

# REGIONAL SCHOOL DISTRICT NO. 13

DURHAM AND MIDDLEFIELD,  
CONNECTICUT

FINANCIAL STATEMENTS  
JUNE 30, 2018

**REGIONAL SCHOOL DISTRICT NO. 13**  
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**JUNE 30, 2018**

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## **Independent Auditors' Report**

To the Board of Education  
Regional School District No. 13  
Durham, Connecticut

### **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, 2018, 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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, 2018 and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

As discussed in Note 8 to the financial statements, during the fiscal year ended June 30, 2018, the Regional School District No. 13 adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. The net position of the Regional School District No. 13 has been restated to recognize the net other postemployment benefit liability in accordance with GASB No. 75. Our opinion is not modified with respect to this matter.

## ***Other Matters***

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information, and the pension and OPEB schedules, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, 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.

The debt limitation schedule has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2018 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Regional School District No. 13's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Regional School District No. 13's internal control over financial reporting and compliance.

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

West Hartford, Connecticut  
December 6, 2018

**REGIONAL SCHOOL DISTRICT NO. 13  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2018**

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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, 2018.

**Financial Highlights**

- The assets of the Region exceeded its liabilities at the close of the most recent fiscal year by \$25,364,501 (net position).
- The Region's total net position increased by \$387,976, resulting primarily from a reduction in operating expenses and capital asset depreciation.
- As of the close of the current fiscal year, the Region's governmental funds reported a combined ending fund balance of \$2,483,469, an increase of \$477,121 in comparison with the prior year.
- At the end of the current fiscal year, the fund balance for the general fund was \$2,127,125, an increase of \$720,563, which is designated for subsequent year's budget.
- Long-term bonds and notes payable decreased by \$2,005,464 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 Reserve Fund and the School Cafeteria 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 \$25,364,501 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 \$(4,142,153).

### REGIONAL SCHOOL DISTRICT NO. 13 NET POSITION

	<b>Governmental Activities</b>	
	<b>2018</b>	<b>2017</b>
Current and other assets	\$ 3,379,179	\$ 2,712,211
Capital assets, net of accumulated depreciation	<u>35,740,947</u>	<u>37,148,722</u>
Total assets	<u>39,120,126</u>	<u>39,860,933</u>
Deferred outflows of resources	<u>730,279</u>	<u>696,402</u>
Long-term liabilities outstanding	12,697,712	14,703,176
Other liabilities	<u>977,079</u>	<u>808,698</u>
Total liabilities	<u>13,674,791</u>	<u>15,511,874</u>
Deferred inflows of resources	<u>811,113</u>	<u>68,936</u>
Net Position:		
Net investment in capital assets	29,498,668	27,418,172
Restricted	7,986	8,321
Unrestricted	<u>(4,142,153)</u>	<u>(2,449,968)</u>
Total Net Position	<u>\$ 25,364,501</u>	<u>\$ 24,976,525</u>

**Governmental Activities.** The Region's net position increased by \$387,976 during the current fiscal year. The increase is primarily from a reduction in operating expenses and capital asset depreciation.



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

	<b>Governmental Activities</b>	
	<b>2018</b>	<b>2017</b>
Revenues:		
Program revenues:		
Charges for services:		
Special education	\$ 824,494	\$ 944,667
Student services	463,964	461,816
Buildings	38,830	45,996
Operating grants and contributions	7,547,066	6,948,415
Capital grants and contributions	1,100	38,261
General revenues:		
Assessments from member towns	35,479,695	34,772,724
Investment income	9,074	11,756
Miscellaneous	268,868	161,383
Total revenues	44,633,091	43,385,018
Expenses:		
General instruction	20,908,777	20,380,495
Special education	8,670,415	9,008,774
Student services	3,009,242	3,010,043
Administration	6,255,941	6,328,647
Buildings	3,943,814	3,949,131
Transportation	1,236,918	1,339,755
Interest expense	220,008	260,311
Total expenses	44,245,115	44,277,156
Change in net position	387,976	(892,138)
Net Position at Beginning of Year	24,976,525	27,760,759
Restatement for GASB 75		(1,892,096)
Net Position at End of Year	\$ 25,364,501	\$ 24,976,525

- The increase in Net Position is due to an increase in miscellaneous revenue, offset by decreases in general and special education instruction, transportation and interest expenses.

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

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

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

At the end of the current fiscal year, the Region's governmental funds reported a combined ending fund balance of \$2,483,469, an increase of \$477,121 in comparison with the prior year. Of that balance, \$2,127,125 constitutes funds designated for subsequent year's budgets. The remaining \$356,344 of fund balance is reserved to indicate that it is not available for new spending because it has already been committed as capital reserves and other governmental projects or funds.

## **General Fund Budgetary Highlights**

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

### Final Budget to Actual

#### Revenues

- We saw negative variances (under budget) in buildings and grounds of \$9,670 and transportation grants of \$74,250.
- We saw positive variances (over budget) related to special education grants in the amount of \$68,074.

#### Expenditures

- We saw negative variances (over budget) in the areas of snow removal of \$17,156 and repairs and maintenance of \$18,145.
- We saw positive variances (under budget) in the areas of certified and support personnel salaries by \$474,318, employee benefits by \$492,194, education purchased services by \$48,280, and operational services by \$378,536.

## **Capital Assets and Debt Administration**

**Capital Assets.** The Region's investment in capital assets for its governmental activities as of June 30, 2018 amounts to \$35,740,947 (net of accumulated depreciation). This investment in capital assets includes land, buildings and machinery and equipment. The net decrease of \$1,407,775 in the Region's capital assets for the current fiscal year is a result of adjustments for normal depreciation as well as some asset dispositions.

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

	<b>Governmental Activities</b>	
	<b>2018</b>	<b>2017</b>
Land	\$ 200,000	\$ 200,000
Buildings and improvements	31,133,461	32,194,055
Land improvements	3,497,240	3,665,852
Equipment	675,438	678,471
Vehicles	234,808	410,344
 Total	 \$ 35,740,947	 \$ 37,148,722

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 \$5,435,000. All of this debt comprises debt backed by the full faith and credit of the Region.

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

	<b>Governmental Activities</b>	
	<b>2018</b>	<b>2017</b>
General obligation bonds	\$ 5,435,000	\$ 6,595,000

The Region’s total debt decreased by \$1,160,000 during the current fiscal year. The Region’s rating is Aa3 from Moody’s for general obligation debt.

State Statutes limit the amount of general obligation debt a regional school district may issue to 4.5 times total tax collections including interest and lien fees and the tax relief for elderly freeze grant of the member towns. The current debt limitation for the Region is \$173,194,470, 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 Kimberly Neubig, Business Manager, Regional School District No. 13, 135A Pickett Lane, Durham, Connecticut 06422.

**REGIONAL SCHOOL DISTRICT NO. 13**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2018**

	<b>Governmental Activities</b>
Assets:	
Cash and cash equivalents	\$ 3,311,746
Investments	7,986
Accounts receivable	30
Intergovernmental receivable	36,268
Other assets	23,149
Capital assets not being depreciated	200,000
Capital assets net of accumulated depreciation	35,540,947
Total assets	<u>39,120,126</u>
Deferred Outflows of Resources:	
Deferred charge on refunding	143,359
Deferred outflows related to OPEB	14,679
Deferred outflows related to pension	572,241
Total deferred outflows of resources	<u>730,279</u>
Liabilities:	
Accounts and other payables	812,970
Accrued interest payable	81,369
Unearned revenue	82,740
Noncurrent liabilities:	
Due within one year	1,569,040
Due in more than one year	11,128,672
Total liabilities	<u>13,674,791</u>
Deferred Inflows of Resources:	
Deferred inflows related to OPEB	183,049
Deferred inflows related to pension	628,064
Total deferred inflows of resources	<u>811,113</u>
Net Position:	
Net investment in capital assets	29,498,668
Restricted for:	
Textbooks:	
Expendable	7,986
Unrestricted	<u>(4,142,153)</u>
Total Net Position	<u>\$ 25,364,501</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, 2018**

Functions/Programs	Expenses	Program Revenues		Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions		
Governmental activities:					
General instruction	\$ 20,908,777	\$	\$ 5,117,187	\$	\$ (15,791,590)
Special education	8,670,415	824,494	1,351,940		(6,493,981)
Student services	3,009,242	463,964	406,276		(2,139,002)
Administration	6,255,941		665,163		(5,590,778)
Buildings	3,943,814	38,830		1,100	(3,903,884)
Transportation	1,236,918		6,500		(1,230,418)
Interest	220,008				(220,008)
	<u>\$ 44,245,115</u>	<u>\$ 1,327,288</u>	<u>\$ 7,547,066</u>	<u>\$ 1,100</u>	<u>(35,369,661)</u>
General revenues:					
Assessments from district member towns					35,479,695
Investment income					9,074
Miscellaneous					268,868
Total general revenues					<u>35,757,637</u>
Change in Net Position					387,976
Net Position at Beginning of Year, as Restated					<u>24,976,525</u>
Net Position at End of Year					<u>\$ 25,364,501</u>

The accompanying notes are an integral part of the financial statements

**REGIONAL SCHOOL DISTRICT NO. 13  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2018**

	<u>General</u>	<u>School Cafeteria Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 2,784,971	\$ 31,675	\$ 495,100	\$ 3,311,746
Investments			7,986	7,986
Due from other funds	57,535			57,535
Accounts receivable	30			30
Intergovernmental receivable		18,744	17,524	36,268
Other assets		<u>23,149</u>		<u>23,149</u>
Total Assets	<u>\$ 2,842,536</u>	<u>\$ 73,568</u>	<u>\$ 520,610</u>	<u>\$ 3,436,714</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts and other payables	\$ 715,411	\$ 33,301	\$ 64,258	\$ 812,970
Due to other funds		57,535		57,535
Unearned revenue		<u>20,795</u>	<u>61,945</u>	<u>82,740</u>
Total liabilities	<u>715,411</u>	<u>111,631</u>	<u>126,203</u>	<u>953,245</u>
Fund balances:				
Nonspendable		23,149		23,149
Restricted	2,031,654	18,744	7,986	2,058,384
Committed			386,421	386,421
Assigned	95,471			95,471
Unassigned		<u>(79,956)</u>		<u>(79,956)</u>
Total fund balances	<u>2,127,125</u>	<u>(38,063)</u>	<u>394,407</u>	<u>2,483,469</u>
Total Liabilities and Fund Balances	<u>\$ 2,842,536</u>	<u>\$ 73,568</u>	<u>\$ 520,610</u>	<u>\$ 3,436,714</u>

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**REGIONAL SCHOOL DISTRICT NO. 13**  
**BALANCE SHEET - GOVERNMENTAL FUNDS (CONTINUED)**  
**JUNE 30, 2018**

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

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

Total fund balances (Exhibit III)	\$ 2,483,469
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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	62,717,486
Less accumulated depreciation	(26,976,539)

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

Deferred outflows related to OPEB	14,679
Deferred outflows related to Pension	572,241

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

Bonds payable	(5,435,000)
Notes payable	(12,359)
Bond premium	(192,054)
Deferred charge on refunding	143,359
Compensated absences	(40,845)
Total OPEB liability	(5,179,367)
Net pension liability	(1,091,862)
Capital leases	(746,225)
Accrued interest payable	(81,369)
Deferred inflows related to OPEB	(183,049)
Deferred inflows related to Pension	(628,064)

Net Position of Governmental Activities (Exhibit I)	\$ <u><u>25,364,501</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, 2018**

	<u>General</u>	<u>School Cafeteria Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Assessments from district member towns	\$ 35,479,695	\$	\$	\$ 35,479,695
Intergovernmental	6,991,152	121,095	435,919	7,548,166
Charges for services	38,830	463,964	824,494	1,327,288
Local sources	8,213	99	762	9,074
Miscellaneous	268,868			268,868
Total revenues	<u>42,786,758</u>	<u>585,158</u>	<u>1,261,175</u>	<u>44,633,091</u>
Expenditures:				
Current:				
Salaries	20,828,829	345,496	453,741	21,628,066
Employee benefits	12,894,455		106,364	13,000,819
Purchased services	870,150	7,358	564,176	1,441,684
Property services	1,020,854			1,020,854
Operational services	3,020,508		128,351	3,148,859
Supplies	1,488,978	249,137	8,672	1,746,787
Capital outlay	539,061		207,047	746,108
Debt service	1,693,769		33,933	1,727,702
Total expenditures	<u>42,356,604</u>	<u>601,991</u>	<u>1,502,284</u>	<u>44,460,879</u>
Excess (Deficiency) of Revenues over Expenditures	<u>430,154</u>	<u>(16,833)</u>	<u>(241,109)</u>	<u>172,212</u>
Other Financing Sources (Uses):				
Transfers in	150,000		164,500	314,500
Transfers out	(164,500)		(150,000)	(314,500)
Issuance of capital leases	304,909			304,909
Total other financing sources (uses)	<u>290,409</u>	<u>-</u>	<u>14,500</u>	<u>304,909</u>
Net Change in Fund Balances	720,563	(16,833)	(226,609)	477,121
Fund Balances at Beginning of Year	<u>1,406,562</u>	<u>(21,230)</u>	<u>621,016</u>	<u>2,006,348</u>
Fund Balances at End of Year	<u>\$ 2,127,125</u>	<u>\$ (38,063)</u>	<u>\$ 394,407</u>	<u>\$ 2,483,469</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, 2018**

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

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

Net change in fund balances - total governmental funds (Exhibit IV)	\$ 477,121
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The capital outlay and depreciation expense are as follows for the current period:

Capital outlay	472,905
Depreciation expense	(1,880,680)

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:

Change in deferred outflows related to OPEB	14,679
Change in deferred outflows related to Pension	52,281

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	1,160,000
Issuance of capital leases	(304,909)
Payments on capital leases	403,106
Payments on notes payable	326,738

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:

Total OPEB liability	(32,154)
Net pension liability	405,840
Accrued interest payable	21,466
Compensated absences	2,520
Bond premium	44,323
Deferred charge on refunding	(33,083)
Change in deferred inflows related to OPEB	(183,049)
Change in deferred inflows related to Pension	(559,128)

Change in Net Position of Governmental Activities (Exhibit II)	<u>\$ 387,976</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, 2018**

	<b>Pension Trust Funds</b>	<b>Agency Funds</b>
	<u>          </u>	<u>          </u>
Assets:		
Cash and cash equivalents	\$ <u>397,978</u>	\$ <u>343,856</u>
Investments, at fair value:		
Corporate bonds	1,215,116	
U.S. Government obligations	957,663	
Common stocks	5,928,073	
Accrued interest	<u>16,193</u>	
Total investments, at fair value	<u>8,117,045</u>	<u>          -</u>
Total assets	<u>8,515,023</u>	<u>\$ 343,856</u>
Liabilities:		
Due to student groups and others	<u>          </u>	\$ <u>343,856</u>
Total liabilities	<u>          -</u>	<u>\$ 343,856</u>
Net Position:		
Held in trust for pension benefits and individuals	<u>\$ 8,515,023</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  
FOR THE YEAR ENDED JUNE 30, 2018**

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	<b>Pension Trust Funds</b>
Additions:	
Contributions:	
Employer	\$ 335,575
Employee	158,650
Total contributions	<u>494,225</u>
Investment income:	
Net change in fair value of investments	184,652
Interest and dividends	219,170
Total investment income	<u>403,822</u>
Less investment expense	81,755
Net investment income	<u>322,067</u>
Total additions	<u>816,292</u>
Deductions:	
Benefits	462,049
Administrative expense	1,053
Total deductions	<u>463,102</u>
Change in net position	353,190
Net Position - Beginning of Year	<u>8,161,833</u>
Net Position - End of Year	<u>\$ 8,515,023</u>

The accompanying notes are an integral part of the financial statements

## **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 two 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 66.26% for Durham and 33.74% for Middlefield.

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

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are normally supported by member town assessments, intergovernmental revenues and revenues from local sources.

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

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

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Agency funds do not have a measurement focus but are reported using the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

**REGIONAL SCHOOL DISTRICT NO. 13**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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

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

The District reports the following major governmental funds:

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

The *School Cafeteria Fund* accounts for the revenues and expenditures associated with the school lunch program.

Additionally, the District reports the following fund types:

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

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

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

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

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

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

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

**Deposits and Investments**

**Deposits**

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

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

**Investments**

Investments are reported at fair value.

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

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

**Receivables**

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

**Interfund Activity**

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

**REGIONAL SCHOOL DISTRICT NO. 13  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

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**Inventories**

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

**Capital Assets**

Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 for equipment and vehicles and \$20,000 for buildings and improvements, land and land improvements and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

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

**Deferred Outflows/Inflows of Resources**

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

**REGIONAL SCHOOL DISTRICT NO. 13  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

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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 reports deferred inflows of resources related to pensions and OPEB in the government-wide statement of net position. A deferred inflow of resources related to pension and OPEB results from differences between expected and actual experience, changes in assumptions or other inputs. These amounts are deferred and included in pension and OPEB expense in a systematic and rational manner over a period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension plan (active employees and inactive employees).

**Unearned Revenues**

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

**Compensated Absences**

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

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

**Net Pension Liability**

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

**Total Other Post Employment Benefits Other than Pensions (OPEB) Liability**

The total OPEB liability is measured as the portion of the actuarial present value of projected benefits that is attributed to past periods of employee service. The total OPEB liability is measured as of a date (measurement date) no earlier than the end of the employer's prior fiscal year and no later than the end of the current fiscal year, consistently applied from period to period.

**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.



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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

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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.

**E. 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, 2018.
- 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.

**REGIONAL SCHOOL DISTRICT NO. 13  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2018**

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**B. Capital Projects Authorizations**

The following is a summary of capital project authorizations at June 30, 2018:

<u>Capital Project</u>	<u>Authorization</u>	<u>Current Year Expenditures</u>	<u>Cumulative Expenditures</u>	<u>Balance June 30, 2018</u>
Brewster School Roof	\$ <u>1,300,000</u>	\$ _____	\$ <u>1,205,998</u>	\$ <u>94,002</u>
Total	\$ <u>1,300,000</u>	\$ <u>-</u>	\$ <u>1,205,998</u>	\$ <u>94,002</u>

**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 \$7,986 and make up a portion of the restricted fund balance.

**D. Excess of Expenditures Over Appropriations**

- The snow removal line was overspent by \$17,156.
- The repairs and maintenance line was overspent by \$18,485.
- The electricity line item was overspent by \$964.
- The gasoline and oil vehicles line was overspent by \$709.
- The equipment line was overspent by \$23,647.
- The debt service interest line was overspent by \$12.

**E. Deficit Fund Equity**

The Cafeteria Fund had a deficit fund balance of \$38,063. This deficit will be financed in the future with charges for services.

**3. DETAILED NOTES**

**A. Cash and Investments**

**Deposits**

**Custodial Credit Risk**

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

**REGIONAL SCHOOL DISTRICT NO. 13**  
**NOTES TO FINANCIAL STATEMENTS**  
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Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, \$3,211,604 of the District's bank balance of \$3,841,592 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ -
Uninsured and collateral held by the pledging bank's trust department, not in the District's name	<u>3,211,604</u>
Total Amount Subject to Custodial Credit Risk	<u>\$ 3,211,604</u>

**Cash Equivalents**

At June 30, 2018, the District's cash equivalents amounted to \$397,978. The following table provides a summary of the District's cash equivalents (excluding U.S. Government guaranteed obligations) as rated by nationally recognized statistical rating organizations. The pools all have maturities of less than one year.

Charles Schwab Money Market\*  
Morgan Stanley\*

\*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, 2018, the District had the following investments:

	<u>Fair Value</u>	<u>Investment Maturities (Years)</u>		
		<u>Less Than 1</u>	<u>1 - 10</u>	<u>More Than 10</u>
Interest-bearing investments:				
U.S. Government Securities	\$ 718,953	\$ 192,134	\$ 526,819	\$
U.S. Government Agencies	238,710		238,710	
Corporate Bonds	<u>1,215,116</u>	<u>75,511</u>	<u>1,139,605</u>	
Total	2,172,779	<u>\$ 267,645</u>	<u>\$ 1,905,134</u>	<u>\$ -</u>
Other investments:				
Common Stock	5,936,059			
Accrued Interest	<u>16,193</u>			
Total Investments	<u>\$ 8,125,031</u>			

**REGIONAL SCHOOL DISTRICT NO. 13**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

Presented below is the rating of investments for each debt investment type:

<u>Average Rating</u>	<u>Corporate Bonds</u>	<u>U.S. Government Securities</u>	<u>U.S. Government Agencies</u>
Aaa	\$	\$ 718,953	\$ 238,710
Aa2	10,141		
Aa3	19,758		
A1	45,429		
A2	62,573		
A3	252,477		
Baa1	410,152		
Baa2	251,645		
Baa3	162,941		
	<u>\$ 1,215,116</u>	<u>\$ 718,953</u>	<u>\$ 238,710</u>

In accordance with GASB Statement No. 72, the District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements); followed by quoted prices in inactive markets or for similar assets or with observable inputs (Level 2 measurements); and the lowest priority to unobservable inputs (Level 3 measurements). The District has the following recurring fair value measurements as of June 30, 2018:

	<u>Fair Value</u>	<u>Fair Value Measurements Using</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments by fair value level:				
U.S. Government Securities	\$ 718,953	\$ 718,953	\$	
U.S. Government Agencies	238,710	238,710		
Corporate Bonds	1,215,116	1,215,116		
Common Stock	5,936,059	5,936,059		
Total investments by fair value level	8,108,838	<u>\$ 8,108,838</u>	<u>\$ -</u>	<u>\$ -</u>
Investments not recorded at fair value:				
Accrued Interest	16,193			
Total Investments	<u>\$ 8,125,031</u>			

**Interest Rate Risk**

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

**Credit Risk - Investments**

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

**REGIONAL SCHOOL DISTRICT NO. 13**  
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**JUNE 30, 2018**

**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, 2018 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</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>200,000</u>
Capital assets being depreciated:				
Buildings and improvements	52,034,691			52,034,691
Land improvements	5,752,897	80,000		5,832,897
Equipment	2,346,326	368,605		2,714,931
Vehicles	1,931,667	24,300	21,000	1,934,967
Total capital assets being depreciated	<u>62,065,581</u>	<u>472,905</u>	<u>21,000</u>	<u>62,517,486</u>
Less accumulated depreciation for:				
Buildings	19,840,636	1,060,594		20,901,230
Land improvements	2,087,045	248,612		2,335,657
Equipment	1,667,855	371,638		2,039,493
Vehicles	1,521,323	199,836	21,000	1,700,159
Total accumulated depreciation	<u>25,116,859</u>	<u>1,880,680</u>	<u>21,000</u>	<u>26,976,539</u>
Total capital assets being depreciated, net	<u>36,948,722</u>	<u>(1,407,775)</u>	<u>-</u>	<u>35,540,947</u>
Governmental Activities Capital Assets, Net	<u>\$ 37,148,722</u>	<u>\$ (1,407,775)</u>	<u>\$ -</u>	<u>\$ 35,740,947</u>

Depreciation expense was charged as follows:

Administration	\$ 371,638
Buildings	1,309,206
Transportation	<u>199,836</u>
Total	<u>\$ 1,880,680</u>

**REGIONAL SCHOOL DISTRICT NO. 13  
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**C. Interfund Transfers**

A summary of interfund transfers as of June 30, 2018 is as follows:

	<u>Transfers In</u>		<u>Total Transfers Out</u>
	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	
Transfers out:			
General Fund	\$	\$ 164,500	\$ 164,500
Nonmajor Governmental Funds	<u>150,000</u>		<u>150,000</u>
 Total Transfers In	<u>\$ 150,000</u>	<u>\$ 164,500</u>	<u>\$ 314,500</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	\$ 4,995,000	7/15/09	7/15/24	2.50-4.50	\$ 2,650,000	\$	\$ 335,000	\$ 2,315,000	\$ 335,000
Improvement bond	9,185,000	10/14/10	3/1/23	2.00-4.00	<u>3,945,000</u>		<u>825,000</u>	<u>3,120,000</u>	<u>810,000</u>
					6,595,000	-	1,160,000	5,435,000	1,145,000
Plus deferred amounts:									
Bond premium					<u>236,377</u>		<u>44,323</u>	<u>192,054</u>	
Total bonds payable					<u>6,831,377</u>	-	<u>1,204,323</u>	<u>5,627,054</u>	<u>1,145,000</u>
Notes payable					339,097		326,738	12,359	12,359
Obligations under capital leases					844,422	304,909	403,106	746,225	411,681
Compensated absences					43,365	137,410	139,930	40,845	
Net pension liability					1,497,702		405,840	1,091,862	
Total OPEB liability *					<u>5,147,213</u>	<u>32,154</u>		<u>5,179,367</u>	
Total Governmental Activities Long-Term Liabilities					<u>\$ 14,703,176</u>	<u>\$ 474,473</u>	<u>\$ 2,479,937</u>	<u>\$ 12,697,712</u>	<u>\$ 1,569,040</u>

\* The net OPEB obligation was updated to the total OPEB liability with the implementation of GASB 75. Please see Note 8.

All long-term liabilities are generally liquidated by the General Fund with the exception of the notes payable which are liquidated in both the General Fund and the Capital Reserve Fund.

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The annual requirements to amortize all bonds payable as of June 30, 2018 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>Bond Principal</u>	<u>Bond Interest</u>
2019	\$ 1,145,000	204,062
2020	1,135,000	158,362
2021	1,130,000	112,962
2022	685,000	67,763
2023	680,000	43,913
2024-2025	<u>660,000</u>	<u>13,614</u>
Total	<u>\$ 5,435,000</u>	<u>\$ 600,676</u>

**Notes Payable**

Notes payable as of June 30, 2018 include the following:

Promissory note dated June 3, 2016 with an interest rate of 3.99%. The entire balance is shown as current as the final payment will be made in June 2019.	\$ <u>12,359</u>
Total	\$ <u><u>12,359</u></u>



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**Capital Leases**

At June 30, 2018, 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, 2018 are as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>
2019	\$ 432,091
2020	189,986
2021	118,864
2022	43,491
Total minimum lease payments	<u>784,432</u>
Less amount representing interest	<u>38,207</u>
Total	<u>\$ 746,225</u>

The assets acquired through the capital lease are as follows:

	<u>Governmental Activities</u>
Assets:	
Buildings	\$ 186,986
Equipment	1,860,973
Vehicles	<u>1,812,172</u>
	3,860,131
Less accumulated depreciation	<u>3,119,274</u>
Total	<u>\$ 740,857</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	\$ 173,194,470	\$ 5,435,000	\$ 167,759,470

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**E. Fund Balance**

The components of fund balance for the governmental funds at June 30, 2018 are as follows:

	<u>General Fund</u>	<u>School Cafeteria Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Fund balances:				
Nonspendable:				
Inventory	\$	\$ 23,149	\$	\$ 23,149
Restricted for:				
Grants		18,744		18,744
Education supplies			7,986	7,986
Enabling legislation	2,031,654			2,031,654
Committed to:				
Middlesex Transition Academy			54,851	54,851
Capital projects			331,570	331,570
Assigned to:				
Administration encumbrances - technology capital expenditures	95,471			95,471
Unassigned		<u>(79,956)</u>		<u>(79,956)</u>
 Total Fund Balances	 <u>\$ 2,127,125</u>	 <u>\$ (38,063)</u>	 <u>\$ 394,407</u>	 <u>\$ 2,483,469</u>

**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.

During fiscal year 2018, the District was 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 paid 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. Beginning in fiscal year 2019, the District is no longer a member of CIRMA.

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

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

**5. PENSION PLANS**

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

**Plan Description and Benefits Provided**

The District is the administrator of a single-employer pension employee retirement system (PERS) established and administered by the District to provide pension benefits for its employees. The Pension Committee, consisting of employees from the District as well as community members, 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, 2017, the date of the last actuarial valuation, the plan’s membership consisted of the following:

Retirees, disabled and beneficiaries currently receiving benefits	33
Terminated employees entitled to benefits but not yet receiving them	14
Current plan members	<u>79</u>
Total	<u><u>126</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, work 1,000 hours in a year 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.

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**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, 2018 represented 10.66% 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, 2018:

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

**Rate of Return**

For the year ended June 30, 2018, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 3.93%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**Net Pension Liability of the District**

The components of the net pension liability of the District at June 30, 2018 were as follows:

Total pension liability	\$ 9,606,885
Plan fiduciary net position	<u>(8,515,023)</u>
District's Net Pension Liability	<u><u>\$ 1,091,862</u></u>
Plan fiduciary net position as a percentage of the total pension liability	88.63%

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**Actuarial Assumptions**

The total pension liability was determined by an actuarial valuation as of July 1, 2017, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60%
Salary increases	3.50%
Investment rate of return	7.00%

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, 2018 (see the discussion of the pension plan's investment policy) are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Large Cap Core Equity	4.65
Mid Cap Core Equity	5.50
Small Cap Core Equity	5.50
International Equity	5.50
Emerging Market Equity	6.50
Intermediate Duration Inv Grade Tax Fixed	2.25
Short Duration Inv Grade Tax Fixed	-
Cash	-

**Discount Rate**

The discount rate used to measure the total pension liability was 7.00%. 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.

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**Changes in the Net Pension Liability**

	<b>Increase (Decrease)</b>		
	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (a)-(b)</b>
Balances as of July 1, 2017	\$ 9,659,535	\$ 8,161,833	\$ 1,497,702
Changes for the year:			
Service cost	371,087		371,087
Interest on total pension liability	735,283		735,283
Differences between expected and actual experience	(604,656)		(604,656)
Changes in assumptions	(92,315)		(92,315)
Employer contributions		335,575	(335,575)
Member contributions		158,650	(158,650)
Net investment income		322,067	(322,067)
Benefit payments, including refund to employee contributions	(462,049)	(462,049)	-
Administrative expenses		(1,053)	1,053
Net changes	<u>(52,650)</u>	<u>353,190</u>	<u>(405,840)</u>
Balances as of June 30, 2018	<u>\$ 9,606,885</u>	<u>\$ 8,515,023</u>	<u>\$ 1,091,862</u>

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

The following presents the net pension liability of the District, calculated using the discount rate of 7.00%, 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 (6.00%) or 1 percentage point higher (8.00%) than the current rate:

	<b>1% Decrease (6.00%)</b>	<b>Current Discount Rate (7.00%)</b>	<b>1% Increase (8.00%)</b>
Total Net Pension Liability	\$ 2,110,769	\$ 1,091,862	\$ 219,058

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

For the year ended June 30, 2018, the District recognized pension expense of \$335,575. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	<b>Employees' Pension Plan</b>	
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$	\$ 551,665
Changes of assumptions	175,171	76,399
Net difference between projected and actual earning on pension plan investments	<u>397,070</u>	
Total	<u>\$ 572,241</u>	<u>\$ 628,064</u>

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

**Year Ending June 30,**

2019	\$	101,093
2020		32,614
2021		(31,474)
2022		(61,924)
2023		<u>(96,132)</u>
Total	<u>\$</u>	<u>(55,823)</u>

**B. Teachers Retirement**

**Plan Description**

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

**Benefit Provisions**

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

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**Normal Retirement**

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

**Early Retirement**

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

**Disability Retirement**

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

**Contributions**

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

*Employer (School Districts)*

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

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

*Employees*

Effective January 1, 2018, each teacher is required to contribute 7% of salary for the pension benefit.

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

At June 30, 2018, the District reports no amounts for its proportionate share of the net pension liability, and related deferred outflows and inflows, due to the statutory requirement that the State pay 100% of the required contribution. The amount recognized by the District as its proportionate share of the net pension liability, the related state support and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the net pension liability	\$	-
State's proportionate share of the net pension liability associated with the District		<u>51,386,371</u>
Total	\$	<u><u>51,376,371</u></u>



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The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. At June 30, 2018, the District has no proportionate share of the net pension liability.

For the year ended June 30, 2018, the District recognized pension expense and revenue of \$5,943,902 in Exhibit II for on-behalf amounts for the benefits provided by the State.

**Actuarial Assumptions**

The total pension liability was determined by an actuarial valuation as of June 30, 2016, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increase	3.25-6.50%, including inflation
Investment rate of return	8.50%, net of pension plan investment expense, including inflation

Mortality rates were based on the RPH-2014 White Collar table with employee and annuitant rates blended from ages 50 to 80, projected to the year 2020 using the BB improvement scale, and further adjusted to grade in increased rates (5% for females and 8% for males) over age 80 for the period after service retirement and for dependent beneficiaries as well as for active members. The RPH-2014 Disabled Mortality Table projected to 2017 with Scale BB is used for the period after disability retirement.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2010 - June 30, 2015.

For teachers who retired prior to September 1, 1992, pension benefit adjustments are made in accordance with increases in the Consumer Price Index, with a minimum of 3% and a maximum of 5% per annum.

For teachers who were members of the Teachers' Retirement System before July 1, 2007 and retire on or after September 1, 1992, pension benefit adjustments are made that are consistent with those provided for Social Security benefits on January 1 of the year granted, with a maximum of 6% per annum. If the return on assets in the previous year was less than 8.5%, the maximum increase is 1.5%.

For teachers who were members of the Teachers' Retirement System after July 1, 2007, pension benefit adjustments are made that are consistent with those provided for Social Security benefits on January 1 of the year granted, with a maximum of 5% per annum. If the return on assets in the previous year was less than 11.5%, the maximum increase is 3%, and if the return on the assets in the previous year was less than 8.5%, the maximum increase is 1.0%.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Large Cap U.S. equities	21.0%	5.8%
Developed non-U.S. equities	18.0%	6.6%
Emerging markets (non-U.S.)	9.0%	8.3%
Core fixed income	7.0%	1.3%
Inflation linked bond fund	3.0%	1.0%
Emerging market bond	5.0%	3.7%
High yield bonds	5.0%	3.9%
Real estate	7.0%	5.1%
Private equity	11.0%	7.6%
Alternative investments	8.0%	4.1%
Liquidity fund	6.0%	0.4%
Total	<u>100.0%</u>	

**Discount Rate**

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

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

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

**Other Information**

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

**6. OTHER POST EMPLOYMENT BENEFIT PLANS**

**A. Retiree Health Plan**

**Plan Description**

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

The District currently pays for postemployment health care benefits on a pay-as-you-go basis. As of June 30, 2018, the District has not established a trust fund to irrevocably segregate assets to fund liability associated with the postemployment benefits, which would require the reporting of a trust fund in accordance with GASB guidelines. Administration costs are financed from current operations.

**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 and 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, 2018 was \$9,213 per member and \$19,809 per couple.

**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.

**Employees Covered by Benefit Terms**

Membership in the plan consisted of the following at July 1, 2016, the date of the last actuarial valuation.

Inactive employees currently receiving benefit payments	27
Active employees	<u>337</u>
Total	<u><u>364</u></u>

**Total OPEB Liability**

The District's total OPEB liability of \$5,179,367 was measured as of June 30, 2018 and was determined by an actuarial valuation as of July 1, 2016.

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**Actuarial Assumptions and Other Inputs**

The total OPEB liability as of June 30, 2018 was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.60%
Salary increases	2.60%, average, including inflation
Discount rate	3.87%
Healthcare cost trend rates	8.25% for 2016, decreasing 0.5% per year to an ultimate rate of 4.60% for 2024 and later years
Retirees' share of benefit-related costs	Varies based on union

The discount rate was based on the published Bond Buyer GO 20-Bond Municipal Index effective as of June 30, 2018.

Mortality rates were based on 2006 Total Dataset Mortality Table with adjustments for mortality improvements based on Scale MP-2016.

The actuarial assumptions used in the July 1, 2016 valuation were based on standard tables modified for certain plan features such as eligibility for full and early retirement where applicable and input from the plan sponsor. The plan does not have credible data on which to perform an experience study. As a result, a full actuarial experience study is not applicable.

**Changes in the Total OPEB Liability**

	<b><u>Total OPEB Liability</u></b>
Balances as of July 1, 2017	\$ <u>5,147,213</u>
Changes for the year:	
Service cost	172,599
Interest on total OPEB liability	187,833
Difference between expected and actual experience	15,766
Changes in assumptions or other inputs	(196,608)
Benefit payments	<u>(147,436)</u>
Net changes	<u>32,154</u>
Balances as of June 30, 2018	\$ <u><u>5,179,367</u></u>

Changes of assumptions and other inputs reflect a change in the discount rate from 3.58% in 2017 to 3.87% in 2018.

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**Sensitivity of the Total OPEB Liability to Changes in the Discount Rate**

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.87%) or 1 percentage point higher (4.87%) than the current discount rate:

	<b>1% Decrease (2.87%)</b>	<b>Current Discount Rate (3.87%)</b>	<b>1% Increase (4.87%)</b>
Total OPEB liability	\$ 5,901,994	\$ 5,179,367	\$ 4,582,691

**Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates**

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower (7.25% decreasing to 3.60%) or 1 percentage point higher (9.25% decreasing to 5.60%) than the current healthcare cost trend rates:

	<b>1% Decrease (7.25% Decreasing to 3.60%)</b>	<b>Healthcare Cost Trend Rates (8.25% Decreasing to 4.60%)</b>	<b>1% Increase (9.25% Decreasing to 5.60%)</b>
Total OPEB liability	\$ 4,382,905	\$ 5,179,367	\$ 6,121,332

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

For the year ended June 30, 2018, the District recognized OPEB expense of \$320,577. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 14,679	\$
Changes of assumptions or other inputs	<u>                    </u>	<u>183,049</u>
Total	<u>\$ 14,679</u>	<u>\$ 183,049</u>

**REGIONAL SCHOOL DISTRICT NO. 13  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2018**

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

<u>Year Ending June 30</u>	
2019	\$ (12,472)
2020	(12,472)
2021	(12,472)
2022	(12,472)
2023	(12,472)
Thereafter	<u>(106,010)</u>
Total	\$ <u><u>(168,370)</u></u>

**B. Teachers Retirement Plan**

**Plan Description**

Teachers, principals, superintendents or supervisors engaged in service of public schools plus professional employees at State Schools of higher education are eligible to participate in the Connecticut State Teachers' Retirement System Retiree Health Insurance Plan (TRS-RHIP), a cost sharing multiple-employer defined benefit other post employment benefit plan administered by the Teachers' Retirement Board (TRB), if they choose to be covered.

Chapter 167a of the State Statutes grants authority to establish and amend the benefit terms to the TRB. TRS-RHIP issues a publicly available financial report that can be obtained at [www.ct.gov/trb](http://www.ct.gov/trb).

**Benefit Provisions**

There are two types of the health care benefits offered through the system. Subsidized Local School District Coverage provides a subsidy paid to members still receiving coverage through their former employer and the CTRB Sponsored Medicare Supplemental Plans provide coverage for those participating in Medicare but not receiving Subsidized Local School District Coverage.

Any member who is not currently participating in Medicare Parts A & B is eligible to continue health care coverage with their former employer. A subsidy of up to \$110 per month for a retired member plus an additional \$110 per month for a spouse enrolled in a local school district plan is provided to the school district to first offset the retiree's share of the cost of coverage, and any remaining portion is used to offset the district's cost. The subsidy amount is set by statute and has not increased since July 1996. A subsidy amount of \$220 per month may be paid for a retired member, spouse or the surviving spouse of a member who has attained the normal retirement age to participate in Medicare, is not eligible for Part A of Medicare without cost, and contributes at least \$220 per month towards coverage under a local school district plan.

Any member who is currently participating in Medicare Parts A & B is eligible to either continue health care coverage with their former employer, if offered, or enroll in the plan sponsored by the System. If they elect to remain in the plan with their former employer, the same subsidies as above will be paid to offset the cost of coverage.

**REGIONAL SCHOOL DISTRICT NO. 13  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

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If a member participating in Medicare Parts A & B so elects, they may enroll in one of the CTRB Sponsored Medicare Supplemental Plans. Active members, retirees and the State pay equally toward the cost of the basic coverage (medical and prescription drug benefits). There are three choices for coverage under the CTRB Sponsored Medicare Supplemental Plans. The choices and 2017 calendar year premiums charged for each choice are shown in the table below:

- Medicare Supplement with Prescriptions \$ 92
- Medicare Supplement with Prescriptions and Dental 136
- Medicare Supplement with Prescriptions, Dental, Vision & Hearing 141

Those participants electing vision, hearing and/or dental are required by the System's funding policy to pay the full cost of coverage for these benefits, and no liability is assumed by the plan for these benefits.

**Survivor Health Care Coverage**

Survivors of former employees or retirees remain eligible to participate in the plan and continue to be eligible to receive either the \$110 monthly subsidy or participate in the TRB-Sponsored Medicare Supplemental Plans, as long as they do not remarry.

**Eligibility**

Any member who is currently receiving a retirement or disability benefit is eligible to participate in the plan.

**Credited Service**

One month for each month of service as a teacher in Connecticut public schools, maximum 10 months for each school year. Ten months of credited service constitutes one year of Credited Service. Certain other types of teaching services, State employment, or wartime military service may be purchased prior to retirement if the member pays one-half the cost.

**Normal Retirement**

Age 60 with 20 years of Credited Service in Connecticut, or 35 years of Credited Service including at least 25 years of service in Connecticut.

**Early Retirement**

Age 55 with 20 years of Credited Service including 15 years of Connecticut service, or 25 years of Credited Service including 20 years of Connecticut service.

**Proratable Retirement**

Age 60 with 10 years of credited service

**Disability Retirement**

No service requirement if incurred in the performance of duty, and 5 years of Credited Service in Connecticut if not incurred in the performance of duty.

**Termination of Employment**

Ten or more years of Credited Service.

**REGIONAL SCHOOL DISTRICT NO. 13  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

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**Contributions**

*State of Connecticut*

Per Connecticut General Statutes Section 10-183z, contribution requirements of active employees and the State of Connecticut are approved, amended and certified by the State Teachers' Retirement Board and appropriated by the General Assembly. The State contributions are not currently actuarially funded. The State appropriates from the General Fund one third of the annual costs of the Plan. Administrative costs of the Plan are financed by the State. Based upon Chapter 167a, Subsection D of Section 10-183t of the Connecticut statutes, it is assumed the State will pay for any long-term shortfall arising from insufficient active member contributions.

*Employer (School Districts)*

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

*Employees*

Each member is required to contribute 1.25% of their annual salary up to \$500,000. Contributions in excess of \$500,000 will be credited to the Retiree Health Insurance Plan.

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

At June 30, 2018, the District reports no amounts for its proportionate share of the net OPEB liability, and related deferred outflows and inflows, due to the statutory requirement that the State pay 100% of the required contribution. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support and the total portion of the net OPEB liability that was associated with the District was as follows:

District's proportionate share of the net OPEB liability	\$	-
State's proportionate share of the net OPEB liability associated with the District		<u>13,226,256</u>
Total	\$	<u><u>13,226,256</u></u>

The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as June 30, 2016. At June 30, 2018, the District has no proportionate share of the net OPEB liability.

For the year ended June 30, 2018, the District recognized OPEB expense and revenue of \$612,972 in Exhibit II for on-behalf amounts for the benefits provided by the State.



**REGIONAL SCHOOL DISTRICT NO. 13  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

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**Actuarial Assumptions**

The total OPEB liability was determined by an actuarial valuation as of June 30, 2016, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Health care costs trend rate	7.25% decreasing to 5.00% by 2022
Salary increases	3.25-6.50%, including inflation
Investment rate of return	3.56%, net of OPEB plan investment expense, including inflation
Year fund net position will be depleted	2018

Mortality rates were based on the RPH-2014 White Collar table with employee and annuitant rates blended from ages 50 to 80, projected to the year 2020 using the BB improvement scale, and further adjusted to grade in increases (5% for females and 8% for males) over age 80. For disabled retirees, mortality rates were based on the RPH-2014 Disabled Mortality Table projected to 2017 using the BB improvement scale.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2010 - June 30, 2015.

The long-term expected rate of return on plan assets is reviewed as part of the GASB 74 valuation process. Several factors are considered in evaluating the long-term rate of return assumption, including the plan's current asset allocations and a log-normal distribution analysis using the best-estimate ranges of expected future real rates of return (expected return, net investment expense and inflation) for each major asset class. The long-term expected rate of return was determined by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The assumption is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years. The plan is 100% invested in U.S. Treasuries (Cash Equivalents) for which the expected 10-Year Geometric Real Rate of Return is (0.04%).

**Discount Rate**

The discount rate used to measure the total OPEB liability was 3.56%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current member contribution rate and that contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members. No future State contributions were assumed to be made. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be depleted in 2018 and, as a result, the Municipal Bond Index Rate was used in the determination.

**Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate and the Discount Rate**

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



**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, 2018**

	<u>Budgeted Amounts</u>			<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Assessments from District Member Towns	\$ 35,479,695	\$ 35,479,695	\$ 35,479,695	\$ -
Local Sources:				
Interest income	16,000	16,000	8,213	(7,787)
Intergovernmental:				
Transportation	80,750	80,750	6,500	(74,250)
Special education	346,426	346,426	414,500	68,074
Adult education	9,434	9,434	9,744	310
Health services			3,534	3,534
Total intergovernmental	436,610	436,610	434,278	(2,332)
Charges for Services:				
Buildings/grounds rentals	48,500	48,500	38,830	(9,670)
Total charges for services	48,500	48,500	38,830	(9,670)
Other Revenue:				
Miscellaneous	272,300	272,300	268,868	(3,432)
Total revenues	36,253,105	36,253,105	36,229,884	(23,221)
Other Financing Sources:				
Transfer in			150,000	150,000
Appropriation of fund balance	884,799	884,799		(884,799)
Total other financing sources	884,799	884,799	150,000	(734,799)
Total Revenues and Other Financing Sources	\$ 37,137,904	\$ 37,137,904	36,379,884	\$ (758,020)
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.			6,556,874	
Issuance of capital lease			304,909	
Total Revenues and Other Financing Sources as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds - Exhibit IV			\$ 43,241,667	

**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, 2018**

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
Salaries:				
Certified personnel	\$ 16,497,378	\$ 16,497,378	\$ 16,161,378	\$ 336,000
Support personnel	4,805,769	4,805,769	4,667,451	138,318
Total salaries	<u>21,303,147</u>	<u>21,303,147</u>	<u>20,828,829</u>	<u>474,318</u>
Employee Benefits:				
Employee benefits	<u>6,829,775</u>	<u>6,829,775</u>	<u>6,337,581</u>	<u>492,194</u>
Purchased Services:				
Education	359,395	359,395	347,857	11,538
Conferences	58,825	58,825	51,987	6,838
Professional	234,610	234,610	207,174	27,436
Technical	265,600	265,600	263,132	2,468
Total purchased services	<u>918,430</u>	<u>918,430</u>	<u>870,150</u>	<u>48,280</u>
Property Services:				
Disposal services	25,000	25,000	23,561	1,439
Snow removal	50,000	50,000	67,156	(17,156)
Lawn service	115,000	115,000	109,802	5,198
Repairs and maintenance	215,304	215,304	233,789	(18,485)
Rentals and leases	613,976	613,976	586,546	27,430
Total property services	<u>1,019,280</u>	<u>1,019,280</u>	<u>1,020,854</u>	<u>(1,574)</u>
Operational Services:				
Pupil transportation	1,498,290	1,498,290	1,277,355	220,935
Field trips/athletics	223,250	223,250	211,588	11,662
Liability insurance	156,449	156,449	145,479	10,970
Dues and fees	54,688	54,688	53,735	953
Communication	84,789	84,789	75,829	8,960
Advertising	4,000	4,000	780	3,220
Printing	66,356	66,356	44,651	21,705
Tuition	1,278,007	1,278,007	1,195,603	82,404
Travel	33,215	33,215	15,488	17,727
Total operational services	<u>3,399,044</u>	<u>3,399,044</u>	<u>3,020,508</u>	<u>378,536</u>
Supplies:				
Supplies	650,831	650,831	573,663	77,168
Books/resource materials	174,331	174,331	170,711	3,620
Electricity	561,886	561,886	562,850	(964)
Bottled gas	5,000	5,000	3,243	1,757
Heating oil	202,268	202,268	172,802	29,466
Gasoline and oil vehicles	5,000	5,000	5,709	(709)
Total supplies	<u>1,599,316</u>	<u>1,599,316</u>	<u>1,488,978</u>	<u>110,338</u>
Capital Improvements/Equipment:				
Transfer to Capital Reserve Fund	164,500	164,500	164,500	-
Equipment	210,655	210,655	234,302	(23,647)
Total capital improvements/equipment	<u>375,155</u>	<u>375,155</u>	<u>398,802</u>	<u>(23,647)</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, 2018

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
Debt Service:				
Principal	\$ 1,441,055	\$ 1,441,055	\$ 1,441,055	\$ -
Interest	<u>252,702</u>	<u>252,702</u>	<u>252,714</u>	<u>(12)</u>
Total debt service	<u>1,693,757</u>	<u>1,693,757</u>	<u>1,693,769</u>	<u>(12)</u>
Total Expenditures	\$ <u>37,137,904</u>	\$ <u>37,137,904</u>	35,659,471	\$ <u>1,478,433</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.			6,556,874	
Issuance of capital lease			<u>304,759</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>42,521,104</u>	

**REGIONAL SCHOOL DISTRICT NO. 13**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS**  
**DISTRICT'S RETIREMENT PLAN**  
**LAST FIVE FISCAL YEARS\***

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability:					
Service cost	\$ 371,087	\$ 362,003	\$ 367,442	\$ 351,588	\$ 336,448
Interest	735,283	672,025	623,204	574,926	531,037
Differences between expected and actual experience	(604,656)		(104,288)		
Changes of assumptions	(92,315)		356,383		
Benefit payments, including refunds of member contributions	<u>(462,049)</u>	<u>(430,351)</u>	<u>(253,084)</u>	<u>(342,618)</u>	<u>(253,857)</u>
Net change in total pension liability	(52,650)	603,677	989,657	583,896	613,628
Total pension liability - beginning	<u>9,659,535</u>	<u>9,055,858</u>	<u>8,066,201</u>	<u>7,482,305</u>	<u>6,868,677</u>
Total pension liability - ending	<u>9,606,885</u>	<u>9,659,535</u>	<u>9,055,858</u>	<u>8,066,201</u>	<u>7,482,305</u>
Plan fiduciary net position:					
Contributions - employer	335,575	326,520	330,684	322,555	320,180
Contributions - member	158,650	160,535	179,303	165,524	163,275
Net investment income	322,067	605,295	237,708	167,531	1,000,455
Benefit payments, including refunds of member contributions	(462,049)	(430,351)	(253,084)	(342,618)	(253,857)
Administrative expense	<u>(1,053)</u>	<u>(18,299)</u>	<u>(14,621)</u>	<u>(4,902)</u>	<u>(455)</u>
Net change in plan fiduciary net position	353,190	643,700	479,990	308,090	1,229,598
Plan fiduciary net position - beginning	<u>8,161,833</u>	<u>7,518,133</u>	<u>7,038,143</u>	<u>6,730,053</u>	<u>5,500,455</u>
Plan fiduciary net position - ending	<u>8,515,023</u>	<u>8,161,833</u>	<u>7,518,133</u>	<u>7,038,143</u>	<u>6,730,053</u>
Net Pension Liability - Ending	<u>\$ 1,091,862</u>	<u>\$ 1,497,702</u>	<u>\$ 1,537,725</u>	<u>\$ 1,028,058</u>	<u>\$ 752,252</u>
Plan fiduciary net position as a percentage of the total pension liability	88.63%	84.50%	83.02%	87.25%	89.95%
Covered payroll	\$ 3,148,293	\$ 3,359,920	\$ 3,215,234	\$ 3,419,417	\$ 3,272,169
Net pension liability as a percentage of covered payroll	34.68%	44.58%	47.83%	30.07%	22.99%

\*Note - This schedule is intended to show information for ten years. Additional information will be added as it becomes available.

**REGIONAL SCHOOL DISTRICT NO. 13  
SCHEDULE OF EMPLOYER CONTRIBUTIONS  
DISTRICT'S RETIREMENT PLAN  
LAST TEN FISCAL YEARS**

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Actuarially determined contribution	\$ 97,007	\$ 98,948	\$ 258,312	\$ 263,788	\$ 289,746	\$ 320,180	\$ 322,555	\$ 330,684	\$ 326,520	\$ 335,575
Contributions in relation to the actuarially determined contribution	<u>103,674</u>	<u>105,615</u>	<u>258,312</u>	<u>263,788</u>	<u>289,746</u>	<u>320,180</u>	<u>322,555</u>	<u>330,684</u>	<u>326,520</u>	<u>335,575</u>
Contribution Deficiency (Excess)	\$ <u>(6,667)</u>	\$ <u>(6,667)</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
Covered payroll	\$ 2,542,758	\$ 2,747,081	\$ 2,770,762	\$ 3,032,044	\$ 3,188,263	\$ 3,272,169	\$ 3,419,417	\$ 3,215,234	\$ 3,359,920	\$ 3,148,293
Contributions as a percentage of covered payroll	4.08%	3.84%	9.32%	8.70%	9.09%	9.78%	9.43%	10.28%	9.72%	10.66%

**Notes to Schedule**

Valuation date: July 1, 2017  
Measurement date: June 30, 2018  
Actuarially determined contribution rates are calculated as of June 30, three years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	20 years
Asset valuation method	Expected asset value plus 20% of the difference between the Expected Value and the Market Value.
Inflation	2.6%
Salary increases	3.5%
Investment rate of return	7.0%

**REGIONAL SCHOOL DISTRICT NO. 13  
SCHEDULE OF INVESTMENT RETURNS  
DISTRICT'S RETIREMENT PLAN  
LAST FIVE FISCAL YEARS\***

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	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Annual money-weighted rate of return, net of investment expense	3.93%	7.98%	3.28%	2.46%	18.32%

\*Note - This schedule is intended to show information for ten years. Additional information will be added as it becomes available.



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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability	0.00%	0.00%	0.00%	0.00%
District's proportionate share of the net pension liability	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability associated with the District	<u>51,386,371</u>	<u>54,213,015</u>	<u>41,754,112</u>	<u>38,593,309</u>
Total	<u>\$ 51,386,371</u>	<u>\$ 54,213,015</u>	<u>\$ 41,754,112</u>	<u>\$ 38,593,309</u>
District's covered payroll	\$ 15,455,931	\$ 15,756,461	\$ 15,322,385	\$ 15,189,280
District's proportionate share of the net pension liability as a percentage of its covered payroll	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	55.93%	52.26%	59.50%	61.51%

**Notes to Schedule**

Changes in benefit terms      None  
Changes of assumptions      During 2016, rates of withdrawal, disability, retirement, mortality and assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience. These assumptions were recommended as part of the Experience Study for the System for the five-year period ended June 30, 2015.

During 2011, rates of withdrawal, retirement and assumed rates of salary increases were adjusted to reflect actual and anticipated experience. These assumptions were recommended as part of the Experience Study for the System for the five-year period ended June 30, 2010.

Actuarial cost method      Entry age  
Amortization method      Level percent of pay, closed  
Remaining amortization period      20.4 years  
Asset valuation method      4-year smoothed market  
Investment rate of return      8.50%, net of investment-related expense

\*Note - This schedule is intended to show information for ten years. Additional information will be added as it becomes available.

**REGIONAL SCHOOL DISTRICT NO. 13**  
**SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS**  
**RETIREE HEALTH PLAN**  
**LAST FISCAL YEAR\***

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	<u>2018</u>
Total OPEB liability:	
Service cost	\$ 172,599
Interest	187,833
Changes of benefit terms	
Differences between expected and actual experience	15,766
Changes of assumptions and other inputs	(196,608)
Benefit payments	<u>(147,436)</u>
Net change in total OPEB liability	32,154
Total OPEB liability - beginning	<u>5,147,213</u>
Total OPEB Liability - Ending	<u>\$ 5,179,367</u>
Covered payroll	\$ 21,299,064
Total OPEB liability as a percentage of covered payroll	24.32%

\*Note - This schedule is intended to show information for ten years. Additional information will be added as it becomes available.

**REGIONAL SCHOOL DISTRICT NO. 13  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE TOTAL OPEB LIABILITY  
TEACHERS RETIREMENT PLAN  
LAST FISCAL YEAR\***

	<u>2018</u>
District's proportion of the net OPEB liability	0.00%
District's proportionate share of the net OPEB liability	\$ -
State's proportionate share of the net OPEB liability associated with the District	<u>13,226,256</u>
Total	<u>\$ 13,226,256</u>
District's covered payroll	\$ 15,455,931
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	0.00%
Plan fiduciary net position as a percentage of the total OPEB liability	1.79%

**Notes to Schedule**

Changes in benefit terms	None
Changes of assumptions	The discount rate was increased from 3.01% to 3.56% to reflect the change in the Municipal Bond Index Rate.
	Changes were made to the assumed initial per capita health care costs, rates of health care inflation used to project the per capita costs, and the rates of Plan participation based upon recent experience and current expectations.
	As a result of the experience study for the five-year period ended June 30, 2015, the payroll growth rate assumption was decreased from 3.75% to 3.25% to reflect the decrease in the rate of inflation and the decrease in the rate of real wage increase. Last, the salary growth assumption, the payroll growth rate, the rates of withdrawal, the rates of retirement, the rates of mortality, and the rates of disability incidence were adjusted based upon the experience study's findings and their adoption by the Board.
Actuarial cost method	Entry age
Amortization method	Level percent of payroll
Remaining amortization period	30 years
Asset valuation method	Market value of assets
Investment rate of return	4.25%, net of investment-related expense including price inflation

\*Note - This schedule is intended to show information for ten years. Additional information will be added as it becomes available.

REGIONAL SCHOOL DISTRICT NO. 13  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2018

	Special Revenue Funds		Capital Project Fund	Permanent Fund	Total Nonmajor Governmental Funds
	Middlesex Transition Academy	Special School Grants and Programs	Capital Reserve Fund	Haake Science and History	
<b>ASSETS</b>					
Cash and cash equivalents	\$ 94,636	\$ 65,145	\$ 335,319	\$	\$ 495,100
Investments				7,986	7,986
Intergovernmental receivable		17,524			17,524
Total Assets	<u>\$ 94,636</u>	<u>\$ 82,669</u>	<u>\$ 335,319</u>	<u>\$ 7,986</u>	<u>\$ 520,610</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable and accrued items	\$ 39,785	\$ 20,724	\$ 3,749	\$	\$ 64,258
Unearned revenue		61,945			61,945
Total liabilities	<u>39,785</u>	<u>82,669</u>	<u>3,749</u>	<u>-</u>	<u>126,203</u>
Fund Balances:					
Restricted				7,986	7,986
Committed	54,851		331,570		386,421
Total fund balances	<u>54,851</u>	<u>-</u>	<u>331,570</u>	<u>7,986</u>	<u>394,407</u>
Total Liabilities and Fund Balances	<u>\$ 94,636</u>	<u>\$ 82,669</u>	<u>\$ 335,319</u>	<u>\$ 7,986</u>	<u>\$ 520,610</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, 2018**

	<u>Special Revenue Funds</u>		<u>Capital Project Fund</u>	<u>Permanent Fund</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>Middlesex Transition Academy</u>	<u>Special School Grants and Programs</u>	<u>Capital Reserve Fund</u>	<u>Haake Science and History</u>	
Revenues:					
Local sources	\$	\$	\$ 1,097	\$ (335)	\$ 762
Intergovernmental		435,919			435,919
Charges for services	824,494				824,494
Total revenues	<u>824,494</u>	<u>435,919</u>	<u>1,097</u>	<u>(335)</u>	<u>1,261,175</u>
Expenditures:					
Current:					
Salaries	453,741				453,741
Employee benefits	106,364				106,364
Purchased services	128,257	435,919			564,176
Operational services	128,351				128,351
Supplies	8,672				8,672
Capital outlay			207,047		207,047
Debt service			33,933		33,933
Total expenditures	<u>825,385</u>	<u>435,919</u>	<u>240,980</u>	<u>-</u>	<u>1,502,284</u>
Excess (Deficiency) of Revenues over Expenditures	(891)	-	(239,883)	(335)	(241,109)
Other Financing Sources (Uses):					
Transfers in			164,500		164,500
Transfers out	<u>(150,000)</u>				<u>(150,000)</u>
Net Change in Fund Balances	(150,891)	-	(75,383)	(335)	(226,609)
Fund Balances at Beginning of Year	<u>205,742</u>	<u>-</u>	<u>406,953</u>	<u>8,321</u>	<u>621,016</u>
Fund Balances at End of Year	<u>\$ 54,851</u>	<u>\$ -</u>	<u>\$ 331,570</u>	<u>\$ 7,986</u>	<u>\$ 394,407</u>

**REGIONAL SCHOOL DISTRICT NO. 13  
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -  
 AGENCY FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Balance</u> <u>July 1, 2017</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2018</u>
<b>Student Activity Fund</b>				
Assets:				
Cash	\$ 341,550	\$ 406,998	\$ 427,304	\$ 321,244
Liabilities:				
Accounts payable	\$ 20,720		\$ 20,720	\$ -
Due to student groups	320,830	406,998	406,584	321,244
Total liabilities	\$ 341,550	\$ 406,998	\$ 427,304	\$ 321,244
<b>Middlesex Consortium</b>				
Assets:				
Cash	\$ 99,154	\$ 25,679	\$ 102,221	\$ 22,612
Liabilities:				
Due to others	\$ 99,154	\$ 25,679	\$ 102,221	\$ 22,612
<b>Total All Funds</b>				
Assets:				
Cash	\$ 440,704	\$ 432,677	\$ 529,525	\$ 343,856
Liabilities:				
Accounts payable	\$ 20,720		\$ 20,720	\$ -
Due to student groups and others	419,984	432,677	508,805	343,856
Total liabilities	\$ 440,704	\$ 432,677	\$ 529,525	\$ 343,856

**REGIONAL SCHOOL DISTRICT NO. 13  
SCHEDULE OF DEBT LIMITATION - THE DISTRICT  
JUNE 30, 2018**

	<u>Town of</u>		
	<u>Durham</u>	<u>Middlefield</u>	<u>Total</u>
Total tax collections (including interest and lien fees)	\$ 24,777,685	\$ 13,709,975	\$ 38,487,660
Property tax relief elderly			-
Base	<u>\$ 24,777,685</u>	<u>\$ 13,709,975</u>	<u>\$ 38,487,660</u>
Debt Limitation:			
Limit for School Building Purposes (4.5 times base)			\$ <u>173,194,470</u>
Indebtedness:			
Bonds outstanding			<u>5,435,000</u>
Net Indebtedness			<u>5,435,000</u>
Debt Limitation in Excess of Net Indebtedness			<u>\$ 167,759,470</u>