Intergovernmental	130,644
Prepaid Expenses	500,000
Inventory	5,399
Noncurrent:	
Capital Assets:	
Assets Being Depreciated, Net	121,596,765
Total Assets	<u>130,700,093</u>
 Deferred Outflows of Resources	
Pension	<u>867,313</u>
 Liabilities	
Current:	
Warrants and Accounts Payable	777,534
Accrued Wages Payable	1,375,135
Withholdings Payable	294,552
Accrued Interest Payable	94,099
Due to Other Government - Pension	240,076
Bonds Payable	700,000
Leasing Payable	508,206
Other Liabilities	287,439
Noncurrent:	
Compensated Absences Payable	316,361
Due to Other Government - Pension	3,371,571
Bonds Payable	28,335,000
Net Pension Liability	5,757,057
Total Liabilities	<u>42,057,030</u>
 Deferred Inflows of Resources	
Pension	<u>556,938</u>
 Net Position	
Net Investment in Capital Assets	92,053,559
Restricted for:	
Capital Projects	1,519,304
Other Purposes	569,948
Unrestricted (Deficit)	(5,189,373)
Total Net Position	<u>\$ 88,953,438</u>

Essex North Shore Agricultural and Technical School District
Statement of Activities
Fiscal Year Ended June 30, 2018

		Program Revenues			Net (Expenses) Revenues and Changes in Net Position
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<i>Governmental Activities:</i>					
Administration	\$ 1,613,900	\$ -	\$ -	\$ -	\$ (1,613,900)
Instruction	18,201,738	4,928,885	5,218,719	-	(8,054,134)
Other School Services	1,335,064	177,848	335,004	-	(822,211)
Operation and Maintenance	2,069,561	-	-	-	(2,069,561)
Employee Benefits and Fixed Charges	8,350,207	-	4,670,316	-	(3,679,891)
Transportation	1,852,729	-	1,562,844	-	(289,885)
Debt Service	1,153,941	-	-	-	(1,153,941)
Capital Outlay	406,386	-	-	4,369,404	3,963,018
Adult Education	62,578	89,311	-	-	26,733
Food Services	431,584	407,067	-	-	(24,517)
Total Governmental Activities	<u>\$ 35,477,687</u>	<u>\$ 5,603,111</u>	<u>\$ 11,786,883</u>	<u>\$ 4,369,404</u>	<u>(13,718,289)</u>
<i>General Revenues:</i>					
					14,778,442
					79,086
					67,965
					174,124
Total General Revenues					<u>15,099,617</u>
					1,381,328
Net Position:					
					87,572,110
					\$ 88,953,438

Essex North Shore Agricultural and Technical School District
Governmental Funds
Balance Sheet
June 30, 2018

	General Fund	School Building Project	Nonmajor Governmental Funds	Total Governmental Funds
Assets:				
Cash/Investments	\$ 8,265,771	\$ -	\$ 232,932	\$ 8,498,703
Petty Cash	527	-	-	527
Due from Other Funds	99,208	1,430,542	1,281,244	2,810,994
Inventory	-	-	5,399	5,399
Prepaid Expenses	500,000	-	-	500,000
Due from Other Government	-	-	130,644	130,644
Total Assets	\$ 8,865,506	\$ 1,430,542	\$ 1,650,219	\$ 11,946,267
Liabilities:				
Warrants and Accounts Payable	\$ 723,607	\$ -	\$ 53,927	\$ 777,534
Accrued Wages Payable	1,375,135	-	-	1,375,135
Withholdings Payable	294,552	-	-	294,552
Due to Other Funds	2,920,074	-	(77,135)	2,842,939
Other Liabilities	44,754	-	242,685	287,439
Total Liabilities	5,358,122	-	219,477	5,577,599
Fund Equity:				
Fund Balances:				
Restricted	-	1,430,542	658,710	2,089,252
Committed	367,783	-	772,032	1,139,815
Assigned	1,363,279	-	-	1,363,279
Unassigned	1,776,322	-	-	1,776,322
Total Fund Balances	3,507,384	1,430,542	1,430,742	6,368,668
Total Liabilities and Fund Balance	\$ 8,865,506	\$ 1,430,542	\$ 1,650,219	\$ 11,946,267

Essex North Shore Agricultural and Technical School District
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
Fiscal Year Ended June 30, 2018

	General Fund	School Building Project	Nonmajor Governmental Funds	Total Governmental Funds
<u>Revenues:</u>				
Assessments to Members	\$ 14,778,442	\$ -	\$ -	\$ 14,778,442
Intergovernmental:				
State Aid - Education	3,887,156	-	-	3,887,156
State Aid - Transportation	1,562,844	-	-	1,562,844
State Aid - School Construction	-	4,369,404	-	4,369,404
Other State and Federal Aid	58,283	-	1,674,236	1,732,519
MTRS and Other On Behalf Payments	4,670,316	-	-	4,670,316
Charges for Services	4,512,712	-	1,032,116	5,544,828
Investment Income	66,706	-	-	66,706
Miscellaneous	174,124	-	71,416	245,540
Total Revenues	<u>29,710,583</u>	<u>4,369,404</u>	<u>2,777,768</u>	<u>36,857,755</u>
<u>Expenditures:</u>				
Administration	1,524,050	-	-	1,524,050
Instruction	13,367,244	-	1,417,870	14,785,114
Other School Services	1,130,787	-	177,444	1,308,231
Operation and Maintenance	2,690,696	-	-	2,690,696
Employee Benefits and Fixed Charges	8,391,154	-	-	8,391,154
Transportation	1,499,210	-	-	1,499,210
Debt Service	1,831,191	-	-	1,831,191
Capital Outlay	248,380	-	-	248,380
Adult Education	-	-	62,578	62,578
Food Services	-	-	428,465	428,465
Total Expenditures	<u>30,682,711</u>	<u>-</u>	<u>2,086,357</u>	<u>32,769,068</u>
Excess of Revenues Over (Under) Expenditures	<u>(972,128)</u>	<u>4,369,404</u>	<u>691,411</u>	<u>4,088,687</u>
Other Financing Sources (Uses):				
Transfers In	259,288	-	57,282	316,570
Transfers (Out)	<u>(57,282)</u>	<u>-</u>	<u>(259,288)</u>	<u>(316,570)</u>
Total Other Financing Sources (Uses)	<u>202,006</u>	<u>-</u>	<u>(202,006)</u>	<u>-</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>(770,122)</u>	<u>4,369,404</u>	<u>489,405</u>	<u>4,088,687</u>
Fund Balance, Beginning	<u>4,277,506</u>	<u>(2,938,862)</u>	<u>941,337</u>	<u>2,279,981</u>
Fund Balance, Ending	<u>\$ 3,507,384</u>	<u>\$ 1,430,542</u>	<u>\$ 1,430,742</u>	<u>\$ 6,368,668</u>

Essex North Shore Agricultural and Technical School District
Reconciliation of the Governmental Funds Balance Sheet
Total Fund Balances to the Statement of Net Position
June 30, 2018

Total Governmental Fund Balances	\$ 6,368,668
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	121,596,765
In the Statement of Activities, interest is accrued on outstanding long term debt. In the fund financial statements, interest is not reported until due.	(94,099)
Certain liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:	
Compensated Absences Payable	(316,361)
Leasing Payable	(508,206)
Bonds Payable	(29,035,000)
Net Pension Liabilities	(5,757,057)
Due to Other Governments - Pension	(3,611,648)
Pension related deferred inflows and deferred outflows of resources are not due and payable in the current period and, therefore, are not reported in the governmental funds:	310,375
Net Position of Governmental Activities	\$ 88,953,437

Essex North Shore Agricultural and Technical School District
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
Fiscal Year Ended June 30, 2018

Net Change in Fund Balances - Total Governmental Funds \$ 4,088,687

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital Outlay	661,251	
Depreciation	<u>(3,829,486)</u>	
Net Effect of Reporting Capital Assets		(3,168,235)

The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on Net Position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

675,000

Some expenses reported in the Statement of Activities, such as accrued interest, pension and compensated absences payable, do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. This amount represents the change in these accounts from the prior year.

Accrued Interest Payable	2,250	
Net Lease Payable	(158,006)	
Compensated Absences Payable	(99,315)	
Net Pension Liability	(82,215)	
Deferred Outflow/Inflow pensions	<u>123,162</u>	
Net Effect of Reporting Other Items		<u>(214,124)</u>

Change in Net Position of Governmental Activities \$ 1,381,328

Essex North Shore Agricultural and Technical School District
Notes to the Financial Statements
June 30, 2018

I Summary of Significant Accounting Policies

Chapter 463 of the Acts of 2004 created the Essex North Shore Agricultural and Technical School District. This legislation established the School as the successor agency to both the Essex Agricultural and Technical High School and the North Shore Regional Vocational School.

The accounting policies of the Essex North Shore Agricultural and Technical School District, as reflected in the accompanying financial statements for the year ended June 30, 2018, conform to accounting principles generally accepted in the United States of America for local government units, except as indicated hereafter.

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

A. Reporting Entity

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

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

B. Government-Wide and Fund Financial Statements

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

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

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

Major Fund Criteria

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

- If the total assets and deferred outflows, liabilities and deferred inflows, revenues, or expenditures/expenses of an individual governmental or enterprise fund are at least 10% of the corresponding element (assets, liabilities, etc.) for all funds of that category or type (total governmental or total enterprise funds), and
- If the total assets and deferred outflows, liabilities and deferred inflows, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5% of the corresponding element for all governmental and enterprise funds combined.

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

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

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

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

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

Agency fund assets and liabilities are accounted for on the accrual basis of accounting.

The District reports the following major governmental funds:

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

School Building Project Fund – This fund is used to account for the School Building Project.

The nonmajor governmental funds consist of other special revenue, capital projects and permanent funds that are aggregated and presented in the nonmajor governmental funds column on the governmental funds financial statements. The following types are funds are included in the nonmajor category:

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

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

The permanent fund is used to account for and report financial resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the governmental programs.

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

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

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

The agency fund is used to account for assets held in a purely custodial capacity, such as for Student Activity Accounts.

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

i. Deposits and Investments

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

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

ii. Capital Assets

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

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

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

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

iii. Deferred Outflows/Inflows of Resources

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

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

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

iv. Net Position and Fund Equity

Government-Wide Financial Statements (Net Position)

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

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

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

v. Fund Balances

Fund Balance Classification Policies and Procedures

The Governmental Accounting Standards Board (GASB) issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). This Statement (effective for fiscal year 2013) establishes accounting and financial reporting standards for all governmental funds. It establishes criteria for classifying fund balances into specifically defined classifications.

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

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

1. Nonspendable, includes amounts that cannot be spent because they are (a) not in spendable form (such as fund balance associated with inventories) or are (b) legally or contractually required to stay intact (i.e. corpus of a permanent trust fund).

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

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

4. Assigned, intended (by the School Committee, Superintendent or Chief Financial Officer) to be used by the government for specific purposes, but do not meet the criteria to be classified as restricted or committed, and

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

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

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

Details of Fund Balance Classifications

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

	<u>General Fund</u>	<u>School Building Project</u>	<u>Non Major Funds</u>	<u>Total</u>
Fund Balances:				
Restricted for:				
Instruction	\$ -	\$ -	\$ 569,948	\$ 569,948
Capital Outlay	-	1,430,542	88,762	1,519,304
Committed to:				
Instruction	-	-	772,032	772,032
Employee Benefits and Fixed Charges	367,783	-	-	367,783
Assigned to:				
Administration	9,799	-	-	9,799
Instruction	131,525	-	-	131,525
Other School Services	26,583	-	-	26,583
Operation and Maintenance	96,750	-	-	96,750
Employee Benefits and Fixed Charges	9,267	-	-	9,267
Transportation	8,451	-	-	8,451
Capital Outlay	80,376	-	-	80,376
Other	528	-	-	528
E & D Appropriation	1,000,000	-	-	1,000,000
Unassigned	1,776,322	-	-	1,776,322
Total Fund Balances	<u>\$ 3,507,384</u>	<u>\$ 1,430,542</u>	<u>\$ 1,430,742</u>	<u>\$ 6,368,668</u>

Stabilization Fund

The District has established a stabilization fund in accordance with Massachusetts General Laws Chapter 40 Section 5B. That section of the law stipulates that "Cities, Towns and Districts may create 1 or more stabilization funds and appropriate any amount into the funds. Any interest shall be added to and become part of the fund". The District's stabilization fund has a current balance of \$196,154. The stabilization fund is reported as a component of unassigned fund balance in the general fund on the District's balance sheet in accordance with the GASB 54 requirements.

"The treasurer shall be the custodian of all stabilization funds and may deposit the proceeds in a trust company, co-operative bank or savings bank, if the trust company or bank is organized or exists pursuant to the laws of the commonwealth or any other state or may transact business in the commonwealth and has its main office or a branch office in the commonwealth; a national bank, federal savings bank or federal savings and loan association, if the bank or association may transact business and has its main office or a branch office in the commonwealth; provided, however, that a state-chartered or federally-chartered bank shall be insured by the Federal Deposit Insurance Corporation or its successor; or may invest the funds in participation units in a combined investment fund pursuant to section 38A of chapter 29 or in securities that are legal investments for savings banks."

"At the time of creating any stabilization fund the city, town or district shall specify, and at any later time may alter, the purpose of the fund, which may be for any lawful purpose, including without limitation, an approved school project pursuant to chapter 70B or any other purpose for which the city, town or district may lawfully borrow money. The specification and any alteration of purpose, and any appropriation of funds from any such fund, shall be approved by a two-thirds vote, except as provided in paragraph (g) of section 21C of chapter 59 for a majority referendum vote. Subject to said section 21C of said chapter 59, any such vote shall be of the legislative body of the city, town or district, subject to charter."

Pensions

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

II Stewardship, Compliance and Accountability

A. Net Position – Unrestricted (Deficit)

The reason the Unrestricted Net Position reflects a deficit is because of the Net Pension Liability of \$5,757,057 (GASB 68) which is required to be recorded in the Statement of Net Position.

General Budgetary Information

i. General Budget Policies

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

ii. Budget Basis of Accounting

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

The following reconciliation summarizes the differences between the budget and GAAP basis principles for the year ended June 30, 2018:

	<u>Revenues</u>
As Reported Budget Basis	\$ 25,040,268
Adjustments:	
MTRS and Other On Behalf Payments	4,670,316
As Reported GAAP Statement	<u>\$ 29,710,584</u>
	<u>Expenditures</u>
As Reported Budget Basis	\$ 25,403,552
Adjustments:	
July 1, 2017 Encumbrances	453,344
June 30, 2018 Encumbrances	(362,751)
Prepaid Expense Audit Adjustment	518,248
MTRS and Other On Behalf Payments	4,670,316
As Reported GAAP Statement	<u>\$ 30,682,709</u>

III Detailed Notes on All Funds

A. Deposits and Investments

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a formal deposit policy for custodial credit risk. As of June 30, 2018, \$514,254 of the District's bank balance of \$8,873,051 was exposed to credit risk.

Uninsured and Uncollateralized \$ 514,254

Interest Rate Risk - Investments

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

Custodial Credit Risk - Investments

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District does not have a policy for custodial credit risk of investments. As of June 30, 2018, the District was not exposed to custodial credit risk.

Credit Risk-Investments

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

Concentration of Credit Risk

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

Fair Value Measurement

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

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

Level 2 - Inputs to the valuation methodology include:

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

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

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

The District did not hold any investments that are measured at fair value on a recurring basis as of June 30, 2018.

B. Capital Assets

Capital asset activity for the year ended June 30, 2018 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Governmental Activities:				
Assets Not Being Depreciated:				
Construction Work in Process	\$ 3,445,608	\$ -	\$ (3,445,608)	\$ -
Total Capital Assets Not Being Depreciated	<u>3,445,608</u>	<u>-</u>	<u>(3,445,608)</u>	<u>-</u>
Assets Being Depreciated:				
Buildings and Improvements	144,431,280	3,445,608	-	147,876,888
Furniture, Fixtures and Equipment	2,192,330	303,959	(59,200)	2,437,089
Other	116,240	-	-	116,240
Vehicles	3,606,261	368,667	-	3,974,928
Total Capital Assets Being Depreciated	<u>150,346,111</u>	<u>4,118,234</u>	<u>(59,200)</u>	<u>154,405,145</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	(25,181,486)	(3,285,313)	-	(28,466,799)
Furniture, Fixtures and Equipment	(1,037,605)	(184,999)	47,825	(1,174,779)
Other	(39,872)	(13,248)	-	(53,120)
Vehicles	(2,767,756)	(345,926)	-	(3,113,682)
Total Accumulated Depreciation	<u>(29,026,719)</u>	<u>(3,829,486)</u>	<u>47,825</u>	<u>(32,808,380)</u>
Total Capital Assets Being Depreciated, Net	<u>121,319,392</u>	<u>288,748</u>	<u>(11,375)</u>	<u>121,596,765</u>
Governmental Activities Capital Assets, Net	<u>\$ 124,765,000</u>	<u>\$ 288,748</u>	<u>\$ (3,456,983)</u>	<u>\$ 121,596,765</u>

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

Administration	\$ 66,686
Instruction	3,412,926
Other School Services	1,822
Operation and Maintenance	3,803
Transportation	344,249
	<u>\$ 3,829,486</u>

C. Accounts Receivable

The accounts receivable balances in the financial statements are listed below:

Intergovernmental:

Due from Commonwealth of Massachusetts:

Current:

Grants	\$ 130,644	
Total Current		<u>\$130,644</u>
Total Intergovernmental		<u>\$130,644</u>

D. Debt

Liabilities

i. Bond Anticipation Notes

The District is authorized, through its Treasurer, to borrow on a temporary basis to fund operating costs incurred prior to receipt of revenues (RANS), capital project costs in anticipation of the issuance of bonds (BANS), or receipt of federal (FANS) and state (SANS) grants. The following is a summary of BAN transactions for the fiscal year ended June 30, 2018.

<u>Purpose</u>	<u>Balance Beginning of Year</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Balance End of Year</u>
School Construction	\$ 3,648,307	\$ -	\$ (3,648,307)	\$ -
	<u>\$ 3,648,307</u>	<u>\$ -</u>	<u>\$ (3,648,307)</u>	<u>\$ -</u>

ii. Long Term Debt

(a) Changes in Long Term Debt - the following is a summary of bond transactions for the year ended June 30, 2018.

<u>Project</u>	<u>Issue Date</u>	<u>Rate</u>	<u>Outstanding June 30, 2017</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Refunded</u>	<u>Outstanding June 30, 2018</u>
School Building	6/19/2014	Various	\$ 15,015,000	\$ -	\$ (345,000)	\$ -	\$ 14,670,000
School Building	6/18/2015	Various	14,695,000	-	(330,000)	-	14,365,000
		Total Outstanding	<u>\$ 29,710,000</u>	<u>\$ -</u>	<u>\$ (675,000)</u>	<u>\$ -</u>	<u>\$ 29,035,000</u>

(b) Summary of Debt Service Requirements to Maturity

	<u>General Long Term Debt</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 700,000	\$ 1,129,191	\$ 1,829,191
2020	725,000	1,101,191	1,826,191
2021	755,000	1,068,641	1,823,641
2022	790,000	1,034,741	1,824,741
2023	835,000	995,241	1,830,241
2024-2028	4,770,000	4,372,206	9,142,206
2029-2033	5,620,000	3,512,626	9,132,626
2034-2038	6,700,000	2,441,400	9,141,400
2039-2043	8,140,000	1,001,800	9,141,800
	<u>\$ 29,035,000</u>	<u>\$ 16,657,037</u>	<u>\$ 45,692,037</u>

D. Debt (Continued)

(c) Bond Authorizations

There are no bond authorizations which have not been issued.

iii Changes in the government's long-term liabilities for the year ended June 30, 2018 are as follows:

	Balance July 1, 2017	Additions	Reductions	Balance June 30, 2018	Current Portion
Governmental Activities:					
Bonds Payable	\$ 29,710,000	\$ -	\$ (675,000)	\$ 29,035,000	\$ 700,000
Capital Lease Obligations	350,200	323,296	(165,290)	508,206	165,290
Compensated Absences	217,046	99,315	-	316,361	-
Net Pension Liability	5,842,036	-	(84,979)	5,757,057	-
Due to Other Governments	3,734,809	-	(123,162)	3,611,647	-
Total Governmental Activities	<u>\$ 39,854,091</u>	<u>\$ 422,611</u>	<u>\$ (1,048,431)</u>	<u>\$ 39,228,271</u>	<u>\$ 865,290</u>

E. Interfund Transfers

The accompanying financial statements reflect transactions between the various funds. These transactions represent transfers and do not constitute revenues or expenditures of the funds. Transfers made during the year were as follows:

	Transfers <u>In</u>	Transfers <u>(Out)</u>	<u>Total</u>
General	\$ 259,288	\$ (57,282)	\$ 202,006
Non-Major Governmental	57,282	(259,288)	(202,006)
Total	<u>\$ 316,570</u>	<u>\$ (316,570)</u>	<u>\$ -</u>

F. Compensated Absences and Interfund Transfers and Other Items

i. Interfund Transfers

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

ii. Compensated Absences

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

The accumulated vacation leave benefit liability is reflected in the accompanying financial statements.

iii. Long-Term Obligations

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

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

expenditures.

iv. Use of Estimates

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

v. Total Column

Government-Wide Financial Statements

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

Fund Financial Statements

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

vi. Other Information

A. General Information about the Pension Plan
Plan Description

Chapter 463 of the Acts of 2004 created the Essex North Shore Agricultural and Technical School District. This legislation established the School as the successor agency to both the Essex Agricultural and Technical High School and the North Shore Vocational Regional School. Prior to July 1, 2014, the non-teacher employees of the Essex Agricultural and Technical High School were members of the (Essex Regional Retirement System) ERRS. The legislation required that all active and inactive members be transferred to the Salem Contributory Retirement System. Accordingly, as of June 30, 2014, all active and inactive members of ERRS have been transferred to the Salem Contributory Retirement System. The December 31, 2014 net pension liability has been updated to reflect the transition.

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

The system is a member of the Massachusetts Contributory Retirement System and is governed by Chapter 32 of the Massachusetts General Laws (M.G.L.). The authority to establish and amend benefit provisions requires a statutory change to Chapter 32. The Salem Contributory Retirement System is part of the City of Salem, Massachusetts' reporting entity and does not issue a stand-alone audited financial report. The Retirement System is reported as a fiduciary fund in the City's audited financial report. The City of Salem's report is available on the internet at: https://www.salem.com/sites/salemma/files/uploads/salem_fy2017_cafr.pdf

Benefits Provided

The Salem Contributory Retirement System provides retirement, disability and death benefits as detailed below:

Retirement Benefits

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

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

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

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

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

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

Retirement Benefits - Superannuation

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

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

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

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

Ordinary Disability Benefits

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

Accidental Disability Benefit

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

Death Benefits

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

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

Contributions

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

The District's contractually required contribution rate for the year ended June 30, 2018 was 15.41% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the District were \$629,979 for the year ending June 30, 2018.

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

At June 30, 2018, the District reported a liability of \$5,757,057 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. Accordingly, update procedures were utilized to roll forward the liability to the measurement date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At December 31, 2017, the District's proportion was 4.78238%

Chapter 176 of the Acts of 2011 was incorporated in this valuation, which changes many of the benefit features for members hired on or after April 2, 2012. In addition, the COLA base was increased to \$15,000 effective July 1, 2014.

For the year ended June 30, 2018, the District recognized pension expense of \$712,194. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 200,446
Change in assumptions	563,888	-
Net differences between projected and actual earnings on pension plan investments	-	318,077
Changes in proportion and differences between contributions and proportionate share of contributions	303,425	38,415
Contributions subsequent to the measurement date	-	-
Total	<u>\$ 867,313</u>	<u>\$ 556,938</u>

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

Year ended June 30:	Amount
2019	\$ 121,966
2020	150,177
2021	55,087
2022	(16,855)
Total	<u>\$ 310,375</u>

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of January 1, 2018, using the following actuarial assumptions, applied to all periods included in the measurement that was updated to December 31, 2017.

Valuation date	January 1, 2018
Actuarial Cost Method	Entry age normal cost method
Amortization Method	Increasing at 4.5% per year for 2002 and 2003 ERI and remaining unfunded liability and level dollar amortization for 2010 ERI, with total contribution increasing 5.15 % per year.
Remaining Amortization Period	As of July 1, 2016, 15 years remaining for 2002 and 2003 ERI liability, 6 years remaining on the 2010 ERI liability and 15 years for the remaining unfunded liability
Asset Valuation Method	The difference between the expected return on an actuarial basis and actual investment return on a market value basis is recognized over a five-year period. Asset value is adjusted as necessary to be within 20% of Market value.
Investment rate of return/Discount Rate	7.375 % (previously, 7.5%).
Inflation	3.50%
Projected Salary Increases	Varies by length of service with ultimate rates of 4.25% for Group 1, 4.50% for Group 2 and 4.75% for Group 4.
Cost of Living Adjustments	3.00% of first \$12,000.
Rates of Retirement	Varies based upon age for public employees, police and fire employees, hazardous occupation employees, and officers and inspectors of the State Police.
Rates of Disability	For general employees, it was assumed that 45% of all disabilities are ordinary (55% are service connected). For police and fire employees, 10% of all disabilities are assumed to be ordinary (90% are service connected).
Mortality Rates were based on the tables noted below:	
Pre-Retirement	RP-2014 Blue Collar Employee Mortality Table set forward one year for female participants projected generationally using Scale MP-2017 (Previously, RP-2000 Employee Mortality Table projected generationally from 2009 using Scale BB2D)
Healthy Retiree	RP-2014 Blue Collar Healthy Annuitant Mortality Table set forward one year for female participants projected generationally using Scale MP-2017 (Previously, RP-2000 Healthy Annuitant Mortality Table projected generationally from 2009 using Scale BB2D)
Disabled Retiree	RP-2014 Blue Collar Healthy Annuitant Mortality Table set forward one year projected generationally using Scale MP-2017 (Previously, RP-2000 Healthy Annuitant Mortality Table projected generationally from 2015 using Scale BB2D)

In performing the actuarial valuation, various assumptions are made regarding mortality, retirement, disability and withdrawal rates as well as salary increases and investment returns. A comparison of the results of the current valuation and the prior valuation is made to determine how closely actual experience relates to expected. The RP-2000 Employee Mortality Table projected generationally from 2009 with Scale BB2D and the RP-2000

Healthy Annuitant Mortality Table generationally from 2009 with Scale BB2D were determined to contain provisions appropriate to reasonably reflect future mortality improvement, based on a review of the mortality experience of the plan.

Changes in Assumptions

The following assumption changes were reflected in the January 1, 2018 actuarial valuation:

Pre-Retirement	RP-2014 Blue Collar Employee Mortality Table set forward one year for female participants projected generationally using Scale MP-2017 (Previously, RP-2000 Employee Mortality Table projected generationally from 2009 using Scale BB2D)
Healthy Retiree	RP-2014 Blue Collar Healthy Annuitant Mortality Table set forward one year for female participants projected generationally using Scale MP-2017 (Previously, RP-2000 Healthy Annuitant Mortality Table projected generationally from 2009 using Scale BB2D)
Disabled Retiree	RP-2014 Blue Collar Healthy Annuitant Mortality Table set forward one year projected generationally using Scale MP-2017 (Previously, RP-2000 Healthy Annuitant Mortality Table projected generationally from 2015 using Scale BB2D)

Changes in Plan Provisions

There were not any changes in the Plan provisions.

Investment Policy

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

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

	<u>Target Allocation</u>	<u>Long Term Expected Rate of Return</u>
Domestic equity	17.50%	6.15%
International developed market equity	15.50%	7.11%
International emerging market equity	6.00%	9.41%
Core fixed income	12.00%	1.68%
High-Yield fixed income	10.00%	4.13%
Commodities	4.00%	4.90%
Private Equity	12.00%	4.71%
Real Estate	10.00%	3.94%
Hedge Fund, GTAA, risk parity	13.00%	10.28%
Total Fund Expected Return	<u>100.00%</u>	

Rate of Return

The annual money-weighted rate of return on pension plan investments for December 31, 2017 (net of investment expenses) was 17.23%. (7.41% for December 31, 2016). The money-weighted rate of return expresses investment performance, net of pension plan investment expense, is adjusted for the changing amounts actually invested, measured monthly.

Discount Rate

The discount rate used to measure the total pension liability was 7.375%. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that the Salem Contributory Retirement System contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the net pension liability of the Salem Contributory Retirement System, calculated using the discount rate of 7.375%, as well as what the Salem Contributory Retirement System's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.375%) or 1-percentage-point higher (8.375%) than the current rate:

	1% Decrease (6.375%)	Discount Rate (7.375%)	1% Increase (8.375%)
District's proportionate share of the Net Pension Liability	\$7,342,129	\$5,757,057	\$4,413,977

Pension Plan Fiduciary Net Position

The Salem Contributory Retirement System is part of the City of Salem, Massachusetts' reporting entity and does not issue a stand-alone audited financial report. Detailed information about the pension plan's fiduciary net position is available in the City of Salem, Massachusetts Comprehensive Annual Financial Report (fiduciary funds). The City of Salem's financial report that can be obtained on the internet at: https://www.salem.com/sites/salemma/files/uploads/salem_fy2017_cafr.pdf

C. Due to Other Government – Pension

Chapter 463 of the Acts of 2004 created the Essex North Shore Agricultural and Technical School District (the District). This legislation established the District as the successor agency to both the Essex Agricultural and Technical High School and the North Shore Vocational Regional School. Prior to July 1, 2014, the non-teacher employees of the Essex Agricultural and Technical High School were members of the Essex Regional Retirement System (ERRS). The legislation required that all active and inactive members be transferred to the Salem Contributory Retirement System (SCRS). Accordingly, as of June 30, 2014, all active and inactive members of ERRS have been transferred to the Salem Contributory Retirement System.

As noted above, as of June 30, 2014, all active and inactive members of the ERRS have been transferred to the SCRS. However, the “Retired Members” (as of June 30, 2014), from the Essex Agricultural and Technical High School remain with the ERRS. The District, as the successor agency, is required to reimburse ERRS for the actuarially determined liability associated with the retired members from Essex Agricultural and Technical High School who remain with ERRS. According, PERAC approved a funding schedule that requires the District to pay ERRS equal annual assessments of \$421,947 through 2033. The \$3,611,647 present value of these payments has been recorded as a liability (Due to Other Government – Pension), as of June 30, 2018.

D. Massachusetts Teachers Retirement System

Special Funding Situation

The Massachusetts Teachers’ Retirement System (MTRS) is a public employee retirement system (PERS) that administers a cost-sharing multi-employer defined benefit plan, as defined in Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans*. The MTRS covers certified teachers and certain school administrators. The Commonwealth is a nonemployer contributor and is responsible for 100% of the contributions and future benefit requirements of the MTRS. Therefore, the District is considered to be in a “special funding situation” according to GASB Statement # 68 *Accounting and Financial Reporting for Pensions*. Since the District does not contribute to the MTRS it does not have a pension liability to report.

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

For the fiscal year ended June 30, 2018, the District’s proportionate share of the collective pension expense was \$4,085,676. The District’s proportionate share was based on its percentage share of covered payroll in the MTRS. Accordingly, the accompanying financial statements include the required adjustments, which have increased both Intergovernmental revenues and the Education expenditures by the same amount in the fund financial statements and the education expense and program revenue in the government wide financial statements. The net effect of this adjustment does not change the excess of revenues and other financing sources over expenditures and other financing uses for the year ended June 30, 2018, or fund balance/net position at June 30, 2018.

The Commonwealth’s proportionate share of net pension liability associated with the District is \$39,144,982. The MTRS is part of the Commonwealth’s reporting entity and does not

issue a stand-alone audited financial report. The Commonwealth's report is available on the internet at: <http://www.macomptroller.info/comptroller/docs/reports-audits/cafr/cafr-fy17.pdf>

Benefits provided

MTRS provides retirement, disability, survivor and death benefits to members and their beneficiaries. Massachusetts General Laws (MGL) establishes uniform benefit and contribution requirements for all contributory PERS. These requirements provide for superannuation retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. For employees hired after April 1, 2012, retirement allowances are calculated on the basis of the last five years or any five consecutive years, whichever is greater in terms of compensation. Benefit payments are based upon a member's age, length of creditable service, and group creditable service, and group classification. The authority for amending these provisions rests with the Legislature. Members become vested after ten years of creditable service. A superannuation retirement allowance may be received upon the completion of twenty years of creditable service or upon reaching the age of 55 with ten years of service. Normal retirement for most employees occurs at age 65. Most employees who joined the system after April 1, 2012 cannot retire prior to age 60.

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

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

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

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

Actuarial Assumptions

The total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of January 1, 2017 rolled forward to June 30, 2017. This valuation used the following assumptions:

1. (a) 7.5% investment rate of return (same as the previous valuation), (b) 3.5% interest rate credited to the annuity savings fund and (c) 3.0% cost of living increase on the first \$13,000 per year.
2. Salary increases are based on analyses of past experience but range from 4.0% to 7.5% depending on length of service.
3. Mortality rates were as follows:
 - Pre-retirement - reflects RP-2014 White Collar Employees Table projected generationally with Scale MP-2016 (gender distinct). (Previous valuation used Pre-retirement - reflects RP-2014 Employees table projected generationally with Scale BB and a base year 2014 - gender distinct).
 - Post-retirement - reflects RP-2014 White Collar Healthy Annuitant Table projected generationally with Scale MP-2016 (gender distinct). (Previous valuation used Post-retirement - reflects RP-2014 Healthy Annuitant table projected generationally with Scale BB and a base year 2014 (gender distinct).

- Disability – assumed to be in accordance RP-2014 Healthy Annuitant table projected generationally with Scale BB and a base year 2014 set forward 4 years.
4. An Experience Study was performed as follows:
- Dated July 21, 2014 and encompasses the period January 1, 2006 to December 31, 2011.

Investment assets of the MTRS are with the Pension Reserves Investment Trust (PRIT) Fund. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage. Best estimates of geometric rates of return for each major asset class included in the PRIT Fund's target asset allocation as of June 30, 2016 are summarized in the following table:

	<u>Target Allocation</u>	<u>Long- Term Expected Real Rate of Return</u>
Global Equity	40.00%	5.00%
Portfolio Completion Strategies	13.00%	3.60%
Core fixed income	12.00%	11.00%
Private Equity	11.00%	6.60%
Value Added Fixed Income	10.00%	3.80%
Real Estate	10.00%	3.60%
Timber/Natural Resources	4.00%	3.20%
Hedge Funds	0.00%	3.60%
	<u>100.00%</u>	

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the Commonwealth of Massachusetts financial report. The financial report is available on the internet at: <http://www.macomptroller.info/comptroller/docs/reports-audits/cafr/cafr-fy17.pdf>

E. *On Behalf Payments - Other Post Employment Benefits (OPEB)*

Special Funding Situation

The Governmental Accounting Standards Board (GASB) issued Statement No. 43 (GASB 43) – “Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans” and Statement No. 45 (GASB 45), “Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions” (OPEB).

For the fiscal year ended June 30, 2018 and thereafter, the District's employer share of retiree health insurance and life insurance premiums (OPEB), will be paid by the Commonwealth of Massachusetts (the Commonwealth) through the GIC (Group Insurance Commission). In the past, the employer's share of the OPEB benefits was paid by the District. The Group Insurance Commission is a quasi-independent state agency (of the Commonwealth of Massachusetts), that was established by the Legislature in 1955 to provide and administer health insurance and other benefits to the Commonwealth's employees and retirees, as well as for municipal employees and retirees. Because the Commonwealth assumed the District's employer share of retiree health insurance and life insurance premiums, this created a special funding situation, and therefore the District is required to adopt GASB Statement No. 24, "Accounting and Financial Reporting for Certain Grants and Other Financial Assistance". GASB No. 24 requires the

District to recognize the payments made on behalf of the District by the Commonwealth. For the fiscal year ended June 30, 2018, the Commonwealth paid \$584,640 for the District's employer share of retiree health insurance and life insurance, as explained above. Accordingly, the accompanying financial statements include the required adjustments, which have increased both revenues and expenditures by this same amount. The net effect of this adjustment did not change the excess of revenues and other financing sources over expenditures and other financing uses for the year ended June 30, 2018, or fund balances at June 30, 2018.

F. Subsequent Year Authorization

The School Committee adopted a fiscal year 2019 budget totaling \$28,329,622. The accompanying financial statements do not reflect the adoption of the fiscal year 2019 budget. The budgetary amounts will be financed by the following sources:

Member Assessments	\$ 16,591,166
State and Federal Aid	5,068,828
Local Receipts and	
Excess and Deficiency	6,669,628
Total	<u>\$ 28,329,622</u>

G. Implementation of New GASB Pronouncements

During fiscal year 2018, the following GASB pronouncements were implemented:

- The GASB issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, which is required to be implemented in reporting periods beginning after June 15, 2017. The implementation of this standard required reporting the entire net OPEB liability in the financial statements. In addition, the standard required significant note disclosures and additional required supplementary information. As mentioned above in the Notes to the Financial Statements entitled "On Behalf Payments - Other Post Employment Benefits (OPEB)," the District is not required to implement GASB 75.
- The GASB issued Statement No. 81, Irrevocable Split-Interest Agreements, which is required to be implemented in reporting periods beginning after December 15, 2016. The implementation of this pronouncement did not impact the financial statements.
- The GASB issued Statement No. 82, Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73 which is required to be implemented in fiscal year 2018. This Statement amends Statements 67 and 68 to require the presentation of covered payroll, defined as the payroll on which contributions to a pension plan are based, and ratios that use that measure. The statement was implemented.
- The GASB issued Statement No. 85, Omnibus 2017 which is required to be implemented in reporting periods beginning after June 15, 2017. The implementation of this pronouncement did not impact the financial statements.
- The GASB issued Statement No. 86, Certain Debt Extinguishment Issues which is required to be implemented in reporting periods beginning after June 15, 2017. The implementation of this pronouncement did not impact the financial statements.

The following GASB pronouncements will be implemented in future fiscal years:

- The GASB issued Statement No. 83, *Certain Asset Retirement Obligations* which is required to be implemented for reporting periods beginning after June 15, 2018.
- The GASB issued Statement No. 84, *Fiduciary Activities* which is required to be implemented in reporting periods beginning after December 15, 2018.
- The GASB issued Statement No. 87, *Leases* which is required to be implemented in reporting periods beginning after December 15, 2019.
- The GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* which is required to be implemented in reporting periods beginning after June 15, 2018.
- The GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* which is required to be implemented in reporting periods beginning after December 15, 2019.
- The GASB issued Statement No. 90 *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61* which is required to be implemented in reporting periods beginning after December 15, 2018.

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

Required Supplementary Information

Essex North Shore Agricultural and Technical School District
Required Supplementary Information
General Fund
Statement of Revenues and Expenditures - Budget and Actual
For the Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Budget Basis</u>	<u>Final Budget</u>
			<u>Amounts</u>	<u>Favorable</u>
				<u>(Unfavorable)</u>
<u>Revenues</u>				
Assessments to Members	\$ 15,499,538	\$ 15,499,538	\$ 14,778,442	\$ (721,096)
Intergovernmental				
State Aid - Education	3,785,820	3,785,820	3,887,156	101,336
State Aid - Transportation	964,984	964,984	1,015,888	50,904
Other Transportation Revenue	518,700	518,700	546,956	28,256
Other State and Federal Aid	58,283	58,283	58,283	-
Charges for Services	4,993,800	4,993,800	4,512,712	(481,088)
Investment Income	37,000	37,000	66,707	29,707
Miscellaneous	161,716	161,716	174,124	12,408
Total Revenues	<u>26,019,841</u>	<u>26,019,841</u>	<u>25,040,268</u>	<u>(979,573)</u>
<u>Expenditures</u>				
Administration	1,656,448	1,656,448	1,523,078	133,370
Instruction	13,954,374	13,954,374	13,183,612	770,762
Other School Services	1,263,541	1,263,541	1,116,333	147,208
Operation and Maintenance	3,102,930	3,102,930	2,767,516	335,414
Employee Benefits and Fixed Charges	3,318,908	3,318,908	3,207,988	110,920
Transportation	1,765,301	1,765,301	1,503,837	261,464
Debt Service	1,831,192	1,831,192	1,831,191	1
Capital Outlay	286,436	286,436	269,997	16,439
Total Expenditures	<u>27,179,130</u>	<u>27,179,130</u>	<u>25,403,552</u>	<u>1,775,578</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,159,289)</u>	<u>(1,159,289)</u>	<u>(363,284)</u>	<u>796,005</u>
<u>Other Financing Sources (Uses):</u>				
Other Available Funds	900,000	900,000	900,000	-
Operating Transfers In	259,289	259,289	259,289	-
Operating Transfers Out	-	-	(57,282)	(57,282)
Total Other Financing Sources (Uses)	<u>1,159,289</u>	<u>1,159,289</u>	<u>1,102,007</u>	<u>(57,282)</u>
Excess (Deficiency) of Revenues and Other Financing Sources (Uses) Over (Under) Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 738,723</u>	<u>\$ 738,723</u>

See Notes to the Required Supplementary Information

Required Supplementary Information
Schedule of the Essex North Shore Agricultural and Technical School District's Proportionate Share of the Collective Net Pension Liability
Salem Contributory Retirement System
Last Ten Fiscal Years**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
District's proportionate share of the net pension liability (asset) (%)	4.782380%	4.464910%	4.450000%	<i>This schedule is intended to show information for 10 years. Additional years' information will be displayed as it becomes available.</i>						
District's proportionate share of the net pension liability (asset) (\$)	5,757,057	5,842,036	5,534,538							
District's covered payroll	4,087,472	4,363,926	4,411,644							
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	140.85%	133.87%	125.45%							
Plan fiduciary net position as a percentage of the pension liability	59.59%	53.48%	52.77%							

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

See Notes to the Required Supplementary Information

Required Supplementary Information
Schedule of the Essex North Shore Agricultural
and Technical School District's Contributions
Salem Contributory Retirement System

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Contractually required contribution	\$ 629,979	\$ 554,033	\$ 542,623	<i>This schedule is intended to show information for 10 years. Additional years' information will be displayed as it becomes available.</i>				
Contributions in relation to the contractually required contribution	(629,979)	(554,033)	(542,623)					
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 4,087,472	\$ 4,363,926	\$ 4,411,644					
Contributions as a percentage of covered payroll	15.41%	12.70%	12.30%					

See Notes to the Required Supplementary Information

Required Supplementary Information
Schedule of Essex North Shore Agricultural and Technical School District's Proportionate Share of the Collective Net Pension Liability
Massachusetts Teachers' Retirement System
Last Ten Fiscal Years

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
District's proportionate share of the collective net pension liability (asset) (%)	0.00%	0.00%	0.00%	0.00%	<i>This schedule is intended to show information for 10 years. Additional years' information will be displayed as it becomes available.</i>					
District's proportionate share of the collective net pension liability (asset) (\$)	\$ -	\$ -	\$ -	\$ -						
State's proportionate share of the collective net pension liability (asset) associated with District (\$)	\$ 39,144,982	\$ 38,225,614	\$ 32,112,788	\$ 26,357,362						
Total	\$ 39,144,982	\$ 38,225,614	\$ 32,112,788	\$ 26,357,362						
District's covered payroll	\$ 11,614,959	\$ 11,245,883	\$ 9,926,913	\$ 10,166,508						
District's proportionate share of the collective net pension liability (asset) as a percentage of its covered payroll	0.00%	0.00%	0.00%	0.00%						
Plan fiduciary net position as a percentage of the pension liability	54.25%	52.73%	55.38%	61.64%						
District's expense and revenue recognized for Commonwealth support	\$ 4,085,676	\$ 3,899,263	\$ 2,604,633	\$ 1,831,173						

See Notes to the Required Supplementary Information

Essex North Shore Agricultural and Technical School District
Notes to the Required Supplementary Information
June 30, 2018

(A) Budgetary Information

i. General Budget Policies

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

ii. Budget Basis of Accounting

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

The following reconciliation summarizes the differences between the budget and GAAP basis principles for the year ended June 30, 2018:

	<u>Revenues</u>
As Reported Budget Basis	\$ 25,040,268
Adjustments:	
MTRS and Other On Behalf Payments	4,670,316
As Reported GAAP Statement	<u>\$ 29,710,584</u>
	<u>Expenditures</u>
As Reported Budget Basis	\$ 25,403,552
Adjustments:	
July 1, 2017 Encumbrances	453,344
June 30, 2018 Encumbrances	(362,751)
Prepaid Expense Audit Adjustment	518,248
MTRS and Other On Behalf Payments	4,670,316
As Reported GAAP Statement	<u>\$ 30,682,709</u>

(B) Pension Plans

i. Plan Description

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

The District is a member of the Massachusetts Contributory Retirement System and is governed by Chapter 32 of the Massachusetts General Laws (MGL). The authority to establish and amend benefit provisions requires a statutory change to Chapter 32. The Salem Contributory Retirement System issues a publicly available financial report in accordance with guidelines established by the Commonwealth's Public Employee Retirement Administration Commission. That report may be obtained by writing to the

City of Salem Contributory Retirement System, 20 Central Street, Suite 110, Salem, Massachusetts 01970.

The District, also, provides benefits to teachers through the Massachusetts Teachers' Retirement System (MTRS) is a public employee retirement system (PERS) that administers a cost-sharing multi-employer defined benefit plan, as defined in Governmental Accounting Standards Board (GASB) Statement No. 67. The Commonwealth of Massachusetts is statutorily responsible for 100% of the actuarially determined employer contributions. Therefore, the District has a special funding situation.

b. Funding Plan

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

c. Changes in Benefit Terms

Chapter 176 of the Acts of 2011 was incorporated in the valuation. The benefit features (i.e. retirement age, percentages used in calculation of pensions) changed for members hired on or after April 2, 2012.

d. Change in Assumptions

Mortality:

The RP-2000 mortality table (sex-distinct) projected with scale BB and Generational Mortality. (Prior valuation used RP-2000 mortality table projected 18 years with scale AA.). During employment the healthy employee mortality table is used. Post-employment the healthy annuitant table is used.

Disabled Life Mortality:

The RP-2000 mortality table for healthy annuitants (sex-distinct) projected with scale BB and Generational Mortality set-forward by 2 years. Death is assumed to be due to the same cause as the disability 40% of the time. (Prior valuation used P-2000 mortality table projected 18 years with scale AA).

Discount Rate:

The discount rate was lowered from 8.00% to 7.5%.

Projected Salary Increases

Varies by length of service with an ultimate rates of 4.25% for Group 1, 4.5% for Group 2 and 4.75% for Group 4.

e. Schedule of District's Proportionate Share of the Net Pension Liability - Salem Contributory Retirement System

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

f. Schedule of the District's Contributions

The schedule details the District's contractually required contributions, the contributions made by the District, the deficiency/(excess) of contributions made by the District, the District's covered payroll and the District's contributions as a percentage of covered payroll. As more information becomes available, this will be a ten year schedule.

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

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

h. Massachusetts Teachers Retirement System

Special Funding Situation

The Massachusetts Teachers' Retirement System (MTRS) is a public employee retirement system (PERS) that administers a cost-sharing multi-employer defined benefit plan, as defined in Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans*. The MTRS covers certified teachers and certain school administrators. The Commonwealth is a nonemployer contributor and is responsible for 100% of the contributions and future benefit requirements of the MTRS. Therefore, the District is considered to be in a "special funding situation" according to GASB Statement # 68 *Accounting and Financial Reporting for Pensions*. Since the District does not contribute to the MTRS it does not have a pension liability to report.

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

For the fiscal year ended June 30, 2018, the District's proportionate share of the collective pension expense was \$4,085,676. The District's proportionate share was based on its percentage share of covered payroll in the MTRS. Accordingly, the accompanying financial statements include the required adjustments, which have increased both Intergovernmental revenues and the Education expenditures by the same amount in the fund financial statements and the education expense and program revenue in the government wide financial statements. The net effect of this adjustment does not change the excess of revenues and other financing sources over expenditures and other financing uses for the year ended June 30, 2018, or fund balance/net position at June 30, 2018.

The Commonwealth's proportionate share of net pension liability associated with the District is \$39,144,982.

The MTRS is part of the Commonwealth's reporting entity and does not issue a stand-alone audited financial report. The Commonwealth's report is available on the internet at: <http://www.macomptroller.info/comptroller/docs/reports-audits/cafr/cafr-fy17.pdf>

Benefits provided

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

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

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

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

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

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

Actuarial Assumptions

The total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of January 1, 2017 rolled forward to June 30, 2017. This valuation used the following assumptions:

1. (a) 7.5% investment rate of return (same as the previous valuation), (b) 3.5% interest rate credited to the annuity savings fund and (c) 3.0% cost of living increase on the first \$13,000 per year.
2. Salary increases are based on analyses of past experience but range from 4.0% to 7.5% depending on length of service.
3. Mortality rates were as follows:
 - Pre-retirement - reflects RP-2014 White Collar Employees Table projected generationally with Scale MP-2016 (gender distinct) (previous valuation used Pre-retirement - reflects RP-2014 Employees table projected generationally with Scale BB and a base year 2014 (gender distinct).

- Post-retirement - reflects RP-2014 White Collar Healthy Annuitant Table projected generationally with Scale MP-2016 (gender distinct) (previous valuation used Post-retirement - reflects RP-2014 Healthy Annuitant table projected generationally with Scale BB and a base year 2014 (gender distinct).
 - Disability – assumed to be in accordance RP-2014 Healthy Annuitant table projected generationally with Scale BB and a base year 2014 set forward 4 years
4. An Experience Study was performed as follows:
- Dated July 21, 2014 and encompasses the period January 1, 2006 to December 31, 2011

	<u>Target Allocation</u>	<u>Long- Term Expected Real Rate of Return</u>
Global Equity	40.00%	5.00%
Portfolio Completion Strategies	13.00%	3.60%
Core fixed income	12.00%	11.00%
Private Equity	11.00%	6.60%
Value Added Fixed Income	10.00%	3.80%
Real Estate	10.00%	3.60%
Timber/Natural Resources	4.00%	3.20%
Hedge Funds	0.00%	3.60%
	<u>100.00%</u>	

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the Commonwealth of Massachusetts financial report. The financial report is available on the internet at: <http://www.macomptroller.info/comptroller/docs/reports-audits/cafr/cafr-fy17.pdf>

Essex North Shore Agricultural and Technical School District
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018

<u>Federal Grantor Program Title</u>	<u>Pass Through Agency</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>		
			<u>From Direct Awards</u>	<u>From Indirect Awards</u>	<u>Total</u>
<u>U.S. Department of Agriculture</u>					
Breakfast	MA DESE	10.553	\$ -	\$ 15,735	\$ 15,735
School Lunch Commodities	MA DESE	10.555	-	2,188	2,188
School Lunch	MA DESE	10.555	-	116,666	116,666
Subtotal Child Nutrition Cluster			-	134,589	134,589
Total Department of Agriculture			-	134,589	134,589
<u>U.S. Department of Education</u>					
Title I	MA DESE	84.010	-	142,800	142,800
SPED 94-142 Allocation	MA DESE	84.027	-	327,343	327,343
SPED Program Improvement	MA DESE	84.027	-	4,419	4,419
Subtotal Sped Cluster			-	331,762	331,762
Occ Ed - Vocational Skills	MA DESE	84.048	-	268,696	268,696
Subtotal Occupational Ed			-	268,696	268,696
Teacher Quality	MA DESE	84.367	-	26,878	26,878
Total U.S. Department of Education			-	770,136	770,136
Total Schedule of Expenditures of Federal Awards			\$ -	\$ 904,724	\$ 904,724

See Notes to the Schedule of Expenditures of Federal Awards

Essex North Shore Agricultural and Technical School District
Notes to Schedule of Expenditures of Federal Awards
June 30, 2018

(1) Basis of Presentation

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of the Essex North Shore Agricultural and Technical School District under programs of the federal government for the year ended June 30, 2018. The information in this schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Essex North Shore Agricultural and Technical School District, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Essex North Shore Agricultural and Technical School District.

(2) Summary of Significant Accounting Policies

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

(3) Indirect Cost Rates

The Essex North Shore Agricultural and Technical School District has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

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

School Committee
Essex North Shore Agricultural and Technical School District
562 Maple Street
P.O. Box 346
Hathorne, MA 01937

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Essex North Shore Agricultural and Technical School District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Essex North Shore Agricultural and Technical School District's basic financial statements, and have issued our report thereon dated March 8, 2019.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Giusti, Hingston and Company

Giusti, Hingston and Company
Certified Public Accountants
Georgetown, Massachusetts
March 8, 2019

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

School Committee
Essex North Shore Agricultural and Technical School District
562 Maple Street
P.O. Box 346
Hathorne, MA 01937

Report on Compliance for Each Major Federal Program

We have audited the Essex North Shore Agricultural and Technical School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Essex North Shore Agricultural and Technical School District's major federal programs for the year ended June 30, 2018. The Essex North Shore Agricultural and Technical School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Essex North Shore Agricultural and Technical School District's compliance.

Opinion on Each Major Federal Program

In our opinion, the Essex North Shore Agricultural and Technical School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control over Compliance

Management of the Essex North Shore Agricultural and Technical School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the

Essex North Shore Agricultural and Technical School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Essex North Shore Agricultural and Technical School District's internal control over compliance.

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

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

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

Giusti, Hingston and Company

Giusti, Hingston and Company
Certified Public Accountants
Georgetown, Massachusetts
March 8, 2019

Section I Summary of Auditor's Results

Unmodified report on financial statements prepared in accordance with
Generally Accepted Accounting Principles

Internal control over financial reporting:

• Material weakness(es) identified?

yes

X no

• Significant Deficiency(ies) identified?

yes

X	none reported
---	---------------

Noncompliance material to financial statements noted?

yes

X no

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified?

yes

X no

• Significant Deficiency(ies) identified?

yes

X	none reported
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Type of auditor's report issued on compliance for major federal programs:

Unmodified

Any audit finding disclosed that are required to be reported in accordance with 2 CFR 200.516 (a)?

yes

X no

Identification of major federal programs:

The major programs identified were:

Funding Source

U.S. Department of Education

Program

Special Education Grants to States

CFDA#

84.027

Dollar threshold used to distinguish Type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee:

☒ yes

no

Section II Findings - Financial Statement Audit

No findings were reported related to the financial statements.

Section III Findings and Questioned Costs for Federal Awards

No findings or questioned costs were reported related to Federal Awards



ESSEX NORTH SHORE
AGRICULTURAL & TECHNICAL SCHOOL

MEMORANDUM

Office of the Grants Administrator

To: Heidi T. Riccio, Ed.D.
Marie Znamerowski

From: Maryellen D. Rancourt, Ed.D.

Date: April 24, 2019

RE: FY19 Grant Awards Update

The following details the amounts and purpose of the FY19 grants the district has recently received. These are all competitive grants offered by, the Commonwealth of Massachusetts, MA DESE, and non-profit organizations.

2019 Competitive Senator Charles E. Shannon, Jr. Community Safety Initiative - \$80,000 - These funds will be used to update security features for Smith Hall, Arbor and the Farm Stand, update the LobbyGuard visitor management system and conduct a safety assessment of the campus.

MA DESE Teen Dating Violence Prevention and Intervention - \$17,394 – These funds will provide funding for student and faculty training, consultants for policy and protocol development and for workshops and presentations.

MA DESE Improving Student Access to Behavioral and Mental Health – FY19 = \$20,000 FY20 = \$90,000 – These funds will provide training and curriculum materials for the Think: Kids Collaborative Problem Solving (CPS) a program in the Department of Psychiatry at the Massachusetts General Hospital. Think: Kids teaches a revolutionary, evidence-based approach for helping students with behavioral challenges. Through training, support and clinical services, it promotes the understanding that challenging students lack the skill, not the will, to behave well – specifically skills related to problem solving, flexibility and frustration tolerance. Unlike traditional models of discipline, the CPS approach avoids the use of power, control and motivational procedures and instead focuses on building helping relationships and teaching at-risk kids the skills they need to succeed. Funds will also be used for consultants to assist with developing skills and strategies for assisting students dealing with anxiety and to continue the work that has taken place on tolerance and awareness of cultural differences.

Essex National Heritage Commission - \$2000 – These funds will be used by the students in the Natural Resources Program, led by teacher Paul Crofts, to install a wind-powered water pump along the campus stream to create alternative drinking sources for the campus cattle, which are currently entering the stream to drink, eroding the banks and polluting the water with e-coli. The windmill will pump water into troughs the students will build to provide clean water sources and they will install a solar powered electric fence to keep the cattle from entering the stream. They will also plant wetland plants to help restore the stream banks.



OFFICE OF THE GOVERNOR
COMMONWEALTH OF MASSACHUSETTS
STATE HOUSE • BOSTON, MA 02133
(617) 725-4000

CHARLES D. BAKER
GOVERNOR

KARYN E. POLITO
LIEUTENANT GOVERNOR

March 26, 2019

Dear Superintendent Riccio,

Congratulations! We are pleased to notify you that Essex North Shore Agricultural and Technical School has been awarded a **Fiscal Year 2018-2019 (FY19) Teen Dating Violence Prevention and Intervention Program Grant** fund code 641 grant in the amount of \$17,393.

Thank you for your commitment to promoting healthy relationships, preventing teen dating violence and collaborating with partners to provide supports and services to students in need. Through this funding and your ongoing efforts, we are able to continue to strive to create conditions for learning that help all students across the Commonwealth be successful in and beyond school.

Please feel free to contact contact Associate Commissioner Rachelle Engler Bennett (via renglerbennett@doe.mass.edu) if you have any questions.

Sincerely,

A handwritten signature in cursive script, reading "Charles Baker".

Governor Charles D. Baker

A handwritten signature in cursive script, reading "Karyn E. Polito".

Lt. Governor Karyn E. Polito



ESSEX NORTH SHORE
AGRICULTURAL & TECHNICAL SCHOOL DISTRICT

MEMORANDUM

TO: Heidi Riccio, Superintendent-Director

FROM: Don Ducharme, East Academy

DATE: April 23, 2019

SUBJECT: Automotive Technology Donation

The Automotive Technology Department has been offered the following vehicle as a donation:

Owner	Make/Model	Estimated Value
Robert H. Taylor	2006 Lincoln Navigator	\$4,850.00

This vehicle will be used in the Automotive Technology department for educational purposes until it is no longer viable. At that point the vehicle will be removed from the property by a junkyard.

Please advise if we are able to accept this donation?

Regards,

A handwritten signature in black ink, appearing to read "Don Ducharme".

Don Ducharme

CERTIFICATE OF TITLE

MASSACHUSETTS DEPARTMENT OF TRANSPORTATION

TITLE NUMBER BJ847662		VEHICLE IDENTIFICATION NUMBER 5LMFU28556LJ03621		DATE OF ISSUE 03/17/2011	
MFRS. MODEL YEAR 2006	MAKE LINC	MODEL NAME NAVI	MODEL NO.	BODY STYLE/TYPE UTIL	NEW/USED NEW
CYL. PASS. DRS. 08 05 4	PURCHASE DATE 08/29/2005	ODOMETER READING 41	PREV. TITLE NO.		PREV. TITLE STATE
ACTUAL MILEAGE			IF PREVIOUS STATE WAS TITLE EXEMPT, REGISTRATION NUMBER IS DISPLAYED.		

MAILING ADDRESS ONLY:

TAYLOR, ROBERT H

OWNER(S) NAME AND ADDRESS:

TAYLOR, ROBERT H

TITLE TYPE AND BRANDS

TITLE TYPE

BRAND
BRAND
BRAND
BRAND

TITLE MESSAGE(S)

FIRST LIENHOLDER:

SECOND LIENHOLDER:

RELEASE OF FIRST LIEN:

THE FIRST LIENHOLDER'S INTEREST IN THE VEHICLE DESCRIBED IN THIS CERTIFICATE IS HEREBY RELEASED

NAME:

AUTHORIZED SIGNATURE:

X

DATE RELEASED:

RELEASE OF SECOND LIEN:

THE SECOND LIENHOLDER'S INTEREST IN THE VEHICLE DESCRIBED IN THIS CERTIFICATE IS HEREBY RELEASED

NAME:

AUTHORIZED SIGNATURE:

X

DATE RELEASED:

THE REGISTRAR OF MOTOR VEHICLES HEREBY CERTIFIES THAT AN APPLICATION FOR A CERTIFICATE OF TITLE FOR THE MOTOR VEHICLE DESCRIBED HEREIN HAS BEEN DULY FILED, PURSUANT TO THE PROVISIONS OF THE LAWS OF THE COMMONWEALTH OF MASSACHUSETTS. BASED ON THE STATEMENTS OF THE APPLICANT AND THE RECORDS ON FILE WITH THIS AGENCY, THE APPLICANT NAMED IS THE OWNER OF SAID VEHICLE.

THE REGISTRAR OF MOTOR VEHICLES FURTHER CERTIFIES THAT THE VEHICLE IS SUBJECT TO ANY SECURITY INTERESTS SHOWN HEREIN.



Rachel Kaprielian

Rachel Kaprielian

Registrar

CONTROL NO. **F7989740**
NOT THE TITLE NUMBER

ALTERATION OR ERASURE VOIDS THIS TITLE.

KEEP IN SAFE PLACE

REGISTRY OF MOTOR VEHICLES

VERIFY PRESENCE OF WATERMARK
HOLD TO LIGHT TO VIEW

VERIFY PRESENCE OF WATERMARK
HOLD TO LIGHT TO VIEW



The Gene Haas Foundation

2800 STURGIS ROAD, OXNARD, CA 93030

Essex North Shore Agricultural & Technical High school
565 Maple Street
HathorneMA01937
Dr. Heidi Riccio


Dear Dr. Heidi

The Gene Haas Foundation is pleased to enclose a check as a grant to support scholarships and NIMS credentialing for your manufacturing program. Up to \$2,500.00 of your grant funds can be used towards sponsorship of a student competition highlighting the CNC machining program such as SkillsUSA or FIRST.

The scholarships are to be given to students currently will be enrolling-in a CNC Technologist training or CNC machining-based engineering program at the postsecondary level or the costs of attending CNC machining classes at a secondary level career center. The criteria for determining winners of these scholarships will be determined by the program instructor or a committee or advisory that includes program instructor(s). **Scholarship checks should be written to the school the student plans to attend with the students name in the subject line and not as a check direct to the student.**

This grant is subject to the terms set forth in the attached Grant Terms and Conditions and by cashing the grant-check you are indicating that you agree to these terms. As the Gene Haas Foundation is a 501(c)(3) nonprofit organization, it is not necessary to issue a tax receipt for this donation. **However, next time you apply for a grant you will be asked to attach documentation of the use of these funds, including the names of the students who received scholarships, the schools they are attending, and the scholarship amount.** Scholarship Certificates and the GHF Logos can be found under promotional materials/download at ghaasfoundation.org

Best Regards,


Kathy Looman
Gene Haas Foundation

The Gene Haas Foundation
GRANT TERMS AND CONDITIONS
Scholarships

Grant Award Date: April 5, 2019

Grant Amount: \$16,000.00

- (a) **Your Tax-Exempt Status:** You are exempt under Internal Revenue Code Section 501(c)(3) and currently are classified as a public charity pursuant to Internal Revenue Code Section 509(a)(1), (2) or (3) (an "Exempt Public Charity"). A school is a "public charity" for this purpose. (Treas. Reg. § 1.509(a)-2(a)). This is a type of organization to which a private foundation can make grants without incurring a penalty tax or being required to exercise expenditure responsibility for those grants. (I.R.C. § 4945(d)(4)(A); Treas. Reg. § 53.4945-5(a)(1), (4)(i). Consequently, on the assumptions stated above, the Foundation can make grants to public schools that meet the requirements set forth above. To receive grant money from a private foundation like the GH Foundation the school does not need to be a Section 501(c)(3) organization. It only needs to meet the definition of a school quoted above. It can be an instrumentality of a state (such as a school district). If so it does not need to be a nonprofit corporation or a trust. However, if the school is not an instrumentality of a state, it generally must be a 501(c)(3) organization. (I.R.C. § 170(c).
- (b) **Grant Purpose and Expenditure of Funds:** You will utilize the grant proceeds to fund programs as long as it is consistent with the tax-exempt status described above and with the mission of your organization. You will not use any of the grant, or the interest or income thereon, to influence any legislation or the outcome of any election, to conduct a voter registration drive or to satisfy a charitable pledge or obligation of any person or organization.
- (c) **Scholarship Requirements:** The scholarship funds must be expended for student machinist-based training or engineering programs. The scholarship(s) will be referred to as the "Gene Haas Scholarship" in all on-line and print materials associated with the scholarship. It is your responsibility to ensure that the process of awarding these scholarships is open and equitable to all potential students.
- (d) **Other Terms:** These Grant Terms and Conditions control over and supersede any conflicting terms of any document that you may have received concerning the conditions under which this grant is made and are in addition to all other terms and conditions the Foundation may have provided. This grant is subject to these Terms and Conditions and by cashing the grant check, you are indicating that you agree to its terms. **This grant-check expires and is void 90 days after its issue date. If you do not cash the grant-check by that date we will treat that as a rejection of these terms and the grant will be cancelled.** As used herein the term "you" and the like means the recipient of the Grant. The term "Foundation" means the foundation making the Grant.

GHF's primary goal is to build skills in the machining industry by providing scholarships for CNC machine technology students and NIMS credentials Scholarships can be used for tuition, books, student's personal NIMS account and cost of individual NIMS credentials and small personal tools the tools students are **required by program** to purchase. Recommended scholarship amounts are from \$500 to \$2500 per student.

A specified amount of the funds, ***which will be written on the grant letter***, can be used for sponsorship of a competition in which Individual Students or teams of students participate. Eligible are competitions that showcase Manufacturing and CNC Machining Skills such as Skills CNC competitions, school racing programs such as SAE, Shell ECO and Solar car challenges and robotics competition. Please provide information regarding your schools competitions as an attachment.

You will not be asked to submit a grant amount. After January 15, the Gene Haas Foundation will divide the total amount of funds budgeted for secondary programs that year between the eligible programs. The funds will be distributed in approximately 8 weeks.

Schools have two years to award the scholarships and may apply every year. If your program has received funds in prior years you will be asked to provide a list of students who received the funds and/or a short description (photos are always nice) of the competition your school participated in. In the interest of our accounting our checks expire in 90 days. Please deposit your grant check as soon as you receive it. It will void in 90 days and not be reissue able in that calendar year

FUNDS CANNOT BE USED FOR ANY PRODUCT HAAS AUTOMATION MANUFACTURES OR SELLS.

Scholarship Certificates and the Gene Haas Foundation Logo are available on the cover page of the website. www.ghaasfoundation.org

4/25/2019

Marie Znamierowski, Director of Business Operations
Essex North Shore Agricultural and Technical School District
562 Maple Street
Hathorne, MA

RE: McNamara O'Shea Demolition via email: mznamierowski@essextech.com
Proposal for Architectural Services

Dear Ms. Znamierowski:

Gienapp Architects is pleased to submit our proposal to provide architectural and engineering services for your proposed demolition of the McNamara O'Shea Building. This proposal is based on the needs laid out in your Request for Qualifications and the briefing on March 13, 2019.

Basis and Intent

We understand the School would like to demolish the existing, unused McNamara O'Shea Building in order to redevelop the site into lawn space. The current goals and considerations for the project may be summarized as follows:

1. Disconnect all site utilities from building.
2. Demolish building and remove all material.
3. Provide rough grading and surface stabilization (e.g. straw or seed) for landscaping by the School.
 - 3.1. We anticipate the site to be graded without terracing or retaining walls.

Scope of Services

We propose to provide services for the following disciplines:

1. Architectural Design
2. Hazardous Materials Abatement
3. Electrical Engineering
4. Fire Protection
5. HVAC
6. Civil Engineering

We propose to provide architectural and engineering services summarized as follows:

1. **Existing Conditions: Due Diligence, Site Assessment, and Survey**
 - 1.1. Conduct a thorough survey and evaluation of the site, including reviewing the contents of the building. Identify any equipment to be salvaged.
 - 1.2. Quantify removable items.
 - 1.3. Assess all utilities on site.
 - 1.4. Perform hazardous materials assessment.
2. **Design Development and Construction Documents**
 - 2.1. Prepare architectural, structural, and MEP drawings to disconnect systems.
 - 2.2. Prepare utilities and building elements for removal by excavator.

- 2.3. Establish project requirements (controlling for dust, disruption, etc.).
 - 2.4. Establish times of work, temporary utilities.
 - 2.5. Design and develop documents to plan for the restoration of the site (we understand the School is looking for rough grading of the site, with the possibility of student and staff involvement with landscaping work).
3. **Bidding, Negotiations, Awarding Contract: Gienapp Architects will either conduct or assist the School Committee with the following activities of this phase:**
- 3.1. Advertising the project for bidding.
 - 3.2. Pre-bid walkthrough.
 - 3.3. Bid opening.
 - 3.4. Reference check on bidders.
 - 3.5. Offer a recommendation to the School Committee on bidders.
4. **Construction Administration and Observation: The exact services may vary as negotiated with the School Committee, but will be the customary services of Public Construction projects. Services are anticipated to include:**
- 4.1. Periodic site visits to observe the project and the work
 - 4.2. Conduct progress job meetings.
 - 4.3. Prepare and distribute Observation Reports.
 - 4.4. Review of contractor submittals.
 - 4.5. Issue of or review of typical construction administration documents.
 - 4.6. Review of Contractor requisitions.



The following services are not included in the above scope or lump sum fee and will be provided as reimbursable expenses. This is because the scope of work is not known until there is further assessment:

- A. Partial survey for disconnecting site utilities and use in determining site grading.
- B. Hazardous Material testing. The actual cost of taking and testing material samples is a reimbursable expense. Design and specifications of abatement required is included in the lump sum fee. The budget of \$7,500 for this task includes \$4,500 for a mason and roofer to make test openings.
- C. Construction phase air monitoring to conduct on site active background air sampling during the abatement process.

Fee and Payment

We propose to provide architectural and engineering services for a lump sum fee allocated as follows. This fee also includes the costs for Land Survey, Hazardous Materials Testing, and Construction Air Monitoring, considered as reimbursable expenses.

<u>Task - Phase</u>		<u>Fee</u>	<u>Subtotal</u>
1. Existing Conditions	\$	22,000	
2. Design Development and Construction Documents	\$	30,000	
3. Bidding	\$	2,000	
4. Construction Administration	\$	6,000	
	Subtotal	\$	60,000

<u>Reimbursable Suggested Budgets</u>			
A. Land Survey	\$	7,000	<i>est.</i>
B. Hazardous Materials Testing	\$	7,500	<i>est.</i>
C. Construction Air Monitoring	\$	10,000	<i>est.</i>


Invoices will be based on milestones and monthly progress. Services will be provided in accordance with the attached Schedule of Terms and Conditions

Conclusion

We are pleased to offer our services for this interesting project. Please do not hesitate to contact me with any questions or if you would like to proceed.

Sincerely,

Accepted


Dale Gienapp, AIA, LEED AP BD+C
Gienapp Architects, LLC

for Essex North Shore Agricultural and
Technical School District

(7)

Encl. Schedule of Terms and Conditions, 2019

Schedule of Terms and Conditions of Letter Agreement Between Owner and Architect

2019

1. ADDITIONAL SERVICES For services performed at the Owner's request, which are outside the scope of services described in the attached letter, the Architect shall be compensated in accordance with the rates set forth therein but such compensation shall not be included within any maximum or upset stated in the attached letter.
2. REIMBURSABLE EXPENSES In addition to the Architect's compensation, he shall be reimbursed at cost plus 15% for printing copies of documents except those exclusively for the use of the Architect and his consultants, out of state fees of other consultants engaged by the Architects at the Owner's request; overnight mailing/shipping, and for fees paid by the Architect to governmental authorities in connection with the project. Incidental postage, faxing and 'letter size' copies are overhead and not reimbursable.
3. PAYMENTS are due within 30 days after rendering of invoices, unless otherwise agreed. After 30 days unpaid invoices shall bear interest at two points above prime, and the Architect shall be entitled to reimbursement of all collection costs, including legal fees. The Architect shall also be entitled to suspend services if payment is overdue.
4. TERMINATION The letter agreement between the Owner and the Architect may be terminated by either party in case of substantial breach by the other, upon 7 days written notice.
5. DISPUTES All claims, disputes, and other matters in question arising out of or relating to this agreement or the breach thereof shall be finally decided by a civil action filed in any court in Essex County, Massachusetts.
6. OWNERSHIP AND USE OF DOCUMENTS All documents produced by the Architect are instruments of services, and the originals thereof and the copyright therein shall remain the property of the Architect. The Owner may use such documents for the construction of the project but only after payment to the Architect for having produced them, and subject to the following conditions: (a) the Owner shall not elaborate, change, or incorporate the documents into documents prepared by anyone other than the Architect, without the Architect's consent; (b) if the Owner proceeds to construct the project without engaging the Architect for customary construction phase services, such construction will be at the Owner's sole risk, and the Owner will release and hold harmless the Architect from all responsibility in connection therewith.
7. ESTIMATES The Architect has no control over construction cost or contractors' prices. Any cost estimates are made by him on the basis of his experience and judgment as a design professional, but he cannot and does not guarantee that contractors' proposals, bids, or costs will not vary from those estimates.
8. OWNER'S RESPONSIBILITIES The Owner shall furnish such legal, accounting, and insurance counseling services as may be required for the project and shall provide the Architect with all existing information relating to the project, which the Architect may request. The Architect shall be entitled to rely upon the completeness and accuracy of such services and information.
9. RISK ALLOCATION In recognition of the relative risks and benefits of the project to both the Client and the Architect, the Client agrees, to the fullest extent permitted by law, to limit the Architect's total liability to the Client, for any and all damages or claim expenses, (including attorneys' fees) arising out of this agreement, from any and all causes, to the total amount of \$100,000, the amount of the Architect's fee (whichever is greater) or other amount specified and agreed upon under Special Conditions.
10. ARCHITECT'S ROLE DURING CONSTRUCTION If requested by the Owner to perform construction phase services, the Architect shall endeavor to guard the Owner against defects and deficiencies in the work of the contractor, but it is generally understood that the contractor, not the Architect, is responsible for the acts or omissions of any contractor or subcontractor, or for the failure of any of them to carry out their contractual duties and responsibilities.
11. MISCELLANEOUS PROVISIONS This agreement represents the complete and integrated agreement between the parties, supersedes all prior agreements, may be amended only in writing, and is binding upon the parties, their successors, assigns, and legal representatives. This agreement shall be interpreted and governed in accordance with the laws of the Commonwealth of Massachusetts.

