
REGIONAL SCHOOL DISTRICT NO. 14

Annual Financial Statements

For the Year Ended June 30, 2020

REGIONAL SCHOOL DISTRICT NO. 14

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Regional School District No. 14

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. 14, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Regional School District No. 14'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.

Auditor's Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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. 14, as of June 30, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3–9, budgetary comparison information on pages 45-47, and Pension and OPEB schedules on pages 48-53 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Regional School District No. 14's basic financial statements. The combining and individual nonmajor fund financial statements and supplemental schedules 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 supplemental 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 supplemental schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2020, on our consideration of the Regional School District No. 14's internal control over financial reporting and on our tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Regional School District No. 14's internal control over financial reporting and compliance.



King, King & Associates, P.C., CPAs
Winsted, CT
December 22, 2020

REGIONAL SCHOOL DISTRICT NO. 14
Management's Discussion and Analysis
June 30, 2020

As management of the Regional School District No. 14, we offer readers of the Regional School District No. 14's financial statements this narrative overview and analysis of the financial activities of the Regional School District No. 14 for the fiscal year ended June 30, 2020.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the Regional School District No. 14 exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$24,691,057 (*net position*). Governmental activities reflect a negative unrestricted net position in the amount of (\$7,999,380) indicating that currently none of the net position may be used to meet ongoing obligations to citizens and creditors.
- The District's total net position increased by \$6,376,593.
- As of the close of the current fiscal year, the Regional School District No. 14's governmental funds reported combined ending fund balances of \$4,709,540, an increase of \$1,876,794 in comparison with the prior year.
- Of the General Fund's \$2,834,466 fund balance, \$54,124 is restricted for technology leases, \$1,797,925 is committed for OPEB benefits, \$631,009 is assigned for encumbrances, and \$351,408 is assigned for future retirement benefits.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Regional School District No. 14's basic financial statements. The Regional School District No. 14's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the 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 Regional School District No. 14's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the Regional School District No. 14's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator whether the financial position of the Regional School District No. 14 is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position is 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 periods (e.g., earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Regional School District No. 14 that are principally supported by intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The District has no business-type activities. The governmental activities of the Regional School District No. 14 include education, food service, maintenance and general administration. Local revenue funding and federal and state grants finance most of these activities.

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Management's Discussion and Analysis
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The government-wide financial statements can be found on pages 10-11 of this report.

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 Regional School District No. 14, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Regional School District No. 14 can be divided into two categories: governmental funds and fiduciary funds.

Governmental Funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund 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 in evaluating a government's near-term financing requirements.

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

The Regional School District No. 14, maintains a number of 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, High School Renovation Fund, and Reserve for Specific Capital Improvements. Data from the other governmental funds are combined into a single, aggregate presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The Regional School District No. 14, adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 12-15 of this report.

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 Regional School District No. 14's own programs.

The basic fiduciary fund financial statements can be found on pages 16-17 of this report.

Notes to the 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. The notes to the financial statements can be found on pages 18-44 of this report.

REGIONAL SCHOOL DISTRICT NO. 14
Management's Discussion and Analysis
June 30, 2020

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 Regional School District No. 14, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$24,691,057 at the close of the most recent fiscal year.

	<u>2020</u>	<u>Restated 2019</u>	<u>Variance</u>
Current and Other Assets	\$ 9,607,541	\$ 5,336,058	\$ 4,271,483
Capital Assets	<u>70,998,468</u>	<u>57,550,827</u>	<u>13,447,641</u>
Total Assets	<u>80,606,009</u>	<u>62,886,885</u>	<u>17,719,124</u>
Deferred Outflows of Resources	<u>2,755,201</u>	<u>2,321,035</u>	<u>434,166</u>
Other Liabilities	5,659,848	3,499,839	2,160,009
Long-Term Liabilities	<u>52,476,525</u>	<u>42,901,450</u>	<u>9,575,075</u>
Total Liabilities	<u>58,136,373</u>	<u>46,401,289</u>	<u>11,735,084</u>
Deferred Inflows of Resources	<u>533,780</u>	<u>492,167</u>	<u>41,613</u>
Net Position:			
Net Investment in Capital Assets	32,690,437	27,395,465	5,294,972
Unrestricted	<u>(7,999,380)</u>	<u>(9,081,001)</u>	<u>1,081,621</u>
Total Net Position	<u>\$ 24,691,057</u>	<u>\$ 18,314,464</u>	<u>\$ 6,376,593</u>

The largest portion of the District's net position reflects its investment in capital assets (land, buildings, and furniture and equipment, less any related debt used to acquire those assets that is still outstanding). The District uses these assets to provide services to its citizens; consequently, these assets are not available for spending. Net investment in capital assets increased by \$5,294,972 due to current year capital purchases being greater than depreciation and losses on disposal by \$13,447,641, less the net change in the related debt, along with the addition and amortization of the bond premiums.

The District's unrestricted net position of (\$7,999,380) increased by \$1,081,621 compared to last years unrestricted net position of (\$9,081,001). This increase is primarily due to the GAAP basis increase in the governmental funds, less the increase in the total OPEB liability.

REGIONAL SCHOOL DISTRICT NO. 14
Management's Discussion and Analysis
June 30, 2020

	2020	2019	Variance
REVENUES			
<i>Program:</i>			
Charges for Services	\$ 2,277,457	\$ 2,427,452	\$ (149,995)
Operating Grants and Contributions	9,538,526	11,256,300	(1,717,774)
Capital Grants and Contributions	5,846,372	10,310,725	(4,464,353)
<i>General:</i>			
Participating Towns	31,806,758	30,260,637	1,546,121
Unrestricted Investment Earnings	18,932	27,052	(8,120)
Other	169,402	127,874	41,528
Total Revenues	49,657,447	54,410,040	(4,752,593)
EXPENSES			
<i>Governmental Activities:</i>			
Instructional Services	15,527,075	18,005,150	(2,478,075)
<i>Supporting Services:</i>			
Instructional Staff	3,377,268	1,757,163	1,620,105
Administrative	4,874,098	2,610,610	2,263,488
Operation and Maintenance of Facilities	3,629,574	2,799,494	830,080
Transportation	1,643,754	1,986,793	(343,039)
School Lunch Services	715,089	761,775	(46,686)
*Capital Outlay - Unallocated	-	845,902	(845,902)
*Depreciation - Unallocated	-	410,643	(410,643)
Employee Benefits - Unallocated	12,755,735	14,303,631	(1,547,896)
Interest on long-term debt	758,261	984,890	(226,629)
Total Expenses	43,280,854	44,466,051	(1,185,197)
Change in Net Position	6,376,593	9,943,989	\$ (3,567,396)
Beginning Net Position, Restated	18,314,464	8,370,475	
Ending Net Position	\$ 24,691,057	\$ 18,314,464	

*These were allocated for FY2020.

Governmental activities. Governmental activities increased the Regional School District No. 14's net position by \$6,376,593.

Sixty-four percent (64%) of the revenues of the District were derived from town assessments, followed by thirty-one percent (31%) from grants and contributions, five percent (5%) from charges for services and other, and less than one percent (1%) of the District's revenue in the fiscal year was derived from investment income.

Thirty-six percent (36%) of the expenses of the District were related to instructional services, followed by thirty-one percent (31%) related to supporting services, two percent (2%) related to school lunch services and thirty-one percent (31%) related to employee benefits and interest expense.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, the Regional School District No. 14 uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the Regional School District No. 14's governmental funds is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Regional School District No. 14's financing requirements. In particular, *unassigned and assigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Regional School District No. 14's governmental funds reported combined ending fund balances of \$4,709,540, an increase of \$1,876,794 in comparison with the prior year.

General Fund. The General Fund is the chief operating fund of the Regional School District No. 14. At the end of the current fiscal year the total fund balance of the General Fund was \$2,834,466. Of this amount, \$54,124 is restricted for technology leases, \$1,797,925 is committed for OPEB benefits, \$631,009 is assigned for encumbrances, and \$351,408 is assigned for future retirement benefits.

High School Renovation Fund. The fund balance of the High School Renovation Fund increased by \$820,585 during the current fiscal year. This increase is primarily related to school building grants, investment income, and proceeds from the issuance of bonds and bond premiums being greater than the current years capital outlay and debt service.

Reserve for Specific Capital Improvements. The state legislature established the ability to transfer to a capital reserve fund up to 1% of the annual approved budget. The Board of Education again voted to transfer to this fund \$352,566 for future capital or nonrecurring expenditures. There were no expenditures from this fund in the current fiscal year.

GENERAL FUND BUDGETARY HIGHLIGHTS

The original budget for the General Fund anticipated using \$320,557 from the Capital Reserve Fund. Budgetary revenues were \$225,866 less than anticipated due primarily not needing to use the appropriation from the Capital Reserve Fund along with grant revenues being greater than anticipated.

Budgetary expenditures were \$746,625 less than anticipated due to:

- Salaries – Certified coming in \$525,351 less than budget.
- Salaries – Classified coming in \$173,912 greater than budget.
- Purchased Services coming in \$654,424 less than budget.
- Capital Outlay coming in \$405,589 greater than budget.

Other financing uses included the approved transfer of up to 1% of the budget to the capital reserve fund of \$352,566 and a transfer of \$168,293 to cover a shortfall in the food service fund due to the COVID-19 pandemic.

REGIONAL SCHOOL DISTRICT NO. 14
 Management's Discussion and Analysis
 June 30, 2020

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. The Regional School District No. 14's reported value in capital assets for its governmental activities as of June 30, 2020, amounts to \$70,998,468 (net of accumulated depreciation). This reported value in capital assets includes land, building in progress, buildings and improvements, and furniture and equipment. The total increase in the District's investment in capital assets for the current fiscal year was \$13,447,641, which consisted of capital additions of \$13,988,375, offset by current year depreciation of \$537,235 and a loss on disposal of \$3,499.

	<u>2020</u>	<u>2019</u>
Land	\$ 494,814	\$ 494,814
Building in Progress	57,799,663	43,830,032
Buildings and Improvements	12,440,911	12,917,516
Furniture and Equipment	263,080	308,465
Total	<u>\$ 70,998,468</u>	<u>\$ 57,550,827</u>

Major capital asset events during the current fiscal year included the following:

- Current year progress on the Nonnewaug High School renovation project.

Additional information on the Regional School District No. 14's capital assets can be found in Note 5 on page 28 of this report.

Long-term debt. At the end of the current fiscal year, the Regional School District No. 14 had long-term liabilities outstanding of \$52,173,076.

	<u>2020</u>	<u>2019</u>
G.O. Bonds	\$ 36,175,000	\$ 12,000,000
Unamortized Premiums	2,424,754	155,362
Bond Anticipation Notes	-	18,000,000
Capital Lease Obligation	847,409	983,446
Compensated Absences	1,151,173	1,196,647
Net Pension Liability	777,873	879,032
OPEB Liability	10,796,867	9,686,963
Total	<u>\$ 52,173,076</u>	<u>\$ 42,901,450</u>

The Regional School District No. 14's total long-term debt increased by \$9,271,626 (21.6 percent) during the current fiscal year primarily due to the current year paydown of the G.O. Bonds in the amount of \$480,000, payoff of the BAN of \$18,000,000, the current year paydown of the technology lease obligations in the amount of \$386,037, the increase in the OPEB liability in the amount of \$1,109,904, and the issuance of GO Bonds of \$24,655,000 and bond premiums of \$2,275,606. Additional information on the Regional School District No. 14's long-term debt can be found in Note 6 on pages 30-31 of this report.

REGIONAL SCHOOL DISTRICT NO. 14
Management's Discussion and Analysis
June 30, 2020

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

A summary of key economic factors affecting the District are as follows:

- The Towns of Woodbury and Bethlehem continue to be concerned with the effect the current economic climate may have on their ability to generate revenue while holding taxes steady. The First Selectman from each town has raised concerns about increases in town budgets and the likely decreases in state funding and possible exposure to fund a significant portion of the annual contribution to the CT Teachers Retirement System currently funded by the CT State Government.
- The District receives intergovernmental revenues from the State of Connecticut. Connecticut's economy moves in the same general cycle as the national economy, which from time to time will affect the amount of intergovernmental revenues the District will receive.
- Increased threat of losing state funding will continue to be a variable in our local budget.

All of these factors were considered in preparing the Regional School District No. 14's budget for the 2021 fiscal year.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the Regional School District No. 14'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 the Business Office, Regional School District No. 14, 67 Washington Avenue, Woodbury, CT 06798.

REGIONAL SCHOOL DISTRICT NO. 14

Statement of Net Position

June 30, 2020

	Governmental Activities
Assets	
Cash and Cash Equivalents	\$ 8,099,184
Receivables, Net	1,199,918
Inventory	10,255
Restricted Cash	298,184
Capital Assets:	
Assets Not Being Depreciated	58,294,477
Assets Being Depreciated, Net	<u>12,703,991</u>
Total Assets	<u>80,606,009</u>
Deferred Outflows of Resources	
Deferred Outflows - Pension	210,506
Deferred Outflows - OPEB	<u>2,544,695</u>
Total Deferred Outflows of Resources	<u>2,755,201</u>
Liabilities	
Accounts Payable and Accrued Items	1,576,670
Accrued Interest Payable	1,065,296
Bond Anticipation Notes	3,017,882
Unearned Revenues	303,449
Noncurrent Liabilities:	
Due Within One Year	2,077,804
Due In More Than One Year	<u>50,095,272</u>
Total Liabilities	<u>58,136,373</u>
Deferred Inflows of Resources	
Deferred Inflows - Pension	365,156
Deferred Inflows - OPEB	<u>168,624</u>
Total Deferred Inflows of Resources	<u>533,780</u>
Net Position	
Net Investment in Capital Assets	32,690,437
Unrestricted	<u>(7,999,380)</u>
Total Net Position	<u>\$ 24,691,057</u>

The notes to the financial statements are an integral part of this statement.

REGIONAL SCHOOL DISTRICT NO. 14

Balance Sheet
Governmental Funds
June 30, 2020

	General Fund	High School Renovation Fund	Reserve for Specific Capital Improvements	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash and Cash Equivalents	\$ 7,602,237	\$ -	\$ -	\$ 496,947	\$ 8,099,184
Restricted Cash	298,184	-	-	-	298,184
Receivables, Net of Allowance	15,096	613,055	-	571,767	1,199,918
Inventory	-	-	-	10,255	10,255
Due from Other Funds	712,374	3,309,605	1,759,583	267,198	6,048,760
Total Assets	<u>\$ 8,627,891</u>	<u>\$ 3,922,660</u>	<u>\$ 1,759,583</u>	<u>\$ 1,346,167</u>	<u>\$ 15,656,301</u>
Liabilities					
Accounts Payable and Accrued Items	\$ 449,877	\$ 974,383	\$ -	\$ 152,410	\$ 1,576,670
Bond Anticipation Notes	-	3,017,882	-	-	3,017,882
Unearned Revenues	7,162	-	-	296,287	303,449
Due to Other Funds	5,336,386	-	-	712,374	6,048,760
Total Liabilities	<u>5,793,425</u>	<u>3,992,265</u>	<u>-</u>	<u>1,161,071</u>	<u>10,946,761</u>
Fund Balances					
Nonspendable	-	-	-	-	-
Restricted	54,124	-	-	-	54,124
Committed	1,797,925	-	1,759,583	193,680	3,751,188
Assigned	982,417	-	-	-	982,417
Unassigned	-	(69,605)	-	(8,584)	(78,189)
Total Fund Balances	<u>2,834,466</u>	<u>(69,605)</u>	<u>1,759,583</u>	<u>185,096</u>	<u>4,709,540</u>
Total Liabilities and Fund Balances	<u>\$ 8,627,891</u>	<u>\$ 3,922,660</u>	<u>\$ 1,759,583</u>	<u>\$ 1,346,167</u>	<u>\$ 15,656,301</u>

The notes to the financial statements are an integral part of this statement.

REGIONAL SCHOOL DISTRICT NO. 14

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position June 30, 2020

Fund balances reported in governmental funds Balance Sheet	\$ 4,709,540
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	
<i>Capital Assets</i>	87,626,541
<i>Depreciation</i>	(16,628,073)
Certain changes related to pensions and OPEB are deferred and amortized over time	
<i>Deferred Outflows - Pension</i>	210,506
<i>Deferred Inflows - Pension</i>	(365,156)
<i>Deferred Outflows - OPEB</i>	2,544,695
<i>Deferred Inflows - OPEB</i>	(168,624)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the fund statements.	
<i>Accrued Interest Payable</i>	(1,065,296)
<i>Bonds Payable</i>	(36,175,000)
<i>Bond Premiums</i>	(2,424,754)
<i>Technology Leases Payable</i>	(847,409)
<i>Compensated Absences and Early Retirement</i>	(1,151,173)
<i>Net Pension Liability</i>	(777,873)
<i>Total OPEB Liability</i>	<u>(10,796,867)</u>
Net position of governmental activities	<u>\$ 24,691,057</u>

The notes to the financial statements are an integral part of this statement.

REGIONAL SCHOOL DISTRICT NO. 14
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2020

	General Fund	High School Renovation Fund	Reserve for Specific Capital Improvements	Nonmajor Governmental Funds	Total Governmental Funds
Revenues					
Participating Towns	\$ 31,806,758	\$ -	\$ -	\$ -	\$ 31,806,758
Intergovernmental Revenues	6,558,456	5,846,372	-	799,008	13,203,836
Tuition and Charges for Services	1,911,862	-	-	365,595	2,277,457
Investment Income	5,628	13,237	-	67	18,932
Other Revenue	3,342	-	-	166,060	169,402
Total Revenues	<u>40,286,046</u>	<u>5,859,609</u>	<u>-</u>	<u>1,330,730</u>	<u>47,476,385</u>
Expenditures					
Current:					
Salaries - Certified	15,578,348	-	-	782,374	16,360,722
Salaries - Classified	3,964,836	-	-	6,963	3,971,799
Employee Benefits	9,958,481	-	-	34,662	9,993,143
Purchased Services	6,180,023	-	-	74,806	6,254,829
Supplies and Materials	909,927	-	-	169,603	1,079,530
Liability and Property Insurance	169,165	-	-	-	169,165
Dues and Fees	46,804	-	-	-	46,804
Cost of Food Purchased	-	-	-	222,388	222,388
Debt Service	1,561,743	18,000,000	-	-	19,561,743
Capital Outlay	956,793	13,969,630	-	193,651	15,120,074
Total Expenditures	<u>39,326,120</u>	<u>31,969,630</u>	<u>-</u>	<u>1,484,447</u>	<u>72,780,197</u>
Excess/(Deficiency) of Revenues over Expenditures	959,926	(26,110,021)	-	(153,717)	(25,303,812)
Other Financing Sources/(Uses)					
Proceeds from the Issuance of Bonds	-	24,655,000	-	-	24,655,000
Bond Issuance Premiums	-	2,275,606	-	-	2,275,606
Technology Lease Proceeds	250,000	-	-	-	250,000
Transfers In	-	-	352,566	168,293	520,859
Transfers Out	(520,859)	-	-	-	(520,859)
Total Other Financing Sources/(Uses)	<u>(270,859)</u>	<u>26,930,606</u>	<u>352,566</u>	<u>168,293</u>	<u>27,180,606</u>
Net Change in Fund Balances	689,067	820,585	352,566	14,576	1,876,794
Fund Balances at Beginning of Year, Restated	<u>2,145,399</u>	<u>(890,190)</u>	<u>1,407,017</u>	<u>170,520</u>	<u>2,832,746</u>
Fund Balances at End of Year	<u>\$ 2,834,466</u>	<u>\$ (69,605)</u>	<u>\$ 1,759,583</u>	<u>\$ 185,096</u>	<u>\$ 4,709,540</u>

The notes to the financial statements are an integral part of this statement.

REGIONAL SCHOOL DISTRICT NO. 14

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Year Ended June 30, 2020

Net Change in Fund Balances - Total Governmental Funds	\$ 1,876,794
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**Amounts reported for governmental activities in the Statement of Activities
are different because:**

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 as depreciation expense.

<i>Capital outlay</i>	13,988,375
<i>Depreciation expense</i>	(537,235)
<i>Loss on disposal</i>	(3,499)

Deferred outflows and inflows of resources resulting from changes in the components of the net pension and OPEB liabilities are amortized as a component of expense in the statement of activities.

392,553

Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.

<i>Proceeds from long-term debt - general obligation bonds</i>	(24,655,000)
<i>Principal payments on long-term debt - general obligation bonds</i>	480,000
<i>Principal payments on long-term debt - bond anticipation notes</i>	18,000,000
<i>Proceeds from long-term debt - technology leases</i>	(250,000)
<i>Principal payments on long-term debt - technology leases</i>	386,037
<i>Premium on bonds issued</i>	(2,275,606)
<i>Amortization of premiums</i>	6,214

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

<i>Accrued Interest</i>	(68,769)
<i>Compensated Absences and Early Retirement</i>	45,474
<i>Total OPEB Liability</i>	(1,109,904)
<i>Net Pension Liability</i>	101,159

Change in net position of governmental activities	<u>\$ 6,376,593</u>
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The notes to the financial statements are an integral part of this statement.

REGIONAL SCHOOL DISTRICT NO. 14

Statement of Fiduciary Net Position

Fiduciary Funds

June 30, 2020

	Pension Trust Fund	Private Purpose Trust Funds	Custodial Funds Student Activity Funds
Assets			
Cash and Cash Equivalents	\$ -	\$ 429,681	\$ 296,693
Investments, at Fair Value:			
Money Market Funds	171,658	-	-
Equity Mutual Funds	3,414,972	-	-
Fixed Income Mutual Funds	1,826,071	-	-
Receivables	-	58,850	-
Total Assets	<u>\$ 5,412,701</u>	<u>\$ 488,531</u>	<u>\$ 296,693</u>
Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>
Liabilities			
Payables	-	-	2,331
Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>
Net Position			
Restricted for Pension Benefits	5,412,701	-	-
Restricted for Scholarships	-	488,531	-
Restricted for Individuals and Organizations	-	-	294,362
Total Net Position	<u>\$ 5,412,701</u>	<u>\$ 488,531</u>	<u>\$ 294,362</u>

The notes to the financial statements are an integral part of this statement.

REGIONAL SCHOOL DISTRICT NO. 14
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2020

	Pension Trust Fund	Private Purpose Trust Funds	Custodial Funds Student Activity Funds
Additions			
Contributions:			
Employer	\$ 350,000	\$ -	\$ -
Scholarships	-	60,875	-
Charges for Services	-	-	381,846
Investment Income:			
Net Appreciation/(Depreciation) in Fair Value of Investments	224,116	-	-
Interest and Dividends	136,962	3,546	-
Total Investment Income	361,078	3,546	-
Less: Investment Management Fees	-	-	-
Net Investment Income	361,078	3,546	-
Total Additions	711,078	64,421	381,846
Deductions			
Benefit Payments	432,013	-	-
Administrative Costs	30,677	-	-
Scholarships	-	40,275	-
Activities	-	-	366,999
Total Deductions	462,690	40,275	366,999
Change in Net Position	248,388	24,146	14,847
Net Position at Beginning of Year, Restated	5,164,313	464,385	279,515
Net Position at End of Year	\$ 5,412,701	\$ 488,531	\$ 294,362

The notes to the financial statements are an integral part of this statement.

REGIONAL SCHOOL DISTRICT NO. 14
Notes to the Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the Regional School District No. 14 (the “District”) have been prepared in conformance with accounting principles generally accepted in the United States of America as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing the governmental accounting and financial reporting principles. The District’s significant accounting policies are described below.

Reporting Entity

The District was established in 1968 to provide education for the residents of two Connecticut Districts: Woodbury and Bethlehem. The District is primarily funded through assessments from its two member Districts. The District operates under the Board of Education form of government and provides education services to its member Districts.

The Legislative authority of the District is vested in the Board of Education meetings. The Superintendent is the chief executive, chief administrative officer and budget-making authority of the School. The Board of Education is responsible for revising the proposed budget and submitting the final budget to the Board meetings and referendums. The Board of Education is also responsible for establishing the annual assessments. The District has the power to incur indebtedness by issuing bonds or notes as provided by the Connecticut General Statutes.

The District's financial statements include the accounts of all District controlled operations. As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the Regional School District No. 14 (the primary government) and its component units. The basic criterion for inclusion of a component unit in a governmental unit's reporting entity for general purpose financial reporting is the exercise of oversight responsibility. Oversight responsibility is determined on the basis of financial interdependence, selection of governing authority, designation of management, ability to significantly influence operations, accountability for fiscal matters and scope of public service. Currently, there are no entities considered component units of the District. The District includes all funds, agencies, boards, and commissions that are controlled by or dependent on the District's executive and legislative branches.

The financial statements presented herein do not include agencies which have been formed under applicable state laws or separate and distinct units of government apart from the Regional School District No. 14.

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 town assessments and intergovernmental revenues.

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

REGIONAL SCHOOL DISTRICT NO. 14
Notes to the Financial Statements

The accounts of the District are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts which comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balances, revenues and expenditures. Fund accounting segregates funds according to their intended purpose and is used to aid management in the demonstrating compliance with finance related legal and contractual provisions. The District maintains the minimum number of funds consistent with legal and managerial requirements. The focus of governmental fund financial statements is on major funds as that term is defined in professional pronouncements. Each major fund is to be presented in a separate column, with nonmajor funds, if any, aggregated and presented in a single column. The District maintains fiduciary funds which are reported by type. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental activities column, a reconciliation is presented on the pages following, which briefly explains the adjustments necessary to transform the fund based financial statements into the governmental activities column of the government-wide presentation.

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.

Measurement Focus, Basis of Accounting, and Financial Statements Presentation

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Their revenues are recognized when they become measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred. Exceptions to this general rule include: compensated absences, debt service, capital leases, other post-employment benefit obligations, and claims and judgments that are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in the governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Assessments when levied, tuition, 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 are considered to be measurable and available only when cash is received by the government, or specifically identified.

Governmental Funds are those through which most governmental functions typically are financed. The following are the District's major governmental funds:

- The *General Fund* is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another manner. Revenues are derived primarily from town assessments, state grants, charges for services, and earnings on investments.

REGIONAL SCHOOL DISTRICT NO. 14

Notes to the Financial Statements

- The *High School Renovation Fund* is used to account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays and debt service related to the High School construction project.
- The *Reserve for Specific Capital Improvements* is used to account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of major capital facilities and other capital assets.

Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, and other governments. Fiduciary funds are not included in the government-wide financial statements. The fiduciary funds are as follows:

- The *Pension Trust Fund* is used to account for the activities of the District Employees' Retirement System, which accumulates resources for retirement benefit payments to qualified employees.
- The *Private Purpose Trust Fund* is used to account for trust arrangements under which principal and income benefit individuals, private organizations, or other governments. The District utilizes private purpose trust funds to account for activities of funds held in trust for student scholarships.
- The *Custodial Funds* account for resources held by the District in a purely custodial capacity.

Estimates

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

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity

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

Investments - In general, State of Connecticut Statutes allow the District to invest in obligations of the United States of America or United States government sponsored corporations, in shares or other interests in any custodial arrangement, pool, or no-load, open-end management type investment company or investment trust, in obligations of any state or political subdivision rated within the top two rating categories of any nationally recognized rating service, or in obligations of the State of Connecticut or political subdivision rated within the top three rating categories of any nationally recognized rating service. The Statutes (Sections 3-24f and 3-27f) also provide for investment in shares of the Connecticut Short-Term Investment Fund. Trust funds are able to invest in a wider range of investments. Investments are stated at fair value, based on quoted market prices. Certificates of Deposit are reported at cost.

The Short-Term Investment Fund ("STIF") is a money market investment pool managed by the Cash Management Division of the State Treasurer's Office created by Section 3-27 of the Connecticut General Statutes ("CGS"). Pursuant to CGS 3-27a through 3-27f, the State, municipal entities, and political subdivisions of the State are eligible to invest in the fund. The fund is considered a "2a7-like" pool and, as such, reports its investments at amortized cost (which approximates fair value). A 2a7-like pool is not necessarily registered with the Security and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner

REGIONAL SCHOOL DISTRICT NO. 14
Notes to the Financial Statements

consistent with the SEC's rule 2a7 of the Investment Company Act of 1940 that allows money market mutual funds to use the amortized cost to report net assets. The pool is overseen by the Office of the State Treasurer. The pool is rated AAAM by Standard & Poor's. This is the highest rating for money market funds and investment pools. The pooled investment funds' risk category cannot be determined since the District does not own identifiable securities but invests as a shareholder of the investment pool. The fair value of the position in the pool is the same as the value of the pool shares.

Receivables - All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. The District has not established an allowance for estimated uncollectibles because the majority of receivables are in the form of state and federal grants.

Inventories – Inventories are valued at cost using the first-in/first-out (FIFO) method, except for USDA donated commodities, which are valued at market value. The cost of governmental fund type inventories, are recorded as expenditures when consumed rather than when purchased. Inventories are comprised of food products for the School Cafeteria Fund.

Prepayments – Certain payments to vendors provide benefits in future accounting periods and therefore are recorded as prepayments on both government-wide and fund financial statements.

Due From/To Other Funds - Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as interfund receivables and payables. They arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed.

Capital Assets - Capital assets, which include equipment, fixtures, and other long-lived assets are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. 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 is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land Improvements	20
Buildings and Improvements	20 - 50
Furniture and Equipment	5 - 10

Unearned Revenues - Unearned revenues arise when assets are recognized before revenue recognition criteria have been satisfied. In the government-wide financial statements, unearned revenues consist of revenue received in advance and/or amounts from grants received before the eligibility requirements have been met.

Long-term obligations - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are recognized as an expense in the period they are incurred.

REGIONAL SCHOOL DISTRICT NO. 14
Notes to the Financial Statements

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, and debt payments, are reported as debt service expenditures.

Compensated absences - District employees accumulate vacation and sick leave hours for subsequent use or for payment upon termination or retirement. Vacation and sick leave expenses to be paid in future periods are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if the liability has matured through employee resignation or retirement.

Deferred Outflows/Inflows of Resources – In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The District reports deferred pension and OPEB expense in the government-wide statement of net position. Deferred pension and OPEB expense 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 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 and inactive employees).

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District reports deferred pension and OPEB expense in the government-wide statement of net position. Deferred pension and OPEB expense 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 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 and inactive employees).

Fund equity and net position– Net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. In the government-wide statement of net position, net position is classified in the following categories:

Net Investment in Capital Assets – This category groups all capital assets into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduces this category.

Restricted Net Position – This category presents external restrictions imposed by creditors, grantors, contributors or, laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position – This category represents the net position of the District, which is not restricted for any project or other purpose.

When both restricted and unrestricted resources are available for certain expenses, the District expends restricted resources first and uses unrestricted resources when the restricted funds are depleted.

REGIONAL SCHOOL DISTRICT NO. 14
Notes to the Financial Statements

In the fund financial statements, fund balances of governmental funds are classified in the following five separate categories:

Nonspendable Fund Balance – Indicates amounts that cannot be spent because they are either not in spendable form, or are legally or contractually required to be maintained intact. Examples are items that are not expected to be converted to cash including inventories and prepaid expenditures in the General Fund. Examples of items legally or contractually required to be maintained intact are the corpus of permanent funds.

Restricted Fund Balance – Indicates amounts that are restricted to specific purposes. The spending constraints placed on the use of fund balance amounts are externally imposed by creditors, grantors, contributors or, laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance – Indicates amounts that can be used only for specific purposes pursuant to constraints imposed by formal budgetary action of the Board of Education in accordance with provisions of the Connecticut General Statutes.

Assigned Fund Balance – Indicates amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by action of District Officials.

Unassigned Fund Balance – Represents the remaining fund balance after amounts are set aside for all other classifications.

The District does not have a formal policy over the use of fund balance. When both restricted and unrestricted (committed, assigned, unassigned) amounts of fund balance are available for use for expenditures incurred, it is assumed that the District will use restricted fund balance first if the expenditure meets the restricted purpose, followed by committed, assigned and unassigned amounts.

Encumbrances – In governmental funds, encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve applicable appropriations, is generally employed as an extension of formal budgetary integration in the General Fund. Encumbrances outstanding at year-end are reported as assigned fund balance since they do not constitute expenditures or liabilities.

Fair Value of Financial Instruments

In accordance with GASB Statement No. 72, the District is required to measure the fair value of its assets and liabilities under a three-level hierarchy, as follows:

Level 1: Quoted market prices for identical assets or liabilities to which an entity has access to at the measurement date.

Level 2: Inputs and information other than quoted market indices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include:

- a. Quoted prices for similar assets or liabilities in active markets.
- b. Quoted prices for identical or similar assets in markets that are not active;
- c. Observable inputs other than quoted prices for the assets or liability;
- d. Inputs derived principally from, or corroborated by, observable market data by correlation or by other means.

REGIONAL SCHOOL DISTRICT NO. 14

Notes to the Financial Statements

Level 3: Unobservable inputs for the asset or liability. Unobservable inputs should be used to measure the fair value to the extent that observable inputs are not available.

Observable inputs reflect the assumptions market participants would use in pricing the asset or liability developed from sources independent of the reporting entity; and *unobservable inputs* reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

Certificates of Deposit are reported at amortized cost and are excluded from the fair value disclosures.

NOTE 2 – CASH, CASH EQUIVALENTS, RESTRICTED CASH, AND INVESTMENTS

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 Statute 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”. The following is a summary of cash and cash equivalents, and restricted cash at June 30, 2020.

	Governmental Funds	Fiduciary Funds	Total
Cash and Cash Equivalents	\$ 8,099,184	\$ 726,374	\$ 8,825,558
Restricted Cash	298,184	-	298,184
	<u>\$ 8,397,368</u>	<u>\$ 726,374</u>	<u>\$ 9,123,742</u>

Custodial Credit Risk - Deposits: Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. The State of Connecticut requires that each depository maintain segregated collateral in an amount equal to a defined percentage of its public deposits based upon the bank's risk-based capital ratio. The following is a reconciliation of the District's deposits subject to custodial credit risk:

Cash and Cash Equivalents	\$ 8,825,558
Plus: Restricted Cash	<u>298,184</u>
	<u>\$ 9,123,742</u>

At year-end, the District's carrying amount of deposits subject to custodial credit risk was \$9,123,742 and the bank balance was \$9,381,383. Of the bank balance, the Federal Depository Insurance Corporation insured \$946,913.

As of June 30, 2020, \$8,434,470 of the District's bank balance of \$9,381,383 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 7,541,023
Uninsured and collateral held by pledging bank's Trust department not in the District's name	<u>893,447</u>
Total	<u>\$ 8,434,470</u>

REGIONAL SCHOOL DISTRICT NO. 14
Notes to the Financial Statements

Restricted Cash

At June 30, 2020, the District's restricted cash amounted to \$298,184 and is held in escrow until spent in accordance with technology lease agreements.

Investments

The following is a summary of investments at June 30, 2020:

	Fiduciary Funds
Money Market Funds	\$ 171,659
Equity Mutual Funds	3,414,972
Fixed Income Mutual Funds	1,826,070
Total Investments	\$ 5,412,701

The following is a summary of assets measured at fair value:

		Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Description	June 30, 2020			
Money Market Funds	\$ 171,658	\$ 171,658	\$ -	\$ -
Equity Mutual Funds	3,414,972	3,414,972	-	-
Fixed Income Mutual Funds	1,826,071	1,826,071	-	-
Total Investments	\$ 5,412,701	\$ 5,412,701	\$ -	\$ -

Custodial Credit Risk - This is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The District does not have a policy for custodial credit risk.

Credit Risk – The District does not have an investment policy that limits investment choices further than the Connecticut General Statutes. Generally, credit risk is defined as the risk that an issuer of a debt type investment will not fulfill its obligation to the holder. This is measured by assignment of a rating by a nationally recognized rating organization.

Concentrations of Credit Risk – The District places no limit on the amount of investment in any one issuer.

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.

REGIONAL SCHOOL DISTRICT NO. 14
Notes to the Financial Statements

NOTE 3 – RECEIVABLES

Receivables as of year-end for the District's individual major funds and nonmajor and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, if any, are as follows:

	General Fund	High School Renovation Fund	Nonmajor and Other Funds	Total
Receivables:				
Intergovernmental	\$ -	\$ 613,055	\$ 571,767	\$ 1,184,822
Accounts	15,096	-	58,850	73,946
Gross Receivables	15,096	613,055	630,617	1,258,768
Less Allowance for				
Uncollectibles:				
Total Allowance	-	-	-	-
Net Total Receivables	\$ 15,096	\$ 613,055	\$ 630,617	\$ 1,258,768

Governmental funds report unavailable revenue in connection with receivables that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of unearned revenue reported in the governmental funds were as follows:

	Governmental Funds
General Fund:	
Fees Collected in Advance	\$ 7,162
Nonmajor Funds:	
Advances on Grants	266,609
Fees Collected in Advance	29,678
Total Unearned Revenue	\$ 303,449

REGIONAL SCHOOL DISTRICT NO. 14
Notes to the Financial Statements

NOTE 4 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The outstanding balances between funds result mainly from the time lag between the dates that: 1) inter-fund goods and services are provided or reimbursable expenditures occur; 2) transactions are recorded in the accounting system; and 3) payments between funds are made. At June 30, 2020, the outstanding balances between funds were:

Payable Fund	Receivable Fund	Total
General Fund	High School Renovation Fund	\$ 3,309,605
General Fund	Reserve for Capital Improvements	1,759,583
General Fund	Nonmajor Governmental Funds	267,198
Nonmajor Governmental Funds	General Fund	712,374
		\$ 6,048,760

Fund transfers are used to: 1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and 2) to account for unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Interfund transfers during the year ended June 30, 2020 were as follows:

Transfers In:	Transfers Out:	Total
Reserve for Capital Improvements	General Fund	\$ 352,566
Nonmajor Governmental Funds	General Fund	168,293
		\$ 520,859

REGIONAL SCHOOL DISTRICT NO. 14
Notes to the Financial Statements

NOTE 5 – CAPITAL ASSETS

The following is a summary of the change in capital assets as of June 30, 2020:

	<u>Restated Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental Activities				
Capital assets, not being depreciated				
Land	\$ 494,814	\$ -	\$ -	\$ 494,814
Building in Progress	<u>43,830,032</u>	<u>13,969,631</u>	<u>-</u>	<u>57,799,663</u>
Total capital assets, not being depreciated	<u>44,324,846</u>	<u>13,969,631</u>	<u>-</u>	<u>58,294,477</u>
Capital assets, being depreciated				
Buildings and Improvements	28,332,996	-	-	28,332,996
Furniture and Equipment	<u>1,014,837</u>	<u>18,744</u>	<u>(34,513)</u>	<u>999,068</u>
Total capital assets, being depreciated	<u>29,347,833</u>	<u>18,744</u>	<u>(34,513)</u>	<u>29,332,064</u>
Less accumulated depreciation for:				
Buildings and Improvements	15,415,480	476,605	-	15,892,085
Furniture and Equipment	<u>706,372</u>	<u>60,630</u>	<u>(31,014)</u>	<u>735,988</u>
Total accumulated depreciation	<u>16,121,852</u>	<u>537,235</u>	<u>(31,014)</u>	<u>16,628,073</u>
Total capital assets, being depreciated, net	<u>13,225,981</u>	<u>(518,491)</u>	<u>(3,499)</u>	<u>12,703,991</u>
<i>Governmental Activities capital assets, net</i>	<u>\$ 57,550,827</u>	<u>\$ 13,451,140</u>	<u>\$ (3,499)</u>	<u>\$ 70,998,468</u>

Depreciation and amortization expense were charged to functions/programs of the primary government as follows:

Instructional Services	\$ 278,808
Supporting Services:	
Instructional Staff	63,739
Administrative	95,165
Operation and Maintenance of Facilities	68,501
Transportation	<u>31,022</u>
Total	<u>\$ 537,235</u>

REGIONAL SCHOOL DISTRICT NO. 14
Notes to the Financial Statements

NOTE 6 – LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2020 was as follows:

Governmental Activities	Restated Beginning <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	Ending <u>Balance</u>	Due Within <u>One Year</u>
Bonds Payable:					
General Obligation Bonds	\$ 12,000,000	\$ 24,655,000	\$ 480,000	\$ 36,175,000	\$ 1,430,000
Unamortized Premium	<u>155,362</u>	<u>2,275,606</u>	<u>6,214</u>	<u>2,424,754</u>	<u>93,737</u>
Total Bonds Payable	12,155,362	26,930,606	486,214	38,599,754	1,523,737
Bond Anticipation Notes	18,000,000	-	18,000,000	-	-
Technology Leases	983,446	250,000	386,037	847,409	393,194
Compensated Absences	1,196,647	-	45,474	1,151,173	160,873
Net Pension Liability	879,032	-	101,159	777,873	-
Total OPEB Liability	<u>9,686,963</u>	<u>1,109,904</u>	<u>-</u>	<u>10,796,867</u>	<u>-</u>
Total	<u>\$ 42,901,450</u>	<u>\$ 28,290,510</u>	<u>\$ 19,018,884</u>	<u>\$ 52,173,076</u>	<u>\$ 2,077,804</u>

Long-term obligations have typically been liquidated by the General Fund.

General Obligation Bonds

The District issues general obligation bonds to provide financing for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations of the District and pledge the full faith and credit of the District. General obligation bonds outstanding as of June 30, 2020 consisted of the following:

<u>Bond Issue</u>	<u>Year of Issue</u>	<u>Original Amount</u>	<u>Interest Rates</u>	<u>Final Maturity</u>	<u>Principal Outstanding June 30, 2020</u>
G.O. Bonds	2018	\$ 12,000,000	2.25 - 5%	2043	\$ 11,520,000
G.O. Bonds	2019	\$ 24,655,000	2.75 - 5%	2045	<u>24,655,000</u>
					<u>\$ 36,175,000</u>

The annual debt service requirements of the District's general obligation bonds are as follows:

<u>Year(s)</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 1,430,000	\$ 1,871,266	\$ 3,301,266
2022	1,430,000	1,266,125	2,696,125
2023	1,430,000	1,194,625	2,624,625
2024	1,430,000	1,123,125	2,553,125
2025	1,430,000	1,051,625	2,481,625
2026-2030	7,150,000	4,307,075	11,457,075
2031-2035	7,150,000	2,890,112	10,040,112
2036-2040	7,135,000	1,732,875	8,867,875
2041-2045	6,645,000	629,325	7,274,325
2046-2050	<u>945,000</u>	<u>14,175</u>	<u>959,175</u>
Total	<u>\$ 36,175,000</u>	<u>\$ 16,080,328</u>	<u>\$ 52,255,328</u>

Interest paid and expensed on general obligation bonds for the year ended June 30, 2020 totaled \$657,760.

REGIONAL SCHOOL DISTRICT NO. 14

Notes to the Financial Statements

Bonds Authorized and Unissued

At June 30, 2020, there was \$24,145,000 authorized and unissued bonds for the Nonnewaug High School renovation project.

Technology Leases

The District has outstanding loans used to finance the purchase of technology equipment. The annual debt service requirements of the District's technology leases are as follows:

<u>Year(s)</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 393,194	\$ 31,606	\$ 424,800
2022	146,677	17,945	164,622
2023	151,544	13,077	164,621
2024	103,598	5,398	108,996
2025	52,396	1,692	54,088
Total	<u>\$ 847,409</u>	<u>\$ 69,718</u>	<u>\$ 917,127</u>

Interest paid and expensed on technology leases for the year ended June 30, 2020 totaled \$37,946.

Compensated Absences

Vacation time earned during the fiscal year can be carried over to the succeeding year, subject to limitations as provided in the respective collective bargaining agreements. Employees are entitled to accumulate sick leave up to a maximum amount stipulated in each contract. Payment for accumulated sick leave is dependent upon the length of service and accumulated days. The value of all compensated absences has been reflected in the government-wide financial statements.

Employment Termination Benefits

In the year ended June 30, 2016, the District offered an early retirement incentive plan to all teachers limited to the first five teachers who choose to accept the plan. The District will pay the teachers' health insurance and health insurance deductibles for four years. In addition, the teachers will receive sick payouts over a three-year period. Also, at the end of June 2016, four additional non-teacher employees chose to retire and are eligible for vacation and sick time payout under the District's current policy. Payments began during the 2017/2018 budget year.

NOTE 7 – SHORT-TERM LIABILITIES

Bond Anticipation Notes

The District uses bond anticipation notes to fund construction costs prior to issuance of bonds. The following table summarizes changes in the District's Bond Anticipation Notes for the year ended June 30, 2020:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Bond Anticipation Note	\$ -	\$ 3,000,000	\$ -	\$ 3,000,000
Unamortized Premium	-	17,882	-	17,882
	<u>\$ -</u>	<u>\$ 3,017,882</u>	<u>\$ -</u>	<u>\$ 3,017,882</u>

The outstanding bond anticipation note carries an interest rate of 2.00% and matures in July 2020.

REGIONAL SCHOOL DISTRICT NO. 14
Notes to the Financial Statements

NOTE 8 - FUND BALANCE COMPONENTS

The components of fund balance for the governmental funds at June 30, 2020 are as follows:

	General Fund	High School Renovation Fund	Reserve for Specific Capital Improvements	Nonmajor Governmental Funds	Total
Fund Balances:					
Restricted for:					
Technology Leases	\$ 54,124	\$ -	\$ -	\$ -	\$ 54,124
Committed to:					
OPEB	\$ 1,797,925	\$ -	\$ -	\$ -	\$ 1,797,925
Food Service	-	-	-	23,433	23,433
Special Activities	-	-	-	132,104	132,104
Debt Service	-	-	-	38,143	38,143
Capital	-	-	1,759,583	-	1,759,583
Total Committed	<u>\$ 1,797,925</u>	<u>\$ -</u>	<u>\$ 1,759,583</u>	<u>\$ 193,680</u>	<u>\$ 3,751,188</u>
Assigned:					
Encumbrances	\$ 631,009	\$ -	\$ -	\$ -	\$ 631,009
Retirement Benefits	351,408	-	-	-	351,408
Total Assigned	<u>\$ 982,417</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 982,417</u>
Unassigned	<u>\$ -</u>	<u>\$ (69,605)</u>	<u>\$ -</u>	<u>\$ (8,584)</u>	<u>\$ (78,189)</u>

There is a deficit fund balance of (\$8,584) in the State, Federal, and Other grants fund.

NOTE 9 – RETIREMENT BENEFITS

Non-certified Employee Defined Benefit Pension Plan

The District is the administrator of a single-employer public employee retirement systems (“PERS”), called the Pension Plan of Regional School District No. 14, established and administered by the Board of Education to provide pension benefits for its non-certified employees. The plan 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. Separate stand-alone financial reports are not issued. Benefits may be changed by the Board of Education.

Eligibility – Substantially all full-time non-certified employees over the age of 25 are eligible after completion of one year of service.

Normal Retirement – Normal Retirement is the first of the month coincident with or next following the later of age 65 and 10 years of plan participation.

Early Retirement – Employees are eligible for early retirement at age 55 with 10 years of credited service, subject to reduced benefits.

Benefits Provided - The monthly benefit at normal retirement is equal to 30% of average compensation, reduced proportionately for less than 10 years of service.

Plan Membership

As of the date of the latest actuarial valuation, membership consisted of the following:

Inactive plan members or beneficiaries receiving payments	27
Inactive plan members entitled but not yet receiving payments	2
Active Members	<u>42</u>
Total Members	<u><u>71</u></u>

REGIONAL SCHOOL DISTRICT NO. 14
Notes to the Financial Statements

Contributions and Funding Policy

The contribution requirements of the plan members and the District are established and may be amended by the Board of Education. District is required to contribute at an actuarially determined rate. Administrative costs of the plan are financed through investment earnings of the plan's assets.

Summary of Significant Accounting Policies

Basis of Accounting - The District Pension Plan's financial statements are prepared using the accrual basis of accounting. Plan member and employer contributions are recognized as revenues in the period in which employee services are performed. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expenses, information about the fiduciary net position of the plan and additions/deductions to/from the District's fiduciary net position have been determined on the same basis as they are reported by the District's Pension Plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms.

Investment Policy – The District's pension plans 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 plans 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 target asset allocation of the pension plan as of June 30, 2020:

Target Allocation and Expected Rate of Return

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Weighting</u>
Cash	5.00%	2.00%	0.10%
US Govt/Credit Fixed Income	25.50%	3.25%	0.83%
High-Yield Bonds	4.50%	5.25%	0.24%
US Large and Mid-Cap	51.00%	6.25%	3.19%
US Small Cap	4.50%	7.00%	0.32%
International Equity - Developed	6.00%	6.75%	0.41%
International Equity - Emerging	3.50%	9.25%	0.32%
	<u>100.00%</u>		<u>5.40%</u>
Long-Term Inflation Expectation			<u>2.25%</u>
Long-Term Expected Nominal Return			<u><u>7.65%</u></u>

Long-Term Expected Rate of Return – 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 are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the future real rates of return by the target asset allocation percentage and by adding expected inflation.

The information above is based on geometric means and does not reflect additional returns through investment selection, asset allocation, and rebalancing. An expected rate of return of 7.25% was used.

REGIONAL SCHOOL DISTRICT NO. 14
Notes to the Financial Statements

Net Pension Liability

The components of the net pension liability of the District at June 30, 2020, were as follows:

	District
Total pension liability	\$ 6,190,574
Plan fiduciary net position	5,412,701
Net pension liability (asset)	777,873
Plan fiduciary net position as a percentage of total pension liability	87.43%
Covered payroll	2,648,824
Net pension liability as a % of covered payroll	29.37%

Actuarial Methods and Significant Assumptions

The following actuarial methods and assumptions were used in the July 1, 2019 valuation and projected forward to a measurement date of June 30, 2020:

Actuarial cost method	Entry Age Normal
Amortization method	Level Percent of Salary
Inflation	2.60%
Payroll growth	3.35%
Investment rate of return	7.25%, net of investment and admin fees
Retirement age	10 years of service and age 55 for early retirement 10 years of service and age 65 for normal retirement
Post-retirement mortality	RP-2014 Adjusted to 2006 Total Dataset Mortality Table Projected to valuation date with Scale MP-2019

Changes of assumptions include a change in the mortality table.

Discount Rate – The discount rate used to measure the total pension liability was 7.25%. 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 payment to determine the local pension liability.

Sensitivity Analysis – The following presents the net pension liability of the District, calculated using the current discount rate, as well as what the District’s net pension liability would be if it were calculated using a discount rate that is 1% point lower or 1% point higher:

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
Net Pension Liability	\$ 1,388,834	\$ 777,873	\$ 249,767

REGIONAL SCHOOL DISTRICT NO. 14
Notes to the Financial Statements

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance at June 30, 2019	\$ 6,043,345	\$ 5,164,313	\$ 879,032
Changes for the year:			
Service Cost	213,838	-	213,838
Interest	438,260	-	438,260
Differences Between Expected and Actual Experience	(203,801)	-	(203,801)
Changes of Assumptions	130,945	-	130,945
Employer Contributions	-	350,000	(350,000)
Member Contributions	-	-	-
Net Investment Income	-	361,078	(361,078)
Benefit Payments	(432,013)	(432,013)	-
Administrative Expenses	-	(30,677)	30,677
Net Changes	147,229	248,388	(101,159)
Balance at June 30, 2020	\$ 6,190,574	\$ 5,412,701	\$ 777,873
Plan fiduciary net position as a percentage of the total pension liability			87.43%
Covered Payroll			\$ 2,648,824
Net pension liability as a percentage of covered payroll			29.37%

For the year ended June 30, 2020, the total pension expense recognized was \$257,350. As of June 30, 2020, the District reported deferred inflows and outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between projected and actual earnings	\$ -	\$ 77,807
Differences between expected and actual experience	61,515	287,349
Changes of assumptions	148,991	-
Total	\$ 210,506	\$ 365,156

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

Year ended June 30:	
2021	\$ (86,405)
2022	(46,840)
2023	(14,078)
2024	(7,327)
	\$ (154,650)

REGIONAL SCHOOL DISTRICT NO. 14

Notes to the Financial Statements

Connecticut State Teacher's Retirement System

Plan Description: Teachers, principals, superintendents, or supervisors engaged in service of public schools are provided with pensions through the Connecticut State Teachers' Retirement System (the "System"). The System is a cost sharing multiple-employer defined benefit pension plan administered by the Connecticut State Teachers' Retirement Board (CTRB). Chapter 167a of the State Statutes grants authority to establish and amend the benefited terms to the CTRB Board. The CTRB issues a publicly available financial report that can be obtained at www.ct.gov, or by writing to the State of Connecticut, Office of the State Comptroller, 55 Elm Street, Hartford, Connecticut 06106.

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

Normal Retirement: Retirement benefits for the employees are calculated as 2% of the average annual salary times years of credited service (maximum benefit is 75% of average annual salary during the 3 highest years of 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 regardless of length of service. Five years of credited service is required for non-service-related disability or eligibility. Disability benefits are calculated as 2% of average annual salary times years of 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 Studies 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.

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: Participants are required to contribute 7% of their annual salary to the System as required by the CGS Section 10-183b(7). For the year ended June 30, 2020 the certified teachers' contribution to the Connecticut Teachers Retirement Board was \$4,623,201. Covered payroll for the District for the year ended June 30, 2020 was approximately \$14,705,200.

Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions: At June 30, 2020 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:

REGIONAL SCHOOL DISTRICT NO. 14
Notes to the Financial Statements

District's proportionate share of the net pension liability	\$	-
State's proportionate share of the net pension liability associated with the District		<u>61,076,960</u>
Total	\$	<u>61,076,960</u>

The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018. At June 30, 2020, the District had no proportionate share of the net pension liability.

For the year ended June 30, 2020, the District recognized benefits expense and contribution revenue of \$4,623,201 in the governmental funds for on-behalf amounts for the benefits provided by the State. In the government-wide financial statements, the District recognized \$7,501,292 for pension expense related to actuarial liabilities for on-behalf amounts for the benefits provided by the State.

Actuarial Assumptions: The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2010 through June 30, 2015. The total pension liability was determined by an actuarial valuation as of June 30, 2018, using the following actuarial assumptions, applied to all periods included in the measurement.

Inflation		2.50 Percent
Salary increases, including inflation		3.25-6.50 Percent
Long-term investment rate of return, net of pension investment expense, including inflation.		6.90 Percent

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.

Future cost-of-living increases for members who retired prior to September 1, 1992, 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%.

The long-term expected rate of return on pension investments was determined using a log-normal distributions 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 current capital market assumptions and the target asset allocation as provided by the Treasurer's Office are summarized in the following table:

REGIONAL SCHOOL DISTRICT NO. 14
Notes to the Financial Statements

<u>Asset Class</u>	<u>Expected Return</u>	<u>Target Allocation</u>	<u>Standard Deviation</u>
Public Equity - US Equity	8.10%	20.00%	17.00%
Public Equity - International Developed Equity	8.50%	11.00%	19.00%
Public Equity - Emerging Markets Equity	10.40%	9.00%	24.00%
Fixed Income - Core Fixed Income	4.60%	16.00%	7.00%
Fixed Income - Inflation Linked Bonds	3.60%	5.00%	7.00%
Fixed Income - High Yield	6.50%	6.00%	11.00%
Fixed Income - Emerging Market Debt	5.20%	5.00%	11.00%
Private Equity	9.80%	10.00%	23.00%
Real Estate	7.00%	10.00%	15.00%
Alternative Investments - Real Assets	8.20%	4.00%	17.00%
Alternative Investments - Hedge Funds	5.40%	3.00%	7.00%
Liquidity Fund	2.90%	1.00%	1.00%

Discount Rate: The discount rate used to measure the total pension liability was 6.9%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the current contribution rate and that State contributions will be made at the actuarially determined rates in future years. Based on those assumptions, the pension's fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return on pension 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 Post-Employment Benefits

Plan Description: The District provides post-retirement benefits, including medical and life insurance benefits, to eligible retirees and their spouses through a single-employer defined benefit plan called the Regional School District No. 14 Other Post-Employment Benefits Program (the "Plan"). Benefits provisions are established by the Board of Education and may be amended by the Board. The plan does not issue a publicly available financial report and is not included in the financial statements of another entity. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASBS No. 75.

Benefits Provided: The OPEB Plan provides for medical and life insurance benefits for all eligible District retirees.

Eligibility: Teachers and Administrators (Certified) – A Teacher or administrator retiring under the Connecticut State Teachers Retirement System shall be eligible to receive health benefits for self and spouse prior to reaching the age of eligibility for Medicare.

Employees Covered by Benefit Terms: The membership of the Plan consisted of the following at July 1, 2018, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	19
Active plan members	209
	228
	228

REGIONAL SCHOOL DISTRICT NO. 14
Notes to the Financial Statements

Total OPEB Liability: The District's total OPEB liability of \$10,796,867 was measured as of June 30, 2020 and was determined by an actuarial valuation as of July 1, 2018.

Actuarial Assumptions and Other Inputs: The total OPEB liability was determined by an actuarial valuation as of July 1, 2018, using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	July 1, 2018
Measurement Date	June 30, 2020
Actuarial Cost Method	Entry Age Normal
Salary Increases	Graded by Service for Teachers and Administrators; 3.5% for all others.
Medical Trend Rate	5.30% - 4.50% over 52 years
Discount Rate	2.21% (Bond Buyer General Obligation 20-Bond Municipal Index)
Inflation Rate	2.70%
Mortality Rate	1994 GAR

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:

	Total OPEB Liability
Balance at 6/30/19	\$ 9,686,963
Changes for the year:	
Service Cost	360,205
Interest	346,952
Effect of Economic/Demographic Gains/(Losses)	-
Changes in Assumptions	673,575
Benefit Payments	<u>(270,828)</u>
Net Changes	<u>1,109,904</u>
Balance at 6/30/20	<u>\$ 10,796,867</u>

Changes of assumptions primarily reflects a change in the discount rate from 3.50% to 2.21%.

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 (1.21%) or 1-percentage-point higher (3.21%) than the current discount rate:

	1% Decrease 1.21%	Current Discount Rate 2.21%	1% Increase 3.21%
Total OPEB Liability	\$ 12,457,606	\$ 10,796,867	\$ 9,432,315

REGIONAL SCHOOL DISTRICT NO. 14
Notes to the Financial Statements

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 or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Current Trend Rates	1% Increase
Total OPEB Liability	\$ 9,034,663	\$ 10,796,867	\$ 13,032,940

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

For the year ended June 30, 2020, the District recognized OPEB expense of \$979,670. As of June 30, 2020, the District reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 1,557,564	\$ -
Change in assumptions	987,131	168,624
Total	\$ 2,544,695	\$ 168,624

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

Year ended June 30:	
2021	\$ 272,513
2022	272,513
2023	272,513
2024	272,513
2025	272,513
Thereafter	1,013,506
	\$ 2,376,071

Connecticut Teachers' Retirement System - OPEB

Plan Description - Teachers, principals, superintendents or supervisors engaged in service of public schools are provided with benefits, including retiree health insurance, through the Connecticut Teachers' Retirement System—a cost sharing multiemployer defined benefit pension plan administered by the TRB. Chapter 167a of the State Statutes grants authority to establish and amend the benefit terms to the TRB. TRS issues a publicly available financial report that can be obtained at www.ct.gov.

Benefit Provisions - The Plan covers retired teachers and administrators of public schools in the State who are receiving benefits from the Plan. The Plan provides healthcare insurance benefits to eligible retirees and their spouses. Any member that is currently receiving a retirement or disability benefit through the Plan is eligible to participate in the healthcare portion of the Plan. Subsidized Local School District Coverage provides a subsidy paid to members still receiving coverage through their former employer and the TRB Sponsored Medicare Supplemental Plans provide coverage for those participating in Medicare, but not receiving Subsidized Local School District Coverage.

REGIONAL SCHOOL DISTRICT NO. 14
Notes to the Financial Statements

Any member that is not currently participating in Medicare Parts A & B is eligible to continue healthcare 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, any remaining portion is used to offset the district's cost. The subsidy amount is set by statute, and has not increased since July of 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. 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. Any member that 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.

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 amended and certified by the TRB and appropriated by the General Assembly. The State pays for one third of plan costs through an annual appropriation in the General Fund.

School district employers are not required to make contributions to the Plan. The State of Connecticut's estimated allocated contribution to the Plan on behalf of the District was \$126,356.

The cost of providing plan benefits is financed on a pay-as-you-go basis as follows: active teachers' pay for one third of the Plan costs through a contribution of 1.25% of their pensionable salaries, and retired teachers pay for one third of the Plan costs through monthly premiums, which helps reduce the cost of health insurance for eligible retired members and dependents.

Actuarial Assumptions - The total OPEB liability was determined by an actuarial valuation as of June 30, 2018 using the following actuarial assumptions and other inputs, applied to all periods included in the measurement:

Inflation	2.50%
Real Wage Growth	0.75%
Wage Inflation	3.25%
Salary increases	3.25-6.50%, including inflation
Long-term investment rate of return	3.00%, net of OPEB plan investment expense, including inflation
<u>Municipal bond index rate:</u>	
Measurement Date	3.50%
Prior Measurement Date	3.87%

The projected fiduciary net position is projected to be depleted in 2019.

Single equivalent interest rate

Measurement Date	3.50%, net of OPEB plan investment expense, including price inflation
Prior Measurement Date	3.87%, net of OPEB plan investment expense, Including price inflation

REGIONAL SCHOOL DISTRICT NO. 14
Notes to the Financial Statements

Healthcare cost trend rates:

Pre-Medicare	5.95% for 2018 decreasing to an ultimate Rate of 4.75% by 2025
Medicare	5.00% for 2018 decreasing to an ultimate Rate of 4.75% by 2028

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.

Long-Term Rate of Return - The long-term expected rate of return on plan assets is reviewed as part of the GASB 75 valuation process. Several factors are considered in evaluation 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 of investment expense and inflation) for each major asset class.

The long-term expected rate of return was determined by weighing 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 target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Expected 10-Year Geometric Real Rate of Return	Standard Deviation
U.S. Treasuries (Cash Equivalents)	100.0%	0.41%	2.31%
Price inflation		2.50%	
Expected rate of return (Rounded nearest 0.25%)		3.00%	

Discount Rate - The discount rate used to measure the total OPEB liability was 3.50%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 75. The projection's basis was an actuarial valuation performed as of June 30, 2018. In addition to the actuarial methods and assumptions of the June 30, 2018 actuarial valuation, the following actuarial methods and assumptions were used in the projection of cash flows:

- Total payroll for the initial projection year consists of the payroll of the active membership present on the valuation date. In subsequent projection years, total payroll was assumed to increase annually at a rate of 3.25%.
- Employee contributions were assumed to be made at the current member contribution rate. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- No future employer contributions were assumed to be made.

Based on those assumptions, the plan's fiduciary net position was projected to be depleted in 2019 and, as a result, the Municipal Bond Index Rate was used in the determination of the single equivalent rate.

REGIONAL SCHOOL DISTRICT NO. 14

Notes to the Financial Statements

Sensitivity of the Net OPEB Liability to Changes in Healthcare Cost Trend Rates - The following presents the total OPEB liability, calculated using current cost trend rates, as well as what the Plan's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage point lower or 1-percentage point higher than current healthcare cost trend rates:

	1% Lower Trend Rates	Current Trend Rates	1% Higher Trend Rates
Initial Healthcare Cost Trend Rate	4.95%	5.95%	6.95%
Ultimate Healthcare Cost Trend Rate	3.75%	4.75%	5.75%
Total OPEB Liability	\$ 7,935,430	\$ 9,525,296	\$ 11,649,062

Sensitivity of the Net OPEB Liability to Changes in Discount Rates - The following presents the net OPEB liability, calculated using the current discount rate, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	1% Decrease (2.50%)	Current Discount Rate (3.50%)	1% Increase (4.50%)
Net OPEB liability	\$ 11,351,292	\$ 9,525,296	\$ 8,071,238

Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions: At June 30, 2020 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 were 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>9,525,296</u>
Total	<u>\$ 9,525,296</u>

The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2018. At June 30, 2020, the District had no proportionate share of the net OPEB liability.

For the year ended June 30, 2020, the District recognized OPEB expense and revenue of \$126,356 in the governmental funds for on-behalf amounts for the benefits provided by the State. In the government-wide financial statements, the District recognized (\$697,029) for OPEB expense related to actuarial liabilities for on-behalf amounts for the benefits provided by the State.

REGIONAL SCHOOL DISTRICT NO. 14
Notes to the Financial Statements

NOTE 10 – LITIGATION AND CONTINGENCIES

Litigation - The District is not a defendant in any lawsuits that, in the opinion of District Management, in consultation with the District Attorney, will have an adverse, material effect on the District's financial position.

Grants - The District participates in several Federal and State assisted grants programs. These programs are subject to financial and compliance audits by the grantors or their representatives. The audits of certain of these programs for or including the year ended June 30, 2020 have not yet been conducted. Accordingly, the District's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the District expects such amounts, if any, to be immaterial.

NOTE 11 – RISK MANAGEMENT

The District is exposed to various risks of loss involving torts, theft of, damage to, and destruction of assets, errors and omissions, injuries of employees, and natural disasters. The District generally obtains commercial insurance for these risks. Coverage has not been significantly reduced and settled claims have not exceeded commercial coverage in any of the last three fiscal years.

NOTE 12 – UPCOMING PRONOUNCEMENTS

GASB Pronouncements Issued, But Not Yet Effective

The Governmental Accounting Standards Board (GASB) has issued several pronouncements that have effective dates that may impact future financial presentations. Management has not currently determined what, if any, impact implementation of the following statements may have on the financial statements:

GASB Statement No. 87 – Leases - This statement improves the accounting and financial reporting for leases by governments. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this statement are effective for the District's reporting period beginning July 1, 2021.

GASB Statement No. 89 - Accounting for Interest Cost Incurred before the End of a Construction Period - The objectives of this statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred. As a result, interest cost before the end of a construction period will not be included in the historical cost of the capital asset. The requirements of this statement are effective for the District's reporting period beginning July 1, 2021.

REGIONAL SCHOOL DISTRICT NO. 14
Notes to the Financial Statements

NOTE 13 – RISKS AND UNCERTAINTIES

The World Health Organization declared the coronavirus outbreak (“COVID-19”) a pandemic. The impact of COVID-19 could negatively affect the District’s operations, vendors, and/or taxpayer base. The extent to which the COVID-19 impacts the District’s financial position will depend upon future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and the actions taken to contain the coronavirus or its impact, among others.

NOTE 14 – SUBSEQUENT EVENTS

On July 23, 2020, the District paid off the \$3,000,000 Bond Anticipation Note with the issuance of a new Bond Anticipation Note in the amount of \$8,500,000. The note carries an interest rate of 1.296% and matures in July 2021.

NOTE 15 – PRIOR PERIOD RESTATEMENT

	<u>Governmental Activities</u>	<u>General Fund</u>	<u>Custodial Funds</u>
Net Position as Previously Reported at June 30, 2019	\$ 19,179,462	\$ 1,978,880	\$ -
Record Bond Premiums as Long-Term Liabilities	(155,362)	-	-
Adjust Technology Lease Balances	(178,347)	-	-
Adjust Beginning Capital Asset Balances	(697,808)	-	-
Record Escrow Cash Balances for Technology Lease Accounts	166,519	166,519	-
To Reclassify Funds as a Result of the Implementation of GASB 84	-	-	279,515
Net Position as Restated at July 1, 2019	<u>\$ 18,314,464</u>	<u>\$ 2,145,399</u>	<u>\$ 279,515</u>

REGIONAL SCHOOL DISTRICT NO. 14
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Budgetary Basis) - General Fund
For the Year Ended June 30, 2020

	Budgeted Amounts		Actual	Variance
	Original	Amended	Budgetary Basis	
REVENUES				
Participating Towns				
Town of Bethlehem	\$ 8,140,223	\$ 8,140,223	\$ 8,140,223	\$ -
Town of Woodbury	23,666,535	23,666,535	23,666,535	-
State of Connecticut				
Adult Education Grant	5,639	5,639	6,587	948
Agri-Science/Tech Grant	1,170,201	1,170,201	1,298,517	128,316
Other				
Tuition Income	1,943,405	1,943,405	1,911,862	(31,543)
Other Income	2,000	2,000	3,342	1,342
Capital Reserve	320,557	320,557	-	(320,557)
Investment Income	8,000	8,000	3,628	(4,372)
Total Revenues	<u>35,256,560</u>	<u>35,256,560</u>	<u>35,030,694</u>	<u>(225,866)</u>
EXPENDITURES				
Current:				
Salaries - Certified	16,327,547	16,367,547	15,842,196	525,351
Salaries - Classified	3,760,210	3,835,210	4,009,122	(173,912)
Employee Benefits	5,669,793	5,669,793	5,606,611	63,182
Purchased Services	6,442,146	6,327,044	5,672,620	654,424
Supplies and Materials	1,003,034	1,003,795	939,783	64,012
Liability and Property Insurance	170,025	170,025	169,165	860
Dues and Fees	64,759	65,101	46,804	18,297
Debt Service	1,137,760	1,137,760	1,137,760	-
Capital Outlay	681,186	680,185	1,085,774	(405,589)
Total Expenditures	<u>35,256,460</u>	<u>35,256,460</u>	<u>34,509,835</u>	<u>746,625</u>
Other Financing Uses				
Transfers Out:				
Reserve for Specific Capital Improvements	100	100	352,566	(352,466)
Food Service	-	-	168,293	(168,293)
Total Other Financing Uses	<u>100</u>	<u>100</u>	<u>520,859</u>	<u>(520,759)</u>
Total Expenditures and Other Financing Uses	<u>35,256,560</u>	<u>35,256,560</u>	<u>35,030,694</u>	<u>225,866</u>
Excess (Deficiency) of Revenues and Other Financing Sources over Expenditures and Other Financing (Uses) - Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accountant's report.

REGIONAL SCHOOL DISTRICT NO. 14
Notes to Required Supplementary Information

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

Budgetary Information and Accounting

The District adheres to the following procedures in establishing the budgetary data included in the General Fund financial statements in accordance with provisions of Connecticut General Statutes and annually adopted budget policies.

- On or before the last Wednesday in January of each year all cost centers submit requests for appropriations to the Regional School Board Central Office administration so that the general fund budget may be prepared.
- Before March 31st, the proposed budget is presented to the finance committee for review. By the end of April, the proposed budget will be reviewed and adopted by the Regional Board of Education to be presented at the annual public budget meeting.
- Not less than two weeks before the annual meeting held pursuant to C.G.S. Section 10-47, the Board shall hold a public district meeting to present a proposed budget for the next fiscal year. Any person may recommend the inclusion or deletion of expenditures at such time. After the public hearing, the Board prepares an annual budget for the next fiscal year. At the annual meeting on the first Monday in May, the Board presents a budget which includes a statement of (1) estimated receipts and expenditures for the next fiscal year, (2) estimated receipts and expenditures for the current fiscal year, (3) estimated surplus or deficit in operating funds at the end of the current year, (4) bonded or other debt, (5) estimated per pupil expenditure for the current and for the next fiscal year, and (6) such other information as is necessary in the opinion of the Board. Persons present and eligible to vote under section 7-6 may accept or reject the proposed budget. The regional Board of Education may, in the call to the meeting, designate that the vote on the motion to adopt a budget shall be by paper ballots at the district meeting held on the budget or by a “yes” or “no” vote on the voting machines in each of the member towns on the day following the district meetings. After budget approval, the Board shall estimate the net expenditures to be paid by each member town.
- The budget is prepared on the modified accrual basis of accounting. 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.
- The state legislature established the ability to transfer to a capital reserve fund up to 1% of the Districts approved appropriations. The Board of Education voted to transfer to this fund \$352,566 for future capital or nonrecurring expenditures during the year ended June 30, 2020. This fund can be carried forward each year and is subject to the Board of Education approval for expenditures made from it.

Accounting principles applied for purposes of developing data on a budgetary basis differ from those used to present financial statements in conformity with accounting principles generally accepted in the United States of America (“GAAP basis”). The differences consist primarily of payments made by the State of Connecticut “on-behalf” of the District into the State Teachers’ Retirement System, which are not recorded for budgetary purposes, along with encumbrances, and state grants that are net with expenditures for budgetary basis.

REGIONAL SCHOOL DISTRICT NO. 14
Notes to Required Supplementary Information

A reconciliation of General Fund amounts presented on the budgetary basis to amounts presented on the GAAP basis is as follows for the year ended June 30, 2020:

	<u>Total Revenues</u>	<u>Total Expenditures</u>	<u>Other Financing Sources (Uses)</u>
Budgetary Basis	\$ 35,030,694	\$ 34,509,835	\$ (520,859)
"On-behalf" payments - State Teachers Retirement Fund	4,749,557	4,749,557	-
Excess Cost Grant	500,709	500,709	-
TEAM Grant	3,086	3,086	-
Technology Lease Activity	2,000	364,395	250,000
OPEB Activity	-	(379,060)	-
Accrued Retirement Adjustment	-	(351,408)	-
Adjustment for Encumbrances	-	(70,994)	-
GAAP Basis	<u>\$ 40,286,046</u>	<u>\$ 39,326,120</u>	<u>\$ (270,859)</u>

REGIONAL SCHOOL DISTRICT NO. 14
Employee Retirement System, Non-Certified Employee Plan
Schedule of Changes in Net Pension Liability and Related Ratios
Last Seven Fiscal Years

	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability							
Service Cost	\$ 213,838	\$ 214,921	\$ 217,067	\$ 208,741	\$ 235,893	\$ 223,630	\$ 216,068
Interest	438,260	411,151	406,261	375,388	363,266	340,255	313,875
Differences Between Expected and Actual Experience	(203,801)	93,311	(241,887)	13,928	(90,824)	27,648	-
Changes of Assumptions	130,945	1,728	61,883	56,455	-	-	-
Benefit Payments, Including Refunds of Member Contributions	<u>(432,013)</u>	<u>(263,167)</u>	<u>(257,135)</u>	<u>(234,551)</u>	<u>(397,294)</u>	<u>(192,023)</u>	<u>(170,419)</u>
Net Change in Total Pension Liability	147,229	457,944	186,189	419,961	111,041	399,510	359,524
Total Pension Liability - Beginning	<u>6,043,345</u>	<u>5,585,401</u>	<u>5,399,212</u>	<u>4,979,251</u>	<u>4,868,210</u>	<u>4,468,700</u>	<u>4,109,176</u>
Total Pension Liability - Ending (a)	<u>\$ 6,190,574</u>	<u>\$ 6,043,345</u>	<u>\$ 5,585,401</u>	<u>\$ 5,399,212</u>	<u>\$ 4,979,251</u>	<u>\$ 4,868,210</u>	<u>\$ 4,468,700</u>
Plan Fiduciary Net Position							
Contributions - Employer	\$ 350,000	\$ 350,000	\$ 315,000	\$ 570,000	\$ 342,600	\$ 311,452	\$ -
Net Investment Income	361,078	334,042	454,736	466,694	68,222	150,722	479,234
Benefit Payments, Including Refunds of Member Contributions	(432,013)	(263,167)	(257,135)	(234,551)	(397,294)	(192,023)	(170,419)
Administrative Expenses	<u>(30,677)</u>	<u>(29,053)</u>	<u>(27,414)</u>	<u>(24,804)</u>	<u>(22,030)</u>	<u>(21,386)</u>	<u>(18,968)</u>
Net Change in Pension Fiduciary Net Position	248,388	391,822	485,187	777,339	(8,502)	248,765	289,847
Plan Fiduciary Net Position - Beginning	<u>5,164,313</u>	<u>4,772,491</u>	<u>4,287,304</u>	<u>3,509,965</u>	<u>3,518,467</u>	<u>3,269,702</u>	<u>2,979,855</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 5,412,701</u>	<u>\$ 5,164,313</u>	<u>\$ 4,772,491</u>	<u>\$ 4,287,304</u>	<u>\$ 3,509,965</u>	<u>\$ 3,518,467</u>	<u>\$ 3,269,702</u>
Net Pension Liability - Ending: (a) - (b)	<u>\$ 777,873</u>	<u>\$ 879,032</u>	<u>\$ 812,910</u>	<u>\$ 1,111,908</u>	<u>\$ 1,469,286</u>	<u>\$ 1,349,743</u>	<u>\$ 1,198,998</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	87.43%	85.45%	85.45%	79.41%	70.49%	72.27%	73.17%
Covered Payroll	\$ 2,648,824	\$ 2,627,003	\$ 2,534,857	\$ 2,662,340	\$ 2,498,132	\$ 2,504,616	\$ 2,400,883
Net Pension Liability as a Percentage of Covered Payroll	29.37%	33.46%	32.07%	41.76%	58.82%	53.89%	49.94%

See accountant's report.

REGIONAL SCHOOL DISTRICT NO. 14
Employee Retirement System, Non-Certified Employee Plan
Schedule of Contributions
Last Seven Fiscal Years

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially Determined Employer Contribution (ADEC)	\$ 347,949	\$ 336,953	\$ 369,039	\$ 332,247	\$ 315,120	\$ 307,332	\$ 311,452
Contributions in Relation to the ADEC	<u>350,000</u>	<u>350,000</u>	<u>315,000</u>	<u>570,000</u>	<u>342,600</u>	<u>311,452</u>	<u>-</u>
Contribution Deficiency (Excess)	<u>\$ (2,051)</u>	<u>\$ (13,047)</u>	<u>\$ 54,039</u>	<u>\$(237,753)</u>	<u>\$ (27,480)</u>	<u>\$ (4,120)</u>	<u>\$ 311,452</u>
Covered Payroll	2,541,851	2,452,692	2,534,857	2,662,340	2,498,132	2,504,616	2,400,883
Contributions as a Percentage of Covered Payroll	13.77%	14.27%	12.43%	21.41%	13.71%	12.44%	0.00%

Notes to Schedule

Valuation Date: 1/1/2018

Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which the contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Projected Unit Credit
Amortization method	Level Dollar
Remaining amortization period	15 yrs
Asset valuation method	5-year Smoothed Market
Inflation	2.60%
Salary increases	3.35%
Investment rate of return	7.25%
Normal Retirement	Age 65
Mortality	RP-2000 Mortality Table with separate male and female rates, with no collar adjustment, separate tables for non-annuitants, projected to the valuation date with Scale AA.

See accountant's report.

REGIONAL SCHOOL DISTRICT NO. 14
Employee Retirement System, Non-Certified Plan
Schedule of Investment Returns
Last Seven Fiscal Years

	<u>2020</u>	<u>2019</u>	<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	7.06%	7.03%	10.61%	12.02%	1.95%	4.43%	16.55%

See accountant's report.

REGIONAL SCHOOL DISTRICT NO. 14
State Teacher's Retirement System
Proportionate Share of Net Pension Liability
Last Six Fiscal Years

Schedule of Proportionate Share of Net Pension Liability

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's percentage of the net pension liability	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
District's proportionate share of the net pension liability	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State of Connecticut's proportionate share of the net pension liability associated with the District	<u>61,076,960</u>	<u>47,093,885</u>	<u>47,747,856</u>	<u>50,374,354</u>	<u>39,553,506</u>	<u>36,559,289</u>
Total	<u>\$ 61,076,960</u>	<u>\$ 47,093,885</u>	<u>\$ 47,747,856</u>	<u>\$ 50,374,354</u>	<u>\$ 39,553,506</u>	<u>\$ 36,559,289</u>
District's covered payroll	<u>\$ 14,705,200</u>	<u>\$ 14,915,106</u>	<u>\$ 14,682,350</u>	<u>\$ 14,318,692</u>	<u>\$ 13,899,431</u>	<u>\$ 13,613,280</u>
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll.	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>52.00%</u>	<u>57.69%</u>	<u>55.93%</u>	<u>52.26%</u>	<u>59.50%</u>	<u>61.51%</u>

Notes to Schedule

Actuarial cost method	Entry Age
Amortization method	Level percent of salary, closed
Remaining amortization period	17.6 years
Asset valuation method	4-year smoothed market
Inflation	2.75%
Salary increases	3.25% - 6.50% average, including inflation
Investment rate of return	8.0% net of investment expense, including inflation

See accountant's report.

REGIONAL SCHOOL DISTRICT NO. 14

State Teacher's Retirement System
Proportionate Share of Net OPEB Liability
Last Three Fiscal Years

Schedule of Proportionate Share of Net OPEB Liability

	<u>2020</u>	<u>2019</u>	<u>2018</u>
District's percentage of the net OPEB liability	0.00%	0.00%	0.00%
District's proportionate share of the net OPEB liability	\$ -	\$ -	\$ -
State of Connecticut's proportionate share of the net OPEB liability associated with the District	<u>9,525,296</u>	<u>9,414,387</u>	<u>12,289,755</u>
Total	<u>\$ 9,525,296</u>	<u>\$ 9,414,387</u>	<u>\$ 12,289,755</u>
District's covered-employee payroll	<u>\$ 14,705,200</u>	<u>\$ 14,915,106</u>	<u>\$ 14,682,350</u>
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll.	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>2.08%</u>	<u>1.49%</u>	<u>1.79%</u>

Notes to Schedule

Actuarial Cost Method	Entry age
Amortization Method	Level Percent of Payroll
Remaining Amortization Period	30 years, open
Asset Valuation Method	Market Value of Assets
Investment Rate of Return	3.00%, net of investment related expense
Price Inflation	2.75%

See accountant's report.

REGIONAL SCHOOL DISTRICT NO. 14
Other Post Employment Benefits (OPEB) Plan
Schedule of Changes in Total OPEB Liability
Last Three Fiscal Years*

	2020	2019	2018
Total OPEB Liability			
Service Cost	\$ 360,205	\$ 320,914	\$ 267,655
Interest	346,952	276,761	253,613
Economic/Demographic Gains/(Losses)	-	1,928,412	-
Changes of Assumptions	673,575	475,997	(257,373)
Benefit Payments	<u>(270,828)</u>	<u>(288,576)</u>	<u>(212,020)</u>
Net Change in Total OPEB Liability	1,109,904	2,713,508	51,875
Total OPEB Liability - Beginning	<u>9,686,963</u>	<u>6,973,455</u>	<u>6,921,580</u>
Total OPEB Liability - Ending	<u><u>\$ 10,796,867</u></u>	<u><u>\$ 9,686,963</u></u>	<u><u>\$ 6,973,455</u></u>

There are no assets that are being accumulated in a trust that meets the criteria in GASB 75 to pay benefits.

* This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

Notes to Schedule

Measurement Date	June 30, 2020
Valuation Date	July 1, 2018
Actuarial Cost Method	Entry Age Normal
Inflation Rate	2.70%
Salary Increases	Graded by Service for Teachers and Administrators; 3.50% for all others
Healthcare Cost Trend Rates	5.30% - 4.50% over 52 years

See accountant's report.

REGIONAL SCHOOL DISTRICT NO. 14

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2020

SPECIAL REVENUE FUNDS

	Food Service	Special Accounts	E-Rate Program	State, Federal and Other Grants	Debt Service	Total
Assets						
Cash and Cash Equivalents	\$ 14,677	\$ 35,907	\$ -	\$ 414,419	\$ 31,944	\$ 496,947
Receivables, Net	28,179	-	38,422	505,166	-	571,767
Inventory	10,255	-	-	-	-	10,255
Due from Other Funds	-	190,000	70,999	-	6,199	267,198
Total Assets	<u>\$ 53,111</u>	<u>\$ 225,907</u>	<u>\$ 109,421</u>	<u>\$ 919,585</u>	<u>\$ 38,143</u>	<u>\$ 1,346,167</u>
Liabilities and Fund Balances						
Liabilities:						
Accounts Payable and Accrued Items	\$ -	\$ 87,608	\$ -	\$ 64,802	\$ -	\$ 152,410
Unearned Revenue	29,678	-	109,421	157,188	-	296,287
Due to Other Funds	-	6,195	-	706,179	-	712,374
Total Liabilities	<u>29,678</u>	<u>93,803</u>	<u>109,421</u>	<u>928,169</u>	<u>-</u>	<u>1,161,071</u>
Fund Balances:						
Nonspendable	-	-	-	-	-	-
Restricted	-	-	-	-	-	-
Committed	23,433	132,104	-	-	38,143	193,680
Unassigned	-	-	-	(8,584)	-	(8,584)
Total Fund Balances	<u>23,433</u>	<u>132,104</u>	<u>-</u>	<u>(8,584)</u>	<u>38,143</u>	<u>185,096</u>
Total Liabilities and Fund Balances	<u>\$ 53,111</u>	<u>\$ 225,907</u>	<u>\$ 109,421</u>	<u>\$ 919,585</u>	<u>\$ 38,143</u>	<u>\$ 1,346,167</u>

See accountant's report.

REGIONAL SCHOOL DISTRICT NO. 14

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2020

	SPECIAL REVENUE FUNDS					Total
	Food Service	Special Accounts	E-Rate Program	State, Federal and Other Grants	Debt Service	
Revenues						
Intergovernmental Revenues	\$ 197,145	\$ -	\$ -	\$ 601,863	\$ -	\$ 799,008
Charges for Services	365,595	-	-	-	-	365,595
Investment Income	2	65	-	-	-	67
Other Revenue	-	113,027	5,000	48,033	-	166,060
Total Revenues	<u>562,742</u>	<u>113,092</u>	<u>5,000</u>	<u>649,896</u>	<u>-</u>	<u>1,330,730</u>
Expenditures						
Current:						
Salaries - Certified	415,546	-	-	366,828	-	782,374
Salaries - Classified	-	-	-	6,963	-	6,963
Employee Benefits	34,607	-	-	55	-	34,662
Purchased Services	-	-	5,000	69,806	-	74,806
Supplies and Materials	30,822	18,270	-	120,511	-	169,603
Cost of Food Purchased	222,388	-	-	-	-	222,388
Capital Outlay	11,726	87,608	-	94,317	-	193,651
Total Expenditures	<u>715,089</u>	<u>105,878</u>	<u>5,000</u>	<u>658,480</u>	<u>-</u>	<u>1,484,447</u>
Excess/(Deficiency) of Revenues Over Expenditures	(152,347)	7,214	-	(8,584)	-	(153,717)
Other Financing Sources/(Uses)						
Transfers In	168,293	-	-	-	-	168,293
Transfers Out	-	-	-	-	-	-
Total Other Financing Sources/(Uses)	<u>168,293</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>168,293</u>
Net Change in Fund Balances	15,946	7,214	-	(8,584)	-	14,576
Fund Balances at Beginning of Year	7,487	124,890	-	-	38,143	170,520
Fund Balances at End of Year	<u>\$ 23,433</u>	<u>\$ 132,104</u>	<u>\$ -</u>	<u>\$ (8,584)</u>	<u>\$ 38,143</u>	<u>\$ 185,096</u>

See accountant's report.

REGIONAL SCHOOL DISTRICT NO. 14
Detailed Statement of Scholarship Net Position
Private Purpose Trust Funds
June 30, 2020

Name	Assets		Liabilities	Net Position
	Cash and Cash Equivalents	Accounts Receivable	Accounts Payable	Restricted for Scholarships
Nonexpendable Funds				
Blechner	\$ 55,075	\$ -	\$ -	\$ 55,075
Sanford	45,724	-	-	45,724
Expendable Funds				
Albert	2,916	-	-	2,916
Bailey	1,115	-	-	1,115
Besancon	6,292	-	-	6,292
Blinstrubas	3,130	-	-	3,130
Bloss	247,508	58,850	-	306,358
Burger	100	-	-	100
Cummings	20,661	-	-	20,661
Gagne	1,690	-	-	1,690
Lovett	5,669	-	-	5,669
Meeker	1,191	-	-	1,191
Mirfield	10,712	-	-	10,712
Oxbury 4-H	5,339	-	-	5,339
Pierpoint	3,342	-	-	3,342
Pomperaug Grange	1,351	-	-	1,351
Ruggiero	3,504	-	-	3,504
Sprano	1,640	-	-	1,640
Tateo	3,377	-	-	3,377
Vaszauskas	3,662	-	-	3,662
Zane	5,683	-	-	5,683
	<u>\$ 429,681</u>	<u>\$ 58,850</u>	<u>\$ -</u>	<u>\$ 488,531</u>

See accountant's report.

REGIONAL SCHOOL DISTRICT NO. 14
Detailed Statement of Changes in Scholarship Net Position
Private Purpose Trust Funds
For the Year Ended June 30, 2020

Name	Additions			Deductions		Net Increase (Decrease)	Net Position June 30, 2019	Net Position June 30, 2020
	Contributions	Interest	Total	Scholarship Payments				
Nonexpendable Funds								
Blechner	\$ -	\$ 432	\$ 432	\$ -	\$ 432	\$ 54,643	\$ 55,075	
Sanford	-	328	328	-	328	45,396	45,724	
Expendable Funds								
Albert	-	23	23	-	23	2,893	2,916	
Bailey	-	9	9	-	9	1,106	1,115	
Besancon	-	50	50	-	50	6,242	6,292	
Blinstrubas	-	28	28	500	(472)	3,602	3,130	
Bloss	60,350	2,115	62,465	38,275	24,190	282,168	306,358	
Burger	-	1	1	-	1	99	100	
Cummings	25	154	179	500	(321)	20,982	20,661	
Gagne	-	13	13	-	13	1,677	1,690	
Lovett	-	44	44	-	44	5,625	5,669	
Meeker	-	9	9	-	9	1,182	1,191	
Mirfield	-	84	84	-	84	10,628	10,712	
Oxbury 4-H	-	42	42	-	42	5,297	5,339	
Pierpoint	-	26	26	-	26	3,316	3,342	
Pomperaug Grange	-	12	12	-	12	1,339	1,351	
Ruggiero	-	28	28	-	28	3,476	3,504	
Sprano	-	13	13	-	13	1,627	1,640	
Tateo	500	28	528	500	28	3,349	3,377	
Vaszauskas	-	61	61	500	(439)	4,101	3,662	
Zane	-	46	46	-	46	5,637	5,683	
	<u>\$ 60,875</u>	<u>\$ 3,546</u>	<u>\$ 64,421</u>	<u>\$ 40,275</u>	<u>\$ -</u>	<u>\$ 464,385</u>	<u>\$ 488,531</u>	

See accountant's report.

REGIONAL SCHOOL DISTRICT NO. 14

Schedule of Debt Limitation

June 30, 2020

Total Tax Collections of Member Towns - Prior Year

Town of Woodbury	\$ 30,906,823
Town of Bethlehem	<u>9,274,016</u>
Base	<u>40,180,839</u>

District

Debt Limitation:

Limit for School Building Purposes (4.5 times base) \$ 180,813,776

Indebtedness:

General Obligation Bonds	36,175,000
Bond Anticipation Notes	<u>3,000,000</u>
Net Indebtedness	<u>39,175,000</u>

Debt Limitation in Excess of Net Indebtedness \$ 141,638,776

See accountant's report.