

## **REGIONAL SCHOOL DISTRICT NO. 13**

**Durham and Middlefield, Connecticut**

**FINANCIAL STATEMENTS**

**JUNE 30, 2015**

**REGIONAL SCHOOL DISTRICT NO. 13**  
**TABLE OF CONTENTS**  
**JUNE 30, 2015**

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	Independent Auditors' Report	1-3
	Management's Discussion and Analysis	4-10

**Exhibit**

	Basic Financial Statements:	
	Government-Wide Financial Statements:	
I	Statement of Net Position	11
II	Statement of Activities	12
	Fund Financial Statements:	
III	Balance Sheet - Governmental Funds	13-14
IV	Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	15-16
V	Statement of Fiduciary Net Position	17
VI	Statement of Changes in Fiduciary Net Position - Pension Trust Funds and Private-Purpose Trust Funds	18
	Notes to the Financial Statements	19-43
	Required Supplementary Information:	
RSI-1	Schedule of Revenues and Other Financing Sources - General Fund - Budget and Actual	44
RSI-2	Schedule of Expenditures and other Financing Uses - General Fund - Budget and Actual	45-46
RSI-3	Schedule of Changes in Net Pension Liability and Related Ratios - Last Two Fiscal Years	47
RSI-4	Schedule of Employer Contributions - Last Ten Fiscal Years	48
RSI-5	Schedule of Investment Returns - Last Two Fiscals Year	49
RSI-6	Schedule of the District's Proportionate Share of the Net Pension Liability - Teachers Retirement Plan - Last Fiscal Year	50
	Supplemental Schedules:	
	Nonmajor Governmental Funds:	
A-1	Combining Balance Sheet - Nonmajor Governmental Funds	51
A-2	Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	52
	Fiduciary Funds:	
B-1	Combining Statement of Fiduciary Net Position - Private-Purpose Trust Funds	53
B-2	Combining Statement of Changes in Fiduciary Net Position Private-Purpose Trust Funds	54
B-3	Combining Statement of Changes in Assets and Liabilities - Agency Funds	55
	Other Schedule:	
C	Schedule of Debt Limitation	56



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## **Independent Auditors' Report**

To the Board of Education  
Regional School District No. 13

### **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 Regional School District No. 13 as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Regional School District No. 13's basic financial statements as listed in the table of contents.

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

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

#### ***Auditors' Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Regional School District No. 13 as of June 30, 2015 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.

## ***Change in Accounting Principle***

As discussed in Note 8 to the financial statements, during the fiscal year ended June 30, 2015, Regional School District No. 13 adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. The net position of the District has been restated to recognize the net pension liability required in implementing GASB No. 68. Our opinion is not modified with respect to this matter.

## ***Other Matters***

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 10, the budgetary comparison information on pages 44 through 46, and the pension schedules on pages 47 through 50, 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, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Regional School District No. 13's basic financial statements. The combining and individual nonmajor fund financial statements and schedules, and debt limitation schedule are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and schedules 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 December 14, 2015 on our consideration of the Regional School District No. 13'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 the Regional School District No. 13's internal control over financial reporting and compliance.

*Blum, Shapiro & Company, P.C.*

West Hartford, Connecticut  
December 14, 2015

**REGIONAL SCHOOL DISTRICT NO. 13  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2015**

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Management of Regional School District No. 13 (the Region) offers readers of these financial statements this narrative overview and analysis of the financial activities of the Region for the fiscal year ended June 30, 2015.

**Financial Highlights**

- The assets of the Region exceeded its liabilities at the close of the most recent fiscal year by \$27,223,709 (net position).
- The Region's total net position increased by \$336,624, resulting primarily from a reduction in long term liabilities.
- As of the close of the current fiscal year, the Region's governmental funds reported a combined ending fund balance of \$2,613,510, an increase of \$121,289 in comparison with the prior year.
- At the end of the current fiscal year, the fund balance for the general fund was \$2,251,436, which is designated for subsequent year's budget.
- Long-term bonds decreased by \$1,720,000 due to the principal payments.

**Overview of the Basic Financial Statements**

This discussion and analysis are intended to serve as an introduction to the Region's basic financial statements. The Region's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-Wide Financial Statements.** The government-wide financial statements are designed to provide readers with a broad overview of the Region's finances in a manner similar to a private-sector business.

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

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

The government-wide financial statements present the functions of the Region, which are principally supported by assessments to member towns and intergovernmental revenues. The governmental activities of the Region include general instruction, special education, student services, administration, buildings and transportation.

**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 Region uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Region can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

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

The Region maintains nine individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund, the Special School Grants and Programs Fund, the Capital Projects Fund and the Capital Reserve Fund, all of which are considered to be major funds. Data from the other five governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The Region adopts an annual budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

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

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

**Other Information.** The combining statements referred to earlier in connection with nonmajor governmental funds are presented following the notes to the basic financial statements. Combining and individual fund statements and schedules can be found in Exhibits A-1 and A-2.

**Government-Wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. In the case of the Region, assets exceeded liabilities by \$27,223,709 at the close of the most recent fiscal year.

By far, the largest portion of the Region’s net position reflects its investment in capital assets (e.g., land, buildings, and machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The Region uses these capital assets to provide public education to eligible citizens living within the district; consequently, these assets are not available for future spending. Although the Region’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities. The remaining balance of unrestricted net position is (\$820,111).

**REGIONAL SCHOOL DISTRICT NO. 13  
NET POSITION**

	<b>Governmental Activities</b>	
	<u>2015</u>	<u>2014</u>
Current and other assets	\$ 3,336,823	\$ 3,718,553
Capital assets, net of accumulated depreciation	<u>38,608,821</u>	<u>39,697,265</u>
Total assets	<u>41,945,644</u>	<u>43,415,818</u>
 Deferred outflows of resources	 <u>516,526</u>	 <u>318,319</u>
 Long-term liabilities outstanding	 14,574,726	 16,044,847
Other liabilities	<u>663,735</u>	<u>802,205</u>
Total liabilities	<u>15,238,461</u>	<u>16,847,052</u>
 Net Position:		
Net investment in capital assets	28,017,335	27,202,206
Restricted	26,485	32,337
Unrestricted	<u>(820,111)</u>	<u>(347,458)</u>
 Total Net Position	 <u>\$ 27,223,709</u>	 <u>\$ 26,887,085</u>

**Governmental Activities.** The Region’s net position increased by \$336,624 during the current fiscal year. The increase is primarily due to the issuance of \$265,000 in capital leases which are recognized as revenue in the government-wide financial statements due to the use of accrual accounting where capital expenditures are capitalized and debt service principal payments are not expensed.



**REGIONAL SCHOOL DISTRICT NO. 13  
CHANGES IN NET POSITION**

	<b>Governmental Activities</b>	
	<u>2015</u>	<u>2014</u>
Revenues:		
Program revenues:		
Charges for services:		
Special education	\$ 755,734	\$ 1,066,877
Student services	523,586	524,709
Buildings	39,814	46,445
Operating grants and contributions	4,064,832	4,727,243
Capital grants and contributions	35,705	78,016
General revenues:		
Assessments from member towns	35,178,402	34,575,351
Investment income	12,271	21,064
Miscellaneous	146,207	123,493
Total revenues	<u>40,756,551</u>	<u>41,163,198</u>
Expenses:		
General instruction	17,780,963	18,476,616
Special education	8,759,832	8,663,492
Student services	2,823,122	2,595,387
Administration	5,342,741	5,675,763
Buildings	4,010,046	4,498,128
Transportation	1,303,626	1,292,764
Interest expense	399,597	85,028
Total expenses	<u>40,419,927</u>	<u>41,287,178</u>
Change in net position	336,624	(123,980)
Net Position at Beginning of Year	26,887,085	27,952,171
Restatement for GASB 68		<u>(941,106)</u>
Net Position at End of Year	<u>\$ 27,223,709</u>	<u>\$ 26,887,085</u>

- Special Education, operating grant revenues, Middlesex Transition Academy enrollment and state funding all decreased.
- Expense decrease paralleled the reduction in staffing due to enrollment. Cost containment measures put in place also added to the reduction.

## **Financial Analysis of the Region's Funds**

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

**Governmental Funds.** The focus of the Region's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the Region's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the Region's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the Region's governmental funds reported a combined ending fund balance of \$2,613,510, an increase of \$121,289 in comparison with the prior year. Of that balance, \$2,251,436 constitutes funds designated for subsequent year's budgets. The remaining \$362,344 of fund balance is reserved to indicate that it is not available for new spending because it has already been committed as capital reserves and other governmental projects or funds.

## **General Fund Budgetary Highlights**

There were several differences between the original budget and the final amended budget of revenues and expenditures. Significant budgetary variances can be briefly summarized as follows:

### Final Budget to Actual

- Salary expense was under budget by \$578,642, or 2.67%.
- We saw positive variances (under budget) of \$473,411 in employee benefits expenditures, due to the adoption of a high deductible health insurance plan and unemployment, \$38,927 in property services, and \$70,110 in supplies.
- We saw negative variances (over budget) in the areas of snow removal \$40,661, transportation \$105,940 (due to special needs transportation).

## **Capital Assets and Debt Administration**

**Capital Assets.** The Region's investment in capital assets for its governmental activities as of June 30, 2015 amounts to \$38,608,821 (net of accumulated depreciation). This investment in capital assets includes land, buildings and machinery and equipment. The net decrease of \$1,088,994 in the Region's capital assets for the current fiscal year is a result of adjustments for normal depreciation.

**REGIONAL SCHOOL DISTRICT NO. 13  
CAPITAL ASSETS  
(NET OF DEPRECIATION)**

	<b>Governmental Activities</b>	
	<b>2015</b>	<b>2014</b>
Land	\$ 200,000	\$ 200,000
Construction in progress	16,500	
Buildings and improvements	32,854,454	33,761,815
Land improvements	4,154,187	4,375,763
Equipment	541,765	323,284
Vehicles	841,915	1,036,403
	<b>\$ 38,608,821</b>	<b>\$ 39,697,265</b>
Total	<b>\$ 38,608,821</b>	<b>\$ 39,697,265</b>

Additional information on the Region’s capital assets can be found in Note 3B of this report.

**Long-Term Debt.** At the end of the current fiscal year, the Region had total bonded debt outstanding of \$9,470,000. All of this debt comprises debt backed by the full faith and credit of the Region.

**REGIONAL SCHOOL DISTRICT NO. 13  
OUTSTANDING DEBT  
GENERAL OBLIGATION BONDS**

	<b>Governmental Activities</b>	
	<b>2015</b>	<b>2014</b>
General obligation bonds	<b>\$ 9,470,000</b>	<b>\$ 11,190,000</b>

The Region’s total debt decreased by \$1,720,000 during the current fiscal year. The Region increased its rating from “A2” to Aa3 from Moody’s for general obligation debt.

State Statutes limit the amount of general obligation debt a regional school district may issue to 4.5 times total tax collections including interest and lien fees and the tax relief for elderly freeze grant of the member towns. The current debt limitation for the Region is \$156,607,667 which is significantly in excess of the Region’s outstanding general obligation debt.

A portion of the Region’s debt is allocated to each member town and is included in the town’s debt limitation. Additional information on the Region’s long-term debt can be found in Note 3D of this report.

## **Requests for Information**

This financial report is designed to provide a general overview of the Region's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Ronald Melnik, Business Manager, Regional School District No. 13, 135A Pickett Lane, Durham, Connecticut 06422.

**REGIONAL SCHOOL DISTRICT NO. 13**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2015**

	<b>Governmental Activities</b>
Assets:	
Cash and cash equivalents	\$ 3,082,862
Intergovernmental receivable	212,788
Other assets	14,688
Restricted assets:	
Temporarily restricted:	
Investments	13,952
Permanently restricted:	
Investments	12,533
Capital assets not being depreciated	216,500
Capital assets net of accumulated depreciation	<u>38,392,321</u>
Total assets	<u>41,945,644</u>
Deferred Outflows of Resources:	
Deferred charge on refunding	242,608
Differences between projected and actual earnings on pension plan	<u>273,918</u>
Total deferred outflows of resources	<u>516,526</u>
Liabilities:	
Accounts and other payables	430,745
Accrued interest payable	126,143
Unearned revenue	106,847
Noncurrent liabilities:	
Due within one year	2,543,506
Due in more than one year	<u>12,031,220</u>
Total liabilities	<u>15,238,461</u>
Net Position:	
Net investment in capital assets	28,017,335
Restricted for:	
Textbooks:	
Expendable	3,407
Nonexpendable	2,533
Library materials:	
Expendable	10,545
Nonexpendable	10,000
Unrestricted	<u>(820,111)</u>
Total Net Position	<u>\$ 27,223,709</u>

The accompanying notes are an integral part of the financial statements

**REGIONAL SCHOOL DISTRICT NO. 13  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2015**

Functions/Programs	Expenses	Program Revenues		Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions		
Governmental activities:					
General instruction	\$ 17,780,963	\$	\$ 3,050,760	\$	\$ (14,730,203)
Special education	8,759,832	755,734	797,324		(7,206,774)
Student services	2,823,122	523,586	118,272		(2,181,264)
Administration	5,342,741				(5,342,741)
Buildings	4,010,046	39,814		31,390	(3,938,842)
Transportation	1,303,626		98,476		(1,205,150)
Interest	399,597			4,315	(395,282)
	<u>\$ 40,419,927</u>	<u>\$ 1,319,134</u>	<u>\$ 4,064,832</u>	<u>\$ 35,705</u>	<u>(35,000,256)</u>
General revenues:					
Assessments from district member towns					35,178,402
Investment income					12,271
Miscellaneous					146,207
Total general revenues					<u>35,336,880</u>
Change in Net Position					336,624
Net Position at Beginning of Year, as Restated					<u>26,887,085</u>
Net Position at End of Year					<u>\$ 27,223,709</u>

The accompanying notes are an integral part of the financial statements

**REGIONAL SCHOOL DISTRICT NO. 13  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2015**

	<u>General</u>	<u>Special School Grants and Programs</u>	<u>Capital Reserve Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 2,582,923	\$ 87,451	\$ 325,911	\$ 86,577	\$ 3,082,862
Investments				26,485	26,485
Intergovernmental receivable		10,540		16,527	27,067
Other assets				14,688	14,688
Total Assets	<u>\$ 2,582,923</u>	<u>\$ 97,991</u>	<u>\$ 325,911</u>	<u>\$ 144,277</u>	<u>\$ 3,151,102</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts and other payables	\$ 331,487	\$ 11,127	\$ 60,528	\$ 27,603	\$ 430,745
Unearned revenue		86,864		19,983	106,847
Total liabilities	<u>331,487</u>	<u>97,991</u>	<u>60,528</u>	<u>47,586</u>	<u>537,592</u>
Fund balances:					
Nonspendable				27,221	27,221
Restricted	2,251,436			30,479	2,281,915
Committed			265,383	70,534	335,917
Unassigned				(31,543)	(31,543)
Total fund balances	<u>2,251,436</u>	<u>-</u>	<u>265,383</u>	<u>96,691</u>	<u>2,613,510</u>
Total Liabilities and Fund Balances	<u>\$ 2,582,923</u>	<u>\$ 97,991</u>	<u>\$ 325,911</u>	<u>\$ 144,277</u>	<u>\$ 3,151,102</u>

(Continued on next page)

**REGIONAL SCHOOL DISTRICT NO. 13**  
**BALANCE SHEET - GOVERNMENTAL FUNDS (CONTINUED)**  
**JUNE 30, 2015**

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Reconciliation of the Balance Sheet - Governmental Funds to Statement of Net Position:

Amounts reported for governmental activities in the statement of net position (Exhibit I) are different from the governmental fund balance sheet. The details of this difference are as follows:

Total fund balances (Exhibit III)	\$ 2,613,510
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:

Governmental capital assets	61,131,879
Less accumulated depreciation	(22,523,058)

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds:

School building receivable	185,721
Deferred outflows related to differences in projected and actual pension earnings	273,918

Some liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds:

Bonds payable	(9,470,000)
Bond premium	(325,017)
Deferred charge on refunding	242,608
Compensated absences	(68,295)
Net OPEB obligation	(2,644,279)
Net Pension Liability	(1,028,058)
Capital leases	(1,039,077)
Accrued interest payable	(126,143)

Net Position of Governmental Activities (Exhibit I)	\$ <u>27,223,709</u>
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The accompanying notes are an integral part of the financial statements



**REGIONAL SCHOOL DISTRICT NO. 13**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	<u>General</u>	<u>Special School Grants and Programs</u>	<u>Capital Reserve Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
Assessments from district member towns	\$ 35,178,402	\$	\$	\$	\$ 35,178,402
Intergovernmental	3,625,776	546,385		118,272	4,290,433
Charges for services	80,382			1,238,752	1,319,134
Local sources	16,935		1,141	(5,805)	12,271
Miscellaneous	140,626			5,582	146,208
Total revenues	<u>39,042,121</u>	<u>546,385</u>	<u>1,141</u>	<u>1,356,801</u>	<u>40,946,448</u>
Expenditures:					
Current:					
Salaries	20,486,985			725,101	21,212,086
Employee benefits	9,445,406			90,429	9,535,835
Purchased services	861,715	583,878		157,998	1,603,591
Property services	873,491				873,491
Operational services	3,167,700			41,969	3,209,669
Supplies	1,639,417			320,049	1,959,466
Capital outlay	450,851		136,567		587,418
Debt service	2,108,603				2,108,603
Total expenditures	<u>39,034,168</u>	<u>583,878</u>	<u>136,567</u>	<u>1,335,546</u>	<u>41,090,159</u>
Excess (Deficiency) of Revenues over Expenditures	<u>7,953</u>	<u>(37,493)</u>	<u>(135,426)</u>	<u>21,255</u>	<u>(143,711)</u>
Other Financing Sources (Uses):					
Transfers in	150,000	37,493	182,796		370,289
Transfers out	(217,558)			(152,731)	(370,289)
Issuance of capital leases	265,000				265,000
Total other financing sources (uses)	<u>197,442</u>	<u>37,493</u>	<u>182,796</u>	<u>(152,731)</u>	<u>265,000</u>
Net Change in Fund Balances	205,395	-	47,370	(131,476)	121,289
Fund Balances at Beginning of Year	<u>2,046,041</u>	<u>-</u>	<u>218,013</u>	<u>228,167</u>	<u>2,492,221</u>
Fund Balances at End of Year	<u>\$ 2,251,436</u>	<u>\$ -</u>	<u>\$ 265,383</u>	<u>\$ 96,691</u>	<u>\$ 2,613,510</u>

(Continued on next page)

**REGIONAL SCHOOL DISTRICT NO. 13**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES - GOVERNMENTAL FUNDS (CONTINUED)**  
**FOR THE YEAR ENDED JUNE 30, 2015**

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Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances -  
 Governmental Funds to the Statement of Activities:

Amounts reported for governmental activities in the statement of activities (Exhibit II) are different  
 because of the following:

Net change in fund balances - total governmental funds (Exhibit IV)	\$ 121,289
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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. The capital outlay and depreciation expense are as follows for the current period:

Capital outlay	728,709
Depreciation expense	(1,817,153)

Revenues in the statement of activities that do not provide current financial resources are not  
 reported as revenues in the funds, and revenues recognized in the funds are not reported in the  
 statement of activities:

School building grant receipts	(189,896)
Change in deferred outflows related to differences in projected and actual earnings on pension plan	273,918

The issuance of long-term debt (e.g., bonds, capital leases) provides current financial resources  
 to governmental funds, while the repayment of the principal of long-term debt consumes the  
 current 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. The details of these differences in the treatment  
 of long-term debt and related items are as follows:

Payments on general obligation bonds	1,720,000
Issuance of capital leases	(265,000)
Payments on capital leases	473,769

Some expenses reported in the statement of activities do not require the use of current financial  
 resources and, therefore, are not reported as expenditures in governmental funds:

Net OPEB obligation	(415,873)
Net pension liability	(275,806)
Accrued interest payable	14,201
Compensated absences	(6,338)
Bond premium	50,515
Deferred charge on refunding	<u>(75,711)</u>

Change in Net Position of Governmental Activities (Exhibit II)	<u>\$ 336,624</u>
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The accompanying notes are an integral part of the financial statements

**REGIONAL SCHOOL DISTRICT NO. 13**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**JUNE 30, 2015**

	<b>Pension Trust Funds</b>	<b>Private Purpose Trust Funds</b>	<b>Agency Funds</b>
	<u>          </u>	<u>          </u>	<u>          </u>
Assets:			
Cash and cash equivalents	\$ <u>329,337</u>	\$ <u>2,756</u>	\$ <u>299,096</u>
Investments, at fair value:			
Proprietary mutual funds	232,855		
Corporate bonds	457,361		
U.S. Government obligations	667,941		
Common stocks	4,947,465		
Other investment	391,560		
Accrued interest	<u>11,624</u>		
Total investments, at fair value	<u>6,708,806</u>	<u>-</u>	<u>-</u>
Total assets	<u>7,038,143</u>	<u>2,756</u>	<u>\$ 299,096</u>
Liabilities:			
Due to student groups and others			<u>\$ 299,096</u>
Net Position:			
Held in trust for pension benefits and individuals	<u>\$ 7,038,143</u>	<u>\$ 2,756</u>	

The accompanying notes are an integral part of the financial statements

**REGIONAL SCHOOL DISTRICT NO. 13  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - PENSION TRUST FUNDS  
AND PRIVATE-PURPOSE TRUST FUNDS  
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Pension Trust Funds</u>	<u>Private- Purpose Trust Funds</u>
Additions:		
Contributions:		
Employer	\$ 322,555	\$
Employee	165,524	
Total contributions	<u>488,079</u>	<u>-</u>
Investment income:		
Net appreciation in fair value of investments	142,441	
Interest and dividends	58,818	
Total investment income	<u>201,259</u>	
Less investment expense	<u>33,728</u>	
Net investment income	<u>167,531</u>	<u>-</u>
Total additions	<u>655,610</u>	<u>-</u>
Deductions:		
Benefits	342,618	
Administrative expense	4,902	
Supplies		
Total deductions	<u>347,520</u>	<u>-</u>
Change in net position	308,090	-
Net Position Beginning of Year	<u>6,730,053</u>	<u>2,756</u>
Net Position End of Year	<u>\$ 7,038,143</u>	<u>\$ 2,756</u>

The accompanying notes are an integral part of the financial statements

**REGIONAL SCHOOL DISTRICT NO. 13**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of Regional School District No. 13 (the District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant policies of the District are described below.

**A. Reporting Entity**

The District was organized under provisions of the Connecticut General Statutes in 1970 for the purpose of providing education for grades 1 through 12 to the residents of the towns of Durham and Middlefield, Connecticut. The District consists of three elementary schools, two middle schools and one high school.

The District is governed by a Regional Board of Education consisting of six members from Durham and four members from Middlefield. The members of the Board serve three-year terms. The Superintendent of Schools, selected by the Board of Education, manages the day-to-day affairs of the District and the schools of Durham and Middlefield.

The District's operating and debt service expenses are paid by the member towns in proportion to the number of attending pupils. The current year assessment percentages are 65.38% for Durham and 34.62% for Middlefield.

**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 nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are normally supported by member town assessments, intergovernmental revenues and revenues from local sources.

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 expenses 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 town assessments and other items not properly included among program revenues are reported instead as general revenues.

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

**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. Agency funds do not have a measurement focus but are reported using the accrual basis of accounting. 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 revenues as soon as all eligibility requirements imposed by the provider have been met.

**REGIONAL SCHOOL DISTRICT NO. 13**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

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Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due.

Member town assessments, expenditure reimbursement type grants, and certain intergovernmental revenues, transfers and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items, including the state interest and bond subsidy grant, are considered to be measurable and available only when cash is received by the District.

The District reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those resources required to be accounted for in another fund.

The *Special School Grants and Programs Fund* accounts for the revenues and expenditures relating to Federal and State education grants. The major sources of revenue for this fund are Federal and State grants.

The *Capital Reserve Fund* accounts for the revenues and expenditures relating to reserves for capital items.

Additionally, the District reports the following fund types:

The *Private-Purpose Trust Funds* are used to account for resources legally held in trust for scholarships. Resources of the fund, including any earnings on invested resources, may be used for student scholarships.

The *Pension Trust Funds* account for the activities of the Regional School District No. 13 Employees' Retirement System, which accumulates resources for pension benefit payments to qualified employees.

The *Agency Funds* account for monies held on behalf of students in a custodial capacity.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements, except for any interfund services provided by one fund used by another fund. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed. Unrestricted resources are used in the following order: committed, assigned then unassigned.

**D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Equity**

**Deposits and Investments**

**Deposits**

The District considers cash equivalents as cash on hand, demand deposits, money market accounts and short-term investments with original maturities of three months or less from the date of acquisition.

The deposit of public funds is controlled by the Connecticut General Statutes (Section 7-402). Deposits may be made in a “qualified public depository” as defined by the Statutes, or, in amounts not exceeding the Federal Deposit Insurance Corporation insurance limit, in an “out of state bank” as defined by the Statutes, which is not a “qualified public depository.”

**Investments**

Investments are reported at fair value.

The Connecticut General Statutes (Section 7-400) permit municipalities to invest in: 1) obligations of the United States and its agencies; 2) highly rated obligations of any state of the United States or of any political subdivision, authority or agency thereof; and 3) shares or other interests in custodial arrangements or pools maintaining constant net asset values and in highly rated no-load open end money market and mutual funds (with constant or fluctuating net asset values) whose portfolios are limited to obligations of the United States and its agencies, and repurchase agreements fully collateralized by such obligations. Other provisions of the Statutes cover specific municipal funds with particular investment authority. The provisions of the Statutes regarding the investment of municipal pension funds do not specify permitted investments. Therefore, investment of such funds is generally controlled by the laws applicable to fiduciaries and the provisions of the applicable plan.

The Statutes (Sections 3-24f and 3-27f) also provide for investment in shares of the State Short-Term Investment Fund (STIF) and the State Tax Exempt Proceeds Fund (TEPF). These investment pools are under the control of the State Treasurer, with oversight provided by the Treasurer’s Cash Management Advisory Board, and are regulated under the State Statutes and subject to annual audit by the Auditors of Public Accounts. Investment yields are accounted for on an amortized-cost basis with an investment portfolio that is designed to attain a market-average rate of return throughout budgetary and economic cycles. Investors accrue interest daily based on actual earnings, less expenses and transfers to the designated surplus reserve, and the fair value of the position in the pool is the same as the value of the pool shares.

**Receivables**

Intergovernmental and member town assessment receivables are considered to be fully collectible, and no allowance has been recorded.

**Interfund Activity**

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the noncurrent portion of interfund loans).

**REGIONAL SCHOOL DISTRICT NO. 13  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

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**Inventories**

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed, rather than when purchased.

**Capital Assets**

Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 for equipment and vehicles and \$20,000 for buildings and improvements, land and land improvements 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 estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	45-50
Building improvements	45-50
Land improvements	20-25
Vehicles	5-15
Office equipment	5-15
Computer equipment	5-7

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period or periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District reports a deferred charge on refunding and deferred outflows related to pension in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. A deferred outflow of resources related to pension results from differences between expected and actual experience, changes in assumptions or other inputs. These amounts are deferred and included in pension expense in a systematic and rational manner over a period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension plan (active employees and inactive employees).

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



### **Restricted Assets**

Certain donations received by the District have been classified as restricted assets because their use is limited by the donors.

### **Unearned Revenues**

Unearned revenues arise when potential revenue does not meet both the measurable and available criteria for recognition in the current period. Unearned revenues also arise when resources are received before the District has legal claim to them, as when grant monies are received prior to the issuance of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has legal claim to the resource, the unearned revenues is removed from the balance sheet, and revenue is recognized.

### **Compensated Absences**

Sick leave and vacation leave expenditures are recognized in the governmental funds in the current year to the extent that they are paid during the year. Unpaid benefits lapse at year end, and any amounts payable during an employee's active term cannot exceed a full year's budgeted payroll and, as such, no liability is accrued.

All vacation and sick pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

### **Net Pension Liability**

The net pension liability is measured as the portion of the actuarial present value of projected benefits that is attributed to past periods of employee service (total pension liability), net of the pension plan's fiduciary net position. The pension plan's fiduciary net position is determined using the same valuation methods that are used by the pension plan for purposes of preparing its statement of fiduciary net position. The net pension liability is measured as of a date (measurement date) no earlier than the end of the employer's prior fiscal year, consistently applied from period to period.

### **Net OPEB Obligations**

The net OPEB obligation represents the cumulative difference between the annual OPEB cost and the District's contributions to the plans. These amounts are calculated on an actuarial basis and are recorded as noncurrent liabilities, accordingly, in the government-wide financial statements.

### **Long-Term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**REGIONAL SCHOOL DISTRICT NO. 13  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

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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. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**Fund Equity and Net Position**

In the fund financial statements, fund balance is classified into the following categories:

**Nonspendable Fund Balance**

This category presents amounts that cannot be spent due to form (e.g., inventories and prepaid amounts).

**Restricted Fund Balance**

This category presents amounts constrained for a specific purpose by external parties, such as grantors, creditors, contributors, or laws and regulations of their governments.

**Committed Fund Balance**

This category presents amounts constrained for a specific purpose by a government using its highest level of decision-making authority (Regional School District No. 13 Board of Education).

**Assigned Fund Balance**

This category presents amounts constrained for the intent to be used for a specific purpose by the Board of Education or the Business Manager who has been delegated authority to assign amounts by the District Charter.

**Unassigned Fund Balance**

This category presents fund balance in the General Fund in excess of nonspendable, restricted, committed and assigned fund balance. If another governmental fund has a fund balance deficit, it is reported as a negative amount in unassigned fund balance.

In the government-wide financial statements, net position is classified into the following categories:

**Net Investment in Capital Assets**

This category presents the net position that reflect capital assets net of only the debt applicable to the acquisition or construction of these assets. Debt issued for noncapital purposes is excluded.

**Restricted Net Position**

This category presents the net position restricted by external parties (creditors, grantors, contributors or laws and regulations).

**Unrestricted Net Position**

This category presents the net position of the District that is not restricted.

**Estimates**

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, including disclosures of contingent assets and liabilities and reported revenues, expenses and expenditures during the fiscal year.

**REGIONAL SCHOOL DISTRICT NO. 13  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2015**

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**2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgets and Budgetary Accounting**

The District establishes its General Fund budget in accordance with provisions of the Connecticut General Statutes.

A budget for the General Fund is authorized annually by the Board of Education. The Board of Education follows these procedures in establishing the budgetary data reflected in the financial statements:

- The citizens of the District vote on the recommended budget.
- All budget transfers must be approved by the Board of Education.
- Formal budgetary integration is employed as a management control device during the year for the General Fund.
- All unencumbered appropriations of the General Fund lapse at year end.
- The legal level of budgetary control (the level at which expenditures may not legally exceed appropriations) is at the total expenditure level for the General Fund.
- Additional appropriations may be made during the year by the Board of Education. An additional appropriation requires approval at a District meeting if it exceeds \$50,000 or is a second request. There were no additional appropriations made during the year ended June 30, 2015.
- Encumbrances are recognized as a valid and proper charge against a budget appropriation in the year in which the purchase order, contract or other commitment is issued, and, accordingly, encumbrances outstanding at year end are reported in budgetary reports as expenditures in the current year. Generally, all unencumbered appropriations lapse at year end, except those appropriated for the Capital Projects Funds. Appropriations for capital projects are continued until completion of applicable projects, even when projects extend more than one fiscal year.

**B. Capital Projects Authorizations**

The following is a summary of capital projects at June 30, 2015:

<u>Capital Project</u>	<u>Authorization</u>	<u>Current Year Expenditures</u>	<u>Cumulative Expenditures</u>	<u>Balance June 30, 2015</u>
2008 Project	\$ 900,000	\$	\$ 476,985	\$ 423,015
School Building Projects	<u>6,336,685</u>	<u>                    </u>	<u>6,866,102</u>	<u>(529,417)</u>
Total	<u>\$ 7,236,685</u>	<u>\$ -</u>	<u>\$ 7,343,087</u>	<u>\$ (106,402)</u>

The District has not authorized an additional appropriation for the School Building Project. However, the District will receive additional funds from the Bureau of School Facilities to help ease the effect of the overage, and will fund the remainder through transfers from other funds, including the Capital Reserve.

**REGIONAL SCHOOL DISTRICT NO. 13  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

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**C. Donor-Restricted Endowments**

The District has received certain endowments for textbooks and library materials. The amounts are reflected in net position as restricted for expendable purposes. Net cumulative interest earnings on endowments have amounted to \$13,952 and make up a portion of the restricted fund balance.

**D. Excess of Expenditures Over Appropriations**

The purchased services line item was overspent by \$17,806.

**E. Deficit Fund Equity**

The Cafeteria Fund had a deficit fund balance of \$328. This deficit will be financed in the future with charges for services.

**3. DETAILED NOTES**

**A. Cash and Investments**

**Deposits**

**Custodial Credit Risk**

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned. The District does not have a deposit policy for custodial credit risk. The deposit of public funds is controlled by the Connecticut General Statutes. Deposits may be placed with any qualified public depository that has its main place of business in the state of Connecticut. Connecticut General Statutes require that each depository maintain segregated collateral (not required to be based on a security agreement between the depository and the District and, therefore, not perfected in accordance with federal law) in an amount equal to a defined percentage of its public deposits based upon the depository's risk based capital ratio.

Based on the criteria described in GASB Statement No. 40, Deposits and Investment Risk Disclosures, \$2,712,097 of the District's bank balance of \$3,541,101 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 2,390,887
Uninsured and collateral held by the pledging bank's trust department, not in the District's name	<u>321,210</u>
Total Amount Subject to Custodial Credit Risk	<u>\$ 2,712,097</u>

**REGIONAL SCHOOL DISTRICT NO. 13  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

**Cash Equivalents**

At June 30, 2015, the District's cash equivalents amounted to \$329,332. The following table provides a summary of the District's cash equivalents (excluding U.S. government guaranteed obligations) as rated by nationally recognized statistical rating organizations. The pools all have maturities of less than one year.

Charles Schwab Money Market\*  
Morgan Stanley Cash & CDs \*

\*Not rated; some money markets also subject to custodial risk above

**Investments**

The investments in the Pension Fund are covered by the Securities Investor Protection Corporation (SIPC) up to \$500,000, including \$100,000 of cash from sale or for purchase of investments, but not cash held solely for the purpose of earning interest. SIPC protects securities such as money market funds.

As of June 30, 2015, the District had the following investments:

Investment Type	Credit Rating S&P	Fair Value	Not Applicable	Investment Maturities (Years)		
				Less Than 1	1-10	More Than 10
US Treasury Obligations	n/a	\$ 667,941	\$	\$ 26,921	\$ 620,004	\$ 21,016
U.S. Asset and Mortgage Backed	n/a	391,560		4,006	318,942	68,612
Corporate Bonds	AA	101,391			101,391	
Corporate Bonds	AA-	60,450			60,450	
Corporate Bonds	A	154,857			154,857	
Corporate Bonds	A-	102,907		30,062	72,845	
Corporate Bonds	BBB+	37,756			37,756	
Mutual Funds	n/a	253,400	253,400			
Common Stock	n/a	4,947,465	4,947,465			
CD*	n/a	5,940		5,940		
Accrued interest	n/a	11,624	11,624			
Total		\$ 6,735,291	\$ 5,212,489	\$ 66,929	\$ 1,366,245	\$ 89,628

\* Also subject to custodial risk in deposit footnote above.

**Interest Rate Risk**

The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Credit Risk - Investments**

The District has no formal investment policy that would limit its investment choices with respect to credit risk other than State Statutes governing investments in obligations of any State or political subdivision.

**REGIONAL SCHOOL DISTRICT NO. 13**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**Concentration of Credit Risk**

The District does not have a formalized investment policy that restricts investments in any one issuer that is in excess of 5% of the District's total investments.

**Custodial Credit Risk**

Custodial credit risk for an investment is the risk that, in the event of the failure of the counterparty (the institution that pledges collateral or repurchase agreement securities to the District or that sells investments to or buys them for the District), 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.

**B. Capital Assets**

Capital asset activity for the year ended June 30, 2015 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
Governmental activities:					
Capital assets not being depreciated:					
Land	\$ 200,000				\$ 200,000
Construction in progress		16,500			16,500
Total capital assets not being depreciated	<u>200,000</u>	<u>16,500</u>	<u>-</u>	<u>-</u>	<u>216,500</u>
Capital assets being depreciated:					
Buildings and improvements	50,472,462	105,806			50,578,268
Land improvements	5,730,766	22,131			5,752,897
Equipment	1,727,677	557,000			2,284,677
Vehicles	2,272,265	27,272			2,299,537
Total capital assets being depreciated	<u>60,203,170</u>	<u>712,209</u>	<u>-</u>	<u>-</u>	<u>60,915,379</u>
Less accumulated depreciation for:					
Buildings	16,710,647	1,013,167			17,723,814
Land improvements	1,355,003	243,707			1,598,710
Equipment	1,404,393	338,519			1,742,912
Vehicles	1,235,862	221,760			1,457,622
Total accumulated depreciation	<u>20,705,905</u>	<u>1,817,153</u>	<u>-</u>	<u>-</u>	<u>22,523,058</u>
Total capital assets being depreciated, net	<u>39,497,265</u>	<u>(1,104,944)</u>	<u>-</u>	<u>-</u>	<u>38,392,321</u>
Governmental Activities Capital Assets, Net	<u>\$ 39,697,265</u>	<u>\$ (1,088,444)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 38,608,821</u>

Depreciation expense was charged as follows:

Administration	\$ 338,519
Buildings	1,256,874
Transportation	<u>221,760</u>
Total	<u>\$ 1,817,153</u>

**REGIONAL SCHOOL DISTRICT NO. 13  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

**C. Interfund Transfers**

A summary of interfund transfers as of June 30, 2015 is as follows:

	<u>General Fund</u>	<u>Transfers In Special School Grants and Programs</u>	<u>Capital Reserve Fund</u>	<u>Total Transfers Out</u>
Transfers out:				
General Fund	\$	\$ 37,493	\$ 180,065	\$ 217,558
Nonmajor Governmental Funds	<u>150,000</u>		<u>2,731</u>	<u>152,731</u>
Total Transfers In	<u>\$ 150,000</u>	<u>\$ 37,493</u>	<u>\$ 182,796</u>	<u>\$ 370,289</u>

Transfers are used to account for the financing by the General Fund of various programs and activities in other funds. Transfers are also used to provide funding from the Middlesex Transition Academy to the General Fund.

**D. Changes in Long-Term Obligations**

Summary of Changes

The following is a summary of changes in long-term obligations during the fiscal year:

	<u>Original Amount</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Interest Rate</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:									
Bonds payable:									
Improvement bond	\$ 6,885,000	3/15/04	12/15/15	2.00-3.50	\$ 1,040,000		\$ 525,000	\$ 515,000	\$ 515,000
Improvement bond	4,995,000	7/15/09	7/15/24	2.50-4.50	3,655,000		335,000	3,320,000	335,000
Improvement bond	9,185,000	10/14/10	3/1/23	2.00-4.00	<u>6,495,000</u>		<u>860,000</u>	<u>5,635,000</u>	<u>855,000</u>
					11,190,000	-	1,720,000	9,470,000	1,705,000
Plus deferred amounts:									
Bond premium					375,532		50,515	325,017	
Total bonds payable					<u>11,565,532</u>	-	<u>1,770,515</u>	<u>9,795,017</u>	<u>1,705,000</u>
Obligations under capital leases					1,247,846	265,000	473,769	1,039,077	838,506
Compensated absences					61,957	181,407	175,069	68,295	
Net pension liability					752,252	598,361	322,555	1,028,058	
Net OPEB obligation					<u>2,228,406</u>	<u>415,873</u>		<u>2,644,279</u>	
Total Governmental Activities Long-Term Liabilities					<u>\$ 15,855,993</u>	<u>\$ 1,460,641</u>	<u>\$ 2,741,908</u>	<u>\$ 14,574,726</u>	<u>\$ 2,543,506</u>

All long-term liabilities are generally liquidated by the General Fund.

**REGIONAL SCHOOL DISTRICT NO. 13**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

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The annual requirements to amortize all bonds payable as of June 30, 2015 and the amounts to be provided by the State of Connecticut for the retirement of school bonds and of debt principal and interest maturities are as follows:

<u>Year Ending June 30,</u>	<u>To Be Provided by State</u>		<u>Bond Principal</u>	<u>Bond Interest</u>
	<u>For Principal</u>	<u>For Interest</u>		
2016	\$ 185,721	\$ 1,444	\$ 1,705,000	\$ 334,043
2017			1,170,000	288,075
2018			1,160,000	250,462
2019			1,145,000	204,062
2020			1,135,000	158,362
2021-2025			3,155,000	238,252
Total	\$ <u>185,721</u>	\$ <u>1,444</u>	\$ <u>9,470,000</u>	\$ <u>1,473,256</u>

**Capital Leases**

At June 30, 2015, the District is committed under lease agreements for the acquisition of office equipment, business equipment, and school buses and other vehicles. The lease agreements qualify as capital leases for accounting purposes (titles transfer at the end of the lease term) and, therefore, have been recorded at the lower of the present value of the future minimum lease payments or the fair value of the leased assets at the date of their inception.

The annual requirements to amortize the capital leases as of June 30, 2015 are as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>
2016	\$ 878,502
2017	98,857
2018	56,063
2019	56,347
Total minimum lease payments	<u>1,089,769</u>
Less amount representing interest	<u>50,692</u>
Total	\$ <u>1,039,077</u>



**REGIONAL SCHOOL DISTRICT NO. 13  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

The assets acquired through the capital lease are as follows:

	<b>Governmental Activities</b>
Assets:	
Buildings	\$ 186,988
Equipment	707,501
Vehicles	<u>2,133,281</u>
	3,027,770
Less accumulated depreciation	<u>2,033,960</u>
Total	<u><u>\$ 993,810</u></u>

**Statutory Debt Limitations**

The District's indebtedness does not exceed the legal debt limitations as required by Connecticut General Statutes. The statutes allow for debt up to 4.5 times the annual receipts of taxation of the member towns. The District's debt limitation is as follows:

<u>Category</u>	<u>Debt Limit</u>	<u>Net Indebtedness</u>	<u>Balance</u>
Schools	\$ 172,649,340	\$ 9,284,279	\$ 163,365,061

**E. Fund Balance**

The components of fund balance for the governmental funds at June 30, 2015 are as follows:

	<u>General Fund</u>	<u>Capital Reserve Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Fund balances:				
Nonspendable:				
Inventory	\$	\$	\$ 14,688	\$ 14,688
Endowment			12,533	12,533
Restricted for:				
Grants			16,527	16,527
Library materials			13,952	13,952
Enabling legislation	2,251,436			2,251,436
Committed to:				
Middlesex Transition Academy			70,534	70,534
Capital projects		265,383		265,383
Unassigned			<u>(31,543)</u>	<u>(31,543)</u>
Total Fund Balances	<u>\$ 2,251,436</u>	<u>\$ 265,383</u>	<u>\$ 96,691</u>	<u>\$ 2,613,510</u>

There are no significant encumbrances at June 30, 2015. As such, no amounts are contained in the above table in either the assigned or committed categories of the General Fund.

#### **4. RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; thefts of, damage to or destruction of assets; errors or omissions; injuries to employees or natural disasters.

The District is currently a member in the Connecticut Interlocal Risk Management Agency (CIRMA), a public entity risk pool established for the purpose of administering an interlocal risk management program pursuant to the provisions of Section 7-479a et. seq. of Connecticut General Statutes, for workers' compensation and employer liability coverage. CIRMA currently has 223 members in the workers' compensation pool. The District pays an annual premium for its coverage. CIRMA is to be self-sustaining through members' premiums but reinsures in excess of \$1,000,000 for each insured occurrence. Members may be subject to supplemental assessment in the event of deficiencies; however, potential assessments are limited pursuant to the by-laws.

The District purchases commercial insurance for all other risks of loss, including blanket and umbrella policies.

Settled claims have not exceeded commercial coverage in any of the past three fiscal years. There have been no significant reductions in insurance coverage from coverage in the prior year.

#### **5. PENSION PLANS**

##### **A. Regional School District No. 13 Employee Retirement Plan**

###### **Plan Description and Benefits Provided**

The District is the administrator of a single-employer pension employee retirement system (PERS) established and administered by the District to provide pension benefits for its employees. The Pension Committee, consisting of employees from the District, makes recommendations for plan provisions. The recommendations are then approved by the Board of Education. The PERS is considered to be part of the District's financial reporting entity and is included in the District's financial statements as a pension trust fund.

Investment management of the plan rests with the Board of Education, which consists of ten members. Administration of the plan rests with a five-member committee appointed by the Board of Education.

###### **Summary of Significant Accounting Policies and Plan Asset Matters**

###### **Basis of Accounting**

The pension trust fund's financial statements are prepared using the accrual basis of accounting. Revenues (contributions and investment income) are recognized when they are earned, and expenses (benefits) are recognized when they are due and payable in accordance with the terms of the plan.

###### **Valuation of Investments**

Investments are valued at fair value based upon quoted market prices.

**REGIONAL SCHOOL DISTRICT NO. 13  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

---

**Classes of Employees Covered**

As of July 1, 2014, the date of the last actuarial valuation, the plan's membership consisted of the following:

Retirees, disabled and beneficiaries currently receiving benefits	16
Terminated employees entitled to benefits but not yet receiving them	13
Current plan members	<u>89</u>
Total	<u><u>118</u></u>

**Benefit Provisions**

The plan covers substantially all regularly employed, permanent noncertified employees of the District. In order to be eligible for the plan, the employee must complete 1 year of service and attain a minimum age of 21.

The death benefit for the plan is the present value of accrued benefits.

Participants are vested after ten years of service.

**Contributions**

Contribution requirements of the plan members and the District are established and may be amended by the Board of Education. Plan members are required to contribute 5% of their earnings to the plan. The District is required to contribute at an actuarially determined rate. The District's contribution for the year ended June 30, 2015 represented 8.7% of covered payroll. Administrative costs of the plan are financed through investment earnings of the plan's assets.

**REGIONAL SCHOOL DISTRICT NO. 13**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

---

**Investments**

**Investment Policy**

The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the Board of Education by a majority vote of its members. It is the policy of the Board of Education to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The pension plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The following was the Board's adopted asset allocation policy as of June 30, 2015:

<u>Asset Class</u>	<u>Target Allocation</u>
Large Cap Core Equity	30.00 %
Mid Cap Core Equity	15.00
Small Cap Core Equity	10.00
International Equity	10.00
Emerging Market Equity	5.00
Intermediate Duration Inv Grade Tax Fixed	15.50
Short Duration Inv Grade Tax Fixed	12.50
Cash	<u>2.00</u>
	<u><u>100.00 %</u></u>

**Rate of Return**

For the year ended June 30, 2015, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 2.46%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**Net Pension Liability of the District**

The components of the net pension liability of the District at June 30, 2015 were as follows:

Total pension liability	\$ 8,066,201
Plan fiduciary net position	<u>(7,038,143)</u>
District's Net Pension Liability	<u><u>\$ 1,028,058</u></u>
Plan fiduciary net position as a percentage of the total pension liability	87.25%

**REGIONAL SCHOOL DISTRICT NO. 13  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2015**

---

**Actuarial Assumptions**

The total pension liability was determined by an actuarial valuation as of July 1, 2014, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	4.50%
Investment rate of return	7.50%

Mortality rates were based on the RP-2000 Healthy Annuitant Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2015 (see the discussion of the pension plan's investment policy) are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Large Cap Core Equity	6.70 %
Mid Cap Core Equity	7.20
Small Cap Core Equity	7.70
International Equity	6.50
Emerging Market Equity	7.50
Intermediate Duration Inv Grade Tax Fixed	2.70
Short Duration Inv Grade Tax Fixed	1.60
Cash	1.00

**Discount Rate**

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

**REGIONAL SCHOOL DISTRICT NO. 13  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

**Changes in the Net Pension Liability**

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances as of June 30, 2014	\$ 7,482,305	6,730,053	752,252
Changes for the year:			
Service cost	351,588		351,588
Interest on total pension liability	574,926		574,926
Employer contributions		322,555	(322,555)
Member contributions		165,524	(165,524)
Net investment income		167,531	(167,531)
Benefit payments, including refund to employee contributions	(342,618)	(342,618)	-
Administrative expenses		(4,902)	4,902
Net changes	<u>583,896</u>	<u>308,090</u>	<u>275,806</u>
Balances as of June 30, 2015	\$ <u>8,066,201</u>	<u>7,038,143</u>	<u>1,028,058</u>

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

The following presents the net pension liability of the District, calculated using the discount rate of 7.50%, as well as what the District's pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.50%) or 1 percentage point higher (8.50%) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Total Net Pension Liability	\$ 1,884,971	\$ 1,028,058	\$ 286,630

**Pension Expense and Deferred Outflows of Resources Related to Pensions**

For the year ended June 30, 2015, the District recognized pension expense of \$324,443. At June 30, 2015, the District reported deferred outflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earning on pension plan investments	\$ 273,918	\$ -
Total	<u>\$ 273,918</u>	<u>\$ -</u>

**REGIONAL SCHOOL DISTRICT NO. 13  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

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

<u>Year Ending June 30,</u>	
2016	\$ 68,480
2017	68,480
2018	68,480
2019	<u>68,478</u>
Total	<u>\$ 273,918</u>

**B. Teachers Retirement**

**Plan Description**

Teachers, principals, superintendents or supervisors engaged in service of public schools are provided with pensions through the Connecticut State Teachers' Retirement System, a cost sharing multiple-employer defined benefit pension plan administered by the Teachers Retirement Board. Chapter 167a of the State Statutes grants authority to establish and amend the benefit terms to the Teachers Retirement Board. The Teachers Retirement Board issues a publicly available financial report that can be obtained at [www.ct.gov](http://www.ct.gov).

**Benefit Provisions**

The plan provides retirement, disability and death benefits. Employees are eligible to retire at age 60 with 20 years of credited service in Connecticut, or 35 years of credited service including at least 25 years of service in Connecticut.

**Normal Retirement**

Retirement benefits for employees are calculated as 2% of the average annual salary times the years of credited service (maximum benefit is 75% of average annual salary during the 3 years of highest salary).

**Early Retirement**

Employees are eligible after 25 years of credited service including 20 years of Connecticut service, or age 55 with 20 years of credited service including 15 years of Connecticut service with reduced benefit amounts.

**Disability Retirement**

Employees are eligible for service-related disability benefits regardless of length of service. Five years of credited service is required for nonservice-related disability eligibility. Disability benefits are calculated as 2% of average annual salary times credited service to date of disability, but not less than 15% of average annual salary, nor more than 50% of average annual salary.

**REGIONAL SCHOOL DISTRICT NO. 13  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2015**

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**Contributions**

Per Connecticut General Statutes Section 10-183z (which reflects Public Act 79-436 as amended), contribution requirements of active employees and the State of Connecticut are approved, amended and certified by the State Teachers Retirement Board and appropriated by the General Assembly.

*Employer (School Districts)*

School District employers are not required to make contributions to the plan.

The statutes require the State of Connecticut to contribute 100% of each school districts' required contributions, which are actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of the benefits earned by employees during the year, with any additional amount to finance any unfunded accrued liability.

*Employees*

Effective July 1, 1992, each teacher is required to contribute 6% of salary for the pension benefit.

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

At June 30, 2015, the District reports no amounts for its proportionate share of the net pension liability, and related deferred outflows and inflows, due to the statutory requirement that the State pay 100% of the required contribution. The amount recognized by the District as its proportionate share of the net pension liability, the related state support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the net pension liability	\$	-
State's proportionate share of the net pension liability associated with the District		<u>38,593,309</u>
Total	\$	<u>38,593,309</u>

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. At June 30, 2015, the District has no proportionate share of the net pension liability.

For the year ended June 30, 2015, the District recognized pension expense and revenue of \$2,895,602 in Exhibit II for on-behalf amounts for the benefits provided by the State.

**Actuarial Assumptions**

The total pension liability was determined by an actuarial valuation as of June 30, 2014, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increase	3.75-7.00%, including inflation
Investment rate of return	8.50%, net of pension plan investment expense, including inflation



**REGIONAL SCHOOL DISTRICT NO. 13  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2015**

---

Mortality rates were based on the RP-2000 Combined Mortality Table projected 19 years using scale AA, with a two-year setback for males and females for the period after service retirement and for dependent beneficiaries.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2005 - June 30, 2010.

Future cost-of-living increases for members who retire on or after September 1, 1992 are assumed to be an annual cost-of-living adjustment of 2%.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis 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 asset allocation and best estimates of arithmetic real rates of return for each major class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Large Cap U.S. equities	21.0%	7.3%
Developed non-U.S. equities	18.0%	7.5%
Emerging markets (non-U.S.)	9.0%	8.6%
Core fixed income	7.0%	1.7%
Inflation linked bond fund	3.0%	1.3%
Emerging market bond	5.0%	4.8%
High yield bonds	5.0%	3.7%
Real estate	7.0%	5.9%
Private equity	11.0%	10.9%
Alternative investments	8.0%	0.7%
Liquidity fund	6.0%	0.0%
Total	<u>100.0%</u>	

**Discount Rate**

The discount rate used to measure the total pension liability was 8.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that State contributions will be made at the actuarially determined contribution rates in the future years. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The District's proportionate share of the net pension liability is \$-0- and, therefore, the change in the discount rate would only impact the amount recorded by the State of Connecticut.

**REGIONAL SCHOOL DISTRICT NO. 13  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2015**

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**Pension Plan Fiduciary Net Position**

Detailed information about the pension plan’s fiduciary net position is available in the separately issued financial statements available at [www.ct.gov](http://www.ct.gov).

**Other Information**

Additional information is included in the required supplementary information section of the financial statements. A schedule of contributions is not presented as the District has no obligation to contribute to the plan.

**6. RETIREE HEALTH PLAN**

**Plan Description**

The Region 13 Retiree Health Plan (RHP) is a single-employer defined benefit healthcare plan administered by the Region. The RHP provides medical and life insurance benefits to eligible retirees and their spouses. All employees of the Region are eligible to participate in the plan. Benefit provisions are established through negotiations between the Region and the various unions representing the employees.

There is no trust created for this plan. The benefits are paid directly out of the General Fund on a pay-as-you-go basis.

At July 1, 2014, plan membership consisted of the following:

	<b>Retiree Health Plan</b>
Retired members	24 *
Active plan members	329
Total Participants	353

\*Includes spouses of retirees

**Funding Policy**

The contribution requirements of plan members and the Region are also negotiated with the various unions representing the employees. Retired plan members and beneficiaries currently receiving benefits are required to contribute specified amounts monthly toward the cost of health insurance premiums as follows:

**Retirees Pre 65**

Teachers/Administrators pay 100% of active premium. Superintendent pays 5% of active premium. Business assistant to superintendent pays 20% of active premium. Board of Education employees pay 100% of active premium. The active premium for the year ended June 30, 2015 was \$8,986 per member and \$8,986 per spouse.

**REGIONAL SCHOOL DISTRICT NO. 13  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2015**

---

**Retirees Post 65**

Teachers and administrators may continue their coverage post 65 if they are eligible for Medicare. The superintendent receives TRB Medicare supplemental coverage between the ages of 65 and 75. All others are not covered post 65.

**Contributions**

Employer contributions to the plan of \$150,677 were made in accordance with actuarially determined requirements. Of this amount, \$150,677 represents premium payments. There was no amount contributed to prefund benefits.

Regional School District 13's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation:

Annual required contribution (ARC)	\$	601,352
Interest on net OPEB obligation		89,136
Adjustment to annual required contribution		<u>(123,938)</u>
Annual OPEB cost (AOC)		566,550
Contribution made		<u>150,677</u>
Increase in net OPEB obligation		415,873
Net OPEB obligation - beginning of year		<u>2,228,406</u>
Net OPEB Obligation - End of Year	\$	<u><u>2,644,279</u></u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal year ended June 30, 2015 are presented below:

<u>Year Ended</u>	<u>Actual Contribution</u>	<u>Annual Required Contribution (ARC)</u>	<u>Percentage of ARC Contributed</u>	<u>Annual OPEB Cost (AOC)</u>	<u>Percentage of AOC Contributed</u>	<u>Net OPEB Obligation</u>
2013	\$ 262,255	\$ 627,806	42 %	\$ 603,761	43 %	\$ 1,881,175
2014	215,908	592,518	36	563,139	38	2,228,406
2015	150,677	601,352	25	566,550	27	2,644,279

**REGIONAL SCHOOL DISTRICT NO. 13  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2015**

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Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funding status of the plan and the annual required contributions of the employer are subject to continual revision as accrual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**Schedule of Funding Progress**

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded Actuarial Liability (UAAL)</u>	<u>Funded Ratio</u>	<u>Estimated Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
July 1, 2010	\$ -	\$ 5,955,023	\$ 5,955,023	- %	\$ 20,530,438	29 %
July 1, 2012	-	6,552,896	6,552,896	-	20,270,180	32
July 1, 2014	-	6,351,172	6,351,172	-	19,651,260	32

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

In the July 1, 2014 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions include 5.0% investment rate of return, which is the rate of the expected long-term investment returns of plan assets calculated based on the funding policy of the plan at the valuation date. The annual medical cost trend rate is 10% initially, graded to 5% in 2017 and beyond. Projected salary increases and general inflation were not factors in the calculation. The determination of the actuarial value of assets was not applicable. The UAAL is being amortized at a level payments method. The remaining amortization period at July 1, 2014 was 30 years.

**7. CONTINGENT LIABILITIES**

There are various lawsuits and claims pending against the District, the ultimate effect of which, if any, cannot presently be determined; however, the ultimate resolution of these matters is not expected to have a material adverse effect on the financial condition of the District.

State and federal grants received by the District are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursement to the grantor agency for any expenditures disallowed under terms of the grant. The amount, if any, of expenditures that may be disallowed cannot be determined at this time, although the District’s management believes such disallowance, if any, will be immaterial.

**REGIONAL SCHOOL DISTRICT NO. 13**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

---

The District may owe rebate payments to the federal government of arbitrage earnings (if there were any) on investment of the proceeds of certain borrowings, or a penalty in lieu of rebate, unless an exemption applies. The District would have to provide the factual information to determine whether there were any arbitrage earnings and whether it qualified for an exemption from rebate (or from a penalty in lieu of rebate).

**8. PRIOR PERIOD ADJUSTMENT AND RESTATEMENT**

The following restatements were recorded to the beginning of net position of the governmental activities as a result of implementation of GASB Statement No 68, *Accounting and Financial Reporting for Pensions* - an amendment of GASB Statement No. 27:

Net position balance at June 30 2014, as previously reported	\$ 27,828,191
Adjustments:	
Eliminate net pension assets reported per GASB No. 27	(188,854)
Record net pension liability per GASB No. 68	<u>(752,252)</u>
Net Position Balance at July 1, 2014, as Restated	<u>\$ 26,887,085</u>

**9. SUBSEQUENT EVENT**

On July 30, 2015, the District issued \$1,300,000 of General Obligation Serial Notes. The Notes are due on July 15, 2017 and bear interest of 1.5%.

**REGIONAL SCHOOL DISTRICT NO. 13**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Budgeted Amounts</u>			<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Assessments from District Member Towns	\$ 35,178,402	\$ 35,178,402	\$ 35,178,402	\$ -
Local Sources:				
Interest income	10,500	10,500	16,935	6,435
Intergovernmental:				
State receipts building grants	194,210	194,210	194,211	1
Transportation	120,000	120,000	98,476	(21,524)
Special education	469,790	469,790	419,505	(50,285)
Adult education	11,936	11,936	10,964	(972)
Magnet			3,900	3,900
Health services			3,118	3,118
Total intergovernmental	795,936	795,936	730,174	(65,762)
Charges for Services:				
Buildings/grounds rentals	45,000	45,000	80,382	35,382
Total charges for services	45,000	45,000	80,382	35,382
Other Revenue:				
Miscellaneous	15,500	15,500	140,626	125,126
Total revenues	36,045,338	36,045,338	36,146,519	101,181
Other Financing Sources:				
Transfer in	150,000	150,000	150,000	-
Appropriation of fund balance	991,553	991,553		(991,553)
Total other financing sources	1,141,553	1,141,553	150,000	(991,553)
Total Revenues and Other Financing Sources	\$ 37,186,891	\$ 37,186,891	36,296,519	\$ (890,372)
Budgetary revenues are different than GAAP revenues because:				
State of Connecticut on-behalf contributions to the Connecticut State Teachers' Retirement System for Town teachers are not budgeted.			2,895,602	
Issuance of capital lease			265,000	
Total Revenues and Other Financing Sources as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds - Exhibit IV			\$ 39,457,121	

**REGIONAL SCHOOL DISTRICT NO. 13  
GENERAL FUND  
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Salaries:				
Certified personnel	\$ 16,177,464	\$ 16,177,464	\$ 15,719,624	\$ 457,840
Support personnel	4,888,163	4,888,163	4,767,361	120,802
Total salaries	<u>21,065,627</u>	<u>21,065,627</u>	<u>20,486,985</u>	<u>578,642</u>
Employee Benefits:				
Employee benefits	<u>7,023,215</u>	<u>7,023,215</u>	<u>6,549,804</u>	<u>473,411</u>
Purchased Services:				
Education	324,571	324,571	318,094	6,477
Conferences	61,205	61,205	54,936	6,269
Professional	250,066	250,066	272,872	(22,806)
Technical	208,067	208,067	215,813	(7,746)
Total purchased services	<u>843,909</u>	<u>843,909</u>	<u>861,715</u>	<u>(17,806)</u>
Property Services:				
Disposal services	34,000	34,000	28,059	5,941
Snow removal	50,000	50,000	90,661	(40,661)
Lawn service	112,000	112,000	113,744	(1,744)
Repairs and maintenance	228,969	228,969	203,235	25,734
Rentals and leases	487,449	487,449	437,792	49,657
Total property services	<u>912,418</u>	<u>912,418</u>	<u>873,491</u>	<u>38,927</u>
Operational Services:				
Pupil transportation	1,479,184	1,479,184	1,585,124	(105,940)
Field trips/athletics	263,474	263,474	259,905	3,569
Liability insurance	136,000	136,000	130,488	5,512
Dues and fees	44,139	44,139	41,367	2,772
Communication	96,488	96,488	72,380	24,108
Advertising	4,000	4,000	4,491	(491)
Tuition	1,117,283	1,117,283	1,047,703	69,580
Travel	33,196	33,196	26,242	6,954
Total operational services	<u>3,173,764</u>	<u>3,173,764</u>	<u>3,167,700</u>	<u>6,064</u>
Supplies:				
Supplies	576,369	576,369	506,209	70,160
Books/resource materials	202,650	202,650	192,753	9,897
Electricity	573,000	573,000	567,078	5,922
Bottled gas	11,000	11,000	13,174	(2,174)
Heating oil	315,000	315,000	352,958	(37,958)
Gasoline and oil vehicles	9,000	9,000	7,245	1,755
Total supplies	<u>1,687,019</u>	<u>1,687,019</u>	<u>1,639,417</u>	<u>47,602</u>
Capital Improvements/Equipment:				
Buildings	180,065	180,065	180,065	-
Equipment	192,271	192,271	185,851	6,420
Total capital improvements/equipment	<u>372,336</u>	<u>372,336</u>	<u>365,916</u>	<u>6,420</u>

(Continued on next page)

REGIONAL SCHOOL DISTRICT NO. 13  
GENERAL FUND  
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2015

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
Debt Service:				
Principal	\$ 1,720,000	\$ 1,720,000	\$ 1,720,000	\$ -
Interest	388,603	388,603	388,603	-
Total debt service	<u>2,108,603</u>	<u>2,108,603</u>	<u>2,108,603</u>	<u>-</u>
Total Expenditures	\$ <u>37,186,891</u>	\$ <u>37,186,891</u>	36,053,631	\$ <u>1,133,260</u>
Budgetary expenditures are different than GAAP expenditures because:				
State of Connecticut on-behalf payments to the Connecticut State Teachers'				
Retirement System for Town teachers are not budgeted.				
			2,895,602	
Medicaid grant receivable			37,493	
Issuance of capital lease			<u>265,000</u>	
Total Expenditures and Other Financing Uses as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds - Exhibit IV			\$ <u>39,251,726</u>	



**REGIONAL SCHOOL DISTRICT 13**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS**  
**LAST TWO FISCAL YEARS**

	<u>2015</u>	<u>2014</u>
Total pension liability:		
Service cost	\$ 351,588	\$ 336,448
Interest	574,926	531,037
Benefit payments, including refunds of member contributions	<u>(342,618)</u>	<u>(253,857)</u>
Net change in total pension liability	583,896	613,628
Total pension liability - beginning	<u>7,482,305</u>	<u>6,868,677</u>
Total pension liability - ending	<u>8,066,201</u>	<u>7,482,305</u>
Plan fiduciary net position:		
Contributions - employer	322,555	320,180
Contributions - member	165,524	163,275
Net investment income	167,531	1,000,455
Benefit payments, including refunds of member contributions	<u>(342,618)</u>	<u>(253,857)</u>
Administrative expense	<u>(4,902)</u>	<u>(455)</u>
Net change in plan fiduciary net position	308,090	1,229,598
Plan fiduciary net position - beginning	<u>6,730,053</u>	<u>5,500,455</u>
Plan fiduciary net position - ending	<u>7,038,143</u>	<u>6,730,053</u>
Net Pension Liability - Ending	<u>\$ 1,028,058</u>	<u>\$ 752,252</u>
Plan fiduciary net position as a percentage of the total pension	87.25%	89.95%
Covered-employee payroll	\$ 3,419,417	\$ 3,272,169
Net pension liability as a percentage of covered-employee payroll	30.07%	22.99%

**REGIONAL SCHOOL DISTRICT 13**  
**SCHEDULE OF EMPLOYER CONTRIBUTIONS**  
**LAST TEN FISCAL YEARS**

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Actuarially determined contribution	\$ 82,734	\$ 76,255	\$ 63,307	\$ 97,007	\$ 98,948	\$ 258,312	\$ 263,788	\$ 289,746	\$ 320,180	\$ 322,555
Contributions in relation to the actuarially determined contribution	<u>98,183</u>	<u>87,129</u>	<u>69,692</u>	<u>103,674</u>	<u>105,615</u>	<u>258,312</u>	<u>263,788</u>	<u>289,746</u>	<u>320,180</u>	<u>322,555</u>
Contribution Deficiency (Excess)	\$ <u>(15,449)</u>	\$ <u>(10,874)</u>	\$ <u>(6,385)</u>	\$ <u>(6,667)</u>	\$ <u>(6,667)</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
Covered-employee payroll	\$ 2,134,717	\$ 2,253,463	\$ 2,412,654	\$ 2,542,758	\$ 2,747,081	\$ 2,770,762	\$ 3,032,044	\$ 3,188,263	\$ 3,272,169	\$ 3,419,417
Contributions as a percentage of covered-employee payroll	4.60%	3.87%	2.89%	4.08%	3.84%	9.32%	8.70%	9.09%	9.78%	9.43%

**Notes to Schedule**

Valuation date: July 1, 2014  
Measurement date: June 30, 2015  
Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported

Methods and assumptions used to determine contribution rates:

Actuarial cost method                   Entry age  
Amortization method                   Level percentage of payroll, closed  
Remaining amortization period       25 years  
Asset valuation method                 Expected asset value plus 20% of the difference between the Expected Value and the Market Value.  
Inflation                                   3.0%  
Salary increases                         4.50%  
Investment rate of return               7.50%

**REGIONAL SCHOOL DISTRICT 13  
SCHEDULE OF INVESTMENT RETURNS  
LAST TWO FISCAL YEARS**

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	<u>2015</u>	<u>2014</u>
Annual money-weighted rate of return, net of investment expense	2.46%	18.32%

**REGIONAL SCHOOL DISTRICT NO. 13  
SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
TEACHERS RETIREMENT PLAN  
LAST FISCAL YEAR**

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	<u>2015</u>
Town's proportion of the net pension liability	0.00%
Town's proportionate share of the net pension liability	\$ -
State's proportionate share of the net pension liability associated with the Town	<u>38,593,309</u>
Total	<u>\$ 38,593,309</u>
Town's covered-employee payroll	\$ 15,189,280
Town's proportionate share of the net pension liability as a percentage of its covered-employee payroll	0.00%
Plan fiduciary net position as a percentage of the total pension liability	61.51%

**Notes to Schedule**

Changes in benefit terms	None
Changes of assumptions	During 2011, rates of withdrawal, retirement and assumed rates of salary increases were adjusted to reflect actual and anticipated experience. These assumptions were recommended as part of the Experience Study for the System for the five-year period ended June 30, 2010.
Actuarial cost method	Entry age
Amortization method	Level percent of salary, closed
Remaining amortization period	22.4 years
Asset valuation method	4-year smoothed market

**REGIONAL SCHOOL DISTRICT NO. 13  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2015**

	Special Revenue Funds			Capital Project Fund	Permanent Funds		Total Nonmajor Governmental Funds
	School Cafeteria Fund	Adult Education	Middlesex Transition Academy	Bonded Capital Projects Fund	A. Smith	Haake Science and History	
<b>ASSETS</b>							
Cash and cash equivalents	\$ 13,590	\$	\$ 72,987	\$	\$	\$	\$ 86,577
Investments					5,940	20,545	26,485
Intergovernmental receivable	16,527						16,527
Other assets	14,688						14,688
<b>Total Assets</b>	<b>\$ 44,805</b>	<b>\$ -</b>	<b>\$ 72,987</b>	<b>\$ -</b>	<b>\$ 5,940</b>	<b>\$ 20,545</b>	<b>\$ 144,277</b>
<b>LIABILITIES AND FUND BALANCES</b>							
Liabilities:							
Accounts payable and accrued items	\$ 25,150	\$	\$ 2,453	\$	\$	\$	\$ 27,603
Deferred revenue	19,983						19,983
<b>Total liabilities</b>	<b>45,133</b>	<b>-</b>	<b>2,453</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>47,586</b>
Fund Balances:							
Nonspendable	14,688				2,533	10,000	27,221
Restricted	16,527				3,407	10,545	30,479
Committed			70,534				70,534
Unassigned	(31,543)						(31,543)
<b>Total fund balances</b>	<b>(328)</b>	<b>-</b>	<b>70,534</b>	<b>-</b>	<b>5,940</b>	<b>20,545</b>	<b>96,691</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 44,805</b>	<b>\$ -</b>	<b>\$ 72,987</b>	<b>\$ -</b>	<b>\$ 5,940</b>	<b>\$ 20,545</b>	<b>\$ 144,277</b>

**REGIONAL SCHOOL DISTRICT NO. 13  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2015**

	Special Revenue Funds			Capital Project Fund	Permanent Funds		Total Nonmajor Governmental Funds
	School Cafeteria Fund	Adult Education	Middlesex Transition Academy	Bonded Capital Projects Fund	A. Smith	Haake Science and History	
Revenues:							
Local sources	\$ 45	\$	\$	\$ 2	\$	\$ (5,852)	\$ (5,805)
Intergovernmental	118,272						118,272
Charges for services	523,586		715,166				1,238,752
Miscellaneous	5,582						5,582
Total revenues	<u>647,485</u>	<u>-</u>	<u>715,166</u>	<u>2</u>	<u>-</u>	<u>(5,852)</u>	<u>1,356,801</u>
Expenditures:							
Salaries	346,593		378,508				725,101
Employee benefits			90,429				90,429
Purchased services	25,202		132,796				157,998
Operational services			41,969				41,969
Supplies	308,987	67	10,995				320,049
Total expenditures	<u>680,782</u>	<u>67</u>	<u>654,697</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,335,546</u>
Excess (Deficiency) of Revenues over Expenditures	(33,297)	(67)	60,469	2	-	(5,852)	21,255
Other Financing Sources (Uses):							
Transfers out			(150,000)	(2,731)			(152,731)
Net Change in Fund Balances	(33,297)	(67)	(89,531)	(2,729)	-	(5,852)	(131,476)
Fund Balances at Beginning of Year	<u>32,969</u>	<u>67</u>	<u>160,065</u>	<u>2,729</u>	<u>5,940</u>	<u>26,397</u>	<u>228,167</u>
Fund Balances at End of Year	<u>\$ (328)</u>	<u>\$ -</u>	<u>\$ 70,534</u>	<u>\$ -</u>	<u>\$ 5,940</u>	<u>\$ 20,545</u>	<u>\$ 96,691</u>

**REGIONAL SCHOOL DISTRICT NO. 13  
 COMBINING STATEMENT OF FIDUCIARY NET POSITION -  
 PRIVATE-PURPOSE TRUST FUNDS  
 JUNE 30, 2015**

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	<u>Moeller</u>	<u>P. Lyman</u>	<u>Total Private- Purpose Trust Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ <u>504</u>	\$ <u>2,252</u>	\$ <u>2,756</u>
<b>NET POSITION</b>			
Net Position Held in Trust for Individuals	\$ <u>504</u>	\$ <u>2,252</u>	\$ <u>2,756</u>

**REGIONAL SCHOOL DISTRICT NO. 13  
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION -  
 PRIVATE-PURPOSE TRUST FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2015**

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	<u>Moeller</u>	<u>P. Lyman</u>	<u>Total Private- Purpose Trust Funds</u>
Additions:			
Investment income:			
Interest and dividends	\$ _____	\$ _____	\$ _____ -
Change in net position	-	-	-
Net Position Beginning of Year	<u>504</u>	<u>2,252</u>	<u>2,756</u>
Net Position End of Year	<u>\$ 504</u>	<u>\$ 2,252</u>	<u>\$ 2,756</u>



**REGIONAL SCHOOL DISTRICT NO. 13  
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -  
 AGENCY FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Balance</u> <u>July 1, 2014</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2015</u>
<b>Student Activity Fund</b>				
Assets:				
Cash	\$ <u>254,041</u>	\$ <u>548,000</u>	\$ <u>517,927</u>	\$ <u>284,114</u>
Liabilities:				
Due to student groups	\$ <u>254,041</u>	\$ <u>548,000</u>	\$ <u>517,927</u>	\$ <u>284,114</u>
<b>Middlesex Consortium</b>				
Assets:				
Cash	\$ <u>35,687</u>	\$ <u>90,463</u>	\$ <u>111,168</u>	\$ <u>14,982</u>
Liabilities:				
Due to others	\$ <u>35,687</u>	\$ <u>90,463</u>	\$ <u>111,168</u>	\$ <u>14,982</u>
<b>Total All Funds</b>				
Assets:				
Cash	\$ <u>289,728</u>	\$ <u>638,463</u>	\$ <u>629,095</u>	\$ <u>299,096</u>
Liabilities:				
Due to student groups and others	\$ <u>289,728</u>	\$ <u>638,463</u>	\$ <u>629,095</u>	\$ <u>299,096</u>

**REGIONAL SCHOOL DISTRICT NO. 13  
SCHEDULE OF DEBT LIMITATION - THE DISTRICT  
JUNE 30, 2015**

	<u>Town of</u>		<u>Total</u>
	<u>Durham</u>	<u>Middlefield</u>	
Total tax collections (including interest and lien fees)	\$ 24,827,848	\$ 13,538,672	\$ 38,366,520
Property tax relief elderly			-
Base	<u>\$ 24,827,848</u>	<u>\$ 13,538,672</u>	<u>\$ 38,366,520</u>
Debt Limitation:			
Limit for School Building Purposes (4.5 times base)			\$ <u>172,649,340</u>
Indebtedness:			
Bonds outstanding			9,470,000
Less: State Grants Receivable			
Region 13			<u>(185,721)</u>
Net Indebtedness			<u>9,284,279</u>
Debt Limitation in Excess of Net Indebtedness			<u>\$ 163,365,061</u>