

AMITY REGIONAL SCHOOL DISTRICT NO. 5

FINANCIAL STATEMENTS

**AS OF AND FOR THE YEAR ENDED
JUNE 30, 2019**

AMITY REGIONAL SCHOOL DISTRICT NO. 5
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INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Amity Regional School District No. 5
Woodbridge, Connecticut

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Amity Regional School District No. 5 (the "District") as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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 Amity Regional School District No. 5, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof 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 through 12 and the information on pages 63 through 74 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 District's basic financial statements. The combining and individual fund financial statements and schedules on pages 75 through 81 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2019, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Certified Public Accountants
Glastonbury, Connecticut
December 19, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

AMITY REGIONAL SCHOOL DISTRICT NO. 5
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

As management of Amity Regional School District No. 5 (the "District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2019.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$70,063,668 (net position). Included in this amount is a deficit in unrestricted net position of \$4,652,974. This deficit is caused by long-term liabilities for pension and other post-employment benefits, which are being funded on an annual basis by the District based on actuarially determined contributions.
- The District's total net position for the year ended June 30, 2019 increased by \$2,704,402.
- As of the close of the current fiscal year, the District's governmental funds reported a combined ending fund balance of \$1,326,259, an increase of \$101,325 in comparison with the prior year.
- The principal balance outstanding on the District's long-term bonded debt decreased by \$3,850,000 or 13.9% from \$27,625,000 as of June 30, 2018 to \$23,775,000 as of June 30, 2019.
- As of June 30, 2019, the District has recorded a liability to return the current year budgetary General Fund surplus of \$2,199,257 to its member towns.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District'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 District's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the District's assets, deferred outflows and inflows of resources, and liabilities, with net position as the residual of these other amounts. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

AMITY REGIONAL SCHOOL DISTRICT NO. 5
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

OVERVIEW OF THE FINANCIAL STATEMENTS *(Continued)*

Government-wide Financial Statements *(Continued)*

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

The government-wide financial statements are intended to distinguish functions of the District that are principally supported by District and 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 governmental activities of the District include instruction and support services. The District does not have any business-type activities.

The government-wide financial statements can be found on pages 13 and 14 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 District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental Funds

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

The District maintains a number of individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund and the Reserve Fund for Capital and Nonrecurring, both of which are considered to be major funds. Data from the remaining governmental funds are combined into a single, aggregated presentation. Individual fund data for these nonmajor governmental funds is provided in the form of a combining statement elsewhere in this report.

The basic governmental fund financial statements can be found on pages 15 through 18 of this report.

AMITY REGIONAL SCHOOL DISTRICT NO. 5
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

OVERVIEW OF THE FINANCIAL STATEMENTS *(Continued)*

Fund Financial Statements *(Continued)*

Proprietary Funds

The District maintains one type of proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the District's various functions. The District uses an internal service fund to account for its risk management activities. Because this service predominantly benefits governmental rather than business-type functions, it has been included within governmental activities in the government-wide financial statements.

The basic proprietary fund financial statements can be found on pages 19 through 21 of this report.

Fiduciary Funds

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

The basic fiduciary fund financial statements can be found on pages 22 and 23 of this report.

Notes to the Financial Statements

The notes to the financial statements 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 24 through 62 of this report.

Required Supplementary Information

The General Fund budgetary schedules and the schedules on the District's pension and other post-employment benefit plans can be found on pages 63 through 74 of this report.

Other Information

Combining and individual fund statements and schedules can be found on pages 75 through 81 of this report.

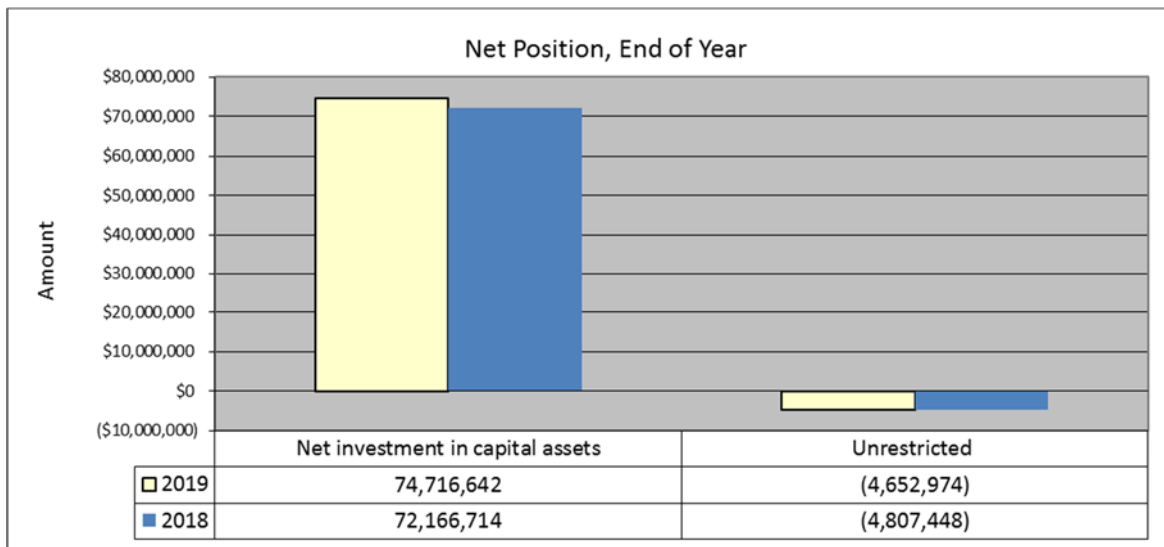
AMITY REGIONAL SCHOOL DISTRICT NO. 5
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (Continued)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position

Over time, net position may serve as one measure of a government's financial position. Net position of the District totaled \$70,063,668 as of June 30, 2019 and \$67,359,266 as of June 30, 2018, and is summarized as follows.

	2019	2018	\$ Variance	% Variance
Current and other assets	\$ 6,251,862	\$ 7,019,961	\$ (768,099)	-11%
Capital assets, net	99,513,658	100,781,966	(1,268,308)	-1%
Total assets	105,765,520	107,801,927	(2,036,407)	-2%
Deferred outflows of resources	918,417	1,146,825	(228,408)	-20%
Long-term liabilities	31,636,851	36,187,062	(4,550,211)	-13%
Other liabilities	3,932,059	4,844,735	(912,676)	-19%
Total liabilities	35,568,910	41,031,797	(5,462,887)	-13%
Deferred inflows of resources	1,051,359	557,689	493,670	89%
Net position:				
Net investment in capital assets	74,716,642	72,166,714	2,549,928	4%
Unrestricted	(4,652,974)	(4,807,448)	154,474	-3%
Total net position	\$ 70,063,668	\$ 67,359,266	\$ 2,704,402	4%



AMITY REGIONAL SCHOOL DISTRICT NO. 5
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

GOVERNMENT-WIDE FINANCIAL ANALYSIS *(Continued)*

Net Position *(Continued)*

The District's net position primarily reflects its investment in capital assets, less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

Change in Net Position

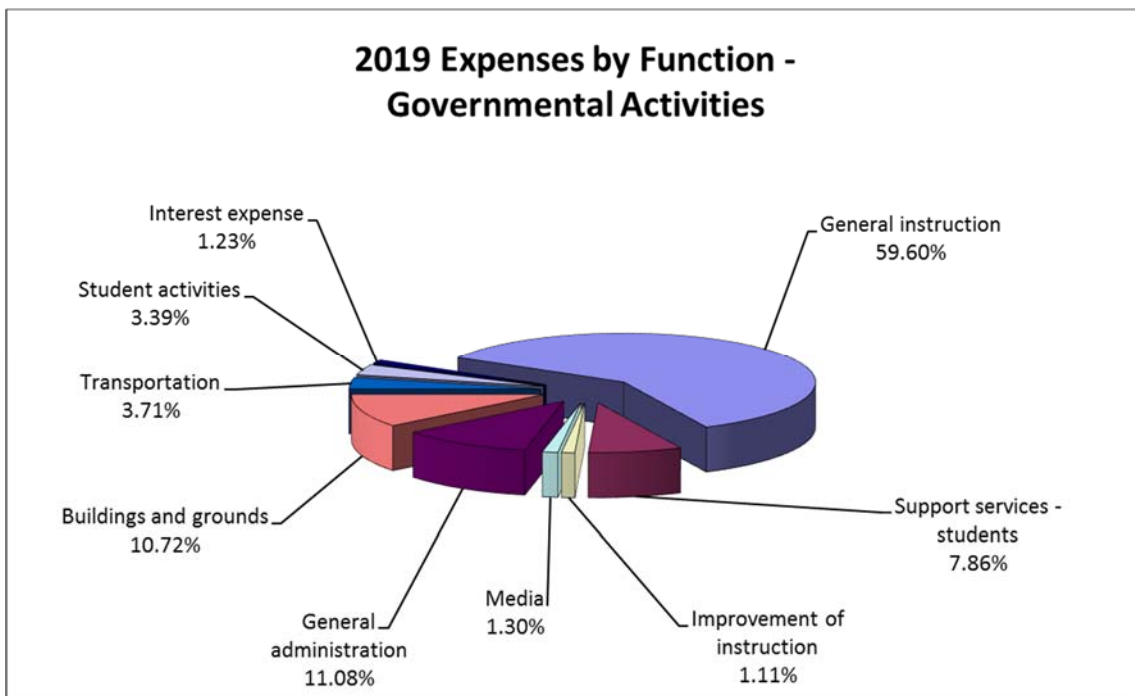
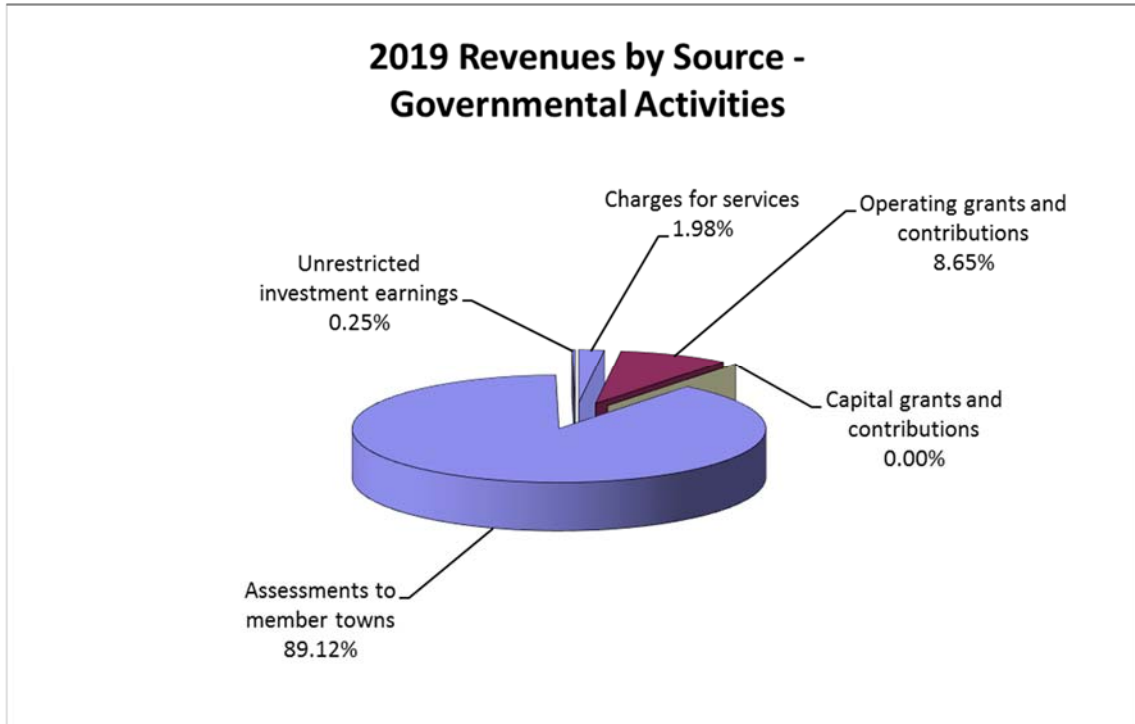
Changes in net position for the years ended June 30, 2019 and 2018 are as follows.

	<u>2019</u>	<u>2018</u>	<u>\$ Variance</u>	<u>% Variance</u>
Revenues				
Program revenues:				
Charges for services	\$ 1,020,840	\$ 1,021,347	\$ (507)	0.0%
Operating grants and contributions	4,463,044	9,691,746	(5,228,702)	-54.0%
Capital grants and contributions	-	26,456	(26,456)	-100.0%
General revenues:				
Assessments to member towns	45,990,999	44,251,623	1,739,376	3.9%
Unrestricted investment earnings	130,966	70,343	60,623	86.2%
Total revenues	<u>51,605,849</u>	<u>55,061,515</u>	<u>(3,455,666)</u>	-6.3%
Program expenses:				
General instruction	29,147,168	33,756,293	(4,609,125)	-13.7%
Support services - students	3,845,424	3,746,597	98,827	2.6%
Improvement of instruction	543,115	527,674	15,441	2.9%
Media	635,950	641,689	(5,739)	-0.9%
General administration	5,420,532	5,264,609	155,923	3.0%
Buildings and grounds	5,242,160	5,123,157	119,003	2.3%
Transportation	1,812,361	1,732,723	79,638	4.6%
Student activities	1,655,531	1,629,353	26,178	1.6%
Interest expense	599,206	769,021	(169,815)	-22.1%
Total expenses	<u>48,901,447</u>	<u>53,191,116</u>	<u>(4,289,669)</u>	-8.1%
Change in net position	<u>\$ 2,704,402</u>	<u>\$ 1,870,399</u>	<u>\$ 834,003</u>	44.6%

AMITY REGIONAL SCHOOL DISTRICT NO. 5
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (Continued)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Change in Net Position (Continued)



AMITY REGIONAL SCHOOL DISTRICT NO. 5
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

GOVERNMENT-WIDE FINANCIAL ANALYSIS *(Continued)*

Change in Net Position *(Continued)*

The change in net position for fiscal year 2019 was an increase of \$2,704,402 over the prior year change in net position. Revenues decreased by \$3,455,666 or 6.3% and expenses decreased by \$4,289,669 or 8.1%.

Operating grants and general instruction expenses decreased by \$5,283,009 from the prior year due to a reduction in the amount of pension and OPEB expense recognized by the State of Connecticut in connection with the Town's participation in the Connecticut State Teachers' Retirement System.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

Governmental Funds

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

As of the close of the current fiscal year, the District's governmental funds reported a combined ending fund balance of \$1,326,259, an increase in fund balance of \$101,325 over the prior year.

General Fund

The General Fund is the chief operating fund of the District. At the end of the current fiscal year, fund balance of the General Fund totaled \$726,300 and has been encumbered for specific purposes.

The overall fund balance of the General Fund increased by \$328,674 during the current year.

Reserve Fund for Capital and Nonrecurring

The Reserve Fund for Capital and Nonrecurring has a fund balance of \$413,504 as of June 30, 2019. This represents a decrease in fund balance of \$188,984 compared to the prior year. This decrease was driven by expenditures incurred for various capital projects.

GENERAL FUND BUDGETARY HIGHLIGHTS

The District's original budget did not contemplate the use of fund balance and there were no additional appropriations authorized during the fiscal year. Transfers between budget line items occurred throughout the year with the Board of Education's approval. Overall, there was no change in budgetary fund balance as any budgetary surplus is returned to the District's member towns. Nonmember revenues were \$378,012 higher than anticipated primarily due to the special education grant from the State of Connecticut and interest income earned during the fiscal year. Expenditures were \$1,655,000 lower than anticipated due to increased budgetary monitoring and overall cost savings.

AMITY REGIONAL SCHOOL DISTRICT NO. 5
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (Continued)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

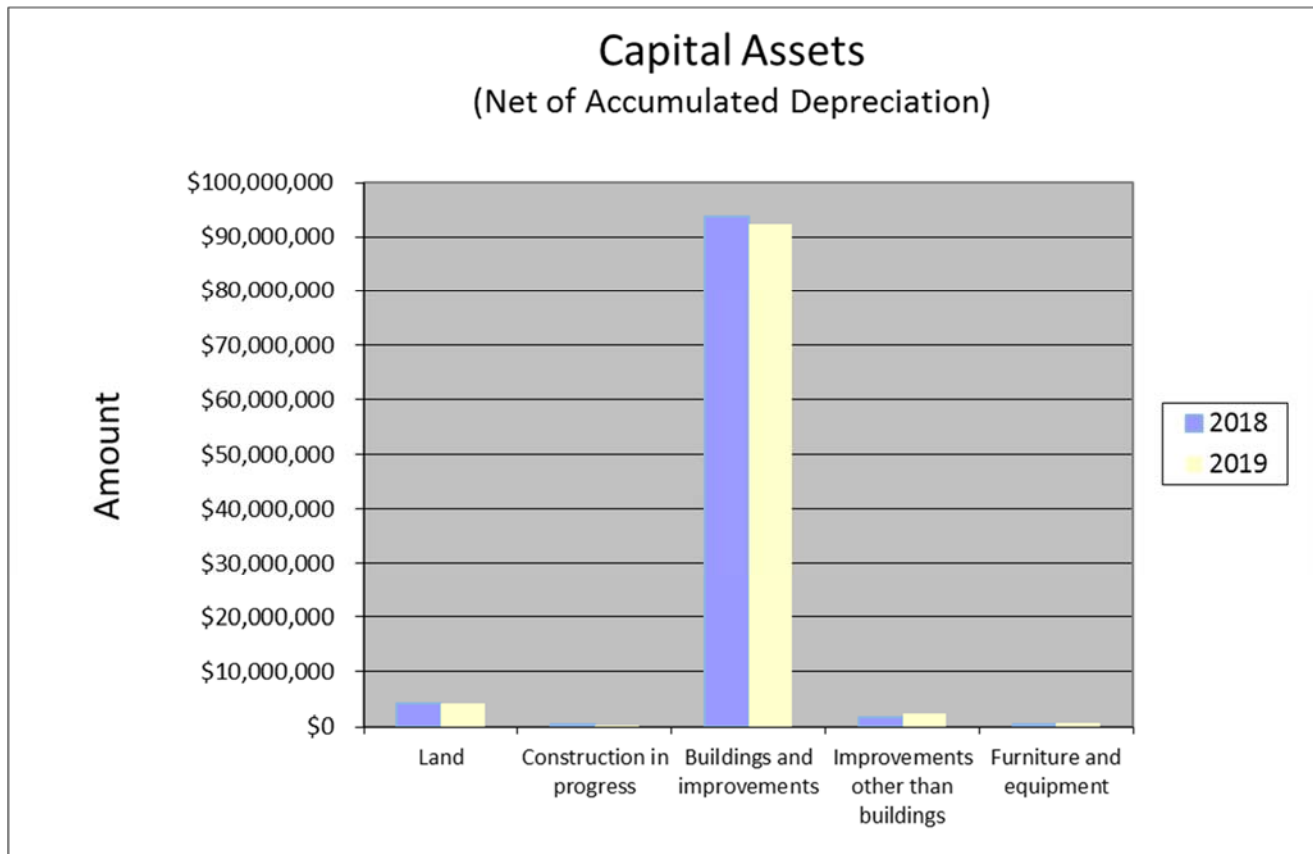
CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The District's investment in capital assets for its governmental activities as of June 30, 2019 totaled \$99,513,658 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings and improvements, improvements other than buildings, and furniture and equipment. The net decrease in the District's investment in capital assets for the current fiscal year was \$1,268,308 or 1.3%. This was primarily due depreciation expense of \$1,716,643, offset by real additions of \$468,972.

The following table is a two year comparison of the District's investment in capital assets, net of accumulated depreciation and amortization:

	2019	2018	\$ Variance	% Variance
Land	\$ 4,186,566	\$ 4,186,566	\$ -	0.0%
Construction in progress	112,003	506,132	(394,129)	-77.9%
Buildings and improvements	92,286,827	93,847,145	(1,560,318)	-1.7%
Improvements other than buildings	2,322,438	1,702,548	619,890	36.4%
Furniture and equipment	605,824	539,575	66,249	12.3%
Totals	\$ 99,513,658	\$ 100,781,966	\$ (1,268,308)	-1.3%



AMITY REGIONAL SCHOOL DISTRICT NO. 5
 MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (Continued)
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

CAPITAL ASSET AND DEBT ADMINISTRATION (Continued)

Capital Assets (Continued)

Additional information on the District's capital assets can be found in Note 4 of this report.

Long-term Debt

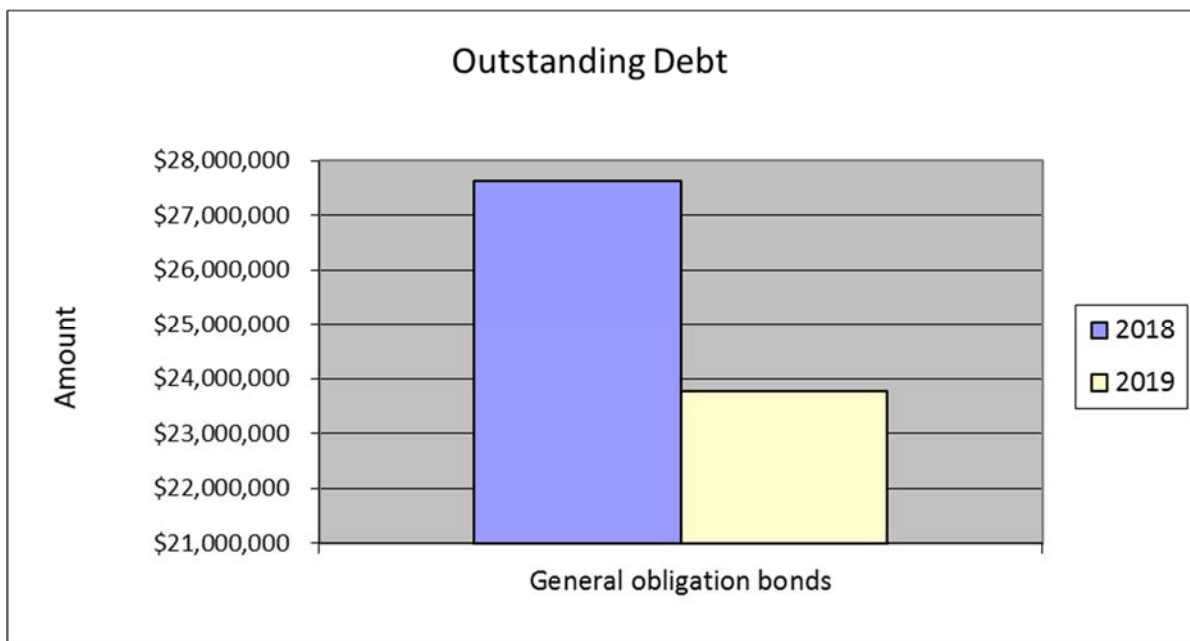
At the end of the current fiscal year, the District had total bonded debt outstanding of \$23,775,000, all of which is backed by the full faith and credit of the District and its member towns of Bethany, Orange and Woodbridge. Total long-term debt decreased by \$3,850,000 or 13.9% due to regularly scheduled debt service repayments of \$3,850,000.

The District maintains an "AA+" and an "Aa1" rating from Fitch Ratings and Moody's Investor Service, respectively, for general obligation debt.

State statutes limit the amount of general obligation debt the District may issue to four and a half times its annual receipts from member towns, as defined by the statutes. The current debt limitation for the District is \$206,959,496, which is significantly in excess of the District's outstanding general obligation debt.

The following table is a two year comparison of long-term debt:

	2019	2018	\$ Variance	% Variance
General obligation bonds	<u>\$ 23,775,000</u>	<u>\$ 27,625,000</u>	<u>\$ (3,850,000)</u>	-13.9%



Additional information on the District's long-term debt can be found in Note 7 of this report.

AMITY REGIONAL SCHOOL DISTRICT NO. 5
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

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

- The District receives a significant amount of revenue from federal and state grants. Any loss or significant reduction in these grants could have an impact on the District's budget and program services.
- The District's healthcare plan is self-insured. Budgeted contributions from the General Fund into the Internal Service Fund are based on historical claims experience, but actual contributions may fluctuate significantly based on actual claims incurred. The District experienced a favorable claims year during fiscal year 2019.

All of these factors were considered in preparing the District's budget for fiscal year 2020. The District's fiscal year 2020 General Fund budget was approved on May 8, 2019. The fiscal year 2020 budget contemplated expenditures of \$49,548,307, an increase of \$521,772 or 1.06% over the fiscal year 2019 budgeted expenditures.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Office of the Superintendent, 25 Newtown Road, Woodbridge, CT 06525.

BASIC FINANCIAL STATEMENTS

AMITY REGIONAL SCHOOL DISTRICT NO. 5
STATEMENT OF NET POSITION
AS OF JUNE 30, 2019

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 5,977,976
Receivables:	
Grants and contracts	21,105
Other	43,055
Inventories	21,292
Net sick and severance asset	188,434
Capital assets:	
Non-depreciable	4,298,569
Depreciable, net	95,215,089
Total assets	105,765,520
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charges on refundings	360,046
Deferred charges on pension expense	402,085
Deferred charges on OPEB expense	156,286
Total deferred outflows of resources	918,417
LIABILITIES	
Accounts payable	751,421
Accrued liabilities	71,982
Accrued interest	354,712
Unearned revenue	158,952
Claims payable	395,735
Due to member towns	2,199,257
Noncurrent liabilities:	
Due within one year	3,816,995
Due in more than one year	27,819,856
Total liabilities	35,568,910
DEFERRED INFLOWS OF RESOURCES	
Deferred charges on pension expense	622,262
Deferred charges on OPEB expense	429,097
Total deferred inflows of resources	1,051,359
NET POSITION	
Net investment in capital assets	74,716,642
Unrestricted deficit	(4,652,974)
Total net position	\$ 70,063,668

The accompanying notes are an integral part of these financial statements.

AMITY REGIONAL SCHOOL DISTRICT NO. 5
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position- Governmental Activities</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Instruction:					
General instruction	\$ 29,147,168	\$ 244,420	\$ 4,197,193	\$ -	\$ (24,705,555)
Support services:					
Support services - students	3,845,424	649,283	196,492	-	(2,999,649)
Improvement of instruction	543,115	-	36,847	-	(506,268)
Media	635,950	-	-	-	(635,950)
General administration	5,420,532	59,943	-	-	(5,360,589)
Transportation	1,812,361	-	28,012	-	(1,784,349)
Student activities	1,655,531	18,375	-	-	(1,637,156)
Buildings and grounds	5,242,160	48,819	4,500	-	(5,188,841)
Total support services	<u>19,155,073</u>	<u>776,420</u>	<u>265,851</u>	<u>-</u>	<u>(18,112,802)</u>
Interest expense	599,206	-	-	-	(599,206)
	<u>\$ 48,901,447</u>	<u>\$ 1,020,840</u>	<u>\$ 4,463,044</u>	<u>\$ -</u>	<u>(43,417,563)</u>
General revenues:					
Assessments to member towns					45,990,999
Unrestricted investment earnings					130,966
Total general revenues					<u>46,121,965</u>
					Change in net position
					2,704,402
					Net position - beginning
					<u>67,359,266</u>
					Net position - ending
					<u>\$ 70,063,668</u>

The accompanying notes are an integral part of these financial statements.

AMITY REGIONAL SCHOOL DISTRICT NO. 5
BALANCE SHEET
GOVERNMENTAL FUNDS
AS OF JUNE 30, 2019

	<u>General Fund</u>	<u>Reserve Fund for Capital and Nonrecurring</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 3,618,625	\$ 413,504	\$ 349,572	\$ 4,381,701
Receivables:				
Grants and contracts	-	-	21,105	21,105
Other	43,055	-	-	43,055
Due from other funds	22,575	-	5,379	27,954
Inventories	-	-	21,292	21,292
Total assets	<u>\$ 3,684,255</u>	<u>\$ 413,504</u>	<u>\$ 397,348</u>	<u>\$ 4,495,107</u>
LIABILITIES				
Accounts payable	\$ 673,296	\$ -	\$ 78,125	\$ 751,421
Accrued liabilities	71,982	-	-	71,982
Due to member towns	2,199,257	-	-	2,199,257
Due to other funds	13,420	-	22,575	35,995
Unearned revenue	-	-	110,193	110,193
Total liabilities	<u>2,957,955</u>	<u>-</u>	<u>210,893</u>	<u>3,168,848</u>
FUND BALANCES				
Nonspendable	-	-	21,292	21,292
Restricted	-	69,242	-	69,242
Committed	-	344,262	170,155	514,417
Assigned	726,300	-	-	726,300
Unassigned	-	-	(4,992)	(4,992)
Total fund balances	<u>726,300</u>	<u>413,504</u>	<u>186,455</u>	<u>1,326,259</u>
Total liabilities and fund balances	<u>\$ 3,684,255</u>	<u>\$ 413,504</u>	<u>\$ 397,348</u>	<u>\$ 4,495,107</u>

The accompanying notes are an integral part of these financial statements.

AMITY REGIONAL SCHOOL DISTRICT NO. 5
RECONCILIATION OF THE BALANCE SHEET OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
AS OF JUNE 30, 2019

Total fund balances for governmental funds \$ 1,326,259

Total net position reported for governmental activities in the statement of net position is different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. Those assets consist of:

Land	\$ 4,186,566	
Construction in progress	112,003	
Buildings and improvements	114,397,571	
Improvements other than buildings	2,561,749	
Furniture and equipment	1,248,375	
Less: accumulated depreciation and amortization	<u>(22,992,606)</u>	
Total capital assets, net		99,513,658

The net sick and severance asset is not recognized in the governmental funds. The net sick and severance asset results from the difference between the plan's fiduciary net position and the portion of the present value of projected benefit payments to be provided through the sick and severance plan. 188,434

Deferred inflows and outflows of resources resulting from changes in the components of the net pension and OPEB liabilities are reported in the statement of net position. (492,988)

Long-term liabilities applicable to the governmental activities are not due and payable in the current period and, accordingly, are not reported as governmental fund liabilities. All liabilities - both current and long-term - are reported in the statement of net position. Those liabilities consist of:

Accrued interest payable	(354,712)	
Long-term debt:		
Bonds payable	(23,775,000)	
Unamortized bond premiums	(1,339,314)	
Deferred charges on refundings	360,046	
Other long-term liabilities:		
Net OPEB liability	(2,260,320)	
Net pension liability	(4,127,811)	
Capital lease obligations	(111,990)	
Vacation accrual payable	<u>(22,416)</u>	
Total long-term liabilities		(31,631,517)

An internal service fund is used to charge the cost of risk management activities to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position. 1,159,822

Net position of governmental activities \$ 70,063,668

The accompanying notes are an integral part of these financial statements.

AMITY REGIONAL SCHOOL DISTRICT NO. 5
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	<u>General Fund</u>	<u>Reserve Fund for Capital and Nonrecurring</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Assessments to member towns	\$ 45,990,999	\$ -	\$ -	\$ 45,990,999
Intergovernmental	7,077,618	-	751,787	7,829,405
Charges for services	192,558	-	765,753	958,311
Interest income	130,966	-	-	130,966
Other	62,529	-	-	62,529
Total revenues	<u>53,454,670</u>	<u>-</u>	<u>1,517,540</u>	<u>54,972,210</u>
EXPENDITURES				
Current:				
General instruction	27,978,671	-	498,409	28,477,080
Support services:				
Support services - student	2,473,406	-	907,058	3,380,464
Improvement of instruction	428,379	-	36,846	465,225
Media	517,478	-	-	517,478
General administration	4,538,271	-	44,102	4,582,373
Transportation	1,810,859	-	1,502	1,812,361
Employee benefits	5,756,356	-	63,488	5,819,844
Student activities	1,450,080	-	-	1,450,080
Buildings and grounds	3,327,467	-	4,500	3,331,967
Capital outlays	330,979	188,984	-	519,963
Debt service:				
Principal payments	3,962,484	-	-	3,962,484
Interest and fiscal charges	719,551	-	-	719,551
Total expenditures	<u>53,293,981</u>	<u>188,984</u>	<u>1,555,905</u>	<u>55,038,870</u>
Excess (deficiency) of revenues over expenditures	160,689	(188,984)	(38,365)	(66,660)
OTHER FINANCING SOURCES				
Capital lease financing	167,985	-	-	167,985
Total other financing sources	<u>167,985</u>	<u>-</u>	<u>-</u>	<u>167,985</u>
Net changes in fund balances	328,674	(188,984)	(38,365)	101,325
Fund balances - beginning	<u>397,626</u>	<u>602,488</u>	<u>224,820</u>	<u>1,224,934</u>
Fund balances - ending	<u>\$ 726,300</u>	<u>\$ 413,504</u>	<u>\$ 186,455</u>	<u>\$ 1,326,259</u>

The accompanying notes are an integral part of these financial statements.

AMITY REGIONAL SCHOOL DISTRICT NO. 5
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, 2019

Net change in fund balances for governmental funds \$ 101,325

Total change in net position reported for governmental activities in the statement of activities is 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 and reported as depreciation and amortization expense. The amount by which depreciation and amortization exceeded capital outlays in the current period is as follows:

Expenditures for capital assets	\$ 468,972	
Depreciation and amortization expense	<u>(1,716,643)</u>	
Net adjustment		(1,247,671)

The statement of activities reports losses arising from the disposal of existing capital assets. Conversely, governmental funds do not report any gain or loss on disposal of capital assets. This amount represents the loss on disposal of capital assets. (20,637)

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. (683,514)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal on long-term debt consumes the current financial resources of governmental funds. However, neither transaction has any effect on net position. The effect of these differences in the treatment of long-term debt and related items is as follows:

Debt issued or incurred:		
Capital lease financing	(167,985)	
Principal repayments:		
Bonds	3,850,000	
Capital lease financing	<u>112,484</u>	
Net adjustment		3,794,499

Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the statement of activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. Also, governmental funds recognize the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The net effect of such items is as follows:

Accrued interest	(25,703)	
Amortization of deferred charges on refundings	(38,564)	
Amortization of bond premiums	184,612	
Net OPEB liability	21,337	
Net pension liability	549,227	
Net sick and severance asset	27,117	
Vacation accrual payable	<u>536</u>	
Net adjustment		718,562

Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue (expense) of a certain internal service fund is reported with governmental activities. 41,838

Change in net position of governmental activities \$ 2,704,402

AMITY REGIONAL SCHOOL DISTRICT NO. 5
STATEMENT OF NET POSITION
PROPRIETARY FUND
AS OF JUNE 30, 2019

	Governmental Activities Internal Service Fund
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 1,596,275
Due from other funds	8,041
Total assets	1,604,316
LIABILITIES	
Current liabilities:	
Claims payable	395,735
Unearned revenue	48,759
Total liabilities	444,494
NET POSITION	
Unrestricted	1,159,822
Total net position	\$ 1,159,822

The accompanying notes are an integral part of these financial statements.

AMITY REGIONAL SCHOOL DISTRICT NO. 5
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2019

	Governmental Activities
	Internal Service Fund
OPERATING REVENUES	
Charges for services	\$ 4,730,661
Total operating revenues	4,730,661
OPERATING EXPENSES	
Claims incurred	3,883,030
Administrative and other	805,793
Total operating expenses	4,688,823
Change in net position	41,838
Net position - beginning	1,117,984
Net position - ending	\$ 1,159,822

The accompanying notes are an integral part of these financial statements.

AMITY REGIONAL SCHOOL DISTRICT NO. 5
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2019

	Governmental Activities
	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from employer and plan participants	\$ 4,758,565
Cash payments for claims incurred	(3,850,311)
Cash payments to contractors for administration	(805,794)
Net cash provided by operating activities	102,460
Net increase in cash and cash equivalents	102,460
Cash and cash equivalents, beginning of year	1,493,815
Cash and cash equivalents, end of year	\$ 1,596,275
 RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	\$ 41,838
Adjustments to reconcile operating income to net cash provided by operating activities:	
Decrease in accounts receivable	1,105
Increase in accounts payable	32,718
Increase in unearned revenue	34,840
Change in due from other funds	(8,041)
Net cash provided by operating activities	\$ 102,460

The accompanying notes are an integral part of these financial statements.

AMITY REGIONAL SCHOOL DISTRICT NO. 5
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
AS OF JUNE 30, 2019

	Pension, Other Post-Employment Benefit and Sick & Severance Trust Funds	Private- Purpose Trust Fund	Agency Funds
ASSETS			
Cash and cash equivalents	\$ 112,929	\$ 218,681	\$ 365,464
Investments - mutual funds	15,996,514	-	-
Receivables	-	-	1,493
Total assets	16,109,443	218,681	\$ 366,957
LIABILITIES			
Accounts payable	-	-	\$ 10,833
Due to others	-	-	356,124
Total liabilities	-	-	\$ 366,957
NET POSITION			
Held in trust for pension benefits, other post-employment benefits and other purposes	\$ 16,109,443	\$ 218,681	

The accompanying notes are an integral part of these financial statements .

AMITY REGIONAL SCHOOL DISTRICT NO. 5
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	Pension, Other Post-Employment Benefit and Sick & Severance Trust Funds	Private- Purpose Trust Fund
ADDITIONS		
Contributions:		
Employer	\$ 955,755	\$ -
Employee	77,728	-
Other	-	73,068
Total contributions	<u>1,033,483</u>	<u>73,068</u>
Investment earnings:		
Interest and dividends	376,490	3,441
Net change in the fair value of investments	643,727	-
Total investment earnings	<u>1,020,217</u>	<u>3,441</u>
Total additions	<u>2,053,700</u>	<u>76,509</u>
DEDUCTIONS		
Benefit payments	759,850	-
Administrative expenses	14,246	-
Scholarships	-	56,374
Total deductions	<u>774,096</u>	<u>56,374</u>
Change in net position	1,279,604	20,135
Net position - beginning	<u>14,829,839</u>	<u>198,546</u>
Net position - ending	<u>\$ 16,109,443</u>	<u>\$ 218,681</u>

The accompanying notes are an integral part of these financial statements .

AMITY REGIONAL SCHOOL DISTRICT NO. 5
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Amity Regional School District No. 5 (the "District") conform to accounting principles generally accepted in the United States of America, as applicable to governmental organizations. The following is a summary of significant accounting policies:

Financial Reporting Entity

History and Organization

The District was formed in 1953 for the purpose of providing secondary school education to the residents of the towns of Orange, Woodbridge and Bethany, Connecticut. It consists of one senior high school and two middle schools.

The District is governed by a Regional Board of Education consisting of thirteen members selected by the three towns it serves. The members of the Board serve for four-year terms. In addition, the District has a Superintendent of Schools and a Director of Finance and Administration, hired by the Board of Education, who manage the day-to-day affairs of the District.

The District's operating and debt service expenses are paid by the member towns in proportion to the number of attending pupils. The approximate current year (2018/2019) assessment percentages are: Bethany 19.3%, Orange 50.2% and Woodbridge 30.5%.

The basic financial statements of the reporting entity include only the funds of the District as no component units exist based on operational or financial relationships with the District.

Government-wide and Fund Financial Statements

Government-wide Financial Statements

The statement of net position and the statement of activities display information about the District and include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through payments from the member towns, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties. The District has no business-type activities.

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

Fund Financial Statements

The fund financial statements provide information about the District's funds, including its fiduciary funds. Separate statements for each fund category – governmental, proprietary and fiduciary - are presented. The emphasis of fund financial statements is on major governmental funds, each of which is displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

AMITY REGIONAL SCHOOL DISTRICT NO. 5
NOTES TO FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Government-wide and Fund Financial Statements *(Continued)*

Fund Financial Statements *(Continued)*

The District reports the following major governmental funds:

General Fund - This fund is the District's primary operating fund. It accounts for all financial resources of the District, except those accounted for and reported in another fund.

Reserve Fund for Capital and Nonrecurring - This fund accounts for financial resources used for the financing of the planning, construction, reconstruction or acquisition of any specific capital improvement or the acquisition of specific equipment.

In addition, the District reports the following fund types:

Internal Service Fund *(proprietary)* - This fund accounts for self-insurance activities that provide goods or services to other funds or departments of the District on a cost-reimbursement basis. The District utilizes this fund to account for risk management activities relating to health insurance.

Pension Trust Fund - This fund is used to account for the activities of the Amity Regional School District No. 5 Pension Plan, which accumulates resources for pension benefit payments to qualified employees.

Other Post-Employment Benefits Trust Fund - This fund is used to account for the accumulation of resources to pay retiree medical benefits.

Sick and Severance Trust Fund - This fund is used to account for the accumulation of resources to pay sick and severance benefits to eligible employees.

Private-Purpose Trust Fund - This fund is used to account for resources legally held in trust for scholarships. All resources of the fund, including any earnings on invested resources, may be used for student scholarships. There is no requirement that any portion be preserved as capital.

Agency Funds - These funds are used to account for resources held by the District in a purely custodial capacity. The District utilizes these funds to account for monies held on-behalf of students.

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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

AMITY REGIONAL SCHOOL DISTRICT NO. 5
NOTES TO FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Measurement Focus and Basis of Accounting *(Continued)*

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. 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 generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital lease are reported as other financing sources.

Revenues from member towns, grants and contracts, and interest associated with the current period are all considered to be susceptible to accrual and so have been recognized as revenues in the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of yearend). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source. All other revenue items are considered to be measurable and available only when the cash is received.

Proprietary, pension and other post-employment benefit trusts, and private-purpose trust funds are reported using the economic resources measurement focus and the accrual basis of accounting. The agency fund has no measurement focus but utilizes the accrual basis of accounting for reporting its assets and liabilities.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's internal service fund consist of charges for insurance premiums. Operating expenses of the District's internal service fund consist of claims incurred and administrative expenses. Revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Implementation of Accounting Standards

Effective July 1, 2018, the District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. This Statement defines debt for purposes of disclosure in notes to financial statements as a liability (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The adoption of this statement did not have a material effect on the District's financial statements.

AMITY REGIONAL SCHOOL DISTRICT NO. 5
NOTES TO FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Implementation of Accounting Standards *(Continued)*

Effective July 1, 2018, the District adopted the provisions of GASB Statement No. 83, *Certain Asset Retirement Obligations*. GASB Statement No. 83 addresses accounting and financial reporting for certain asset retirement obligations (AROs). The Statement established criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. The adoption of this statement did not have a material effect on the District's financial statements.

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

Investments are measured by the District at fair value (generally based on quoted market prices), except for investments in certain external investments pools as described below.

Investments in external investment pools consist of money market mutual funds and the Short-Term Investment Fund (STIF), which is managed by the State of Connecticut Treasurer's Office. Investments in these types of funds, which are permitted to measure their investment holdings at amortized costs, are measured by the District at the net asset value per share as determined by the pool.

Inventories

Inventories are reported at cost using the first-in first-out (FIFO) method, except for USDA donated commodities, which are recorded at market value. Inventories are recorded as expenditures when consumed rather than when purchased.

Capital Assets

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

AMITY REGIONAL SCHOOL DISTRICT NO. 5
NOTES TO FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Assets, Liabilities, Deferred Outflows and Inflows of Resources and Net Position/Fund Equity *(Continued)*

Capital Assets *(Continued)*

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

Capital assets of the District are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	20 - 75
Improvements other than building	10 - 20
Furniture and equipment	5 - 40

Unearned Revenue

Unearned revenue represents resources that have been received but not yet earned.

Deferred Outflows and Inflows of Resources

Deferred outflows and inflows of resources represent an acquisition or consumption of net position that applies to a future period(s) and so will not be recognized as an outflow or inflow of resources until that time.

Deferred outflows of resources include deferred charges on refundings, which are amortized to interest expense using the effective-interest method over the life of the related bonds. Deferred outflows and inflows of resources also include deferred charges on the District's pension and OPEB expenses, which are amortized as a component of pension or OPEB expense on a systematic and rational basis.

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 related bonds using the straight-line method which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the governmental fund financial statements, bond premiums and discounts are recognized during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

AMITY REGIONAL SCHOOL DISTRICT NO. 5
NOTES TO FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Assets, Liabilities, Deferred Outflows and Inflows of Resources and Net Position/Fund Equity *(Continued)*

Compensated Absences

Certain employees are granted vacation and sick leave based upon length of employment. A maximum of five days vacation may be carried over only with the approval of the Superintendent. Sick days can also be accumulated up to certain limits and are payable upon death, retirement or termination using a prescribed formula.

All compensated absences are recorded when incurred in the government-wide financial statements. Expenditures for compensated absences are recognized in the governmental fund financial statements in the current year to the extent they are paid during the year, or the vested amount is expected to be paid with available resources.

Net Position/Fund Balance

The government-wide statement of net position presents the District's non-fiduciary assets, liabilities and deferred outflows and inflows of resources, with net position as the residual of these elements. Net position is reported in three categories:

Net investment in capital assets - This component of net position consists of capital assets, net of accumulated depreciation and amortization and reduced by outstanding balances for bonds, notes and other debt that are attributed to the acquisition, construction or improvement of capital assets.

Restricted net position - This component of net position consists of amounts restricted either through external restrictions imposed by creditors, grantors, contributors, and the like, or through restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position - This component of net position is the net amount of the assets, liabilities, and deferred outflows and inflows of resources which do not meet the definition of the two preceding categories.

The District's governmental funds report the following fund balance categories:

Nonspendable - Amounts that cannot be spent because they are not in spendable form or they are legally or contractually required to be maintained intact.

Restricted - Constraints are placed on the use of resources that are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through enabling legislation.

Committed - Amounts can only be used for specific purposes pursuant to constraints imposed by formal action of the Board of Education (the highest level of decision making authority of the District) and cannot be used for any other purpose unless the District removes or changes the specified use by taking the same formal action.

Assigned - Amounts are constrained by the District's intent to be used for specific purposes, but are not restricted or committed. Amounts may be constrained to be used for a specific purpose by a governing board or body or official that has been delegated authority to assign amounts by Connecticut General Statutes and include the Superintendent and Director of Finance and Administration.

AMITY REGIONAL SCHOOL DISTRICT NO. 5
NOTES TO FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Assets, Liabilities, Deferred Outflows and Inflows of Resources, and Net Position/Fund Balance *(Continued)*

Net Position/Fund Balance *(Continued)*

Unassigned - Residual classification for the General Fund or amounts necessary in other governmental funds to eliminate otherwise negative fund balance amounts in the other four categories.

Net Position Flow Assumption

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

In accordance with the District's policy, the District considers restricted net position to have been depleted before unrestricted net position is applied.

Fund Balance Flow Assumption

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied.

In accordance with the District's policy, the District uses restricted resources first, then unrestricted resources as needed. Unrestricted resources are used in the following order: committed; assigned; then unassigned.

Interfund Activities

Interfund activities are reported as follows:

Interfund Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e. the current portion of interfund loans) or "advances to/from other funds" (i.e. the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds".

Interfund Services Provided and Used

Sales and purchases of goods and services between funds for a price approximating their external exchange value are reported as revenues and expenditures, or expenses, in the applicable funds.

AMITY REGIONAL SCHOOL DISTRICT NO. 5
NOTES TO FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Interfund Activities *(Continued)*

Interfund Transfers

Interfund transfers represent flows of assets without equivalent flows of assets in return and without a requirement for repayment. In the governmental fund financial statements, transfers are reported as other financing uses in the funds making transfers and other financing sources in the funds receiving transfers.

Interfund Reimbursements

Interfund reimbursements represent repayments from the funds responsible for particular expenditures or expenses to the funds that initially paid for them.

Use of 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 and disclosures in the financial statements. Actual results could differ from those estimates.

NOTE 2 - CASH DEPOSITS AND INVESTMENTS

Cash Deposits – Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the District will not be able to recover its cash deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District limits its exposure to custodial credit risk through a formal written policy that requires, among other things, that the District monitor the financial condition of its financial institutions on a quarterly basis.

As of June 30, 2019, \$3,790,724 of the District's bank balance of \$4,040,724 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 3,411,652
Uninsured and collateralized with securities held by the pledging bank's trust department or agent but not in the District's name	<u>379,072</u>
	<u>\$ 3,790,724</u>

AMITY REGIONAL SCHOOL DISTRICT NO. 5
NOTES TO FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

NOTE 2 - CASH DEPOSITS AND INVESTMENTS *(Continued)*

Cash Deposits – Custodial Credit Risk *(Continued)*

All of the District’s cash deposits were in qualified public institutions as defined by Connecticut state statute. Under this statute, any bank holding public deposits must at all times maintain, segregated from its other assets, eligible collateral in an amount equal to a certain percentage of its public deposits. The applicable percentage is determined based on the bank’s risk-based capital ratio. The amount of public deposits is determined based on either the public deposits reported on the most recent quarterly call report, or the average of the public deposits reported on the four most recent quarterly call reports, whichever is greater. The collateral is kept in the custody of the trust department of either the pledging bank or another bank in the name of the pledging bank.

A reconciliation of the District’s cash deposits as of June 30, 2019 is as follows:

Government-wide statement of net position:	
Cash and cash equivalents	\$ 5,977,976
Less: cash equivalents considered investments for disclosure purposes	(2,691,026)
	3,286,950
Statement of fiduciary net position:	
Cash and cash equivalents	697,074
Less: cash equivalents considered investments for disclosure purposes	(265,954)
	431,120
	\$ 3,718,070

Investments

A reconciliation of the District’s investments as of June 30, 2019 is as follows:

Government-wide statement of net position:	
Investments	\$ -
Add: cash equivalents considered investments for disclosure purposes	2,691,026
	2,691,026
Statement of fiduciary net position:	
Investments	15,996,514
Add: cash equivalents considered investments for disclosure purposes	265,954
	16,262,468
	\$ 18,953,494

AMITY REGIONAL SCHOOL DISTRICT NO. 5
 NOTES TO FINANCIAL STATEMENTS *(Continued)*
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

NOTE 2 - CASH DEPOSITS AND INVESTMENTS *(Continued)*

Investments *(Continued)*

As of June 30, 2019, the District's investments consisted of the following:

<u>Investment type</u>	<u>Valuation Basis</u>	<u>Credit Rating</u>	<u>Value</u>	<u>Investment Maturities (In Years) Less Than 1</u>
Debt Securities:				
Government-wide statement of net position:				
Short-term Investment Fund (STIF)	Net asset value	AAA	\$ 2,691,026	\$ 2,691,026
Statement of fiduciary net position:				
Short-term Investment Fund (STIF)	Net asset value	AAA	153,025	153,025
Money market mutual funds	Net asset value	Unrated	112,929	112,929
			<u>2,956,980</u>	<u>\$ 2,956,980</u>
Other investments:				
Statement of fiduciary net position:				
Mutual funds	Fair Value		15,996,514	
Total			<u>\$ 18,953,494</u>	

Because investments in the Short-term Investment Fund and the money market mutual funds have weighted average maturities of less than 90 days, they have been presented as investments with maturities of less than one year.

Interest Rate Risk

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

Credit Risk

Connecticut state statutes permit the District to invest in: (1) obligations of the United States, including its instrumentalities and agencies; (2) in obligations of any state or of any political subdivision, authority or agency thereof, provided such obligations are rated within one of the top two rating categories of any recognized rating service; (3) in shares or other interests in custodial arrangements or pools maintaining constant net asset values and in highly rated no-load open end money market and mutual funds (with constant or fluctuating net asset values) whose portfolios are limited to obligations of the United States and its agencies, and repurchase agreements fully collateralized by such obligations; (4) or in obligations of the State of Connecticut or of any political subdivision thereof, provided such obligations are rated within one of the top three rating categories of any recognized rating service. Other provisions of the Statutes cover specific municipal funds with particular investment authority. The provisions of the Statutes regarding the investment of pension funds do not specify permitted investments. Therefore, the investment of such funds is generally controlled by the laws applicable to fiduciaries and the provisions of the applicable plan.

AMITY REGIONAL SCHOOL DISTRICT NO. 5
 NOTES TO FINANCIAL STATEMENTS *(Continued)*
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

NOTE 2 - CASH DEPOSITS AND INVESTMENTS *(Continued)*

Investments *(Continued)*

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of a counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District's investments are not exposed to custodial credit risk because they are either not evidenced by securities that exist in physical or book entry form or they are held by a reputable custodian in the name of the District.

Concentrations of Credit Risk

The District places no limit on the amount of investment in any one issuer. As of June 30, 2019, 100% of the District's governmental activities investments are invested in the Short-term Investment Fund. As of June 30, 2019, more than 10% of the District's fiduciary investments are invested in the following:

<u>Issuer</u>	<u>Investment</u>	<u>Value</u>	<u>% of Fiduciary Investments</u>
Wells Fargo	Blackrock Strat Inc OPP-K	\$ 2,681,300	16%
Wells Fargo	Vanguard Total Bond Market Index Fund Admiral Shares	2,670,685	16%
Wells Fargo	Vanguard DVLDP Markets Index Fund Admiral Shares	2,454,021	15%
Wells Fargo	Vanguard Growth Index Fund Admiral Shares	1,953,542	12%
Wells Fargo	Vanguard Value Index Fund Admiral Shares	1,930,648	12%
Wells Fargo	Vanguard 500 Index Fund Admiral Shares	2,037,291	13%

Pension trust fund investments may be invested in fixed income, equities and cash. The target asset allocation is 35% fixed income and 65% equities. There are also minimum and maximum target levels defined. Investment managers are employed to manage the assets allocated to them. The Board of Education, as trustee of the pension plan, is responsible for overall investment policy. Any change in investment manager or individual security purchase must have their approval.

The Other Post-Employment Benefits Trust Fund (OPEB) investments may be invested in fixed income, equities and cash. The target asset allocation is 40% fixed income and 60% equities. There are also minimum and maximum target levels defined. Professional money managers are employed to manage the assets allocated to them. The Board of Education, as trustee of the OPEB trust, is responsible for overall investment policy. Any change in investment manager or individual security purchase must have their approval.

The Sick and Severance Benefits Trust Fund may be invested in fixed income, equities and cash. The target asset allocation is 50% fixed income and 50% equities. There are also minimum and maximum target levels defined. Professional money managers are employed to manage the assets allocated to them. The Board of Education, as trustee of the sick and severance trust, is responsible for overall investment policy. Any change in investment manager or individual security purchase must have their approval.

AMITY REGIONAL SCHOOL DISTRICT NO. 5
NOTES TO FINANCIAL STATEMENTS (Continued)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

NOTE 3 - FAIR VALUE MEASUREMENTS

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants, as of the measurement date. Authoritative guidance establishes a hierarchy of valuation techniques based upon whether the inputs to those valuation techniques reflect assumptions other market participants would use based upon market data obtained from independent sources (also referred to as observable inputs). The District classifies its assets and liabilities measured at fair value into Level 1 (securities valued using quoted prices from active markets for identical assets), Level 2 (securities not traded on an active market for which market inputs are observable, either directly or indirectly, and Level 3 (securities valued based on unobservable inputs). Investments are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

The District's financial assets that are accounted for at fair value on a recurring basis as of June 30, 2019, by level within the fair value hierarchy are presented in the table below.

<u>Financial Assets Measured at Fair Value</u>	<u>Prices in Active Market (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>	<u>Total</u>
Mutual funds	\$ 15,996,514	\$ -	\$ -	\$ 15,996,514

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2019 consisted of the following:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 4,186,566	\$ -	\$ -	\$ 4,186,566
Construction in progress	506,132	300,987	695,116	112,003
Total capital assets, not being depreciated	<u>4,692,698</u>	<u>300,987</u>	<u>695,116</u>	<u>4,298,569</u>
Capital assets, being depreciated:				
Buildings and improvements	114,397,571	-	-	114,397,571
Improvements other than buildings	1,866,633	695,116	-	2,561,749
Furniture and equipment	1,105,945	167,985	25,555	1,248,375
Total capital assets, being depreciated	<u>117,370,149</u>	<u>863,101</u>	<u>25,555</u>	<u>118,207,695</u>
Less accumulated depreciation and amortization for:				
Buildings and improvements	20,550,426	1,560,318	-	22,110,744
Improvements other than buildings	164,085	75,226	-	239,311
Furniture and equipment	566,370	81,099	4,918	642,551
Total accumulated depreciation and amortization	<u>21,280,881</u>	<u>1,716,643</u>	<u>4,918</u>	<u>22,992,606</u>
Total capital assets, being depreciated, net	<u>96,089,268</u>	<u>(853,542)</u>	<u>20,637</u>	<u>95,215,089</u>
Governmental activities capital assets, net	<u>\$ 100,781,966</u>	<u>\$ (552,555)</u>	<u>\$ 715,753</u>	<u>\$ 99,513,658</u>

AMITY REGIONAL SCHOOL DISTRICT NO. 5
NOTES TO FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

NOTE 4 - CAPITAL ASSETS *(Continued)*

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

Governmental Activities:		
General instruction	\$	26,882
Support services:		
Support services - students		33,559
General administration		1,039
Buildings and grounds		<u>1,655,163</u>
Total depreciation and amortization expense	<u>\$</u>	<u>1,716,643</u>

NOTE 5 - INTERFUND RECEIVABLES AND PAYABLES

Interfund receivable and payable balances at June 30, 2019 are as follows:

Receivable Fund	Payable Fund	Amount
Governmental Funds		
General Fund	Nonmajor Governmental Funds	<u>\$ 22,575</u>
Nonmajor Governmental Funds	General Fund	<u>5,379</u>
		<u>\$ 27,954</u>
Proprietary Funds		
Internal Service Fund	General Fund	<u>\$ 8,041</u>

The above balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

AMITY REGIONAL SCHOOL DISTRICT NO. 5
NOTES TO FINANCIAL STATEMENTS (Continued)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

NOTE 6 - FUND BALANCE

The various components of fund balance as of June 30, 2019 are as follows:

	<u>General Fund</u>	<u>Reserve Fund for Capital and Nonrecurring</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Nonspendable:				
Inventories	\$ -	\$ -	\$ 21,292	\$ 21,292
Restricted for:				
Capital purposes	-	69,242	-	69,242
Committed to:				
Capital purposes	-	344,262	-	344,262
Educational purposes	-	-	170,155	170,155
Assigned to:				
Encumbrances:				
General instruction	32,218	-	-	32,218
Support services - student	8,140	-	-	8,140
Improvement of instruction	8,359	-	-	8,359
General administration	56,369	-	-	56,369
Transportation	946	-	-	946
Employee benefits	6,691	-	-	6,691
Student activities	38,041	-	-	38,041
Buildings and grounds	495,807	-	-	495,807
Capital outlays	79,729	-	-	79,729
Unassigned	-	-	(4,992)	(4,992)
	<u>\$ 726,300</u>	<u>\$ 413,504</u>	<u>\$ 186,455</u>	<u>\$ 1,326,259</u>

NOTE 7 - LONG-TERM DEBT

The applicable accounting standards define debt as a liability that arises from a contractual obligation to pay cash, or other assets that may be used in lieu of cash, in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. For disclosure purposes, debt does not include accounts payable or leases, except for contracts reported as financed purchase of the underlying asset.

Changes in long-term debt for the year ended June 30, 2019, are as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
Bonds payable:					
General obligation bonds	\$ 27,625,000	\$ -	\$ 3,850,000	\$ 23,775,000	\$ 3,750,000
Unamortized premiums	1,523,926	-	184,612	1,339,314	-
Total bonds payable	29,148,926	-	4,034,612	25,114,314	3,750,000
Capital leases from direct borrowings	56,489	167,985	112,484	111,990	55,995
	<u>\$ 29,205,415</u>	<u>\$ 167,985</u>	<u>\$ 4,147,096</u>	<u>\$ 25,226,304</u>	<u>\$ 3,805,995</u>

Debt service is liquidated General Fund.

AMITY REGIONAL SCHOOL DISTRICT NO. 5
 NOTES TO FINANCIAL STATEMENTS *(Continued)*
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

NOTE 7 - LONG-TERM DEBT *(Continued)*

General Obligation Bonds

A summary of general obligation bonds outstanding at June 30, 2019 is as follows:

<u>Purpose of Bonds</u>	<u>Final Maturity Dates</u>	<u>Interest Rates</u>	<u>Amount Outstanding</u>
Governmental Activities			
Bonds Payable			
General obligation bonds issued 7/26/12, original amount of \$4,010,000	2023	2.00% - 4.00%	\$ 2,645,000
General obligation bonds issued 1/5/17, original amount of \$1,960,000	2027	4.00%	1,740,000
General obligation refunding bonds issued 1/5/17, original amount of \$12,130,000	2025	1.37% - 2.95%	9,090,000
General obligation refunding bonds issued 4/26/18, original amount of \$10,300,000	2026	3.00% - 5.00%	10,300,000
			<u>\$ 23,775,000</u>

Annual debt service requirements to maturity at June 30, 2019 are as follows:

<u>Year ending June 30:</u>	<u>General Obligation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 3,750,000	\$ 809,209	\$ 4,559,209
2021	3,665,000	705,834	4,370,834
2022	3,645,000	578,667	4,223,667
2023	3,640,000	449,399	4,089,399
2024	3,440,000	318,337	3,758,337
2025-2027	5,635,000	299,128	5,934,128
	<u>\$ 23,775,000</u>	<u>\$ 3,160,574</u>	<u>\$ 26,935,574</u>

Debt Refundings

In prior years, the District advanced refunded general obligation bonds to reduce its total future debt service payments. The amount for which the reacquisition price exceeded the carrying amount of the old debt, has been presented as a deferred charge on refunding and is being amortized over the remaining life of the refunded debt, which is shorter than the life of the new debt issued. The carrying value of the deferred charges on refundings totaled \$360,046 as of June 30, 2019 and amortization expense for the year ended June 30, 2019 totaled \$38,564.

Legal Debt Limit

Connecticut General Statutes Section 7-374(b) provides that authorized debt of the District shall not exceed four and a half times base receipts, as defined in the Statute or \$206,959,496 as of June 30, 2019. The District did not exceed the statutory debt limitation as of June 30, 2019.

AMITY REGIONAL SCHOOL DISTRICT NO. 5
 NOTES TO FINANCIAL STATEMENTS *(Continued)*
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

NOTE 7 - LONG-TERM DEBT *(Continued)*

Capital Leases from Direct Borrowings

Capital leases from direct borrowings include non-appropriation clauses and provide the obligor with a security interest in the underlying equipment in the event of default.

A summary of assets under capital leases is as follows as of June 30, 2019:

	Governmental Activities
Equipment	\$ 470,137
Less: accumulated amortization	218,931
	\$ 251,206

Amortization expense relative to leased property under capital leases totaled \$37,001 for the year ended June 30, 2019 and is included in depreciation and amortization expense disclosed in Note 4.

Future minimum lease obligations and the net present value of the minimum lease payments as of June 30, 2019 are as follows:

	Governmental Activities
Year Ending June 30:	
2020	\$ 55,995
2021	55,995
Total minimum lease payments	111,990
Less: amount representing interest	-
Present value of minimum lease payments	\$ 111,990

NOTE 8 - OTHER LONG-TERM LIABILITIES

Changes in other long-term liabilities for the year ended June 30, 2019 are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental Activities:					
Vacation accrual payable	\$ 22,952	\$ 7,924	\$ 8,460	\$ 22,416	\$ 11,000
Net pension liability <i>(see Note 9)</i>	4,677,038	-	549,227	4,127,811	-
Net OPEB liability <i>(see Note 10)</i>	2,281,657	-	21,337	2,260,320	-
	\$ 6,981,647	\$ 7,924	\$ 579,024	\$ 6,410,547	\$ 11,000

Other long-term liabilities are typically liquidated in the General Fund.

AMITY REGIONAL SCHOOL DISTRICT NO. 5
 NOTES TO FINANCIAL STATEMENTS *(Continued)*
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

NOTE 8 - OTHER LONG-TERM LIABILITIES *(Continued)*

Sick and Severance Benefits

The District provides sick and severance payments to teachers and department coordinators upon retirement, death or severe illness and to administrators upon retirement or the elimination of a position. To qualify for benefits, the employee must achieve normal retirement with 15 consecutive years of service. Benefits are also provided to those who qualify for early retirement: age 55 with 20 years of service for early retirement, 25 years of service, or age 60 with 10 years of service. The District funds the severance cost for the 72 eligible participants. All benefit amounts were frozen as of June 30, 1994.

In connection with the sick and severance benefits payable, the District has created a trust fund to accumulate resources for future projected payments. Current year sick and severance payments made to retirees totaled \$85,152 for the year ended June 30, 2019. The components of the District's net sick and severance asset as of June 30, 2019, were as follows:

Total sick and severance liability	\$ 566,777
Assets held in Trust	755,211
District's net sick and severance asset	<u>\$ (188,434)</u>
Plan fiduciary net position as a percentage of the total sick and severance liability	133.25%

The total sick and severance benefits liability for the District was determined by an actuarial valuation as of July 1, 2019. Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Projections of benefits include the types of benefits in force at the valuation date. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Significant methods and assumptions were as follows:

Valuation date	July 1, 2019
Actuarial cost method	Entry Age Normal Actuarial Cost Method
Amortization method	Level Dollar
Remaining amortization period	
Teachers and Administrators	5 years, closed
Other participants	10 years, closed
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	5.50%
Mortality	RP-2014 Adjusted to 2006 Total Dataset Mortality Table projected to the valuation date with Scale MP-2018
Sick Time Accrual	Maximum number of sick days per year
Salary increases	Varies from 2.6% to 7.6%
Retirement age	Ranges from 55 to 70

AMITY REGIONAL SCHOOL DISTRICT NO. 5
 NOTES TO FINANCIAL STATEMENTS *(Continued)*
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

NOTE 8 - OTHER LONG-TERM LIABILITIES *(Continued)*

Sick and Severance Financial Statements

The following presents the statement of fiduciary net position and the statement of changes in fiduciary net position for the District's sick and severance plan as of and for the year ended June 30, 2019.

	Sick & Severance Trust Fund
ASSETS	
Cash and cash equivalents	\$ 1,990
Investments - mutual funds	753,221
Total assets	755,211
 NET POSITION	
Held in trust for sick and severance benefits	\$ 755,211
 ADDITIONS	
Contributions:	
Employer contributions	\$ -
Total contributions	-
Investment earnings:	
Interest and dividends	18,038
Net changes in the fair value of investments	30,508
Total investment earnings	48,546
Total additions	48,546
 DEDUCTIONS	
Benefit payments	85,152
Administrative expenses	2,238
Total deductions	87,390
Change in net position	(38,844)
Net position - beginning	794,055
Net position - ending	\$ 755,211

AMITY REGIONAL SCHOOL DISTRICT NO. 5
NOTES TO FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

NOTE 9 - PENSION PLANS

Defined Benefit Plan

Plan Description

Plan administration - The District maintains a single-employer, defined benefit pension plan: the Amity Regional School District No. 5 Pension Plan (the "Retirement Plan"). The Retirement Plan covers substantially all District employees other than teachers. The Retirement Plan is administered by the Board of Education.

Plan membership - Membership of the Retirement Plan consisted of the following at July 1, 2018, the date of the most recent actuarial valuation:

Inactive plan members or beneficiaries currently receiving benefits	44
Inactive plan members entitled to but not yet receiving benefits	3
Active employees	59
	<u>106</u>

Benefits provided - The Retirement Plan provides for retirement, death and disability benefits for all eligible employees. The Retirement Plan covers substantially all noncertified District employees. The monthly retirement benefit is calculated at 2.5% of the average of the annual salaries during the highest five consecutive calendar years of employment multiplied by years of service. Plan members are eligible to retire at age 65 with 10 years of service or are eligible for early retirement at age 55 with 10 years of service. Participants are 100% vested after 10 years of continuous service if their contributions remain in the fund. Death benefits include the accrued benefit earned for participants who were eligible for normal retirement on or prior to the date of death, or participant contributions multiplied by the actuarial conversion factor for those participants who were not eligible for normal retirement benefits on or prior to the date of death. Disability retirement benefits, which include the accrued benefit as of the date of disability, are available for participants who are 40 years in age and have completed 5 years of service.

Contributions - The contribution requirements of plan members and the District are established and may be amended by the Board of Education. The District's funding policy provides for periodic employer contributions at rates that, when expressed as a percentage of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The contribution rates for normal costs for all plans were actuarially determined.

For the year ended June 30, 2019, employer contributions to the Retirement Plan were \$892,845 and represented approximately 25.62% of covered payroll. District employees are required to contribute 2.25% of their earnings to the Retirement Plan.

Summary of Significant Accounting Policies

Investments - Investments are measured by the District at fair value (generally based on quoted market prices), except for investments in certain external investments pools, which are measured at net asset value.

Fair value of other securities is determined by the most recent bid and asked prices as obtained from dealers that make markets in such securities. Investments for which market quotations are not readily available are valued at their fair values as determined by the custodian under the direction of the District, with the assistance of a valuation service. Securities traded on national exchanges are valued at the last reported sales price. Investment income is recognized when earned and gains and losses on sales or exchanges are recognized on the transaction date. Administrative costs are funded through investment earnings of the Retirement Plan.

AMITY REGIONAL SCHOOL DISTRICT NO. 5
 NOTES TO FINANCIAL STATEMENTS *(Continued)*
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

NOTE 9 - PENSION PLANS *(Continued)*

Defined Benefit Plan *(Continued)*

Summary of Significant Accounting Policies *(Continued)*

Investment policy - The Retirement Plan's policy in regard to the allocation of invested assets is established and may be amended by the Board of Education. The Retirement Plan's trust fund investments may be invested in fixed income, equities and cash. The target asset allocation is 35% fixed income and 65% equities. There are also minimum and maximum target levels defined.

Concentrations - The Retirement Plan's investments consist solely of investment in various mutual funds and are therefore not exposed to concentrations of credit risk, as these investments are considered to be diversified by nature.

Rate of return - For the year ended June 30, 2019, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 6.92%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability

The components of the net pension liability of the District's Plan at June 30, 2019, were as follows:

Total pension liability	\$	17,025,084
Plan fiduciary net position		<u>12,897,273</u>
District's net pension liability	\$	<u><u>4,127,811</u></u>
Plan fiduciary net position as a percentage of the total pension liability		75.75%

The components of the change in the net pension liability of the District's Plan for the year ended June 30, 2019, were as follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance as of June 30, 2018	\$ 16,442,035	\$ 11,764,997	\$ 4,677,038
Changes for the year:			
Service cost	546,532	-	546,532
Interest	1,165,984	-	1,165,984
Difference between expected and actual experience	(454,769)	-	(454,769)
Change of assumptions	-	-	-
Contributions - employer	-	892,845	(892,845)
Contributions - member	-	77,728	(77,728)
Net investment income	-	836,401	(836,401)
Benefit payments, including refunds	(674,698)	(674,698)	-
Net changes	<u>583,049</u>	<u>1,132,276</u>	<u>(549,227)</u>
Balance as of June 30, 2019	<u><u>\$ 17,025,084</u></u>	<u><u>\$ 12,897,273</u></u>	<u><u>\$ 4,127,811</u></u>

AMITY REGIONAL SCHOOL DISTRICT NO. 5
 NOTES TO FINANCIAL STATEMENTS *(Continued)*
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

NOTE 9 - PENSION PLANS *(Continued)*

Defined Benefit Plan *(Continued)*

Net Pension Liability *(Continued)*

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

Inflation	2.60%
Salary increases	2.60% - 7.60%
Investment rate of return	7.00%
Discount rate	7.00%

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>	<u>Weighting</u>
US Large Cap	37.50%	4.50%	1.69%
US Mid/Small Cap	12.50%	5.00%	0.63%
Developed International Equities	15.00%	5.25%	0.79%
Intermediate Corporate Bonds	17.50%	2.50%	0.44%
Intermediate Government Bonds	17.50%	1.50%	0.26%

Discount rate - The discount rate used to measure the total District pension liability was 7.0%. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that the District contributes at rates equal to the actuarially determined contribution rates. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the District's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate - The following presents the net pension liability of the District, calculated using the discount rate of 7.00% as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00%) or 1- percentage point higher (8.00%) than the current rate:

	<u>1% Decrease (6.00%)</u>	<u>Current Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
Net pension liability as of June 30, 2019	\$ 5,913,456	\$ 4,127,811	\$ 2,595,685

AMITY REGIONAL SCHOOL DISTRICT NO. 5
 NOTES TO FINANCIAL STATEMENTS *(Continued)*
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

NOTE 9 - PENSION PLANS *(Continued)*

Defined Benefit Plan *(Continued)*

Pension Plan Financial Statements

The following presents the statement of fiduciary net position and the statement of changes in fiduciary net position for the District's defined benefit plan as of and for the year ended June 30, 2019.

	Pension Trust Fund
ASSETS	
Cash and cash equivalents	\$ 95,070
Investments - mutual funds	12,802,203
Total assets	12,897,273
 NET POSITION	
Held in trust for pension benefits	\$ 12,897,273
	Pension Trust Fund
ADDITIONS	
Contributions:	
Employer contributions	\$ 892,845
Employee contributions	77,728
Total contributions	970,573
Investment earnings:	
Interest and dividends	301,090
Net changes in the fair value of investments	544,547
Total investment earnings	845,637
Total additions	1,816,210
 DEDUCTIONS	
Benefit payments	674,698
Administrative expenses	9,236
Total deductions	683,934
Change in net position	1,132,276
Net position - beginning	11,764,997
Net position - ending	\$ 12,897,273

AMITY REGIONAL SCHOOL DISTRICT NO. 5
 NOTES TO FINANCIAL STATEMENTS *(Continued)*
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

NOTE 9 - PENSION PLANS *(Continued)*

Defined Benefit Plan *(Continued)*

Pension Expense and Deferred Outflows and Inflows of Resources

At June 30, 2019, the District reported deferred outflows and inflows of resources related to the plan from the following sources:

	Deferred Outflows of Resources	Deferred (Inflows) of Resources	Net Deferred Outflows / (Inflows) of Resources
Differences between expected and actual experience	\$ 84,749	\$ (425,492)	\$ (340,743)
Changes of assumptions	317,336	(55,974)	261,362
Net difference between projected and actual earnings on pension plan investments	-	(140,796)	(140,796)
Total	\$ 402,085	\$ (622,262)	\$ (220,177)

Amounts reported as deferred inflows of resources related to the plan will be recognized as a component of pension expense in future years as follows:

Year ended June 30,		
2020	\$	59,669
2021		(112,163)
2022		(125,807)
2023		(41,876)
	\$	(220,177)

Connecticut State Teachers' Retirement System

Plan Description

The faculty and professional personnel of the District's Board of Education participates in the State of Connecticut's Teachers' Retirement System ("TRS"), which is a cost sharing multiple-employer defined benefit pension plan that provides retirement, disability, survivorship and health insurance benefits to plan members and their beneficiaries. The TRS is governed by Connecticut General Statute ("CGS") Title 10, Chapter 167a and is administered by the Connecticut State Teachers' Retirement Board (the "Board"). The TRS is included as a fiduciary pension trust fund in the State of Connecticut's Comprehensive Annual Financial Report and the Board issues publicly available financial reports. These reports can be obtained from the Connecticut Office of the State Comptroller.

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 2.0% of the average annual salary times the years of credited service (maximum benefit is 75.0% of average annual salary during the 3 years of highest salary). In addition, amounts derived from the accumulation of the 6.0% contributions made prior to July 1, 1989 and voluntary contributions are payable.

AMITY REGIONAL SCHOOL DISTRICT NO. 5
NOTES TO FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

NOTE 9 - PENSION PLANS *(Continued)*

Connecticut State Teachers' Retirement System *(Continued)*

Benefit Provisions *(Continued)*

Early Retirement: Employees are eligible after 25 years of credited service with a minimum of 20 years of Connecticut service, or age 55 with 20 years of credited service with a minimum of 15 years of Connecticut service. Benefit amounts are reduced by 6.0% per year for the first 5 years preceding normal retirement age and 4.0% per year for the next 5 years preceding normal retirement age. Effective July 1, 1999, the reduction for individuals with 30 or more years of service is 3.0% per year by which retirement precedes normal retirement date.

Minimum Benefit: Effective January 1, 1999, Public Act 98-251 provides a minimum monthly benefit of \$1,200 to teachers who retire under the normal retirement provisions and who have completed at least 25 years of full time Connecticut service at retirement.

Disability Retirement: Employees are eligible for service-related disability benefits regardless of length of service. Five years of credited service is required to be eligible for non-service related disability. Disability benefits are calculated as 2% per year of service times the average of the highest three years of pensionable salary, as defined per the Plan, but not less than 15%, nor more than 50%. In addition, disability benefits under this plan (without regard to cost-of-living adjustments) plus any initial award of Social Security benefits and workers' compensation cannot exceed 75% of average annual salary. A plan member who leaves service and has attained 10 years of service will be entitled to 100% of the accrued benefit as of the date of termination of covered employment. Benefits are payable at age 60, and early retirement reductions are based on the number of years of service the member would have had if they had continued work until age 60.

Pre-Retirement Death Benefit: The plan also offers a lump-sum return of contributions with interest or surviving spouse benefit depending on length of service.

Contributions

Per CGS 10-183z, contribution requirements of active employees and the State are amended and certified by the Board and appropriated by the General Assembly. The contributions are actuarially determined as an amount that, when combined with employee contributions and investment earnings, is expected to finance the costs of the benefits earned by employees during the year, with any additional amounts to finance any unfunded accrued liability.

In accordance with CGS Section 10-183z, the District does not and is not legally responsible to contribute to the plan as a special funding situation exists that requires the State to contribute 100% of an employer's contributions on-behalf of its participating municipalities at an actuarially determined rate. Effective January, 1, 2018, active employees are required to contribute 7.0%, previously 6.0%, of their annual earnings to the plan.

Administrative Expenses

Administrative costs of the plan are funded by the State.

AMITY REGIONAL SCHOOL DISTRICT NO. 5
NOTES TO FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

NOTE 9 - PENSION PLANS *(Continued)*

Connecticut State Teachers' Retirement System *(Continued)*

Basis of Presentation

The collective net pension liability, deferred outflows and inflows of resources, and pension expense for the TRS has been measured as of June 30, 2018 based on an actuarial valuation performed as of June 30, 2018. Since the District does not contribute directly to the TRS, the District does not recognize its proportionate share of these amounts in its financial statements. The information determined as of the June 30, 2018 measurement date for the TRS has been utilized by the District for reporting on-behalf revenues, expenditures and expenses for the year ended June 30, 2019 and for reporting the proportionate share of the collective net pension liability that is attributed to the District as of June 30, 2019.

Allocation Methodology

The schedule of employer allocations for the TRS was calculated based upon the fiscal year 2018 expected contribution effort for each participating employer. The employer allocations were then applied to the net pension liability and pension expense to determine the amount applicable to each employer. For fiscal year 2018, the District's expected contribution effort for allocation purposes totaled \$6,080,673 or 0.48% of the total expected contribution effort. The District has recognized this amount as an on-behalf payment into the TRS as intergovernmental revenues and related education expenditures of the General Fund for the year ended June 30, 2019.

The components associated with the collective pension expense and deferred inflows and outflows of resources for the TRS have been determined based on the fiduciary net position as audited by the State of Connecticut Auditors of Public Accounts as part of the State of Connecticut's Comprehensive Annual Financial Report as of and for the year ended June 30, 2018. The portion of the collective pension expense allocated to the District totaled \$7,016,188.

The total collective net pension liability of participating employers for the TRS was approximately \$13.164 billion as of the June 30, 2018 measurement date. The portion attributed to the District totaled \$62,915,809 or approximately 0.48% of the total collective net pension liability.

Actuarial Assumptions

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	2.75%
Salary increases	3.25% - 6.50%, including inflation
Investment rate of return	8.00%, net of pension plan investment expense, including inflation
Administrative expenses	\$0 assumption as expenses are paid for by the General Assembly

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.

AMITY REGIONAL SCHOOL DISTRICT NO. 5
 NOTES TO FINANCIAL STATEMENTS *(Continued)*
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

NOTE 9 - PENSION PLANS *(Continued)*

Connecticut State Teachers' Retirement System *(Continued)*

Actuarial Assumptions *(Continued)*

Future cost-of-living increases for teachers 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%.

Long-Term Rate of Return

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Large Cap U.S. Equities	21.0%	5.8%
Developed Non-U.S. Equities	18.0%	6.6%
Emerging Markets (Non-U.S.)	9.0%	8.3%
Real Estate	7.0%	5.1%
Private equity	11.0%	7.6%
Alternative investments	8.0%	4.1%
Core fixed income	7.0%	1.3%
High Yield Bonds	5.0%	3.9%
Emerging market bond	5.0%	3.7%
Inflation linked bond fund	3.0%	1.0%
Cash	6.0%	0.4%
	100.0%	

Discount Rate

The discount rate used to measure the total pension liability was 8.00%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the State contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

AMITY REGIONAL SCHOOL DISTRICT NO. 5
 NOTES TO FINANCIAL STATEMENTS *(Continued)*
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

NOTE 9 - PENSION PLANS *(Continued)*

Connecticut State Teachers' Retirement System *(Continued)*

Proportionate Share of the Collective Net Pension Liability

The following presents the proportionate share of the net pension liability attributed to the District as of the June 30, 2018 measurement date, calculated using a discount rate of 8.00%, as well as what the proportionate share of the net pension liability attributed to the District would be if it were calculated using a discount rate that is 1-percentage point lower (7.00%) or 1-percentage-point higher (9.00%) than the current rate:

	1% Decrease (7.00%)	Current Rate (8.00%)	1% Increase (9.00%)
District proportionate share of the net pension liability	\$ 79,500,000	\$ 62,916,000	\$ 48,900,000

Other Retirement Plans

The District has established a money-purchase retirement plan in accordance with Section 401(a) of the Internal Revenue Code (the "401(a) Plan") to provide retirement benefits for non-union employees and custodians, administrative assistants and para-educators hired after July 1, 2016. Under the provisions of the Plan, all eligible employees (except those covered under a comparable employer plan) may participate. Contribution requirements of the District are established and may be amended by the Board of Education. Participants may contribute between 2.0% and 6.0% of their base compensation. The District is currently required to contribute an amount equal to 5.0% of the employee's base compensation and provides for a 1.0% matching contribution. Participants become vested in employer contributions upon completion of five years of service. Amounts contributed by the District into this plan totaled \$70,117 for the year ended June 30, 2019.

The District offers certain eligible employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. Deferred compensation is not available to participants until termination, retirement, death, or unforeseeable emergency. Amounts contributed by the District into this plan totaled \$3,375 for the year ended June 30, 2019.

NOTE 10 - OTHER POST-EMPLOYMENT BENEFITS (OPEB)

Plan Description

Plan administration - The District administers a single-employer post-retirement healthcare plan, the Amity Regional School District No. 5 Other Post-Employment Benefits (OPEB) Plan (the "Plan"), to provide health benefits for eligible retirees and their spouses. The Plan is considered to be part of the District's financial reporting entity and is included in the District's financial reports as an Other Post-Employment Benefits Trust Fund. The Plan does not issue stand-alone financial reports.

Plan membership - As of July 1, 2018, the date of the most recent actuarial valuation, membership data was as follows:

Active plan members	326
Retirees and beneficiaries receiving benefits	28
	354

AMITY REGIONAL SCHOOL DISTRICT NO. 5
NOTES TO FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

NOTE 10 - OTHER POST-EMPLOYMENT BENEFITS (OPEB) *(Continued)*

Plan Description *(Continued)*

Benefits provided - Health benefits for retired teachers are determined by State law. Retired or disabled teachers receiving benefits from TRS can receive health insurance coverage from the Teachers' Retirement Board if they are eligible for Medicare Part A hospital insurance. Those who are not eligible for Medicare Part A are allowed to participate by law in the same plan offer by the District to active teachers if they were last employed by the District. Benefits are established by contract and may be amended by union negotiations.

Contributions - Contribution requirements of the District are established in the Plan document and may be amended by the District. State law requires that the premium charged to retirees may not be greater than that charged for the same form of coverage for active teachers. In addition, State law requires that the TRS provide a subsidy to the District to offset the cost to retirees. In 2000, the subsidy amount was statutorily frozen at \$110 per person per month.

For the year ended June 30, 2019, the District contributed \$62,910 to the OPEB Trust.

Summary of Significant Accounting Policies

The Plan is accounted for using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. District contributions are recognized when due and when the District has made a formal commitment to provide the contributions. Benefits and refunds are recognized when they are due and payable in accordance with terms of the Plan.

Investments - Investments are recorded at fair value. Short-term investments are reported at cost, which approximates fair value. Fair value of other securities is determined by the most recent bid and asked prices as obtained from dealers that make markets in such securities. Investments for which market quotations are not readily available are valued at their fair values as determined by the custodian under the direction of the District, with the assistance of a valuation service. Securities traded on national exchanges are valued at the last reported sales price. Investment income is recognized when earned and gains and losses on sales or exchanges are recognized on the transaction date.

Investment policy - The Plan's policy in regard to the allocation of invested assets is established and may be amended by the Board of Education. The Plan's trust fund investments may be invested in fixed income, equities and cash. The target asset allocation is 40% fixed income and 60% equities. There are also minimum and maximum target levels defined.

Concentrations - The Plan's investments consist solely of investment in various mutual funds and are therefore not exposed to concentrations of credit risk, as these investments are considered to be diversified by nature.

Rate of return - For the year ended June 30, 2019, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 5.43%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net OPEB Liability

The District's 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 July 1, 2018.

AMITY REGIONAL SCHOOL DISTRICT NO. 5
 NOTES TO FINANCIAL STATEMENTS *(Continued)*
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

NOTE 10 - OTHER POST-EMPLOYMENT BENEFITS (OPEB) *(Continued)*

Net OPEB Liability *(Continued)*

The components of the net OPEB liability of the District's Plan at June 30, 2019, were as follows:

Total OPEB liability	\$ 4,717,279
Plan fiduciary net position	<u>2,456,959</u>
District's net OPEB liability	<u><u>\$ 2,260,320</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability	52.08%

The components of the change in the net OPEB liability of the District's Plan for the year ended June 30, 2019, were as follows:

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance as of June 30, 2018	\$ 4,552,444	\$ 2,270,787	\$ 2,281,657
Changes for the year:			
Service cost	94,804	-	94,804
Interest	321,315	-	321,315
Differences between expected and actual experience	(213,246)	-	(213,246)
Changes of assumptions	77,972	-	77,972
Contributions - employer	-	178,920	(178,920)
Contribution - TRB subsidy	-	70,408	(70,408)
Net investment income	-	52,854	(52,854)
Benefit payments, including refunds of member contributions	(116,010)	(116,010)	-
Net changes	164,835	186,172	(21,337)
Balances as of June 30, 2019	\$ 4,717,279	\$ 2,456,959	\$ 2,260,320

Benefit payments are reported net of retiree cost shares.

Actuarial Assumptions – The total OPEB liability in the July 1, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Investment rate of return	7.00%
Discount rate	7.00%
Salary increases	2.60% - 7.60%
Inflation rate	2.60%
Healthcare cost trend rate:	
Initial	7.00%
Ultimate	4.60%

AMITY REGIONAL SCHOOL DISTRICT NO. 5
 NOTES TO FINANCIAL STATEMENTS *(Continued)*
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

NOTE 10 - OTHER POST-EMPLOYMENT BENEFITS (OPEB) *(Continued)*

Net OPEB Liability *(Continued)*

Mortality rates were based on the RP-2014 Adjusted to 2006 Total Dataset Mortality Table projected to the valuation date with Scale MP-2017.

The long-term expected rate of returns on OPEB Plan investments were determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB Plan's target asset allocation as of June 30, 2019 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return *</u>	<u>Weighting</u>
Core Fixed Income	40.00%	1.65%	0.66%
U.S. Large Cap Equities	30.00%	5.55%	1.67%
U.S. Small Cap Equities	10.00%	6.00%	0.60%
Developed Foreign Equities	20.00%	5.55%	1.11%

Discount rate - The discount rate used to measure the total OPEB liability was 7.0%. The projection of cash flows used to determine the discount rates assumed that plan member contributions will be made at the current contribution rates and that the District's contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rates. Based on those assumptions, the OPEB 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 rates of return on the OPEB Plan's investments were applied to all periods of projected benefit payments to determine the OPEB Plan's total OPEB liability.

Sensitivity of the net OPEB asset to changes in the discount rate - The following presents the District's net OPEB asset for the OPEB Plan, calculated using the discount rate disclosed above, as well as what the District's net OPEB liability would be for the OPEB Plan if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	<u>Discount Rates</u>		
	<u>1% Decrease (6.00%)</u>	<u>Current (7.00%)</u>	<u>1% Increase (8.00%)</u>
Net OPEB liability as of June 30, 2019	\$ 2,724,067	\$ 2,260,320	\$ 1,855,709

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates - The following presents the District's net OPEB liability for the OPEB Plan, calculated using the discount rate disclosed above, as well as what the District's net OPEB liability would be for the OPEB Plan if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	<u>Healthcare Cost Trend Rates</u>		
	<u>1% Decrease</u>	<u>Current</u>	<u>1% Increase</u>
Net OPEB liability as of June 30, 2019	\$ 1,776,857	\$ 2,260,320	\$ 2,824,715

AMITY REGIONAL SCHOOL DISTRICT NO. 5
NOTES TO FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

NOTE 10 - OTHER POST-EMPLOYMENT BENEFITS (OPEB) *(Continued)*

OPEB Plan Financial Statements

The following presents the statements of fiduciary net position and the statement of changes in fiduciary net position for the District's OPEB plan as of and for the year ended June 30, 2019.

	Other Post-Employment Benefits Trust Fund
ASSETS	
Cash and cash equivalents	\$ 15,869
Investments - mutual funds	<u>2,441,090</u>
Total assets	<u>2,456,959</u>
 NET POSITION	
Held in trust for other post-employment benefits	<u>\$ 2,456,959</u>
	Other Post-Employment Benefits Trust Fund
ADDITIONS	
Contributions:	
Employer	\$ 62,910
Other	<u>-</u>
Total contributions	<u>62,910</u>
Investment earnings:	
Interest and dividends	57,362
Net changes in the fair value of investments	<u>68,672</u>
Total investment earnings	<u>126,034</u>
Total additions	<u>188,944</u>
 DEDUCTIONS	
Administrative expenses	<u>2,772</u>
Total deductions	<u>2,772</u>
Change in net position	186,172
Net position - beginning	<u>2,270,787</u>
Net position - ending	<u>\$ 2,456,959</u>

AMITY REGIONAL SCHOOL DISTRICT NO. 5
 NOTES TO FINANCIAL STATEMENTS *(Continued)*
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

NOTE 10 - OTHER POST-EMPLOYMENT BENEFITS (OPEB) *(Continued)*

OPEB Expense and Deferred Outflows and Inflows of Resources

As of June 30, 2019, the District reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows / (Inflows) of Resources
Differences between expected and actual experience	\$ -	\$ (426,222)	\$ (426,222)
Changes of assumptions	72,363	(2,875)	69,488
Net difference between projected and actual earnings on OPEB plan investments	83,923	-	83,923
Total	\$ 156,286	\$ (429,097)	\$ (272,811)

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

Year Ended June 30:	
2020	\$ (8,243)
2021	(8,243)
2022	(8,244)
2023	(6,703)
2024	(28,839)
Thereafter	(212,539)
	\$ (272,811)

Connecticut State Teachers' Retirement System

Plan Description

The faculty and professional personnel of the District's Board of Education participates in the State of Connecticut's Teachers' Retirement System ("TRS"), which is a cost sharing multiple-employer defined benefit pension plan that provides retirement, disability, survivorship and health insurance benefits to plan members and their beneficiaries. The TRS is governed by Connecticut General Statute ("CGS") *Title 10, Chapter 167a* and is administered by the Connecticut State Teachers' Retirement Board (the "Board"). The OPEB trust fund is included in the TRS, and the TRS is included in the State of Connecticut audit as a pension trust fund. These reports can be obtained from the Connecticut Office of the State Comptroller.

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.

AMITY REGIONAL SCHOOL DISTRICT NO. 5
NOTES TO FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

NOTE 10 - OTHER POST-EMPLOYMENT BENEFITS (OPEB) *(Continued)*

Connecticut State Teachers' Retirement System *(Continued)*

Benefit Provisions *(Continued)*

Any member that is not currently participating in Medicare Parts A & B is eligible to continue health care coverage with their former employer. A subsidy of up to \$110 per month for a retired member plus an additional \$110 per month for a spouse enrolled in a local school district plan is provided to the school district to first offset the retiree's share of the cost of coverage, 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.

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.

If a member participating in Medicare Parts A & B so elects, they may enroll in one of the CTRB Sponsored Medicare Supplemental Plans. Active members, retirees, and the State pay equally toward the cost of the basic coverage (medical and prescription drug benefits).

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.

Contributions

Per CGS 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 and annual appropriation in the General Fund. School district employers are not required to make contributions to the Plan.

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.

Contributions remitted by the State are recognized when legally due, based upon statutory requirements.

Administrative Expenses

Administrative costs of the Plan are to be paid by the General Assembly per Section 10-183r of the Connecticut General Statutes.

AMITY REGIONAL SCHOOL DISTRICT NO. 5
NOTES TO FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

NOTE 10 - OTHER POST-EMPLOYMENT BENEFITS (OPEB) *(Continued)*

Connecticut State Teachers' Retirement System *(Continued)*

Basis of Presentation

The collective net OPEB liability, deferred outflows and inflows of resources, and OPEB expense for the TRS has been measured as of June 30, 2017 based on an actuarial valuation performed as of June 30, 2018. Since the District does not contribute directly to the TRS, the District does not recognize its proportionate share of these amounts in its financial statements. The information determined as of the June 30, 2018 measurement date for the TRS has been utilized by the District for reporting on-behalf revenues, expenditures and expenses for the year ended June 30, 2019 and for reporting the proportionate share of the collective net OPEB liability that is attributed to the District as of June 30, 2019.

The components associated with the OPEB expense and deferred inflows and outflows of resources have been determined using the unrecognized portions of each year's experience and assumption changes for the year ended June 30, 2018.

Allocation Methodology

The schedule of allocations have been prepared to provide the total amount of employer contributions from the State and the proportionate share percentages that have been determined based on these contributions. Based on these percentages the proportionate share amounts of the net OPEB liability associated with each participating employer and the employer OPEB expense and revenue for State support for each participating employer for the year ending June 30, 2018.

For fiscal year 2018, the District's expected contribution effort for allocation purposes totaled \$168,707 or 0.48% of the total expected contribution effort. The District has recognized this amount as an on-behalf payment into the TRS as intergovernmental revenues and related education expenditures of the General Fund for the year ended June 30, 2019.

The components associated with the collective OPEB expense and deferred outflows and inflows of resources for the TRS have been determined based on the fiduciary net position as audited by the State of Connecticut Auditors of Public Accounts as part of the State of Connecticut's Comprehensive Annual Financial Report as of and for the year ended June 30, 2018. The portion of the negative collective OPEB expense allocated to the District totaled a \$(4,178,169).

The total collective net OPEB liability of participating employers for the TRS was approximately \$2.632 billion as of the June 30, 2018 measurement date. The portion attributed to the District totaled \$12,577,292 or approximately 0.48% of the total collective net OPEB liability.

AMITY REGIONAL SCHOOL DISTRICT NO. 5
 NOTES TO FINANCIAL STATEMENTS *(Continued)*
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

NOTE 10 - OTHER POST-EMPLOYMENT BENEFITS (OPEB) *(Continued)*

Connecticut State Teachers' Retirement System *(Continued)*

Actuarial Assumptions

The total OPEB 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	2.75%
Real Wage Growth	0.50%
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

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 actuarial 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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Expected 10-Year Geometric Real Rate of Return</u>
U.S. Treasuries (Cash Equivalents)	100.0%	0.27%

AMITY REGIONAL SCHOOL DISTRICT NO. 5
 NOTES TO FINANCIAL STATEMENTS *(Continued)*
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

NOTE 10 - OTHER POST-EMPLOYMENT BENEFITS (OPEB) *(Continued)*

Connecticut State Teachers' Retirement System *(Continued)*

Discount Rate

The discount rate used to measure the total OPEB liability was 3.87%. The projection of cash flows used to determine the discount rate was performed in accordance with the applicable standards. 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 annual 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.

Proportionate Share of the Collective Net OPEB Liability

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate - The following presents the proportionate share of the collective net OPEB liability attributed to the District as of the June 30, 2018 measurement date, calculated using a discount rate of 3.87%, as well as what the proportionate share of the net OPEB liability attributed to the District would be if it were calculated using a discount rate that is 1-percentage point lower (2.87%) or 1-percentage-point higher (4.87%) than the current rate:

	1.00% Decrease (2.87%)	Current Rate (3.87%)	1.00% Increase (4.87%)
Proportionate share of the net OPEB liability attributed to the District	\$ 14,934,602	\$ 12,577,292	\$ 10,695,955

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates - The following presents the proportionate share of the collective net OPEB liability attributed to the District as of the June 30, 2018 measurement date, 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 in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
Proportionate share of the net OPEB liability attributed to the District	\$ 10,540,157	\$ 12,577,292	\$ 15,281,436

AMITY REGIONAL SCHOOL DISTRICT NO. 5
NOTES TO FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

NOTE 11 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees or acts of God. The District purchases commercial insurance for all risks of loss except workers' compensation and liability-automobile-property insurance for which it participates in risk sharing pools, and medical benefits for which the District is self-insured. During the year ended June 30, 2019, deductibles paid by the District were insignificant. Neither the District nor its insurers have settled any claims which exceeded the District's insurance coverage during the past three years. In addition, there have been no significant reductions in pooled or insured liability coverage from coverage in the prior year.

The District is a member of the Connecticut Interlocal Risk Management Agency (CIRMA), an unincorporated association of Connecticut local public agencies that was formed in 1980 by the Connecticut Conference of Municipalities for the purpose of establishing and administering an interlocal risk management program.

Workers' Compensation Pool

The District is a member of CIRMA's Workers' Compensation Pool, a risk-sharing pool. The Workers' Compensation Pool provides statutory benefits pursuant to the provisions of the Connecticut Workers' Compensation Act. The coverage is subject to an incurred loss retrospective rating plan, and losses incurred in the coverage period will be evaluated at 18, 30 and 42 months after the effective date of coverage. The premium is subject to payroll audit at the close of the coverage period. CIRMA's Workers' Compensation Pool retains \$1,000,000 per occurrence.

Liability-Automobile-Property Pool

The District is a member of CIRMA's Liability-Automobile-Property Pool, a risk-sharing pool. The Liability-Automobile-Property Pool provides general liability, automobile liability, employee benefit liability, law enforcement liability, public officials and property coverage. The premium is subject to these coverages, and claims and expense payments falling within the deductible amounts are the responsibility of the District. CIRMA's Liability-Automobile-Property Pool retains \$1,000,000 per occurrence for each line of liability coverage.

Self-Insured Medical Benefits

The District established an internal service fund to account for and finance the risk of loss for the District's employee medical benefits claims. The internal service fund provides coverage for all eligible full-time employees. The District retains the risk of loss under the plan. A third party processes the claims filed under the self-insured health plan, for which the District is charged an administrative fee. The District has purchased a stop-loss policy for total claims in any one year exceeding an aggregate of 120% of expected claims and for individual claims exceeding \$150,000 for combined hospital and major medical.

The District establishes claims liabilities based on estimates of claims that have been incurred but not reported at June 30, 2019. Claims liabilities are recorded if information prior to the issuance of the financial statements indicates that it is possible that a liability has been incurred at the date of the financial statements and the amount of possible loss can be reasonably estimated. The amount of the claims accrual is based on the ultimate costs of settling the claims, which include past experience data, inflation and other future economic and societal factors and incremental claim adjustment expenses, net of estimated subrogation recoveries. The claims accrual does not include other allocated or unallocated claims adjustment expenses.

AMITY REGIONAL SCHOOL DISTRICT NO. 5
 NOTES TO FINANCIAL STATEMENTS *(Continued)*
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

NOTE 11 - RISK MANAGEMENT *(Continued)*

A summary of claims activity for the years ended June 30, 2019 and 2018 are as follows:

Year Ended June 30	Claims Payable, Beginning of Year	Claims and Changes in Estimates	Claims Paid	Claims Payable, End of Year
2018	\$ 341,143	\$ 3,295,479	\$ 3,273,605	\$ 363,017
2019	363,017	3,883,029	3,850,311	395,735

NOTE 12 - COMMITMENTS AND CONTINGENCIES

There are several lawsuits pending against the District. The outcome and eventual liability to the District, if any, in these cases are not known at this time. The District's management, based upon consultation with legal counsel, estimates that potential claims against the District, not covered by insurance, resulting from such litigation would not materially affect the financial position of the District.

The District has received state and federal grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursement to the grantor agency for any expenditure disallowed under terms of the grant. Based on prior experience, District management believes such disallowances, if any, will not be material.

As of June 30, 2019, the District has recorded \$726,300 in encumbrances. Such encumbrances represent legal commitments for the purchase of goods or services and have been included in assigned fund balance within the balance sheet of the General Fund.

NOTE 13 - IMPACT OF NEW ACCOUNTING STANDARDS NOT YET EFFECTIVE

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this statement are effective for the District's reporting period beginning July 1, 2019. The District is currently evaluating the potential impact of adopting this Statement on its financial statements.

In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving 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, 2020. The District is currently evaluating the potential impact of adopting this Statement on its financial statements.

AMITY REGIONAL SCHOOL DISTRICT NO. 5
NOTES TO FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

NOTE 13 - IMPACT OF NEW ACCOUNTING STANDARDS NOT YET EFFECTIVE *(Continued)*

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The objective of this Statement are (a) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (b) to simplify accounting for interest cost incurred before the end of a construction period. The requirements of this Statement should be applied prospectively and are effective for the District's reporting period beginning July 1, 2020. The District does not expect this statement to have a material effect on its financial statements.

In August 2018, the GASB issued Statement No. 90, *Majority Equity Interests - An Amendment of GASB Statements No. 14 and No. 61*, The objectives of this statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The requirements of this statement are effective for the District's reporting period beginning July 1, 2019. The District does not expect this statement to have a material effect on its financial statements.

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. The objectives of this statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The requirements of this statement are effective for the District's reporting period beginning July 1, 2021. The District does not expect this statement to have a material effect on its financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

AMITY REGIONAL SCHOOL DISTRICT NO. 5
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2019

	Budgeted Amounts		Actual	Variance With Final Budget Over (Under)
	Original	Final		
REVENUES				
Assessments to member towns	\$ 48,190,256	\$ 48,190,256	\$ 45,990,999	\$ (2,199,257)
Intergovernmental	600,247	600,247	828,238	227,991
Charges for services	170,032	170,032	192,558	22,526
Interest income	20,000	20,000	130,966	110,966
Other	46,000	46,000	62,529	16,529
Total revenues	<u>49,026,535</u>	<u>49,026,535</u>	<u>47,205,290</u>	<u>(1,821,245)</u>
EXPENDITURES				
Current:				
Salaries	25,985,048	25,803,872	25,482,010	(321,862)
Employee benefits	6,092,697	6,068,893	5,641,624	(427,269)
Instruction	623,033	610,730	569,281	(41,449)
Pupil transport	3,147,019	3,194,181	2,975,456	(218,725)
Tuition	3,427,580	3,197,569	3,072,286	(125,283)
Purchased services	1,682,273	1,824,458	1,596,271	(228,187)
Rental and other services	605,475	698,067	627,712	(70,355)
Buildings and grounds	943,893	1,112,600	1,050,302	(62,298)
Utilities	802,246	808,931	791,109	(17,822)
Property and liability insurance	242,601	242,601	232,530	(10,071)
Travel and memberships	167,439	171,896	127,506	(44,390)
Contingency	150,000	-	-	-
Capital outlays	561,655	697,161	637,610	(59,551)
Debt service:				
Principal	3,850,000	3,850,000	3,850,000	-
Interest	745,576	745,576	717,838	(27,738)
Total expenditures	<u>49,026,535</u>	<u>49,026,535</u>	<u>47,371,535</u>	<u>(1,655,000)</u>
Excess (deficiency) of revenues over expenditures	-	-	(166,245)	(166,245)
OTHER FINANCING SOURCES				
Cancellation of prior year encumbrances	-	-	166,245	166,245
Total other financing sources	-	-	166,245	166,245
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to required supplementary information.

AMITY REGIONAL SCHOOL DISTRICT NO. 5
SCHEDULE OF CHANGES IN NET PENSION LIABILITY
AMITY REGIONAL SCHOOL DISTRICT NO. 5 PENSION PLAN (UNAUDITED)
LAST SIX FISCAL YEARS

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability						
Service cost	\$ 546,532	\$ 539,815	\$ 542,547	\$ 493,768	\$ 479,386	\$ 408,199
Interest	1,165,984	1,095,440	1,096,406	988,845	930,362	882,103
Differences between expected and actual experience	(454,769)	138,984	(143,763)	19,949	(247,484)	-
Changes of assumptions	-	(99,030)	210,599	529,757	962,070	-
Benefit payments, including refunds	(674,698)	(673,617)	(670,971)	(623,779)	(677,103)	(703,532)
Net change in total pension liability	583,049	1,001,592	1,034,818	1,408,540	1,447,231	586,770
Total pension liability - beginning	16,442,035	15,440,443	14,405,625	12,997,085	11,549,854	10,963,084
Total pension liability - ending	17,025,084	16,442,035	15,440,443	14,405,625	12,997,085	11,549,854
Plan fiduciary net position						
Contributions - employer	892,845	886,831	862,404	772,191	738,934	707,554
Contributions - members	77,728	77,655	81,533	80,951	77,564	75,449
Net investment income	836,401	886,762	1,099,641	176,783	281,561	1,271,801
Benefit payments, including refunds	(674,698)	(673,617)	(670,971)	(623,779)	(677,103)	(703,532)
Administrative expense	-	-	(8,216)	-	-	(6,644)
Other	-	-	-	196	129	94
Net change in plan fiduciary net position	1,132,276	1,177,631	1,364,391	406,342	421,085	1,344,722
Plan fiduciary net position - beginning	11,764,997	10,587,366	9,222,975	8,816,633	8,395,548	7,050,826
Plan fiduciary net position - ending	12,897,273	11,764,997	10,587,366	9,222,975	8,816,633	8,395,548
District's net pension liability	<u>\$4,127,811</u>	<u>\$4,677,038</u>	<u>\$4,853,077</u>	<u>\$5,182,650</u>	<u>\$4,180,452</u>	<u>\$3,154,306</u>
Plan fiduciary net position as a percentage of total pension liability	75.75%	71.55%	68.57%	64.02%	67.84%	72.69%
Covered payroll	\$3,484,925	\$3,423,413	\$3,368,174	\$3,473,851	\$3,264,904	\$3,183,014
District's net pension liability as a percentage of covered payroll	118.45%	136.62%	144.09%	149.19%	128.04%	99.10%

See accompanying notes to required supplementary information.

AMITY REGIONAL SCHOOL DISTRICT NO. 5
SCHEDULE OF CONTRIBUTIONS AND INVESTMENT RETURNS
AMITY REGIONAL SCHOOL DISTRICT NO. 5 PENSION PLAN (UNAUDITED)
LAST SIX FISCAL YEARS

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 892,845	\$ 886,831	\$ 862,402	\$ 772,191	\$ 738,934	\$ 707,554
Contributions in relation to the actuarially determined contribution	<u>892,845</u>	<u>886,831</u>	<u>862,404</u>	<u>772,191</u>	<u>738,934</u>	<u>707,554</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (2)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 3,484,925	\$ 3,423,413	\$ 3,368,174	\$ 3,473,851	\$ 3,264,904	\$ 3,183,014
Contributions as a percentage of covered payroll	25.62%	25.90%	25.60%	22.23%	22.63%	22.23%
Annual money-weighted rate of return, net of investment expense	6.92%	8.16%	11.46%	1.96%	3.27%	17.61%

See accompanying notes to required supplementary information.

AMITY REGIONAL SCHOOL DISTRICT NO. 5
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY -
CONNECTICUT STATE TEACHERS' RETIREMENT SYSTEM (UNAUDITED)
LAST FIVE FISCAL YEARS
(Rounded to nearest thousand)

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Proportion of the net pension liability attributed to the District	0.478%	0.474%	0.474%	0.471%	0.471%
District's proportionate share of the net pension liability	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability attributed to the District	<u>62,916,000</u>	<u>63,998,000</u>	<u>67,518,000</u>	<u>51,711,000</u>	<u>47,796,000</u>
Total	<u>\$62,916,000</u>	<u>\$63,998,000</u>	<u>\$67,518,000</u>	<u>\$51,711,000</u>	<u>\$47,796,000</u>
District's covered payroll	\$ 19,664,000	\$ 18,504,000	\$ 18,928,000	\$ 17,014,000	\$ 18,490,000
District's proportionate share of the net pension liability as a percentage of its covered payroll	0.0%	0.0%	0.0%	0.0%	0.0%
Plan fiduciary net position as a percentage of the total pension liability	51.72%	55.93%	52.26%	59.50%	61.51%

See accompanying notes to required supplementary information.

AMITY REGIONAL SCHOOL DISTRICT NO. 5
SCHEDULE OF CHANGES IN NET OPEB LIABILITY
OTHER POST-EMPLOYMENT BENEFITS PLAN (UNAUDITED)
LAST THREE FISCAL YEARS

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total OPEB liability			
Service cost	\$ 94,804	\$ 108,167	\$ 105,426
Interest	321,315	315,156	293,998
Differences between expected and actual experience	(213,246)	(266,055)	(1,788)
Changes of assumptions	77,972	(3,351)	-
Benefit payments, including refunds	(116,010)	8,789	(203,200)
Net change in total OPEB liability	164,835	162,706	194,436
Total OPEB liability - beginning	4,552,444	4,389,738	4,195,302
Total OPEB liability - ending	<u>4,717,279</u>	<u>4,552,444</u>	<u>4,389,738</u>
Plan fiduciary net position			
Contributions - employer	178,920	45,377	282,793
Contributions - retirees' subsidies	70,408	51,371	77,679
Net investment income	52,854	152,252	169,538
Benefit payments, including refunds	(116,010)	8,789	(203,200)
Administrative expense	-	-	-
Net change in plan fiduciary net position	186,172	257,789	326,810
Plan fiduciary net position - beginning	2,270,787	2,012,998	1,686,188
Plan fiduciary net position - ending	<u>2,456,959</u>	<u>2,270,787</u>	<u>2,012,998</u>
District's net OPEB liability	<u>\$ 2,260,320</u>	<u>\$ 2,281,657</u>	<u>\$ 2,376,740</u>
Plan fiduciary net position as a percentage of total OPEB liability	52.08%	49.88%	45.86%
Covered employee payroll	\$ 25,670,057	\$ 25,121,818	\$ 24,809,512
District's net OPEB liability as a percentage of covered employee payroll	8.81%	9.08%	9.58%

See accompanying notes to required supplementary information.

AMITY REGIONAL SCHOOL DISTRICT NO. 5
SCHEDULE OF CONTRIBUTIONS AND INVESTMENT RETURNS
OTHER POST-EMPLOYMENT BENEFITS PLAN (UNAUDITED)
LAST THREE FISCAL YEARS

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Actuarially determined contribution	\$ 343,728	\$ 323,526	\$ 442,313
Contributions in relation to the actuarially determined contribution	<u>178,920</u>	<u>45,377</u>	<u>282,793</u>
Contribution deficiency (excess)	<u>\$ 164,808</u>	<u>\$ 278,149</u>	<u>\$ 159,520</u>
Covered employee payroll	\$ 25,670,057	\$ 25,121,818	\$ 24,809,512
Contributions as a percentage of covered employee payroll	0.70%	0.18%	1.14%
Annual money-weighted rate of return, net of investment expense	5.43%	7.56%	10.05%

See accompanying notes to required supplementary information.

AMITY REGIONAL SCHOOL DISTRICT NO. 5
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY -
 CONNECTICUT STATE TEACHERS' RETIREMENT SYSTEM (UNAUDITED)
 LAST FISCAL TWO YEARS
 (Rounded to nearest thousand)

	<u>2019</u>	<u>2018</u>
Proportion of the net OPEB liability attributed to the District	0.478%	0.474%
District's proportionate share of the net OPEB liability	\$ -	\$ -
State's proportionate share of the net OPEB liability attributed to the District	<u>12,557,292</u>	<u>16,472,366</u>
Total	<u>\$ 12,557,292</u>	<u>\$ 16,472,366</u>
District's covered employee payroll	\$ 19,664,000	\$ 18,504,000
District's proportionate share of the net OPEB liability as a percentage of its covered employee payroll	0.0%	0.0%
Plan fiduciary net position as a percentage of the total OPEB liability	1.49%	1.79%

See accompanying notes to required supplementary information.

AMITY REGIONAL SCHOOL DISTRICT NO. 5
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

NOTE 1 - STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND

Budgetary Information

The District adheres to the following procedures in establishing the budgetary data reported in the financial statements:

- The District legally adopts an annual budget for the General Fund pursuant to Connecticut General Statutes Section 10-51. Formal budgetary integration is employed by the District as a management control device during the year for the General Fund.
- Prior to January, each department head or other agency as designated by the Superintendent submits budget requests accompanied by detailed estimates of expenditures to be made and, where appropriate, revenues to be collected during the ensuing fiscal year.
- Annually, prior to the annual meeting of the Board, a public budget meeting is held for the purpose of presenting and voting upon a regional school budget.
- After the budget is approved, the Board estimates the share of the net expenditures to be paid by each member town in accordance with Connecticut General Statutes Section 10-51, and notifies the respective member town's treasurer thereof.
- The level of control for a legally adopted budget (the level at which expenditures may not legally exceed appropriations without Board approval) is at the program level. Transfers from one budget line to another may be made by the Director of Finance and Administration with the approval of the Superintendent, Finance Committee and Board of Education.
- The Board does not have the authority to expend beyond the total budget appropriation without Board of Education and member town approval.
- Encumbrances are recognized as a valid and proper charge against a budget appropriation in the year in which the purchase order, contract or other commitment is issued and, accordingly, encumbrances outstanding at year end are reported in budgetary reports as expenditures in the current year. Generally, all unencumbered appropriations lapse at year end, except those for the Capital Project Funds. Appropriations for capital projects are continued until completion of applicable projects, even when projects extend more than one fiscal year.
- No additional appropriations were authorized during the year ended June 30, 2019.

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.

AMITY REGIONAL SCHOOL DISTRICT NO. 5
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED) *(Continued)*
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

NOTE 1 - STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND *(Continued)*

Budgetary Information (Continued)

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, 2019:

	<u>Revenues</u>	<u>Expenditures</u>	<u>Other Financing Sources (Uses)</u>	<u>Change in Fund Balance</u>
Budgetary basis	\$ 47,205,290	\$ 47,371,535	\$ 166,245	\$ -
"On-behalf" payments - State Teachers' Retirement Fund	6,249,380	6,249,380	-	-
Changes in encumbrances	-	(494,919)	(166,245)	328,674
Noncash financing sources not recognized for budgetary purposes				
Capital lease financing activity	-	167,985	167,985	-
GAAP basis	<u>\$ 53,454,670</u>	<u>\$ 53,293,981</u>	<u>\$ 167,985</u>	<u>\$ 328,674</u>

NOTE 2 - SCHEDULE OF THE CHANGES IN NET PENSION LIABILITY - AMITY REGIONAL SCHOOL DISTRICT NO. 5 PENSION PLAN

The District began to report this schedule when it implemented GASB Statement No. 67, *Financial Reporting for Pension Plans—an amendment of GASB Statement No. 25*, in fiscal year 2014. GASB Statement No. 67 requires the information within this schedule to be presented for the ten most recent fiscal years.

Actuarial valuations are prepared every year with the most recent available actuarial valuation performed as of July 1, 2018. The July 1, 2018 was utilized to calculate the total pension liability as of July 1, 2018, which was rolled forward to the most recent measurement date of June 30, 2019.

Benefit Changes - There have been no benefit term changes that have had a significant effect on the measurement of the District's total pension liability.

Assumption Changes - There have been no assumption changes that have had a significant effect on the measurement of the total pension liability as of June 30, 2019. The District lowered the discount rate utilized to measure its total pension liability from 8.0% as of the June 30, 2015 to 7.5% as of the June 30, 2016 and then again to 7.0% as of the June 30, 2017 measurement date.

AMITY REGIONAL SCHOOL DISTRICT NO. 5
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED) *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

NOTE 3 - SCHEDULE OF CONTRIBUTIONS AND INVESTMENT RETURNS - AMITY REGIONAL SCHOOL DISTRICT NO. 5 PENSION PLAN

The District began to report this schedule when it implemented GASB Statement No. 67, *Financial Reporting for Pension Plans—an amendment of GASB Statement No. 25*, in fiscal year 2014. GASB Statement No. 67 requires the information within this schedule to be presented for the ten most recent fiscal years.

Actuarially determined contributions rates are calculated as of July 1, two years prior to the end of the fiscal year in which contributions are reported.

The following methods and assumptions were utilized to determine the contribution rates for the year ended June 30, 2019.

Actuarial cost method:	Entry Age Normal
Amortization method:	Level Percentage of payroll, closed
Remaining amortization period	20 years
Asset valuation method	5 year smoothed market
Inflation rate	2.60%
Salary increases	Varies from 2.60% to 7.60%, including inflation
Investment rate of return	7.00%, net of pension plan investment expense, including inflation
Retirement age	Ranges from 55 to 70 RP-2014 Adjusted to 2006 Total Dataset Mortality Table projected to the valuation date with Scale MP-2017

NOTE 4 - SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - CONNECTICUT STATE TEACHERS' RETIREMENT SYSTEM

The District began to report this schedule when it implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*, in fiscal year 2015. GASB Statement No. 68 requires the information within this schedule to be presented for the ten most recent fiscal years.

Actuarial valuations are prepared every two years with the most recent available actuarial valuation performed as of June 30, 2018. This information is utilized by the District for reporting as of June 30, 2019.

Benefit Changes - There have been no changes in benefit terms that have had a significant effect on the measurement of the total pension liability.

Assumption Changes - The following assumption changes collectively had a significant effect on the measurement of the total pension liability reported as of June 30, 2019.

- the inflation assumption was reduced from 2.75% to 2.50%;
- the real rate of return assumption was reduced from 5.25% to 4.40%, which when combined with the inflation assumption change, resulted in a decrease in the investment rate of return assumption from 8.00% to 6.90%;
- the annual rate of wage increase assumption was increased from 0.50% to 0.75%.

AMITY REGIONAL SCHOOL DISTRICT NO. 5
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED) *(Continued)*
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

NOTE 5 - SCHEDULE OF CHANGES IN NET OPEB LIABILITY - OTHER POST-EMPLOYMENT BENEFITS PLAN

The District began to report this schedule when it implemented GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, in fiscal year 2018. GASB Statement No. 74 requires the information within this schedule to be presented for the ten most recent fiscal years.

Actuarial valuations are prepared every year with the most recent available actuarial valuation performed as of July 1, 2018. The July 1, 2018 was utilized to calculate the total OPEB liability as of July 1, 2018, which was rolled forward to the most recent measurement date of June 30, 2019.

Benefit Changes - There have been no benefit term changes that have had a significant effect on the measurement of the District's total OPEB liability.

Assumption Changes - There have been no assumption changes that have had a significant effect on the measurement of the District's total OPEB liability.

NOTE 6 - SCHEDULE OF CONTRIBUTIONS AND INVESTMENT RETURNS - OTHER POST-EMPLOYMENT BENEFITS PLAN

The District began to report this schedule when it implemented GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, in fiscal year 2017. GASB Statement No. 74 requires the information within this schedule to be presented for the ten most recent fiscal years.

Actuarially determined contributions rates are calculated as of July 1, two years prior to the end of the fiscal year in which contributions are reported.

The following methods and assumptions were utilized to determine the contribution rates for the year ended June 30, 2019.

Actuarial cost method	Entry Age Normal
Amortization method	Level Percentage of Salary
Remaining amortization period	30 years, closed (18 years remaining as of July 1, 2017)
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	7.00%
Discount rate	7.00%
Salary increases	2.60% - 7.60%
Inflation rate	2.60%
Healthcare cost trend rate:	
Initial	7.10%
Ultimate	4.60%

AMITY REGIONAL SCHOOL DISTRICT NO. 5
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED) *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

NOTE 7 - SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET OTHER POST-EMPLOYMENT BENEFITS LIABILITY - CONNECTICUT STATE TEACHERS' RETIREMENT SYSTEM

The District began to report this schedule when it implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*, in fiscal year 2018. GASB Statement No. 75 requires the information within this schedule to be presented for the ten most recent fiscal years.

Actuarial valuations are prepared every two years with the most recent available actuarial valuation performed as of June 30, 2018. This information is utilized by the District for reporting as of June 30, 2019.

Benefit Changes - Effective July 1, 2018, the Plan changed the "base plan" to the Medicare Advantage Plan for the purposes of determining retiree health care plan subsidies and/or cost sharing amount(s), and introduced a two year waiting period for re-enrollment in a system-sponsored health care plan for those who cancel their coverage or choose not to enroll in a health care coverage option on or after the effective date.

Assumption Changes - The following assumption changes collectively had a significant effect on the measurement of the net OPEB liability reported as of June 30, 2019:

- the expected rate of return on Plan assets was changed from 4.25% to 3.00% to better reflect the anticipated returns on cash and other high quality short-term fixed income investments;
- the discount rate used to measure Plan obligations and amortize supplemental costs was updated to match the expected rate of return on assets selected as of June 30, 2018;
- long-term health care cost trend rates were updated to better reflect the anticipated impact of changes in medical inflation, utilization, leverage in the plan design, improvements in technology, and fees and charges on expected claims and retiree contributions in future periods; and
- the percentage of retired members who are not currently participating in the Plan, but are expected to elect coverage for themselves and their spouses under a system-sponsored health care plan option in the future, was updated to better reflect anticipated plan experience.

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

GENERAL FUND

AMITY REGIONAL SCHOOL DISTRICT NO. 5
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES - BUDGET AND ACTUAL -
BUDGETARY BASIS - GENERAL FUND (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2019

	Budgeted Amounts		Actual	Variance With Final Budget Over (Under)
	Original	Final		
ASSESSMENTS TO MEMBER TOWNS				
Bethany	\$ 9,295,901	\$ 9,295,901	\$ 8,871,016	\$ (424,885)
Orange	24,181,870	24,181,870	23,078,953	(1,102,917)
Woodbridge	14,712,485	14,712,485	14,041,030	(671,455)
Total assessment to member towns	<u>48,190,256</u>	<u>48,190,256</u>	<u>45,990,999</u>	<u>(2,199,257)</u>
INTERGOVERNMENTAL				
Adult education	3,042	3,042	3,626	584
Transportation income	23,400	23,400	26,510	3,110
Special education	573,805	573,805	797,996	224,191
Health services	-	-	106	106
Total intergovernmental	<u>600,247</u>	<u>600,247</u>	<u>828,238</u>	<u>227,991</u>
CHARGES FOR SERVICES				
Parking income	29,000	29,000	35,969	6,969
Athletics	23,000	23,000	18,375	(4,625)
Tuition revenue	88,460	88,460	108,642	20,182
Shared services	29,572	29,572	29,572	-
Total charges for services	<u>170,032</u>	<u>170,032</u>	<u>192,558</u>	<u>22,526</u>
INTEREST INCOME				
	<u>20,000</u>	<u>20,000</u>	<u>130,966</u>	<u>110,966</u>
OTHER REVENUES				
Rental income	21,000	21,000	12,850	(8,150)
Miscellaneous	25,000	25,000	49,679	24,679
Total other revenues	<u>46,000</u>	<u>46,000</u>	<u>62,529</u>	<u>16,529</u>
Total revenues				
	49,026,535	49,026,535	47,205,290	(1,821,245)
OTHER FINANCING SOURCES				
Cancellation of prior year encumbrances	-	-	166,245	166,245
Total other financing sources	<u>-</u>	<u>-</u>	<u>166,245</u>	<u>166,245</u>
TOTAL REVENUES AND OTHER FINANCING SOURCES				
	<u>\$ 49,026,535</u>	<u>\$ 49,026,535</u>	<u>\$ 47,371,535</u>	<u>\$ (1,655,000)</u>

AMITY REGIONAL SCHOOL DISTRICT NO. 5
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL -
BUDGETARY BASIS - GENERAL FUND (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2019

	Budgeted Amounts		Actual	Variance With Final Budget Over (Under)
	Original	Final		
SALARIES				
Certified	\$ 21,397,312	\$ 21,061,312	\$ 20,935,669	\$ (125,643)
Classified	4,587,736	4,742,560	4,546,341	(196,219)
Total salaries	<u>25,985,048</u>	<u>25,803,872</u>	<u>25,482,010</u>	<u>(321,862)</u>
EMPLOYEE BENEFITS				
Medicare	374,913	374,913	345,833	(29,080)
FICA	283,586	283,586	281,164	(2,422)
Workers' compensation	246,900	226,826	226,473	(353)
Medical and dental insurance	4,083,941	4,083,941	3,696,885	(387,056)
OPEB trust	62,910	62,910	62,910	-
Life insurance	45,537	45,537	41,677	(3,860)
Disability insurance	9,924	9,924	9,501	(423)
Pension plan - classified	892,845	892,845	892,845	-
Defined contribution retirement plan	64,867	70,117	70,117	-
Retirement sick leave - certified	1,921	1,921	1,921	-
Retirement sick leave - classified	1,000	1,000	1,000	-
Severance pay - certified	1,000	1,000	1,000	-
Unemployment compensation	21,353	12,373	9,110	(3,263)
Clothing allowance	2,000	2,000	1,188	(812)
Total employee benefits	<u>6,092,697</u>	<u>6,068,893</u>	<u>5,641,624</u>	<u>(427,269)</u>
INSTRUCTION				
Instructional program improvement	28,500	24,765	18,004	(6,761)
Instructional supplies	396,905	387,495	358,214	(29,281)
Text and digital resources	176,013	176,305	170,996	(5,309)
Library books & periodicals	21,615	22,165	22,067	(98)
Total instruction	<u>623,033</u>	<u>610,730</u>	<u>569,281</u>	<u>(41,449)</u>
PUPIL TRANSPORT				
Pupil transportation	2,995,119	3,042,281	2,864,785	(177,496)
Transportation supplies	151,900	151,900	110,671	(41,229)
Total pupil transport	<u>3,147,019</u>	<u>3,194,181</u>	<u>2,975,456</u>	<u>(218,725)</u>
TUITION				
	<u>3,427,580</u>	<u>3,197,569</u>	<u>3,072,286</u>	<u>(125,283)</u>
PURCHASED SERVICES				
Data processing	93,590	93,590	90,178	(3,412)
Other professional & technical services	1,332,265	1,474,948	1,297,782	(177,166)
Communications	163,224	163,224	130,974	(32,250)
Other purchased services	93,194	92,696	77,337	(15,359)
Total purchased services	<u>1,682,273</u>	<u>1,824,458</u>	<u>1,596,271</u>	<u>(228,187)</u>
RENTAL AND OTHER SERVICES				
Rentals - land, building, equipment	119,185	118,895	80,177	(38,718)
Other supplies	486,290	579,172	547,535	(31,637)
Total rental and other services	<u>605,475</u>	<u>698,067</u>	<u>627,712</u>	<u>(70,355)</u>

(Continued)

AMITY REGIONAL SCHOOL DISTRICT NO. 5
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL -
BUDGETARY BASIS - GENERAL FUND (UNAUDITED) (Continued)
FOR THE YEAR ENDED JUNE 30, 2019

	Budgeted Amounts		Actual	Variance With Final Budget Over (Under)
	Original	Final		
BUILDINGS AND GROUNDS				
Repairs, maintenance and cleaning	\$ 723,928	\$ 896,589	\$ 837,744	\$ (58,845)
Maintenance and custodial supplies	219,965	216,011	212,558	(3,453)
Total buildings and grounds	<u>943,893</u>	<u>1,112,600</u>	<u>1,050,302</u>	<u>(62,298)</u>
UTILITIES				
Utilities, excluding heat	703,234	681,117	667,108	(14,009)
Oil and natural gas used for heating	46,500	57,420	53,665	(3,755)
Natural gas	52,512	70,394	70,336	(58)
Total utilities	<u>802,246</u>	<u>808,931</u>	<u>791,109</u>	<u>(17,822)</u>
PROPERTY AND LIABILITY INSURANCE	<u>242,601</u>	<u>242,601</u>	<u>232,530</u>	<u>(10,071)</u>
TRAVEL AND MEMBERSHIPS				
Staff travel	22,432	23,370	15,571	(7,799)
Travel - conferences	35,975	40,377	26,235	(14,142)
Dues and fees	109,032	108,149	85,700	(22,449)
Total travel and memberships	<u>167,439</u>	<u>171,896</u>	<u>127,506</u>	<u>(44,390)</u>
CONTINGENCY	<u>150,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
CAPITAL OUTLAYS				
Equipment - new	215,879	70,144	65,981	(4,163)
Equipment - replacement	164,776	259,071	206,182	(52,889)
Improvements to sites	131,000	274,114	273,676	(438)
Improvements to buildings	50,000	93,832	91,771	(2,061)
Total capital outlays	<u>561,655</u>	<u>697,161</u>	<u>637,610</u>	<u>(59,551)</u>
DEBT SERVICE				
Principal	3,850,000	3,850,000	3,850,000	-
Interest	745,576	745,576	717,838	(27,738)
Total debt service	<u>4,595,576</u>	<u>4,595,576</u>	<u>4,567,838</u>	<u>(27,738)</u>
TOTAL EXPENDITURES	<u>\$ 49,026,535</u>	<u>\$ 49,026,535</u>	<u>\$ 47,371,535</u>	<u>\$ (1,655,000)</u> <i>(Concluded)</i>

AMITY REGIONAL SCHOOL DISTRICT NO. 5
SCHEDULE OF DEBT LIMITATION
CONNECTICUT GENERAL STATUTES, SECTION 7-374(b)
FOR THE YEAR ENDED JUNE 30, 2019

	Orange	Woodbridge	Bethany	Total
Total cash collections for the year ended June 30, 2019:	<u>\$ 23,078,953</u>	<u>\$ 14,041,030</u>	<u>\$ 8,871,016</u>	<u>\$ 45,990,999</u>
				District
Debt limitation: 4-1/2 times base				<u>\$ 206,959,496</u>
Indebtedness:				
Bonds payable				<u>23,775,000</u>
Net indebtedness				<u>23,775,000</u>
Debt limitation in excess of outstanding and authorized debt				<u>\$ 183,184,496</u>
Total capacity of borrowing (4-1/2 times base)				\$ 206,959,496
Total present indebtedness				<u>23,775,000</u>
Margin for additional borrowing				<u>\$ 183,184,496</u>

NONMAJOR GOVERNMENTAL FUNDS

AMITY REGIONAL SCHOOL DISTRICT NO. 5
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AS OF JUNE 30, 2019

	Special Revenue Funds				Total Nonmajor Governmental Funds
	Education Grants Fund	Continuing Education Fund	School Operating Fund	Cafeteria Fund	
ASSETS					
Cash and cash equivalents	\$ 89,785	\$ 78,620	\$ 132,243	\$ 48,924	\$ 349,572
Grants and contracts receivables	2,102	-	-	19,003	21,105
Due from other funds	5,379	-	-	-	5,379
Inventories	-	-	-	21,292	21,292
Total assets	<u>\$ 97,266</u>	<u>\$ 78,620</u>	<u>\$ 132,243</u>	<u>\$ 89,219</u>	<u>\$ 397,348</u>
LIABILITIES					
Accounts payable	\$ 44,399	\$ 738	\$ 11,455	\$ 21,533	\$ 78,125
Due to other funds	21,341	1,234	-	-	22,575
Unearned revenue	23,052	35,755	-	51,386	110,193
Total liabilities	<u>88,792</u>	<u>37,727</u>	<u>11,455</u>	<u>72,919</u>	<u>210,893</u>
FUND BALANCES					
Nonspendable	-	-	-	21,292	21,292
Committed	8,474	40,893	120,788	-	170,155
Unassigned	-	-	-	(4,992)	(4,992)
Total fund balances	<u>8,474</u>	<u>40,893</u>	<u>120,788</u>	<u>16,300</u>	<u>186,455</u>
Total liabilities and fund balances	<u>\$ 97,266</u>	<u>\$ 78,620</u>	<u>\$ 132,243</u>	<u>\$ 89,219</u>	<u>\$ 397,348</u>

AMITY REGIONAL SCHOOL DISTRICT NO. 5
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Special Revenue Funds</u>				Total Nonmajor Governmental Funds
	Education Grants Fund	Continuing Education Fund	School Operating Fund	Cafeteria Fund	
REVENUES					
Intergovernmental	\$ 585,305	\$ -	\$ -	\$ 166,482	\$ 751,787
Charges for services	-	56,527	59,943	649,283	765,753
Total revenues	<u>585,305</u>	<u>56,527</u>	<u>59,943</u>	<u>815,765</u>	<u>1,517,540</u>
EXPENDITURES					
Current:					
General instruction	439,068	59,341	-	-	498,409
Support services:					
Support services - student	30,010	-	8,534	868,514	907,058
Improvement of instruction	36,846	-	-	-	36,846
General administration	-	-	44,102	-	44,102
Transportation	1,502	-	-	-	1,502
Employee benefits	63,488	-	-	-	63,488
Buildings and grounds	4,500	-	-	-	4,500
Total expenditures	<u>575,414</u>	<u>59,341</u>	<u>52,636</u>	<u>868,514</u>	<u>1,555,905</u>
Net change in fund balance	9,891	(2,814)	7,307	(52,749)	(38,365)
Fund balances - beginning	<u>(1,417)</u>	<u>43,707</u>	<u>113,481</u>	<u>69,049</u>	<u>224,820</u>
Fund balances - ending	<u>\$ 8,474</u>	<u>\$ 40,893</u>	<u>\$ 120,788</u>	<u>\$ 16,300</u>	<u>\$ 186,455</u>

FIDUCIARY FUNDS

AMITY REGIONAL SCHOOL DISTRICT NO. 5
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2019

	<u>Balance,</u> <u>July 1, 2018</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance,</u> <u>June 30, 2019</u>
ASSETS				
Cash and cash equivalents	\$ 360,423	\$ 623,567	\$ 618,526	\$ 365,464
Receivables	-	1,493	-	1,493
Total assets	<u>\$ 360,423</u>	<u>\$ 625,060</u>	<u>\$ 618,526</u>	<u>\$ 366,957</u>
LIABILITIES				
Payables	\$ 7,440	\$ 3,393	\$ -	\$ 10,833
Due to others	352,983	621,667	618,526	356,124
Total liabilities	<u>\$ 360,423</u>	<u>\$ 625,060</u>	<u>\$ 618,526</u>	<u>\$ 366,957</u>