

**REGIONAL SCHOOL DISTRICT NO. 13**  
**Durham and Middlefield, Connecticut**

**FINANCIAL STATEMENTS**

**JUNE 30, 2014**

# REGIONAL SCHOOL DISTRICT NO. 13

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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, 2014, 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, 2014 and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 10, the budgetary comparison information on pages 40 through 42, the schedule of changes in net pension liability and related ratios on page 43, the schedule of employer contributions on page 44 and the schedule of investment returns on page 45 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 November 26, 2014 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  
November 26, 2014

**REGIONAL SCHOOL DISTRICT NO. 13**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

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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, 2014.

**Financial Highlights**

- The assets of the Region exceeded its liabilities at the close of the most recent fiscal year by \$27,828,191 (net position).
- The Region's total net position decreased by \$123,980, resulting from an increase in cash and accounts receivable, and a decrease in accumulated depreciation.
- As of the close of the current fiscal year, the Region's governmental funds reported a combined ending fund balance of \$2,492,222, an increase of \$55,967 in comparison with the prior year.
- At the end of the current fiscal year, the fund balance for the general fund was \$2,046,041 which is designated for subsequent year's budget.
- Long-term bonds decreased by \$1,745,000 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 \$27,828,191 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 \$593,648.

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

	<b>Governmental Activities</b>	
	<u>2014</u>	<u>2013</u>
Current and other assets	\$ 3,718,553	\$ 3,734,199
Capital assets, net of accumulated depreciation	<u>39,697,265</u>	<u>41,414,702</u>
Total assets	<u>43,415,818</u>	<u>45,148,901</u>
 Deferred charge on refunding	<u>318,319</u>	<u>394,030</u>
 Long-term liabilities outstanding	15,103,741	16,993,572
Other liabilities	<u>802,205</u>	<u>597,188</u>
Total liabilities	<u>15,905,946</u>	<u>17,590,760</u>
 Net Position:		
Net investment in capital assets	27,202,206	26,743,460
Restricted	32,337	30,718
Unrestricted	<u>593,648</u>	<u>1,177,993</u>
 Total Net Position	<u>\$ 27,828,191</u>	<u>\$ 27,952,171</u>

**Governmental Activities.** The Region’s net position decreased by \$123,980 during the current fiscal year. The decrease is due to the use of accrual accounting at the government-wide financial statement level where capital expenditures are capitalized and debt service principal payments are not expensed, combined with the write-off of certain assets.

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

	<b>Governmental Activities</b>	
	<u>2014</u>	<u>2013</u>
Revenues:		
Program revenues:		
Charges for services:		
General instruction	\$	\$ 255
Special education	1,066,877	655,864
Student services	524,709	534,170
Buildings	46,445	41,595
Operating grants and contributions	4,727,243	4,251,034
Capital grants and contributions	78,016	129,331
General revenues:		
Assessments from member towns	34,575,351	34,089,930
Investment income	21,064	12,414
Miscellaneous	123,493	103,740
Total revenues	<u>41,163,198</u>	<u>39,818,333</u>
Expenses:		
General instruction	18,476,616	17,778,999
Special education	8,663,492	8,059,346
Student services	2,595,387	2,727,003
Administration	5,675,763	5,514,459
Buildings	4,498,128	4,927,004
Transportation	1,292,764	1,400,004
Interest expense	85,028	50,851
Total expenses	<u>41,287,178</u>	<u>40,457,666</u>
Change in net position	(123,980)	(639,333)
Net Position at Beginning of Year	<u>27,952,171</u>	<u>28,591,504</u>
Net Position at End of Year	<u>\$ 27,828,191</u>	<u>\$ 27,952,171</u>

- Special Education and operating grant revenues increased due to enrollment in the Middlesex Transition Academy (MTA) and grant funding.
- Increases in expenses closely paralleled inflation and growth.

## **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.

As of the end of the current fiscal year, the Region's governmental funds reported a combined ending fund balance of \$2,492,222, a decrease of \$55,927 in comparison with the prior year. Of that balance, \$2,046,041 constitutes funds designated for subsequent year's budgets. The remaining \$446,181 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.

The Region's General Fund's fund balance increased by \$26,063, during the current fiscal year. The increase was a result of savings in various expense line items and increased revenue.

## **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 \$409,717, or 1.99%.
- We saw positive variances (under budget) of \$225,531 in employee benefits expenditures, due to health insurance and unemployment, \$67,885 in purchased services, and \$69,936 in transportation.
- We saw negative variances (over budget) in the areas of snow removal \$27,001, heating oil \$24,687, and electricity \$17,470.

## **Capital Assets and Debt Administration**

**Capital Assets.** The Region's investment in capital assets for its governmental activities as of June 30, 2014 amounts to \$39,497,265 (net of accumulated depreciation). This investment in capital assets includes land, buildings and machinery and equipment. The net decrease of \$1,717,437 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>	
	<u>2014</u>	<u>2013</u>
Land	\$ 200,000	\$ 200,000
Construction in progress		
Buildings and improvements	33,761,815	34,781,409
Land improvements	4,375,763	4,618,824
Equipment	323,284	564,369
Vehicles	<u>1,036,403</u>	<u>1,250,100</u>
 Total	 <u>\$ 39,697,265</u>	 <u>\$ 41,414,702</u>

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 \$11,190,000. 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>	
	<u>2014</u>	<u>2013</u>
General obligation bonds	<u>\$ 11,190,000</u>	<u>\$ 12,935,000</u>

The Region’s total debt decreased by \$1,745,000 during the current fiscal year. The Region maintains an “A2” rating 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, 2014

	<u>Governmental Activities</u>
Assets:	
Cash and cash equivalents	\$ 3,006,216
Accounts receivable	19,000
Intergovernmental receivable	448,441
Other assets	23,705
Net pension asset	188,854
Restricted assets:	
Temporarily restricted:	
Investments	19,804
Permanently restricted:	
Investments	12,533
Capital assets not being depreciated	200,000
Capital assets net of accumulated depreciation	39,497,265
Total assets	<u>43,415,818</u>
Deferred Outflows of Resources:	
Deferred charge on refunding	<u>318,319</u>
Liabilities:	
Accounts and other payables	580,385
Accrued interest payable	140,345
Unearned revenue	81,475
Noncurrent liabilities:	
Due within one year	2,138,162
Due in more than one year	12,965,579
Total liabilities	<u>15,905,946</u>
Net Position:	
Net investment in capital assets	27,202,206
Restricted for:	
Textbooks:	
Expendable	3,407
Nonexpendable	2,533
Library materials:	
Expendable	16,397
Nonexpendable	10,000
Unrestricted	<u>593,648</u>
Total Net Position	<u>\$ 27,828,191</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, 2014**

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<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Governmental Activities</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>		
Governmental activities:					
General instruction	\$ 18,476,616	\$	\$ 3,754,534	\$	\$ (14,722,082)
Special education	8,663,492	1,066,877	719,944		(6,876,671)
Student services	2,595,387	524,709	129,791		(1,940,887)
Administration	5,675,763				(5,675,763)
Buildings	4,498,128	46,445		70,911	(4,380,772)
Transportation	1,292,764		122,974		(1,169,790)
Interest	85,028			7,105	(77,923)
<b>Total</b>	<b>\$ 41,287,178</b>	<b>\$ 1,638,031</b>	<b>\$ 4,727,243</b>	<b>\$ 78,016</b>	<b>(34,843,888)</b>
General revenues:					
Assessments from district member towns					34,575,351
Investment income					21,064
Miscellaneous					123,493
Total general revenues					<u>34,719,908</u>
Change in Net Position					(123,980)
Net Position at Beginning of Year					<u>27,952,171</u>
Net Position at End of Year					<u>\$ 27,828,191</u>

The accompanying notes are an integral part of the financial statements

## REGIONAL SCHOOL DISTRICT NO. 13

## BALANCE SHEET

## GOVERNMENTAL FUNDS

JUNE 30, 2014

	<u>General</u>	<u>Special School Grants and Programs</u>	<u>Middlesex Transition Academy</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 2,410,330	\$ 69,827	\$ 284,511	\$ 241,548	\$ 3,006,216
Investments				32,337	32,337
Due from other funds				10,000	10,000
Accounts receivable			19,000		19,000
Intergovernmental receivable	37,493	11,348		23,983	72,824
Other assets				23,705	23,705
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total Assets	<u>\$ 2,447,823</u>	<u>\$ 81,175</u>	<u>\$ 303,511</u>	<u>\$ 331,573</u>	<u>\$ 3,164,082</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts and other payables	\$ 391,782	\$ 14,076	\$ 143,445	\$ 31,082	\$ 580,385
Due to other funds	10,000				10,000
Unearned revenue		67,099		14,376	81,475
Total liabilities	<u>401,782</u>	<u>81,175</u>	<u>143,445</u>	<u>45,458</u>	<u>671,860</u>
Fund balances:					
Nonspendable				36,238	36,238
Restricted	2,046,041			46,516	2,092,557
Committed			160,066	218,080	378,146
Unassigned				(14,719)	(14,719)
Total fund balances	<u>2,046,041</u>	<u>-</u>	<u>160,066</u>	<u>286,115</u>	<u>2,492,222</u>
Total Liabilities and Fund Balances	<u>\$ 2,447,823</u>	<u>\$ 81,175</u>	<u>\$ 303,511</u>	<u>\$ 331,573</u>	<u>\$ 3,164,082</u>

(Continued on next page)



## REGIONAL SCHOOL DISTRICT NO. 13

## BALANCE SHEET - GOVERNMENTAL FUNDS (CONTINUED)

JUNE 30, 2014

## 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)	\$ 2,492,222
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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	60,403,170
Less accumulated depreciation	(20,705,905)

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

School building receivable	375,617
Net pension asset	188,854

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

Bonds payable	(11,190,000)
Bond premium	(375,532)
Deferred charge on refunding	318,319
Compensated absences	(61,957)
Net OPEB obligation	(2,228,406)
Capital leases	(1,247,846)
Accrued interest payable	<u>(140,345)</u>

Net Position of Governmental Activities (Exhibit I)	<u><u>\$ 27,828,191</u></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, 2014

	<u>General</u>	<u>Special School Grants and Programs</u>	<u>Middlesex Transition Academy</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
Assessments from district member towns	\$ 34,575,351	\$	\$	\$	\$ 34,575,351
Intergovernmental	4,298,612	568,839		129,791	4,997,242
Charges for services	78,387		1,034,935	524,709	1,638,031
Local sources	18,517			2,547	21,064
Miscellaneous	123,493				123,493
Total revenues	<u>39,094,360</u>	<u>568,839</u>	<u>1,034,935</u>	<u>657,047</u>	<u>41,355,181</u>
Expenditures:					
Current:					
Salaries	20,146,430		433,366	347,220	20,927,016
Employee benefits	10,093,267		141,676		10,234,943
Purchased services	884,220	568,839	136,641	24,709	1,614,409
Property services	868,670				868,670
Operational services	3,004,980		65,312		3,070,292
Supplies	1,716,936		15,014	316,978	2,048,928
Capital outlay	165,687			191,095	356,782
Debt service	2,178,174				2,178,174
Total expenditures	<u>39,058,364</u>	<u>568,839</u>	<u>792,009</u>	<u>880,002</u>	<u>41,299,214</u>
Excess (Deficiency) of Revenues over Expenditures	<u>35,996</u>	<u>-</u>	<u>242,926</u>	<u>(222,955)</u>	<u>55,967</u>
Other Financing Sources (Uses):					
Transfers in	225,067			235,000	460,067
Transfers out	(235,000)		(225,000)	(67)	(460,067)
Total other financing sources (uses)	<u>(9,933)</u>	<u>-</u>	<u>(225,000)</u>	<u>234,933</u>	<u>-</u>
Net Change in Fund Balances	26,063	-	17,926	11,978	55,967
Fund Balances at Beginning of Year	<u>2,019,978</u>	<u>-</u>	<u>142,140</u>	<u>274,137</u>	<u>2,436,255</u>
Fund Balances at End of Year	<u>\$ 2,046,041</u>	<u>\$ -</u>	<u>\$ 160,066</u>	<u>\$ 286,115</u>	<u>\$ 2,492,222</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, 2014**

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)	\$ 55,967
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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:

Depreciation expense	(1,717,437)
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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	(191,983)
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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	1,745,000
Payments on capital leases	456,379

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 pension asset	(1,610)
Net OPEB obligation	(347,231)
Bond issuance costs	(93,359)
Accrued interest payable	10,322
Compensated absences	(14,832)
Bond premium	50,515
Deferred charge on refunding	(75,711)

Change in Net Position of Governmental Activities (Exhibit II)	\$ <u>(123,980)</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, 2014

	<u>Pension Trust Funds</u>	<u>Private- Purpose Trust Funds</u>	<u>Agency Funds</u>
Assets:			
Cash and cash equivalents	\$ 301,941	\$ 2,756	\$ 289,728
Investments, at fair value:			
Proprietary mutual funds	422,794		
Corporate bonds	84,706		
U.S. Government obligations	603,483		
Common stocks	5,314,107		
Accrued interest	3,022		
Total investments, at fair value	<u>6,428,112</u>	<u>-</u>	<u>-</u>
Total assets	<u>6,730,053</u>	<u>2,756</u>	<u>\$ 289,728</u>
Liabilities:			
Due to student groups and others			<u>\$ 289,728</u>
Net Position:			
Held in trust for pension benefits and individuals	<u>\$ 6,730,053</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, 2014

	<b>Pension Trust Funds</b>	<b>Private- Purpose Trust Funds</b>
	<u>          </u>	<u>          </u>
Additions:		
Contributions:		
Employer	\$ 320,180	\$
Employee	163,275	
Total contributions	<u>483,455</u>	<u>-</u>
Investment income:		
Net appreciation in fair value of investments	918,672	
Interest and dividends	148,215	
Total investment income	<u>1,066,887</u>	
Less investment expense	<u>66,432</u>	
Net investment income	<u>1,000,455</u>	<u>-</u>
Total additions	<u>1,483,910</u>	<u>-</u>
Deductions:		
Benefits	253,857	
Administrative expense	455	
Total deductions	<u>254,312</u>	<u>-</u>
Change in net position	1,229,598	-
Net Position Beginning of Year	<u>5,500,455</u>	<u>2,756</u>
Net Position End of Year	<u>\$ 6,730,053</u>	<u>\$ 2,756</u>

The accompanying notes are an integral part of the financial statements

## REGIONAL SCHOOL DISTRICT NO. 13

### NOTES TO BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

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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.

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 *Middlesex Transition Academy Fund* accounts for the revenues and expenditures relating to the Middlesex Transition Academy.

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).

## 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 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.

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.

### **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.

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.

## 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, 2014.
- 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, 2014:

<u>Capital Project</u>	<u>Authorization</u>	<u>Current Year Expenditures</u>	<u>Cumulative Expenditures</u>	<u>Balance June 30, 2014</u>
2008 Project	\$ 900,000	\$ -	\$ 476,985	\$ 423,015
School Building Projects	6,336,685	-	6,866,102	(529,417)
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.

**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 \$19,804 and make up a portion of the restricted fund balance.

**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*, \$2,406,361 of the District’s bank balance of \$3,223,499 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 2,140,725
Uninsured and collateral held by the pledging bank’s trust department, not in the District’s name	<u>265,636</u>
Total Amount Subject to Custodial Credit Risk	<u><u>\$ 2,406,361</u></u>

**Cash Equivalents**

At June 30, 2014, the District’s cash equivalents amounted to \$301,940. 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.

- Bank of America Money Market\*
- Merrill Lynch Money Market \*

\*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, 2014, the District had the following investments:

Investment Type	Credit Rating S&P	Fair Value	Not Applicable	Not Available	Investment Maturities (Years)		
					Less Than 1	1-10	More Than 10
US Treasury Obligations	n/a	\$ 464,163	\$	\$	\$ 44,059	\$ 354,808	\$ 65,296
U.S. Asset and Mortgage Backed	n/a	142,340		133,404		8,936	
Corporate Bonds	AA+	4,528				4,528	
Corporate Bonds	AA	11,075				11,075	
Corporate Bonds	AA-	7,455				7,455	
Corporate Bonds	A+	9,125				9,125	
Corporate Bonds	A	16,733			6,165	10,568	
Corporate Bonds	A-	13,102				13,102	
Corporate Bonds	BBB+	9,963				9,963	
Corporate Bonds	BBB	8,410				8,410	
Corporate Bonds	BBB-	2,079			2,079		
Corporate Bonds	DDD+	2,238				2,238	
Mutual Funds	n/a	449,191	449,191				
Common Stock	n/a	5,314,107	5,314,107				
CD*	n/a	5,940			5,940		
<b>Total</b>		<b>\$ 6,460,449</b>	<b>\$ 5,763,298</b>	<b>\$ 133,404</b>	<b>\$ 58,243</b>	<b>\$ 440,208</b>	<b>\$ 65,296</b>

\* 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.

*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, 2014 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
Total capital assets not being depreciated	<u>200,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>200,000</u>
Capital assets being depreciated:					
Buildings and improvements	50,472,462				50,472,462
Land improvements	5,730,766				5,730,766
Equipment	1,727,677				1,727,677
Vehicles	2,272,265				2,272,265
Total capital assets being depreciated	<u>60,203,170</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>60,203,170</u>
Less accumulated depreciation for:					
Buildings	15,691,053	1,019,594			16,710,647
Land improvements	1,111,942	243,061			1,355,003
Equipment	1,163,308	241,085			1,404,393
Vehicles	1,022,165	213,697			1,235,862
Total accumulated depreciation	<u>18,988,468</u>	<u>1,717,437</u>	<u>-</u>	<u>-</u>	<u>20,705,905</u>
Total capital assets being depreciated, net	<u>41,214,702</u>	<u>(1,717,437)</u>	<u>-</u>	<u>-</u>	<u>39,497,265</u>
Governmental Activities Capital Assets, Net	<u>\$ 41,414,702</u>	<u>\$ (1,717,437)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 39,697,265</u>

Depreciation expense was charged as follows:

Administration	\$ 241,085
Buildings	1,262,655
Transportation	<u>213,697</u>
Total	<u>\$ 1,717,437</u>

## C. Interfund Transfers

A summary of interfund transfers as of June 30, 2014 is as follows:

	<u>Transfers In</u>		<u>Total Transfers Out</u>
	<u>General Fund</u>	<u>Nonmajor Government Funds</u>	
Transfers out:			
General Fund	\$ -	\$ 235,000	\$ 235,000
Middlesex Transition Academy	225,000		225,000
Nonmajor Governmental Funds	<u>67</u>		<u>67</u>
Total Transfers In	<u>\$ 225,067</u>	<u>\$ 235,000</u>	<u>\$ 460,067</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	\$ 1,570,000	\$	\$ 530,000	\$ 1,040,000	\$ 525,000
Improvement bond	4,995,000	7/15/09	7/15/24	2.50-4.50	3,990,000		335,000	3,655,000	335,000
Improvement bond	9,185,000	10/14/10	3/1/23	2.00-4.00	7,375,000		880,000	6,495,000	860,000
					<u>12,935,000</u>	<u>-</u>	<u>1,745,000</u>	<u>11,190,000</u>	<u>1,720,000</u>
Plus deferred amounts:									
Bond premium					426,047		50,515	375,532	
Total bonds payable					<u>13,361,047</u>	<u>-</u>	<u>1,795,515</u>	<u>11,565,532</u>	<u>1,720,000</u>
Obligations under capital leases					1,704,225		456,379	1,247,846	418,162
Compensated absences					47,125	165,369	150,537	61,957	
Net OPEB obligation					<u>1,881,175</u>	<u>347,231</u>		<u>2,228,406</u>	
Total Governmental Activities Long-Term Liabilities					<u>\$ 16,993,572</u>	<u>\$ 512,600</u>	<u>\$ 2,402,431</u>	<u>\$ 15,103,741</u>	<u>\$ 2,138,162</u>

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

The annual requirements to amortize all bonds payable as of June 30, 2014 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>		
2014	\$ 189,896	\$ 4,315	\$ 1,720,000	\$ 388,602
2015	185,721	1,444	1,705,000	334,043
2016			1,170,000	288,075
2017			1,160,000	250,462
2018			1,145,000	204,062
2019-2023			3,960,000	389,807
2024-2025			330,000	6,807
Total	<u>\$ 375,617</u>	<u>\$ 5,759</u>	<u>\$ 11,190,000</u>	<u>\$ 1,861,858</u>

### Capital Leases

At June 30, 2014, 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, 2014 are as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>
2015	\$ 471,804
2016	822,440
2017	<u>42,795</u>
Total minimum lease payments	1,337,039
Less amount representing interest	<u>89,193</u>
Total	<u>\$ 1,247,846</u>

The assets acquired through the capital lease are as follows:

	<u>Governmental Activities</u>
Assets:	
Buildings	\$ 186,988
Equipment	911,501
Vehicles	<u>2,133,281</u>
	3,231,770
Less accumulated depreciation	<u>1,873,821</u>
Total	<u>\$ 1,357,949</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	\$ 170,155,499	\$ 10,814,383	\$ 159,341,116

**E. Fund Balance**

The components of fund balance for the governmental funds at June 30, 2014 are as follows:

	<u>General Fund</u>	<u>Middlesex Transition Academy</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Fund balances:				
Nonspendable:				
Inventory	\$	\$	\$ 23,705	\$ 23,705
Endowment			12,533	12,533
Restricted for:				
Grants			23,983	23,983
Capital projects			2,729	2,729
Library materials			19,804	19,804
Enabling legislation	2,046,041			2,046,041
Committed to:				
Adult Education			67	67
Middlesex Transition Academy		160,066		160,066
Capital projects			218,013	218,013
Unassigned			(14,719)	(14,719)
<b>Total Fund Balances</b>	<b>\$ 2,046,041</b>	<b>\$ 160,066</b>	<b>\$ 286,115</b>	<b>\$ 2,492,222</b>

There are no significant encumbrances at June 30, 2014. 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

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

#### Plan Description

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.

#### Classes of Employees Covered

As of July 1, 2013, 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, 2014 represented 8.7% of covered payroll. Administrative costs of the plan are financed through investment earnings of the plan's assets.

## **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, 2014:

<u>Asset Class</u>	<u>Target Allocation</u>
US Large Cap Growth	16.00 %
US Large Cap Value	16.00
US Small Cap Growth	6.50
US Small Cap Value	6.50
International Equity	20.00
Short Term Bond	11.55
Intermediate Term Bond	11.90
Long Term Bond	11.55
	<u>100.00 %</u>

Rate of Return: For the year ended June 30, 2014, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 18.32%. 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**

In accordance with GASB Statement No. 67, the components of the net pension liability of the District at June 30, 2014, were as follows:

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

The District's net pension liability will be required to be recorded on the government-wide statement of net pension at June 30, 2015.

Actuarial Assumptions: The total pension liability was determined by an actuarial valuation as of July 1, 2013, using the following actuarial assumptions, applied to all periods included in the measurement:

Total pension liability	\$ 7,482,305
Plan fiduciary net position	<u>6,730,053</u>
Net Pension Liability	\$ <u><u>752,252</u></u>
Plan fiduciary net position as a percentage of the total pension liability	89.95%

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, 2014 (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>
US Large Cap Growth	6.90 %
US Large Cap Value	6.20
US Small Cap Growth	8.50
US Small Cap Value	6.80
International Equity	7.00
Short Term Bond	1.20
Intermediate Term Bond	2.30
Long Term Bond	2.60

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.

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:

	<u>1% Decrease (6.50%)</u>	<u>Current Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
Total Net Pension Liability	\$ 1,556,126	\$ 752,252	\$ 56,670

### Annual Pension Cost and Net Pension Obligation

In accordance with GASB Statement No. 27, the District's annual pension cost and net pension obligation to the Regional School District No. 13 Pension Plan for the year ended June 30, 2014 were as follows:

Annual required contribution	\$ 320,180
Interest on net pension obligation	(14,285)
Adjustment to annual required contribution	<u>15,895</u>
Annual pension cost	321,790
Contribution made	<u>320,180</u>
Decrease in net pension asset	1,610
Net pension asset - beginning of year	<u>190,464</u>
Net Pension Asset - End of Year	<u>\$ 188,854</u>

The annual required contribution for the current year was determined as part of the July 1, 2013 actuarial valuation using the entry-age normal actuarial cost method. The actuarial value of assets was determined using market value. The unfunded actuarial accrued liability is being amortized as a level dollar amount using 30-year amortization, with 25 years remaining.

### Three Year Trend Information

<u>Year Ende</u>	<u>Actual Contribution</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Asset</u>
2012	\$ 263,788	\$ 265,429	99 %	\$ 192,091
2013	289,746	291,373	99	190,464
2014	320,180	321,790	99	188,854

## **Teacher Retirement**

All Regional School District 13 teachers participate in the State of Connecticut Teacher's Retirement System, a cost sharing plan with a special funding situation, under Section 10.183 of the General Statutes of the State of Connecticut. This is a multiple employer PERS. A teacher is eligible to receive a normal retirement benefit if he or she has:

- Attained age 60 and has accumulated 20 years of credited service in the public schools of Connecticut, or;
- Attained any age and has accumulated 35 years of credited service, at least 25 of which are service in the public schools of Connecticut.

The Board of Education withholds 7.25% of all teachers' annual salaries and transmits the funds to the State Teacher's Retirement Board. Teacher payroll subject to retirement amounted to \$14,431,393 or 71% of the total Board of Education payroll of \$21,086,038.

The retirement system for teachers is funded by the State based upon the recommendation of the Teacher's Retirement Board. Such contribution includes amortization of the actuarially computed unfunded liability. For the year ended June 30, 2014, the District has recorded in the General Fund (Exhibit IV) intergovernmental school revenue and school expenditures in the amount of \$3,577,638 as payments made by the State of Connecticut on behalf of the District. The District does not have any liability for teacher pensions.

The State of Connecticut Teacher Retirement System is considered to be a part of the State of Connecticut financial reporting entity and is included in the State's financial reports as a pension trust fund. Those reports may be obtained by writing to the State of Connecticut, Office of the State Comptroller, 55 Elm Street, Hartford, Connecticut 06106.

## **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, 2012, plan membership consisted of the following:

	<b>Retiree Health Plan</b>
Retired members	26 *
Active plan members	<u>367</u>
Total Participants	<u><u>393</u></u>

\*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, 2014 was \$9,600 per member and \$9,600 per spouse.

#### 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 \$215,908 were made in accordance with actuarially determined requirements. Of this amount, \$215,908 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)	\$	592,518
Interest on net OPEB obligation		75,247
Adjustment to annual required contribution		<u>(104,626)</u>
Annual OPEB cost (AOC)		563,139
Contribution made		<u>215,908</u>
Increase in net OPEB obligation		347,231
Net OPEB obligation - beginning of year		<u>1,881,175</u>
Net OPEB Obligation - End of Year	\$	<u><u>2,228,406</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, 2014 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>
2012	\$ 220,786	\$ 615,918	36 %	\$ 602,066	37 %	\$ 1,539,669
2013	262,255	627,806	42	603,761	43	1,881,175
2014	215,908	592,518	36	563,139	38	2,228,406

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

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, 2012 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% over 5 years. 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, 2012 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.

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).

## 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, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Assessments from District Member Towns	\$ 34,575,351	\$ 34,575,351	\$ 34,575,351	\$ -
Local Sources:				
Interest income	9,960	9,960	18,517	8,557
Intergovernmental:				
State receipts building grants	199,087	199,087	199,088	1
Transportation	282,257	282,257	122,974	(159,283)
Special education	237,000	237,000	343,807	106,807
Adult education			11,113	11,113
Medicaid			37,493	37,493
Magnet			2,600	2,600
Health services			3,899	3,899
Total intergovernmental	718,344	718,344	720,974	2,630
Charges for Services:				
Buildings/grounds rentals	48,000	48,000	78,387	30,387
Other Revenue:				
Miscellaneous	13,750	13,750	123,493	109,743
Total revenues	35,365,405	35,365,405	35,516,722	151,317
Other Financing Sources:				
Transfer in	225,000	225,000	225,067	67
Appropriation of fund balance	1,028,425	1,028,425		(1,028,425)
Total other financing sources	1,253,425	1,253,425	225,067	(1,028,358)
Total Revenues and Other Financing Sources	\$ 36,618,830	\$ 36,618,830	35,741,789	\$ (877,041)
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.			3,577,638	
Total Revenues and Other Financing Sources as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds - Exhibit IV			\$ 39,319,427	

## 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, 2014

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
Salaries:				
Certified personnel	\$ 15,577,186	\$ 15,577,186	\$ 15,191,536	\$ 385,650
Support personnel	4,978,961	4,978,961	4,954,894	24,067
Total salaries	<u>20,556,147</u>	<u>20,556,147</u>	<u>20,146,430</u>	<u>409,717</u>
Employee Benefits:				
Employee benefits	<u>6,739,160</u>	<u>6,739,160</u>	<u>6,515,629</u>	<u>223,531</u>
Purchased Services:				
Education	366,774	366,774	263,742	103,032
Conferences	28,298	28,298	20,896	7,402
Professional	279,466	279,466	322,765	(43,299)
Technical	<u>277,567</u>	<u>277,567</u>	<u>276,817</u>	<u>750</u>
Total purchased services	<u>952,105</u>	<u>952,105</u>	<u>884,220</u>	<u>67,885</u>
Property Services:				
Disposal services	34,000	34,000	37,059	(3,059)
Snow removal	50,000	50,000	77,001	(27,001)
Lawn service	112,000	112,000	130,812	(18,812)
Repairs and maintenance	228,477	228,477	199,644	28,833
Rentals and leases	<u>458,482</u>	<u>458,482</u>	<u>434,154</u>	<u>24,328</u>
Total property services	<u>882,959</u>	<u>882,959</u>	<u>878,670</u>	<u>4,289</u>
Operational Services:				
Pupil transportation	1,511,672	1,511,672	1,441,736	69,936
Field trips/athletics	263,490	263,490	237,613	25,877
Liability insurance	124,162	124,162	109,631	14,531
Dues and fees	41,859	41,859	37,844	4,015
Communication	90,773	90,773	79,440	11,333
Advertising	4,000	4,000	3,320	680
Tuition	1,084,215	1,084,215	1,064,143	20,072
Travel	<u>34,842</u>	<u>34,842</u>	<u>31,253</u>	<u>3,589</u>
Total operational services	<u>3,155,013</u>	<u>3,155,013</u>	<u>3,004,980</u>	<u>150,033</u>
Supplies:				
Supplies	588,180	588,180	536,670	51,510
Books/resource materials	273,133	273,133	231,583	41,550
Electricity	568,000	568,000	585,470	(17,470)
Bottled gas	10,000	10,000	13,756	(3,756)
Heating oil	315,000	315,000	339,687	(24,687)
Gasoline and oil vehicles	<u>8,000</u>	<u>8,000</u>	<u>9,770</u>	<u>(1,770)</u>
Total supplies	<u>1,762,313</u>	<u>1,762,313</u>	<u>1,716,936</u>	<u>45,377</u>
Capital Improvements/Equipment:				
Buildings			225,000	(225,000)
Equipment	<u>392,959</u>	<u>392,959</u>	<u>165,687</u>	<u>227,272</u>
Total capital improvements/equipment	<u>392,959</u>	<u>392,959</u>	<u>390,687</u>	<u>2,272</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, 2014**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Debt Service:				
Principal	\$ 1,745,000	\$ 1,745,000	\$ 1,745,000	\$ -
Interest	433,174	433,174	433,174	-
Total debt service	<u>2,178,174</u>	<u>2,178,174</u>	<u>2,178,174</u>	<u>-</u>
Total Expenditures	\$ <u>36,618,830</u>	\$ <u>36,618,830</u>	35,715,726	\$ <u>903,104</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.			<u>3,577,638</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>39,293,364</u>	

## REGIONAL SCHOOL DISTRICT 13

## SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

## LAST FISCAL YEAR

	<u>2014</u>
Total pension liability:	
Service cost	\$ 336,448
Interest	531,037
Benefit payments, including refunds of member contributions	<u>(253,857)</u>
Net change in total pension liability	613,628
Total pension liability - beginning	<u>6,868,677</u>
Total pension liability - ending	<u>7,482,305</u>
Plan fiduciary net position:	
Contributions - employer	320,180
Contributions - member	163,275
Net investment income	1,000,455
Benefit payments, including refunds of member contributions	(253,857)
Administrative expense	<u>(455)</u>
Net change in plan fiduciary net position	1,229,598
Plan fiduciary net position - beginning	<u>5,500,455</u>
Plan fiduciary net position - ending	<u>6,730,053</u>
Net Pension Liability - Ending	<u>\$ 752,252</u>
Plan fiduciary net position as a percentage of the total pension liability	89.95%
Covered-employee payroll	\$ 3,272,169
Net pension liability as a percentage of covered-employee payroll	22.99%

## REGIONAL SCHOOL DISTRICT 13

## SCHEDULE OF EMPLOYER CONTRIBUTIONS

## LAST TEN FISCAL YEARS

	<u>2005</u>	<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>
Actuarially determined contribution	\$ 91,021	\$ 82,734	\$ 76,255	\$ 63,307	\$ 97,007	\$ 98,948	\$ 258,312	\$ 263,788	\$ 289,746	\$ 320,180
Contributions in relation to the actuarially determined contribution	<u>109,936</u>	<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>
Contribution Deficiency (Excess)	<u>\$ (18,915)</u>	<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>
Covered-employee payroll	\$ 1,981,612	\$ 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
Contributions as a percentage of covered-employee payroll	5.55%	4.60%	3.87%	2.89%	4.08%	3.84%	9.32%	8.70%	9.09%	9.78%

**Notes to Schedule**

Valuation date: July 1, 2013

Measurement date: June 30, 2014

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

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## 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	5-year smoothed market
Inflation	3.0%
Salary increases	4.50%
Investment rate of return	7.50%

**REGIONAL SCHOOL DISTRICT 13**  
**SCHEDULE OF INVESTMENT RETURNS**  
**LAST FISCAL YEAR**

**2014**

Annual money-weighted rate of return, net of investment expense

18.32%



## REGIONAL SCHOOL DISTRICT NO. 13

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2014

	<u>Special Revenue Funds</u>		<u>Capital Project Funds</u>		<u>Permanent Funds</u>		<u>Total Nonmajor Governmental Funds</u>
	<u>School Cafeteria Fund</u>	<u>Adult Education</u>	<u>Bonded Capital Projects Fund</u>	<u>Capital Reserve Fund</u>	<u>A. Smith</u>	<u>Haake Science and History</u>	
<b>ASSETS</b>							
Cash and cash equivalents	\$ 20,739	\$ 67	\$ 2,729	\$ 218,013	\$ 5,940	\$ 26,397	\$ 241,548
Investments							32,337
Due from other funds	10,000						10,000
Intergovernmental receivable	23,983						23,983
Other assets	23,705						23,705
Total Assets	<u>\$ 78,427</u>	<u>\$ 67</u>	<u>\$ 2,729</u>	<u>\$ 218,013</u>	<u>\$ 5,940</u>	<u>\$ 26,397</u>	<u>\$ 331,573</u>
<b>LIABILITIES AND FUND BALANCES</b>							
Liabilities:							
Accounts payable and accrued items	\$ 31,082	\$	\$	\$	\$	\$	\$ 31,082
Deferred revenue	14,376						14,376
Total liabilities	<u>45,458</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>45,458</u>
Fund Balances:							
Nonspendable	23,705				2,533	10,000	36,238
Restricted	23,983		2,729		3,407	16,397	46,516
Committed		67		218,013			218,080
Unassigned	(14,719)						(14,719)
Total fund balances	<u>32,969</u>	<u>67</u>	<u>2,729</u>	<u>218,013</u>	<u>5,940</u>	<u>26,397</u>	<u>286,115</u>
Total Liabilities and Fund Balances	<u>\$ 78,427</u>	<u>\$ 67</u>	<u>\$ 2,729</u>	<u>\$ 218,013</u>	<u>\$ 5,940</u>	<u>\$ 26,397</u>	<u>\$ 331,573</u>

## REGIONAL SCHOOL DISTRICT NO. 13

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

FOR THE YEAR ENDED JUNE 30, 2014

	<u>Special Revenue Funds</u>		<u>Capital Project Funds</u>		<u>Permanent Funds</u>		<u>Total Nonmajor Governmental Funds</u>
	<u>School Cafeteria Fund</u>	<u>Adult Education</u>	<u>Bonded Capital Projects Fund</u>	<u>Capital Reserve Fund</u>	<u>A. Smith</u>	<u>Haake Science and History</u>	
Revenues:							
Local sources	\$ 82	\$	\$ 14	\$ 832	\$ 29	\$ 1,590	\$ 2,547
Intergovernmental	129,791						129,791
Charges for services	524,709						524,709
Total revenues	<u>654,582</u>	<u>-</u>	<u>14</u>	<u>832</u>	<u>29</u>	<u>1,590</u>	<u>657,047</u>
Expenditures:							
Salaries	347,220						347,220
Purchased services	24,709						24,709
Supplies	316,978						316,978
Capital outlay			18,176	172,919			191,095
Total expenditures	<u>688,907</u>	<u>-</u>	<u>18,176</u>	<u>172,919</u>	<u>-</u>	<u>-</u>	<u>880,002</u>
Excess (Deficiency) of Revenues over Expenditures	(34,325)	-	(18,162)	(172,087)	29	1,590	(222,955)
Other Financing Sources (Uses):							
Transfers in	10,000			225,000			235,000
Transfers out				(67)			(67)
Net Change in Fund Balances	(24,325)	-	(18,162)	52,846	29	1,590	11,978
Fund Balances at Beginning of Year	<u>57,294</u>	<u>67</u>	<u>20,891</u>	<u>165,167</u>	<u>5,911</u>	<u>24,807</u>	<u>274,137</u>
Fund Balances at End of Year	<u>\$ 32,969</u>	<u>\$ 67</u>	<u>\$ 2,729</u>	<u>\$ 218,013</u>	<u>\$ 5,940</u>	<u>\$ 26,397</u>	<u>\$ 286,115</u>

## REGIONAL SCHOOL DISTRICT NO. 13

COMBINING STATEMENT OF FIDUCIARY NET POSITION -  
PRIVATE-PURPOSE TRUST FUNDS

JUNE 30, 2014

	<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, 2014**

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

## REGIONAL SCHOOL DISTRICT NO. 13

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -  
AGENCY FUNDS

FOR THE YEAR ENDED JUNE 30, 2014

	<u>Balance</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2014</u>
<b>Student Activity Fund</b>				
Assets:				
Cash	\$ 248,895	\$ 485,748	\$ 480,602	\$ 254,041
Liabilities:				
Due to student groups	\$ 248,895	\$ 485,748	\$ 480,602	\$ 254,041
<b>Middlesex Consortium</b>				
Assets:				
Cash	\$ 43,978	\$ 91,207	\$ 99,498	\$ 35,687
Liabilities:				
Due to others	\$ 43,978	\$ 91,207	\$ 99,498	\$ 35,687
<b>Total All Funds</b>				
Assets:				
Cash	\$ 292,873	\$ 576,955	\$ 580,100	\$ 289,728
Liabilities:				
Due to student groups and others	\$ 292,873	\$ 576,955	\$ 580,100	\$ 289,728

## REGIONAL SCHOOL DISTRICT NO. 13

## SCHEDULE OF DEBT LIMITATION - THE DISTRICT

JUNE 30, 2014

	<b>Town of</b>		
	<u><b>Durham</b></u>	<u><b>Middlefield</b></u>	<u><b>Total</b></u>
Total tax collections (including interest and lien fees)	\$ 24,273,661	\$ 13,538,672	\$ 37,812,333
Property tax relief elderly	<u>-</u>	<u>-</u>	<u>-</u>
Base	<u>\$ 24,273,661</u>	<u>\$ 13,538,672</u>	<u>\$ 37,812,333</u>
Debt Limitation:			
Limit for School Building Purposes (4.5 times base)			\$ <u>170,155,499</u>
Indebtedness:			
Bonds outstanding			11,190,000
Less: State Grants Receivable			
Region 13			<u>(375,617)</u>
Net Indebtedness			<u>10,814,383</u>
Debt Limitation in Excess of Net Indebtedness			<u>\$ 159,341,116</u>