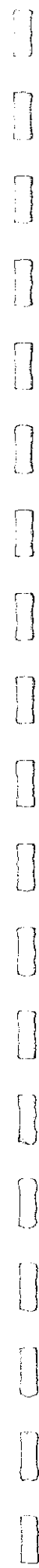


REGIONAL SCHOOL DISTRICT NO. 10

FINANCIAL STATEMENTS

AS OF AND FOR THE YEAR ENDED
JUNE 30, 2019



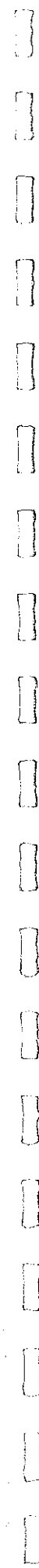
REGIONAL SCHOOL DISTRICT NO. 10
TABLE OF CONTENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

	<u>Page</u>
Independent Auditor's Report	1
Management's Discussion and Analysis (Unaudited)	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	13
Statement of Activities	14
Governmental Fund Financial Statements:	
Balance Sheet	15
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	16
Statement of Revenues, Expenditures and Changes in Fund Balances	17
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	18
Fiduciary Fund Financial Statements:	
Statement of Net Position	19
Statement of Changes in Net Position	20
Notes to the Financial Statements	21
Required Supplementary Information (Unaudited):	
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Budgetary Basis - General Fund	55
Schedule of Changes in Net Pension Liability - Pension Plan	56
Schedule of Contributions and Investment Returns - Pension Plan	57
Schedule of the District's Proportionate Share of the Net Pension Liability - Connecticut State Teachers' Retirement System	58
Schedule of Changes in Total OPEB Liability - Other Post-employment Benefits Plan	59
Schedule of the District's Proportionate Share of the Net OPEB Liability - Connecticut State Teachers' Retirement System	60
Notes to Required Supplementary Information	61

REGIONAL SCHOOL DISTRICT NO. 10
TABLE OF CONTENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

	<u>Page</u>
Combining and Individual Fund Statements and Schedules:	
Governmental Funds:	
General Fund:	
Schedule of Revenues and Other Financing Sources - Budget and Actual - Budgetary Basis - General Fund	65
Schedule of Expenditures and Other Financing Uses - Budget and Actual - Budgetary Basis - General Fund	66
Schedule of Debt Limitation	68
Nonmajor Governmental Funds:	
Combining Balance Sheet - Nonmajor Governmental Funds	69
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	70
Fiduciary Funds:	
Pension Trust Funds:	
Combining Statement of Net Position	71
Combining Statement of Changes in Net Position	72
Agency Funds:	
Combining Statement of Changes in Fiduciary Assets and Liabilities - Agency Funds	73

INDEPENDENT AUDITOR'S REPORT



INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
Regional School District No. 10
Burlington, 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 Regional School District No. 10 (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.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 Regional School District No. 10, as of June 30, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 12 and the information on pages 55 through 64 be presented to supplement the basic financial statements. Such information, although not a required 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 65 through 73 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund 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 statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

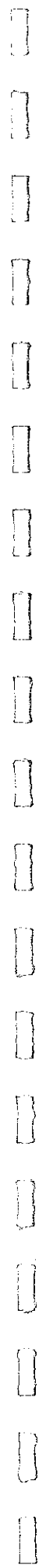
Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 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 the 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.

Mahoney Sabol + Company, LLP

Certified Public Accountants
Glastonbury, Connecticut
October 22, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS



REGIONAL SCHOOL DISTRICT NO. 10
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

As management of Regional School District No. 10 (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

- 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 \$39,046,454 (net position). Of this amount, \$1,137,113 represents the District's unrestricted net position.
- The District's overall change in net position for the year ended June 30, 2019 resulted in a decrease of \$608,413.
- As of the close of the current fiscal year, the District's governmental funds reported a combined ending fund balance of \$4,213,556, a decrease of \$86,876 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund amounted to \$3,020,733. Of this amount, \$1,113,262 represents the District's budgetary surplus for the year ended June 30, 2019 and \$1,907,471 represents the District's operating reserve. Such amounts are available for distribution to the District's Member Towns.
- The District's principal balance on long-term bonded debt decreased by \$1,320,000 due to scheduled principal repayments.

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 elements. 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.

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 result in cash flows in future fiscal periods.

REGIONAL SCHOOL DISTRICT NO. 10
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 government-wide financial statements are intended to distinguish functions of the District that are principally supported by District towns 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 has no 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 two categories: governmental funds and fiduciary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term outflows and inflows 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 fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, the Educational Grants Fund, and the Capital Projects Fund, all of which are considered to be major funds by the District.

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

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the District. 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 19 and 20 of this report.

REGIONAL SCHOOL DISTRICT NO. 10
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

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 21 through 54 of this report.

Required Supplementary Information

Required supplementary information on the District's General Fund budgetary schedules and pension and other post-employment benefit plans can be found on pages 55 through 64 of this report.

Other Information

Combining and individual fund statements and schedules can be found on pages 65 through 73 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position

Over time, net position may serve as one measure of a government's financial position. The District's net position totaled \$39,046,454 as of June 30, 2019 and \$39,654,867 as of June 30, 2018 and is summarized as follows.

	<u>2019</u>	<u>2018</u>	<u>\$ Change</u>	<u>% Change</u>
Current and other assets	\$ 5,111,736	\$ 5,326,940	\$ (215,204)	-4.0%
Capital assets, net	50,813,639	52,833,643	(2,020,004)	-3.8%
Total assets	<u>55,925,375</u>	<u>58,160,583</u>	<u>(2,235,208)</u>	-3.8%
Deferred outflows of resources	<u>700,932</u>	<u>962,890</u>	<u>(261,958)</u>	-27.2%
Long-term liabilities	16,493,640	18,242,346	(1,748,706)	-9.6%
Other liabilities	1,009,789	1,193,981	(184,192)	-15.4%
Total liabilities	<u>17,503,429</u>	<u>19,436,327</u>	<u>(1,932,898)</u>	-9.9%
Deferred inflows of resources	<u>76,424</u>	<u>32,279</u>	<u>44,145</u>	136.8%
Net position:				
Net investment in capital assets	37,587,721	38,172,212	(584,491)	-1.5%
Restricted for grant and other programs	321,620	-	321,620	100.0%
Unrestricted	1,137,113	1,482,655	(345,542)	-23.3%
Total net position	<u>\$ 39,046,454</u>	<u>\$ 39,654,867</u>	<u>\$ (608,413)</u>	-1.5%

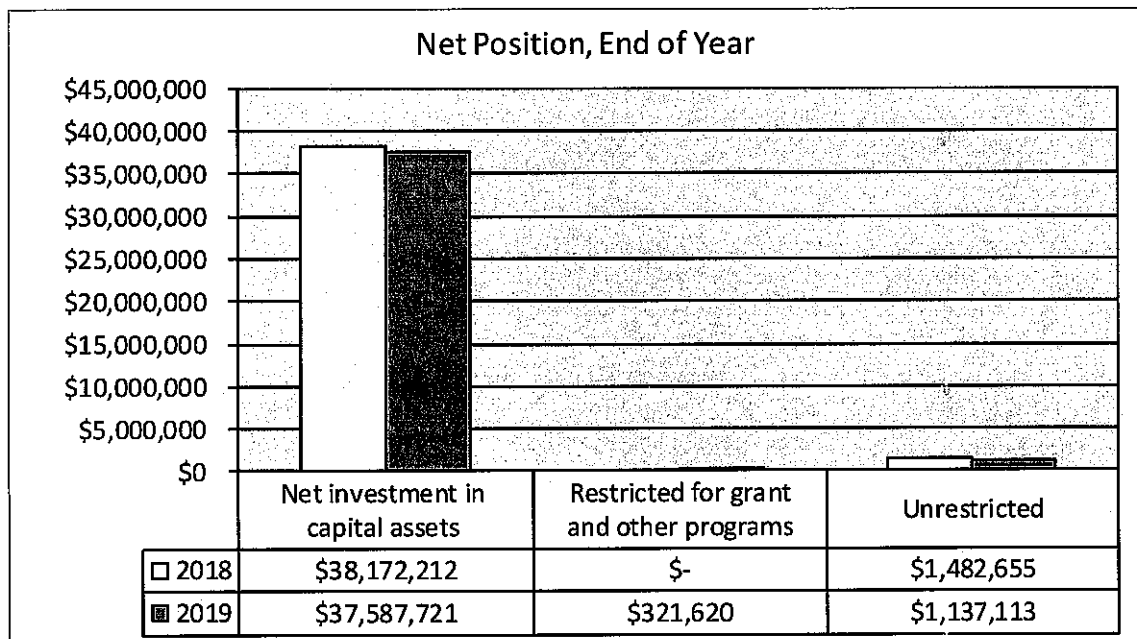
REGIONAL SCHOOL DISTRICT NO. 10
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Net Position (Continued)

96.3% of the District's net position as of June 30, 2019 and 2018 reflected its net investment in capital assets. The District uses these capital assets to provide educational services; 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.

The remainder of the District's net position as of June 30, 2019 and 2018 was considered unrestricted and available to be used to meet the District's ongoing obligations to its Member Towns, citizens and creditors.



REGIONAL SCHOOL DISTRICT NO. 10
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Changes in Net Position

Changes in net position for the years ended June 30, 2019 and 2018 are as follows. Reclassifications have been made to the amounts reported for the year ended June 30, 2018 to conform with the current year presentation.

	<u>2019</u>	<u>2018</u>	<u>\$ Change</u>	<u>% Change</u>
Revenues:				
Program revenues:				
Charges for services	\$ 882,428	\$ 892,624	\$ (10,196)	-1.1%
Operating grants and contributions	4,484,211	9,025,140	(4,540,929)	-50.3%
General revenues:				
District Towns	39,574,742	38,954,032	620,710	1.6%
Unrestricted investment earnings	84,556	48,146	36,410	75.6%
Total revenues	<u>45,025,937</u>	<u>48,919,942</u>	<u>(3,894,005)</u>	-8.0%
Program expenses:				
General instruction	29,906,788	32,405,060	(2,498,272)	-7.7%
Support services - students	3,554,581	3,582,523	(27,942)	-0.8%
Improvement of instruction	2,418,578	2,620,438	(201,860)	-7.7%
Support services - administration	624,238	460,728	163,510	35.5%
School-based administration	1,775,669	2,231,696	(456,027)	-20.4%
Plant operation and maintenance	3,563,373	3,548,570	14,803	0.4%
Transportation	2,709,156	2,467,669	241,487	9.8%
Other support services	649,926	653,639	(3,713)	-0.6%
Interest expense	432,041	517,078	(85,037)	-16.4%
Total expenses	<u>45,634,350</u>	<u>48,487,401</u>	<u>(2,853,051)</u>	-5.9%
Change in net position	<u>\$ (608,413)</u>	<u>\$ 432,541</u>	<u>\$ (1,040,954)</u>	-240.7%

The District's change in net position was a decrease of \$608,413.

Overall revenues decreased by \$3,894,005 or 8.0% over the prior year. The decrease in revenues was primarily due to a reduction in the amount of pension and OPEB expense recognized by the State of Connecticut in connection with the District's participation in the Connecticut State Teachers' Retirement System, offset by an increases in assessments to the District's Member Towns to fund budgeted operating costs increases and an increase in special education excess cost funding.

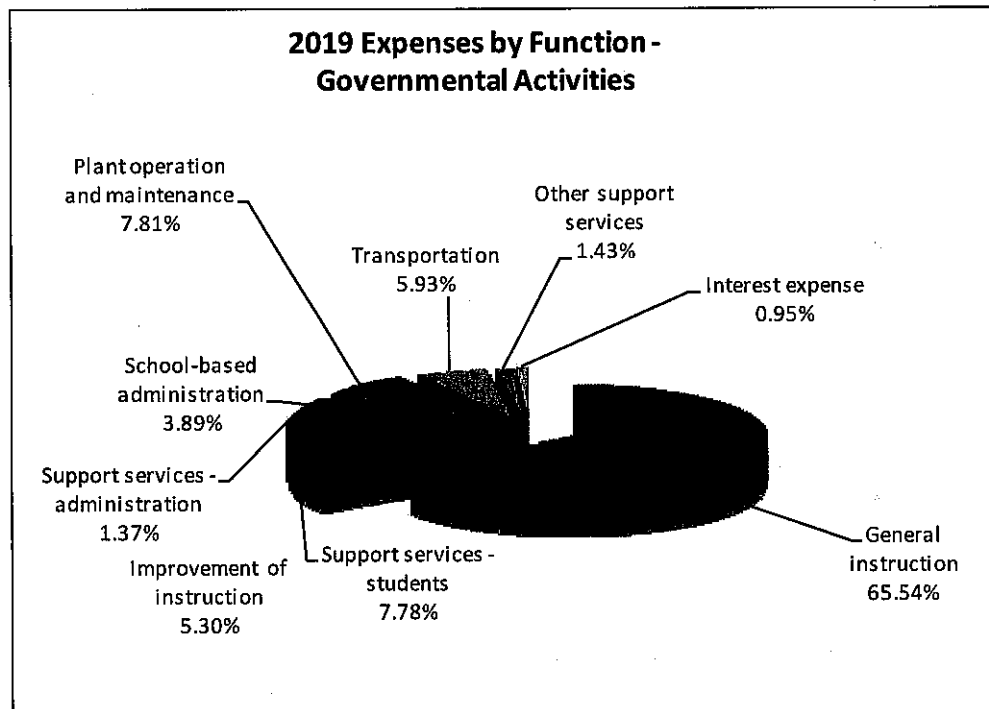
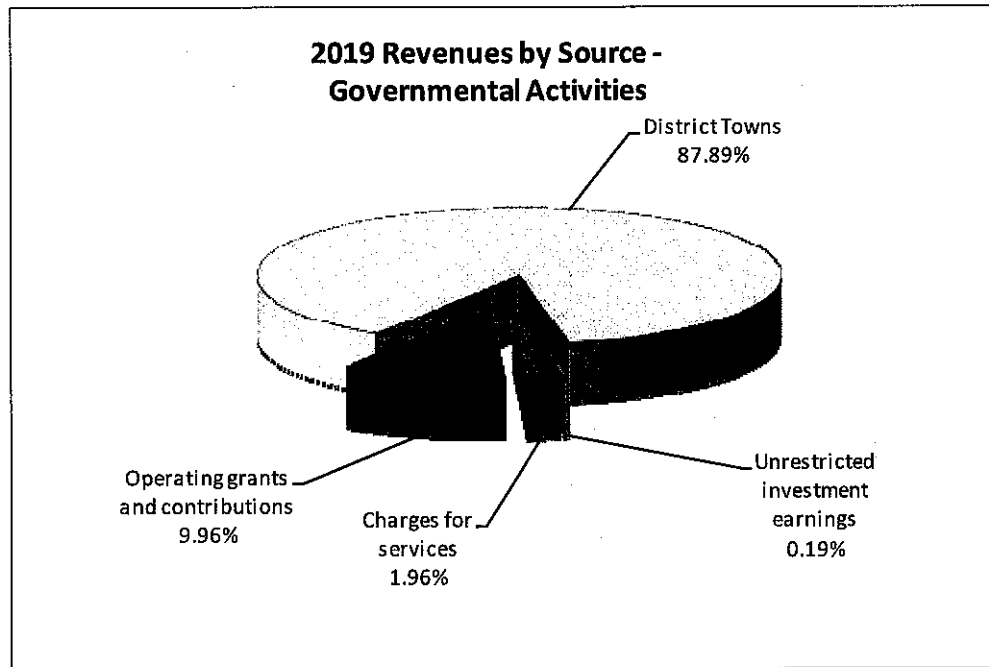
Overall expenses decreased by \$2,853,051 or 5.9% over the prior year. This decrease is primarily due to a reduction in the amount of pension and OPEB expense recognized by the State of Connecticut in connection with the District's participation in the Connecticut State Teachers' Retirement System, offset by increases in general instruction and investments in technology.

REGIONAL SCHOOL DISTRICT NO. 10
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Changes in Net Position (Continued)

The following is a summary of revenues by source and expenses by function for the year ended June 30, 2019.



REGIONAL SCHOOL DISTRICT NO. 10
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

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 outflows, inflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned 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 \$4,213,556, a decrease in ending fund balance of \$86,876 in comparison with the prior year.

General Fund

The General Fund is the chief operating fund of the District. The fund balance of the General Fund totaled \$3,504,487 as of June 30, 2019. Assigned fund balance consisted of \$173,244 in unfulfilled commitments made as of June 30, 2019 and \$310,510, which represents the remaining surplus from the District's 2018 fiscal year that has been authorized by the Board to reduce Member Town assessments for the District's 2020 fiscal year. Unassigned fund balance totaled \$3,020,733 and consists of a \$1,113,262 budgetary surplus recognized for the year ended June 30, 2019 and a \$1,907,471 operating reserve. Such amounts are available for distribution to the District's Member Towns.

Educational Grants Fund

The Educational Grants fund has no fund balance because the fund primarily records activity related to cost reimbursement grants and contracts. Consequently, grant and contract revenues equal expenditures.

Capital Projects Fund

The fund balance of the Capital Projects Fund increased by \$249,849 during the current fiscal year. This increase is attributed to the receipt of a transfer in from the General Fund of \$397,837. In February 2019, the Board authorized to transfer this portion of the budgetary surplus from the District's 2018 fiscal year to the Capital Projects Fund.

GENERAL FUND BUDGETARY HIGHLIGHTS

The District's original budget included the use of fund balance to return the remaining budgetary surplus from the District's 2017 fiscal year in the amount of \$227,165. In addition, in February 2019, the Board authorized the use of fund balance to transfer a portion of the budgetary surplus from the District's 2018 fiscal year to the Capital Projects Fund. No additional appropriations were authorized by the District during the year. The actual change in fund balance was an increase of \$488,260.

Revenues were \$71,316 more than budgeted, primarily due to favorable earnings on investments. Expenditures were \$1,041,946 less than budgeted, primarily due to amounts budgeted for contingencies that were not needed.

REGIONAL SCHOOL DISTRICT NO. 10
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

CAPITAL ASSET AND DEBT ADMINISTRATION

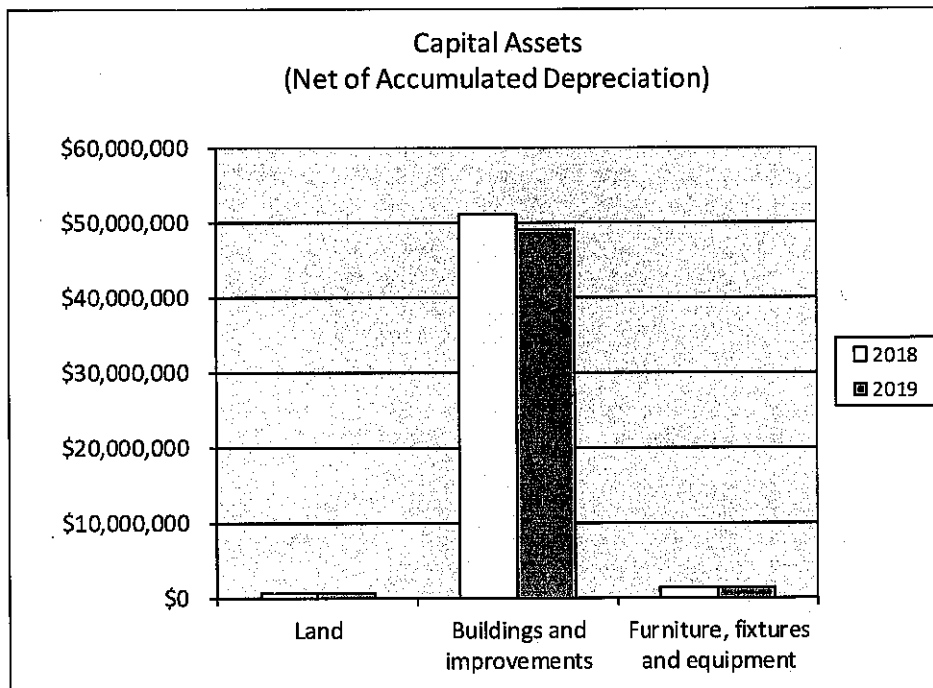
Capital Assets

The District's investment in capital assets for its governmental activities as of June 30, 2019 totaled \$50,813,639 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements and furniture, fixtures and equipment. The net decrease in the District's investment in capital assets for the current fiscal year was \$2,020,004.

This decrease consists primarily of current year depreciation in the amount of \$2,583,602, offset by capital additions of \$597,559. Significant current year capital asset additions consisted of the purchase and installation of a new playground at Lake Garda Elementary School and upgrades to the District's heating and air conditioning systems.

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

	2019	2018	\$ Change	% Change
Land	\$ 501,479	\$ 501,479	\$ -	0.0%
Buildings and improvements	49,091,934	51,062,827	(1,970,893)	-3.9%
Furniture, fixtures and equipment	1,220,226	1,269,337	(49,111)	-3.9%
Totals	<u>\$ 50,813,639</u>	<u>\$ 52,833,643</u>	<u>\$ (2,020,004)</u>	-3.8%



Additional information on the District's capital assets can be found in Note 4 to the basic financial statements.

REGIONAL SCHOOL DISTRICT NO. 10
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

CAPITAL ASSET AND DEBT ADMINISTRATION (Continued)

Long-term Debt

At the end of the current fiscal year, the District had total principal bonded debt outstanding of \$13,180,000, which is backed by the full faith and credit of the District. In addition, the District had obligations under capital lease arrangements in the amount of \$86,599.

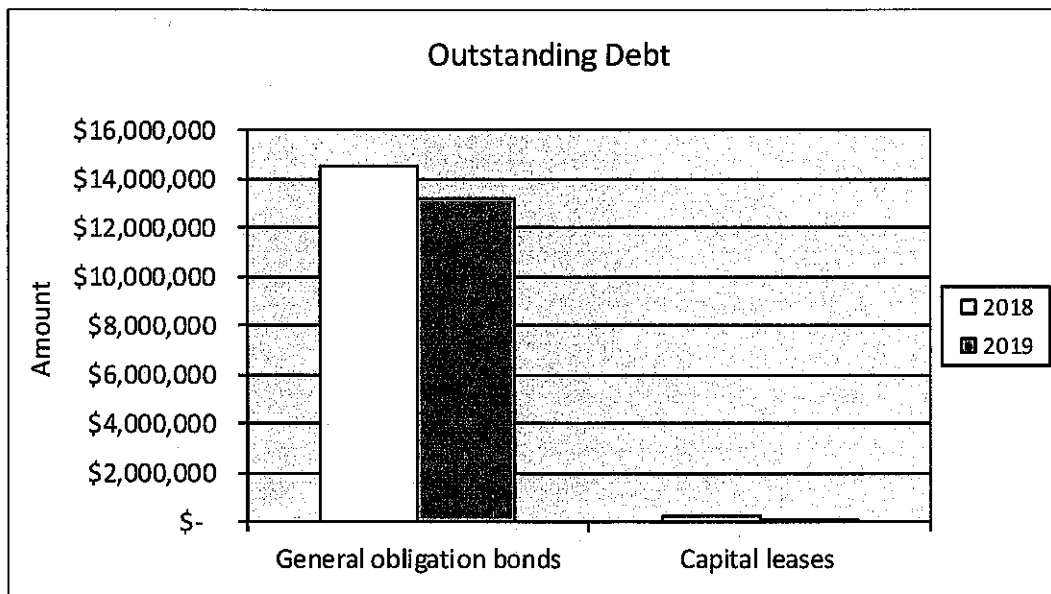
The District's total long-term bonded debt decreased by \$1,320,000 during the current year due to scheduled principal repayments. The District's capital lease obligations decreased by \$129,944 due to scheduled principal repayments.

The District maintains an "AA" and "Aa2" rating from Standard and Poor's and Moody's Investor Service, respectively, for its 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 significantly in excess of the District's outstanding general obligation debt.

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

	2019	2018	\$ Change	% Change
General obligation bonds	\$ 13,180,000	\$ 14,500,000	\$ (1,320,000)	-9.1%
Capital leases	86,599	216,543	(129,944)	-60.0%
Total long-term debt	\$ 13,266,599	\$ 14,716,543	\$ (1,449,944)	-9.9%



Additional information on the District's long-term debt can be found in Note 7 to the basic financial statements.

REGIONAL SCHOOL DISTRICT NO. 10
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

The District receives a significant amount of federal and state grants. Any loss or significant reduction in federal or state funding could have an impact on the District's budget and program services. The District operates under various negotiated union contracts that span multiple budgetary years. A significant portion of the District's budget consists of contractual wages and related employee benefits. In addition, special education costs can vary significantly from year to year based on student needs.

These factors were considered in preparing the District's budget for fiscal year 2020. In May 2019, the District's fiscal year 2020 budget was approved at referendum. The approved budgetary expenditures total \$41,386,646, a \$1,482,741 or 3.72% increase over the District's fiscal year 2019 approved budgetary expenditures. The budget contemplates the use of the District's remaining fiscal year 2018 surplus of \$310,510 to reduce the amounts assessed to its Member Towns.

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 Business Manager, 24 Lyon Road, Burlington, CT 06013.

BASIC FINANCIAL STATEMENTS



REGIONAL SCHOOL DISTRICT NO. 10
STATEMENT OF NET POSITION
JUNE 30, 2019

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 5,051,800
Receivables:	
Grants and contracts	25,055
Other	32,082
Other assets	2,799
Capital assets:	
Non-depreciable	501,479
Depreciable, net	50,312,160
Total assets	<u>55,925,375</u>
 DEFERRED OUTFLOWS OF RESOURCES	
Deferred charges on pension expense	108,097
Deferred charges on OPEB expense	111,035
Deferred charges on refundings	481,800
Total deferred outflows of resources	<u>700,932</u>
 LIABILITIES	
Accounts payable	523,514
Accrued expenses	250,854
Unearned revenue	235,421
Noncurrent liabilities:	
Due within one year	1,753,783
Due in more than one year	14,739,857
Total liabilities	<u>17,503,429</u>
 DEFERRED INFLOWS OF RESOURCES	
Deferred charges on pension expense	<u>76,424</u>
 NET POSITION	
Net investment in capital assets	37,587,721
Restricted for:	
Grant and other programs	321,620
Unrestricted	1,137,113
Total net position	<u>\$ 39,046,454</u>

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

REGIONAL SCHOOL DISTRICT NO. 10
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position - Governmental Activities
		Charges for Services	Operating Grants and Contributions	
General instruction	\$ 32,370,118	\$ 91,407	\$ 7,337,910	\$ (24,940,801)
Support services:				
Support services - students	3,769,956	791,021	189,593	(2,789,342)
Improvement of instruction	2,615,101	-	-	(2,615,101)
Support services - administration	624,238	-	-	(624,238)
School-based administration	1,949,733	-	-	(1,949,733)
Plant operation and maintenance	3,563,373	-	-	(3,563,373)
Transportation	2,709,156	-	6,000	(2,703,156)
Other support services	649,926	-	-	(649,926)
Total support services	15,881,483	791,021	195,593	(14,894,869)
Interest expense	432,041	-	-	(432,041)
	<u>\$ 48,683,642</u>	<u>\$ 882,428</u>	<u>\$ 7,533,503</u>	<u>(40,267,711)</u>
General revenues:				
District Towns				39,574,742
Unrestricted investment earnings				84,556
Total general revenues				<u>39,659,298</u>
Change in net position				(608,413)
Net position - beginning				<u>39,654,867</u>
Net position - ending				<u>\$ 39,046,454</u>

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

REGIONAL SCHOOL DISTRICT NO. 10
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2019

	General Fund	Educational Grants Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 4,064,571	\$ 183,141	\$ 510,591	\$ 293,497	\$ 5,051,800
Receivables:					
Grants and contracts	-	-	-	25,055	25,055
Other	27,549	-	-	4,533	32,082
Due from other funds	75,126	52,280	-	-	127,406
Inventories	-	-	-	2,799	2,799
Total assets	<u>\$ 4,167,246</u>	<u>\$ 235,421</u>	<u>\$ 510,591</u>	<u>\$ 325,884</u>	<u>\$ 5,239,142</u>
LIABILITIES					
Accounts payable	\$ 523,514	\$ -	\$ -	\$ -	\$ 523,514
Accrued expenses	139,245	-	-	-	139,245
Due to other funds	-	-	126,135	1,271	127,406
Unearned revenue	-	235,421	-	-	235,421
Total liabilities	<u>662,759</u>	<u>235,421</u>	<u>126,135</u>	<u>1,271</u>	<u>1,025,586</u>
FUND BALANCES					
Nonspendable:					
Inventories	-	-	-	2,799	2,799
Restricted:					
School lunch operations	-	-	-	321,620	321,620
Committed to:					
Debt service	-	-	-	194	194
Capital purposes	-	-	384,456	-	384,456
Assigned to:					
Education encumbrances	173,244	-	-	-	173,244
Use in fiscal year 2020 budget	310,510	-	-	-	310,510
Unassigned:					
Fiscal year 2019 surplus	1,113,262	-	-	-	1,113,262
Operating reserve	1,907,471	-	-	-	1,907,471
Total fund balances	<u>3,504,487</u>	<u>-</u>	<u>384,456</u>	<u>324,613</u>	<u>4,213,556</u>
Total liabilities and fund balances	<u>\$ 4,167,246</u>	<u>\$ 235,421</u>	<u>\$ 510,591</u>	<u>\$ 325,884</u>	<u>\$ 5,239,142</u>

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

REGIONAL SCHOOL DISTRICT NO. 10
RECONCILIATION OF THE BALANCE SHEET OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
JUNE 30, 2019

Total fund balances for governmental funds		\$ 4,213,556
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.		50,813,639
Deferred charges on refundings are not susceptible to accrual and are, therefore, not reported in governmental funds.		481,800
Deferred outflows and inflows of resources resulting from changes in the components of the District's net pension and total OPEB liabilities are reported in the statement of net position.		142,708
Long-term liabilities applicable to the District's 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:		
Long-term debt:		
Bonds payable	\$ (13,180,000)	
Unamortized bond premiums	(441,119)	
Obligations under capital leases	(86,599)	
Accrued interest payable	(111,609)	
Other long-term liabilities:		
Compensated absences	(795,819)	
Total OPEB liability	(1,891,482)	
Net pension liability	(98,621)	
Total long-term liabilities		<u>(16,605,249)</u>
Net position of governmental activities		<u>\$ 39,046,454</u>

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

REGIONAL SCHOOL DISTRICT NO. 10
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	General Fund	Educational Grants Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
District Towns	\$ 39,574,742	\$ -	\$ -	\$ -	\$ 39,574,742
Intergovernmental	6,713,924	629,986	-	189,593	7,533,503
Charges for goods and services	91,407	-	-	791,021	882,428
Interest income	81,907	-	2,435	213	84,555
Total revenues	46,461,980	629,986	2,435	980,827	48,075,228
EXPENDITURES					
Current:					
General instruction	29,949,129	623,986	-	-	30,573,115
Support services:					
Support services - students	2,608,225	-	-	967,297	3,575,522
Improvement of instruction	2,435,842	-	-	-	2,435,842
Support services - administration	591,244	-	-	-	591,244
School-based administration	1,767,688	-	-	-	1,767,688
Plant operation and maintenance	3,332,111	-	-	-	3,332,111
Transportation	2,690,852	6,000	-	-	2,696,852
Other support services	602,399	-	-	-	602,399
Total support services	14,028,361	6,000	-	967,297	15,001,658
Capital outlays	513,491	-	150,423	-	663,914
Debt service:					
Principal payments	129,944	-	-	1,320,000	1,449,944
Interest and fiscal charges	1,310	-	-	472,163	473,473
Total expenditures	44,622,235	629,986	150,423	2,759,460	48,162,104
Excess (deficiency) of revenues over expenditures	1,839,745	-	(147,988)	(1,778,633)	(86,876)
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	397,837	1,792,163	2,190,000
Transfers out	(2,190,000)	-	-	-	(2,190,000)
Total other financing sources (uses)	(2,190,000)	-	397,837	1,792,163	-
Net changes in fund balances	(350,255)	-	249,849	13,530	(86,876)
Fund balances - beginning	3,854,742	-	134,607	311,083	4,300,432
Fund balances - ending	\$ 3,504,487	\$ -	\$ 384,456	\$ 324,613	\$ 4,213,556

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

REGIONAL SCHOOL DISTRICT NO. 10
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 \$ (86,876)

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	\$ 597,559	
Depreciation and amortization expense	<u>(2,583,602)</u>	
Net adjustment		(1,986,043)

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 net book value of capital assets written-off.

(33,961)

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 net effect of these differences in the treatment of long-term debt and related items is as follows:

Principal repayments:		
Obligations under capital leases	129,944	
Bonds payable	<u>1,320,000</u>	
Net adjustment		1,449,944

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:

Compensated absences	6,905	
Accrued interest	55,864	
Amortization of bond premiums	114,749	
Amortization of deferred charge on refundings	(129,180)	
Total OPEB liability	(34,224)	
Net pension liability	211,332	
Deferred charges on pension expense	(154,716)	
Deferred charges on OPEB expense	<u>(22,207)</u>	
		<u>48,523</u>

Change in net position of governmental activities

\$ (608,413)

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

REGIONAL SCHOOL DISTRICT NO. 10
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2019

	Pension Trust Funds	Private Purpose Trust - Scholarship Fund	Agency Funds
ASSETS			
Cash and cash equivalents	\$ 367,066	\$ 107,145	\$ 289,986
Investments:			
Mutual funds	4,878,378	-	-
Equity securities	160,704	-	-
Other assets	209,657	-	-
Total assets	<u>5,615,805</u>	<u>107,145</u>	<u>\$ 289,986</u>
LIABILITIES			
Due to others	-	-	\$ 289,986
Total liabilities	<u>-</u>	<u>-</u>	<u>\$ 289,986</u>
NET POSITION			
Held in trust for pension benefits and other purposes	<u>\$ 5,615,805</u>	<u>\$ 107,145</u>	

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

REGIONAL SCHOOL DISTRICT NO. 10
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	Pension Trust Funds	Private- Purpose Trust - Scholarship Fund
ADDITIONS		
Contributions:		
Employer	\$ 302,965	\$ -
Employee	179,075	-
Private donations	-	5,660
Total contributions	482,040	5,660
Other	68,803	-
Investment earnings:		
Interest and dividends	283,551	130
Net change in the fair value of investments, net of fees	1,116	-
Total investment earnings	284,667	130
Total additions	835,510	5,790
DEDUCTIONS		
Benefit payments	797,234	9,255
Insurance premiums	15,936	-
Other	19,633	-
Total deductions	832,803	9,255
Change in net position	2,707	(3,465)
Net position - beginning	5,613,098	110,610
Net position - ending	\$ 5,615,805	\$ 107,145

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

REGIONAL SCHOOL DISTRICT NO. 10
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 Regional School District No. 10 (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

The District is governed by a Board of Education (the "Board").

The Board is an elected group of individuals which has governance responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of Regional School District No. 10, serving the towns of Burlington and Harwinton, Connecticut ("Member Towns"). The District receives funding from local, state, and federal government sources and must comply with the compliance requirements from these funding sources. The District is not included in any other governmental "reporting entity" since Board members are elected by the public, have decision making authority, the power to designate management, the responsibility to significantly influence operations, and primary accountability for fiscal matters.

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 was Burlington at 67% and Harwinton at 33%.

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. Governmental activities generally are financed through payments from the Member Towns, intergovernmental revenues, and other non-exchange transactions.

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. The District does not allocate indirect expenses to functions in the statement of activities. Program revenues include 1) charges to other governments or students 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 and fiduciary - are presented. The emphasis of governmental fund financial statements is on major governmental funds, each of which is displayed in a separate column. The remaining governmental funds have been reported as nonmajor governmental funds.

REGIONAL SCHOOL DISTRICT NO. 10
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 required to be accounted for in another fund.

Educational Grants Fund - This fund is used to account for the proceeds of federal and state cost reimbursement grants controlled, not by the District's legal budgets but, by requirements specific to the grants.

Capital Projects Fund - This fund is used to account for financial resources related to various capital acquisitions and projects within the District.

In addition, the District reports the following fiduciary fund types:

Pension Trust Funds - These funds are used to account for resources held in trust for the members and beneficiaries of the Employees' Pension Plan, which is a defined benefit pension plan, and the Custodial and Maintenance Employees' Plan and the Employees' Defined Contribution Plan, both of which are defined contribution plans.

Private Purpose Trust Fund - This fund is used to account for trust arrangements under which principal and income benefit individuals, private organizations, or other governments. The District utilizes this fund to account for amounts contributed to fund student scholarships.

Agency Fund - These funds are used to account for resources held by the District in a purely custodial capacity. The District utilizes this fund to account for assets held for students and adult educational activities.

Measurement Focus and Basis of Accounting

Government-wide and Fiduciary Fund Financial Statements

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 the Member Towns levied the property taxes. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the grantor have been met.

REGIONAL SCHOOL DISTRICT NO. 10
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)*

Governmental Fund Financial Statements

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 and interest associated with the current fiscal 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 year end). 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 is available to be received within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when the cash is received.

The pension 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.

Implementation of New 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.

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.

REGIONAL SCHOOL DISTRICT NO. 10
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/Inflows of Resources and Net Position/Fund Balance

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 investment pools as described below.

Investments in certain external investment pools consist of money market mutual funds. 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 fund.

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, construction in progress, buildings and improvements, and furniture, fixtures 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 one year.

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.

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:

Assets	Years
Buildings and improvements	20 - 50
Furniture, fixtures and equipment	5 - 20

REGIONAL SCHOOL DISTRICT NO. 10
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/Inflows of Resources and Net Position/Fund Balance (Continued)

Unearned Revenue

This liability represents resources that have been received but not yet earned.

Deferred Outflows/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 inflow or outflow of resources until that time.

Deferred outflows and inflows of resources include deferred charges on the District's pension and OPEB expenses reported in the government-wide financial statements. Deferred pension and OPEB expenses result from certain changes in the components of the District's net pension and total OPEB liabilities and are being amortized as a component of the related expenses on a systematic and rational basis.

Deferred outflows of resources also include deferred charges on refundings reported in the government-wide statement of net position. Deferred charges on refundings are amortized to interest expense using the effective-interest method over the life of the related bonds.

Compensated Absences

Employees are granted vacation and sick leave based upon length of employment. Under certain union contracts, District employees' unused vacation can be accumulated from year to year subject to certain limits. Sick days can also be accumulated up to certain limits and paid 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.

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 effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed when incurred.

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

REGIONAL SCHOOL DISTRICT NO. 10
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/Inflows of Resources and Net Position/Fund Balance (Continued)

Net Position and 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 the difference reported as net position. Net position is reported in three categories:

Net investment in capital assets - This category 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 category consists of net position whose use is 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 category consists of net position, which does 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 government's intent to be used for specific purposes, but are not restricted or committed. The Board of Education has delegated the responsibility to assign funds to management of the District, with the exception of those amounts assigned by the Board of Education during the District's annual budgeting process.

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.

The District does not have a formal policy over the use of fund balance. In accordance with applicable accounting guidance, the District uses restricted resources first, then unrestricted resources as needed. Unrestricted resources are used in the following order: committed; assigned; then unassigned.

REGIONAL SCHOOL DISTRICT NO. 10
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/Inflows of Resources and Net Position/Fund Balance (Continued)

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.

Interfund Transfers

Interfund transfers represent flows of assets without equivalent flows of assets in return and without a requirement for repayment. In governmental funds, 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 does not have a deposit policy for custodial credit risk.

REGIONAL SCHOOL DISTRICT NO. 10
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)

As of June 30, 2019, \$1,690,622 of the District's bank balance of \$2,296,823 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 1,521,560
Uninsured and collateralized with securities held by the pledging bank's trust department or agent but not in the District's name	169,062
	<u>\$ 1,690,622</u>

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	\$ 5,051,800
Less: cash equivalents considered investments for disclosure purposes	3,557,027
	<u>1,494,773</u>
Statement of fiduciary net position:	
Cash and cash equivalents	764,197
Less: cash equivalents considered investments for disclosure purposes	260,865
	<u>503,332</u>
	<u>\$ 1,998,105</u>

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	3,557,027
	<u>3,557,027</u>
Statement of fiduciary net position:	
Investments	5,039,082
Add: cash equivalents considered investments for disclosure purposes	260,865
	<u>5,299,947</u>
	<u>\$ 8,856,974</u>

REGIONAL SCHOOL DISTRICT NO. 10
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 consist of the following:

Investment type	Valuation Basis	Credit Rating	Value	Investment Maturities (In Years) Less Than 1
Debt Securities:				
<i>Governmental activities:</i>				
Repurchase agreement	Amortized cost	Unrated	\$ 3,557,027	\$ 3,557,027
<i>Fiduciary Funds:</i>				
Money market mutual funds	Net asset value	Unrated	260,865	260,865
			3,817,892	<u>\$ 3,817,892</u>
Other Investments:				
<i>Fiduciary Funds:</i>				
Mutual funds	Fair value	N/a	4,878,378	
Equity securities	Fair value	N/a	160,704	
			<u>\$ 8,856,974</u>	

Because the money market mutual funds have weighted average maturities of less than 90 days, they are 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

The District has no investment policy that would further limit its investment choices beyond those limited by Connecticut state statutes ("Statutes"). Connecticut state statutes permit the District to invest: (1) in 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; or (4) 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.

The District's investments in debt securities, consisting of money market and bond mutual funds, were unrated at June 30, 2019.

REGIONAL SCHOOL DISTRICT NO. 10
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 does not have a policy for custodial credit risk. The District's reverse repurchase agreement was not exposed to custodial credit risk as of June 30, 2019 because it was held by the buyer-lender. The District's other investments were not exposed to custodial credit risk as of June 30, 2019 because their existence was not evidenced by securities that exist in physical or book entry form.

Concentrations of Credit Risk

The District places no limit on the amount of investment in any one issuer. As of June 30, 2019, 100% or \$3,557,027 of the District's investments within its governmental activities were invested in an overnight repurchase agreement. The underlying securities were held for the benefit of the District at the Federal Home Loan Bank of Boston. None of the District's Fiduciary Fund investments in any one issuer exceeded 10.0% as of 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 categorizes its fair value measurements as either Level 1 (inputs which are based on quoted prices in active markets for identical assets or liabilities), Level 2 (inputs, other than quoted prices, which are based on observable prices for the asset or liability), and Level 3 (inputs which are based on unobservable prices). Fair value measurements are categorized 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.

Financial Assets Measured at Fair Value	Prices in Active Market (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual funds	\$ 4,878,378	\$ -	\$ -
Equity securities	160,704	-	-

REGIONAL SCHOOL DISTRICT NO. 10
NOTES TO FINANCIAL STATEMENTS (Continued)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

NOTE 4 - CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 501,479	\$ -	\$ -	\$ 501,479
Total capital assets, not being depreciated	<u>501,479</u>	<u>-</u>	<u>-</u>	<u>501,479</u>
Capital assets, being depreciated:				
Buildings and improvements	96,313,455	421,256	(22,685)	96,712,026
Furniture and equipment	4,994,075	176,303	(479,949)	4,690,429
Total capital assets, being depreciated	<u>101,307,530</u>	<u>597,559</u>	<u>(502,634)</u>	<u>101,402,455</u>
Less accumulated depreciation and amortization for:				
Buildings and improvements	45,250,628	2,392,144	(22,680)	47,620,092
Furniture and equipment	3,724,738	191,458	(445,993)	3,470,203
Total accumulated depreciation and amortization	<u>48,975,366</u>	<u>2,583,602</u>	<u>(468,673)</u>	<u>51,090,295</u>
Total capital assets, being depreciated, net	<u>52,332,164</u>	<u>(1,986,043)</u>	<u>(33,961)</u>	<u>50,312,160</u>
Governmental activities capital assets, net	<u>\$ 52,833,643</u>	<u>\$ (1,986,043)</u>	<u>\$ (33,961)</u>	<u>\$ 50,813,639</u>

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

Governmental Activities:	
General instruction	\$ 1,790,106
Support services:	
Support services - students	191,042
Improvement of instruction	172,553
Support services - administration	30,733
School-based administration	183,418
Plant operation and maintenance	156,823
Transportation	12,304
Other support services	46,623
Total depreciation and amortization expense	<u>\$ 2,583,602</u>

REGIONAL SCHOOL DISTRICT NO. 10
NOTES TO FINANCIAL STATEMENTS (Continued)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

NOTE 5 - INTERFUND RECEIVABLES AND PAYABLES

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Governmental Funds		
General Fund	Capital Projects Fund	\$ 73,855
	Nonmajor governmental funds	<u>1,271</u>
		<u>75,126</u>
Educational Grants Fund		<u>52,280</u>
	Capital Projects Fund	
		<u>\$ 127,406</u>

Amounts receivable by the General Fund from other funds are primarily due to the time lag between when goods and services are paid by the General Fund on-behalf of the other funds and when the reimbursement is paid by the other funds to the General Fund.

NOTE 6 - INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2019 consisted of the following:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
Governmental Funds		
Capital Projects Fund	General Fund	\$ 397,837
Nonmajor governmental funds	General Fund	<u>1,792,163</u>
		<u>\$ 2,190,000</u>

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them.

REGIONAL SCHOOL DISTRICT NO. 10
NOTES TO FINANCIAL STATEMENTS (Continued)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

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:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental Activities					
Bonds payable:					
General obligation bonds	\$ 14,500,000	\$ -	\$ (1,320,000)	\$ 13,180,000	\$ 1,435,000
Unamortized premiums	555,868	-	(114,749)	441,119	-
Total bonds payable	15,055,868	-	(1,434,749)	13,621,119	1,435,000
Capital leases from direct borrowings	216,543	-	(129,944)	86,599	79,956
	<u>\$ 15,272,411</u>	<u>\$ -</u>	<u>\$ (1,564,693)</u>	<u>\$ 13,707,718</u>	<u>\$ 1,514,956</u>

Bonds payable are liquidated in the Debt Service Fund from use of fund balance and transfers in from the General Fund.

General Obligation Bonds

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

Purpose of Bonds	Final Maturity Dates	Interest Rates	Amount Outstanding
Bonds Payable			
General Obligation Bonds:			
General obligation bonds issued 8/1/10, original amount of \$3,500,000	8/2030	2.00% - 4.00%	\$ 2,340,000
General obligation bonds and refunding bonds issued 4/13/12, original amount of \$8,170,000	8/2026	2.00% - 4.00%	5,040,000
General obligation refunding bonds issued 8/1/14, original amount of \$7,400,000	8/2028	2.00% - 4.00%	5,800,000
			<u>\$ 13,180,000</u>

REGIONAL SCHOOL DISTRICT NO. 10
NOTES TO FINANCIAL STATEMENTS (Continued)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

NOTE 7 - LONG-TERM DEBT (Continued)

General Obligation Bonds (Continued)

Annual debt service repayments on general obligation bonds to maturity at June 30, 2019 are as follows:

Year ending June 30:	General Obligation Bonds		
	Principal	Interest	Total
2020	\$ 1,435,000	\$ 420,562	\$ 1,855,562
2021	1,485,000	368,563	1,853,563
2022	1,525,000	319,388	1,844,388
2023	1,570,000	266,862	1,836,862
2024	1,495,000	214,471	1,709,471
2025-2029	5,210,000	409,171	5,619,171
2030-2031	460,000	18,600	478,600
	<u>\$ 13,180,000</u>	<u>\$ 2,017,617</u>	<u>\$ 15,197,617</u>

As of June 30, 2019, the District has no authorized and unissued bonds.

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 \$481,800 as of June 30, 2019 and amortization expense for the year ended June 30, 2019 totaled \$129,180.

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 \$178,086,330 as of June 30, 2019. The District did not exceed the statutory debt limitation as of June 30, 2019.

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:

Equipment	\$ 319,804
Less: accumulated amortization	<u>47,970</u>
	<u>\$ 271,834</u>

Amortization expense relative to leased property under capital leases totaled \$15,990 for the year ended June 30, 2019 and is included in depreciation and amortization expense disclosed in Note 4.

REGIONAL SCHOOL DISTRICT NO. 10
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 (Continued)

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

Year ending June 30:	
2020	\$ 79,956
2021	6,643
Total minimum lease payments	86,599
Less: amount representing interest	-
Present value of minimum lease payments	<u>\$ 86,599</u>

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					
Compensated absences	\$ 802,724	\$ 68,103	\$ (75,008)	\$ 795,819	\$ 238,827
Net pension liability (see Note 9)	309,953	-	(211,332)	98,621	-
Total OPEB liability (see Note 10)	1,857,258	34,224	-	1,891,482	-
	<u>\$ 2,969,935</u>	<u>\$ 102,327</u>	<u>\$ (286,340)</u>	<u>\$ 2,785,922</u>	<u>\$ 238,827</u>

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

NOTE 9 - PENSION PLANS

Defined Contribution Plans

Custodial and Maintenance Employees' Plan

The District maintains a single employer defined contribution plan (the "Plan"). Under the provisions of the Plan, all full-time custodial and maintenance employees (except those covered under a comparable employer plan) who are at least 21 years of age and have twelve months of service to the District are eligible. Participation in the Plan is optional. The District is required to contribute an amount equal to 5.5% of participants' compensation. Employee contributions are permitted through the use of individual 403(b) participant accounts, under which a participant can contribute on a pre-tax basis. Such accounts are included in the Plan.

The Plan does not issue stand-alone financial statements and is part of the District's financial reporting entity since the District has trustee responsibilities related to the participant accounts, which contain employer contributions. As such, the Plan is accounted for in the fiduciary fund financial statements as a pension trust fund.

REGIONAL SCHOOL DISTRICT NO. 10
NOTES TO FINANCIAL STATEMENTS (Continued)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

NOTE 9 - PENSION PLANS (Continued)

Defined Contribution Plans (Continued)

Custodial and Maintenance Employees' Plan (Continued)

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

Contribution requirements of the District are established and may be amended by the Board. Employer and employee contributions totaled \$62,295 and \$30,780, respectively, for the year ended June 30, 2019.

Employees' Defined Contribution Plan

The District established a single employer defined contribution plan (the "Plan"), effective July 1, 2003, for participants in the existing defined benefit pension plan as well as newly eligible employees. Under the provisions of the Plan, all full-time employees (except those covered under a comparable employer plan), who are at least 21 years of age and have six months of service in the District, may participate. Participation in the Plan is optional. The District is required to contribute an amount equal to 50% of participants' contributions up to 3% of participants' base compensation. In addition, the District may make discretionary contributions equal to 2% of the participants' base compensation. Employees may annually contribute on a pre-tax basis up to 100% of their salary, subject to IRS limitations.

The Plan does not issue stand-alone financial statements and is part of the District's financial reporting entity since the District has trustee responsibilities related to the participant accounts which contain employer contributions. As such, the Plan is accounted for in the fiduciary fund financial statements as a pension trust fund.

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

Contribution requirements of the District are established and may be amended by the Board. Employer and employee contributions totaled \$80,670 and \$134,434, respectively, for the year ended June 30, 2019.

Defined Benefit Pension Plan

Plan Description

Plan administration - The District maintains a single employer, contributory defined benefit pension plan (the "Plan"). The Plan covers all full time employees who met the eligibility requirements of the Plan and who were fully vested prior to July 1, 2003, except certified teachers covered by the State Teachers' Retirement System. The Plan does not issue stand-alone financial statements and is part of the District's financial reporting entity. As such, the Plan is accounted for in the fiduciary fund financial statements as a pension trust fund.

REGIONAL SCHOOL DISTRICT NO. 10
NOTES TO FINANCIAL STATEMENTS (Continued)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

NOTE 9 - PENSION PLANS (Continued)

Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

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

Retirees and beneficiaries receiving benefits	23
Active plan members	<u>7</u>
Total	<u><u>30</u></u>

Benefits provided - The Plan provides for retirement benefits for all members.

Pension benefits for normal retirement under the Plan are based on the average monthly compensation during the 5 consecutive years of service which the participant's earnings were at their highest level. The participant's monthly benefit shall be equal to 1.8% of the average monthly compensation multiplied by the total number of years of employment with the District (limited to 40 years).

Benefit provisions are established and can be amended by the Board.

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

Participants are required to contribute 5.0% of their annual earnings. The contribution rate for normal costs was determined using the Aggregate Actuarial Cost Method.

For the year ended June 30, 2019, employer contributions to the Plan totaled \$160,000.

Other plan provisions - The Plan does not provide disability benefits.

Summary of Significant Accounting Policies

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

Investments - Investments are reported at fair value, except for investments money market mutual funds, which are permitted to be measured at the net asset value per share as determined by the fund. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

Investment Policy - 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. It is the practice of the District to pursue an investment strategy that reduces risk through prudent diversification of the portfolio across a broad selection of distinct asset classes.

REGIONAL SCHOOL DISTRICT NO. 10
NOTES TO FINANCIAL STATEMENTS (Continued)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

NOTE 9 - PENSION PLANS (Continued)

Defined Benefit Pension Plan (Continued)

Summary of Significant Accounting Policies (Continued)

The following was the asset allocation as of June 30, 2019:

<u>Asset Class</u>	<u>Target Allocation</u>
Mutual Funds	93%
Equity securities	7%

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 expenses, was 6.38%. The money-weighted rate of return expresses investment performance, net of investment expense adjusted for the changing amounts actually invested.

Concentrations - Investments in certain mutual funds exceeded 10.0% of the Plan's net position. However, mutual funds are not generally considered to be exposed to concentration risks as such investments are considered diversified by nature.

Net Pension Liability

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

Total pension liability	\$ 2,808,434
Plan fiduciary net position	<u>2,709,813</u>
District's net pension liability	<u>\$ 98,621</u>
Plan fiduciary net position as a percentage of the total pension liability	96.5%

The components of the changes in the net pension liability for the Plan for the year ended June 30, 2019 was as follows:

	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net Pension Liability (a) - (b)</u>
Balance as of June 30, 2018	\$ 2,927,293	\$ 2,617,340	\$ 309,953
Changes for the year:			
Service cost	40,605	-	40,605
Interest	196,622	-	196,622
Actuarial (gains) losses	(103,146)	-	(103,146)
Contributions - employer	-	160,000	(160,000)
Contributions - employee	-	13,861	(13,861)
Net investment income	-	138,018	(138,018)
Benefit payments, including refunds	(252,940)	(252,940)	-
Other additions (deductions), net	-	33,534	(33,534)
Net changes	<u>(118,859)</u>	<u>92,473</u>	<u>(211,332)</u>
Balance as of June 30, 2019	<u>\$ 2,808,434</u>	<u>\$ 2,709,813</u>	<u>\$ 98,621</u>

REGIONAL SCHOOL DISTRICT NO. 10
NOTES TO FINANCIAL STATEMENTS (Continued)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

NOTE 9 - PENSION PLANS (Continued)

Defined Benefit Pension Plan (Continued)

Net Pension Liability (Continued)

Actuarial assumptions - The total pension liability for the Plan was determined by an actuarial valuation as of July 1, 2018, using the following actuarial assumptions, applied to all periods included in the measurement:

Salary increases	2.50%
Investment rate of return	7.00%

Mortality rates were based on the 1983 Individual Annuity Mortality Table.

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. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term expected Real Rate of Return</u>
Money Market Funds	5%	3.2%
Equities	70%	9.3%
Fixed Income	25%	4.5%

The discount rate used to measure the total pension liability was 7.0%. 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 District's contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the 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 7.0%, 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 (6.0%) or 1-percentage-point higher (8.0%) than the current rate:

	<u>Discount Rate</u>		
	<u>6.0%</u>	<u>7.0%</u>	<u>8.0%</u>
Net pension liability (asset)	\$ 318,250	\$ 98,621	\$ (75,695)

Pension Expense and Deferred Outflows/Inflows of Resources

For the year ended June 30, 2019, the District recognized pension expense of \$126,375.

REGIONAL SCHOOL DISTRICT NO. 10
NOTES TO FINANCIAL STATEMENTS (Continued)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

NOTE 9 - PENSION PLANS (Continued)

Defined Benefit Pension Plan (Continued)

Pension Expense and Deferred Outflows/Inflows of Resources (Continued)

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred (Inflows) of Resources</u>	<u>Net Deferred Outflows / (Inflows) of Resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ 69,192	\$ -	\$ 69,192
Differences between expected and actual experience	38,905	(76,424)	(37,519)
Change of assumptions	-	-	-
Total	<u>\$ 108,097</u>	<u>\$ (76,424)</u>	<u>\$ 31,673</u>

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

	<u>Pension Expense</u>
Year ended June 30,	
2020	\$ 46,034
2021	(9,177)
2022	(8,478)
2023	3,294
Total	<u>\$ 31,673</u>

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.

	<u>Employees' Pension Plan</u>
ASSETS	
Cash and cash equivalents	\$ 178,232
Investments:	
Mutual funds	2,161,220
Equity securities	160,704
Other assets	209,657
Total assets	<u>2,709,813</u>
NET POSITION	
Held in trust for pension benefits	<u>\$ 2,709,813</u>

REGIONAL SCHOOL DISTRICT NO. 10
NOTES TO FINANCIAL STATEMENTS (Continued)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

NOTE 9 - PENSION PLANS (Continued)

Defined Benefit Pension Plan (Continued)

Pension Plan Financial Statements (Continued)

	Employees' Pension Plan
ADDITIONS	
Contributions:	
Employer contributions	\$ 160,000
Employee contributions	13,861
Total contributions	173,861
Other	68,803
Investment earnings:	
Interest and dividends	135,656
Net change in the fair value of investments, net of fees	2,362
Total investment earnings	138,018
Total additions	380,682
DEDUCTIONS	
Benefit payments	252,940
Insurance premiums	15,936
Other	19,333
Total deductions	288,209
Change in net position	92,473
Net position held in trust for pension benefits:	
Beginning	2,617,340
Ending	\$ 2,709,813

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.

REGIONAL SCHOOL DISTRICT NO. 10
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)

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.

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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Large Cap U.S. Equities	21.0%	5.8%
Developed Non-U.S. Equities	18.0%	6.6%
Emerging Markets (Non-U.S.)	9.0%	8.3%
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%
	<u>100.0%</u>	

REGIONAL SCHOOL DISTRICT NO. 10
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)

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.

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:

	<u>1.00% Decrease (7.00%)</u>	<u>Current Rate (8.00%)</u>	<u>1.00% Increase (9.00%)</u>
District's proportionate share of the net pension liability (rounded to nearest thousand)	\$ 72,025,000	\$ 56,990,000	\$ 44,275,000

NOTE 10 - OTHER POST-EMPLOYMENT BENEFITS (OPEB)

Board of Education Plan

Plan Description

Plan administration - The District provides healthcare benefits for eligible retirees and their families through the District's group medical and dental insurance plans, which cover both active and retired members. Benefit provisions are established through negotiations between the District and the union representing the employees and are renegotiated each three-year bargaining period.

Plan membership - As of July 1, 2017, the date of the most recent actuarial valuation, membership data was as follows:

Retiree, beneficiaries, and dependents currently receiving benefits	21
Active participants	305
Total	<u>326</u>

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.

REGIONAL SCHOOL DISTRICT NO. 10
NOTES TO FINANCIAL STATEMENTS (Continued)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

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

Board of Education Plan (Continued)

Plan Description (Continued)

Contributions - Contribution requirements of the participants and the District are established by and may be amended through negotiations between the District and the union representing the employees. Currently, retirees are required to contribute 100% of their medical and dental premiums to the District, less any reimbursements received by the District from the State Retirement Board. The District pays the benefits on a pay-as-you-go basis.

Total OPEB Liability

The District's total OPEB liability reported as of June 30, 2019 totaled \$1,891,482. The total OPEB liability was measured as of July 1, 2018 for the reporting period and fiscal year ended June 30, 2019, using an actuarial valuation performed as of July 1, 2017.

Actuarial Assumptions - The total OPEB liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Valuation date	July 1, 2017
Actuarial cost method	Entry Age Normal Actuarial Cost Method
Amortization method	Level Dollar
Remaining amortization period	30 years, closed
Actuarial assumptions (includes inflation rate):	
Discount rate	3.25%
Healthcare cost trend rate	5.00%
Dental cost trend rate	5.00%

The discount rate was based on the Bond Buyer 20 (GO 20 Index) as of the measurement date, which represents municipal bond trends based on a portfolio of 20 general obligation bonds that mature in 20 years.

Mortality rates for post-retirement mortality were based on the RP-2000 Healthy Annuitant Mortality Table for Males and Females projected generationally with Scale BB. Mortality rates for pre-retirement mortality were based on the RP-2000 Employees Mortality Table projected generationally with scale BB and a base year 2009 for males and females.

Assumptions regarding participation and coverage election relating to are as follows:

- It was assumed that 50% of employees eligible to receive retirement benefits would enroll in the retiree medical and dental plans upon retirement.
- It was assumed that 80% of male employees and 70% of female employees who elect retiree healthcare coverage for themselves would also elect coverage for a spouse upon retirement. If provided, the actual census information was used. Otherwise it was assumed that a male spouse is three years older than a female spouse and same sex spouses are assumed to be the same age.

REGIONAL SCHOOL DISTRICT NO. 10
NOTES TO FINANCIAL STATEMENTS (Continued)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

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

Board of Education Plan (Continued)

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance as of June 30, 2018	\$ 1,857,258
Changes for the year:	
Service cost	49,919
Interest	60,752
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions or other inputs	-
Benefit payments	(76,447)
Net changes	34,224
Balance as of June 30, 2019	\$ 1,891,482

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

	1% Decrease (2.25%)	Current Discount (3.25%)	1% Increase (4.25%)
Total OPEB liability	\$ 2,115,046	\$ 1,891,482	\$ 1,697,805

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

	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
Total OPEB liability	\$ 1,190,603	\$ 1,891,482	\$ 2,767,968

REGIONAL SCHOOL DISTRICT NO. 10
NOTES TO FINANCIAL STATEMENTS (Continued)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

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

Board of Education Plan (Continued)

OPEB Expense and Deferred Outflows of Resources Related to OPEB

For the year ended June 30, 2019, the District recognized OPEB expense of \$56,431. As of June 30, 2019, the District reported deferred outflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>
Difference between expected and actual experience	\$ 111,035

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

Year ended June 30:		
2020	\$	22,207
2021		22,207
2022		22,207
2023		22,207
2024		22,207
	\$	<u>111,035</u>

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.

REGIONAL SCHOOL DISTRICT NO. 10
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 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.

REGIONAL SCHOOL DISTRICT NO. 10
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, 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 OPEB liability that is attributed to the District as of June 30, 2019.

The components associated with the OPEB expense and deferred outflows and inflows 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 \$152,817 or 0.433% 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 collective OPEB expense allocated to the District totaled a negative \$(3,784,640).

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 \$11,392,674 or approximately 0.433% of the total collective net OPEB liability.

REGIONAL SCHOOL DISTRICT NO. 10
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%

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.

REGIONAL SCHOOL DISTRICT NO. 10
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 (Continued)

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	\$ 13,527,956	\$ 11,392,674	\$ 9,688,534

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	\$ 9,547,411	\$ 11,392,674	\$ 13,842,123

REGIONAL SCHOOL DISTRICT NO. 10
NOTES TO FINANCIAL STATEMENTS (Continued)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

NOTE 11 - DEFERRED COMPENSATION PLAN

The District offers a deferred compensation plan for all employees in accordance with Internal Revenue Code Section 403(b). In addition, employees of the District may participate in the State of Connecticut's deferred compensation plan created in accordance with Internal Revenue Code Section 457(b). Deferred compensation is not available to participants until termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under the plans, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights are held in trust for the exclusive benefit of the plan participants and their beneficiaries. In addition, the District has no liability for losses under the plan. Therefore, the accounts of the deferred compensation plans are not reported in the basic financial statements of the District.

NOTE 12 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets; errors or omissions; injuries to employees or acts of God for which the District carries commercial insurance. During fiscal year 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 in any of the last three fiscal years. There have been no significant reductions in any insurance coverage from amounts in the prior year.

NOTE 13 - CONTINGENCIES

There are several lawsuits pending against the District. The outcome and eventual liability to the District, if any, in these cases is 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 reimbursements 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.

NOTE 14 - SUBSEQUENT EVENT

In October 2019, the District issued \$2,050,000 of general obligation refunding bonds with interest rates ranging between 3.0% and 4.0%. The District issued the bonds to advance refund the District's outstanding 2010 general obligation bonds in the amount of \$2,180,000 with interest rates ranging from 2.0% and 4.0%. The District used the net proceeds of \$2,273,199, including a premium received of \$246,049, to purchase U.S. Government securities. These securities were deposited into an irrevocable trust to provide for all future debt service on the refunded bonds. The District advance refunded the bonds to reduce its total debt service payments over the next 12 years by \$164,755.

REGIONAL SCHOOL DISTRICT NO. 10
NOTES TO FINANCIAL STATEMENTS (Continued)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

NOTE 15 - 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.

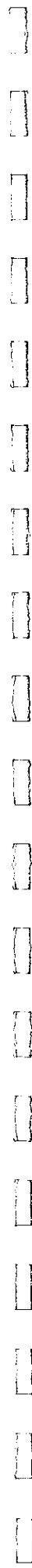
In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements 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.

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



REGIONAL SCHOOL DISTRICT NO. 10
STATEMENT OF REVENUES, EXPENDITURES, OTHER FINANCING SOURCES (USES)
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				
District Towns	\$ 39,574,740	\$ 39,574,740	\$ 39,574,740	\$ -
Interest income	20,000	20,000	81,909	61,909
Other	82,000	82,000	91,407	9,407
Total revenues	<u>39,676,740</u>	<u>39,676,740</u>	<u>39,748,056</u>	<u>71,316</u>
EXPENDITURES				
Current:				
Salaries	23,819,512	24,038,779	23,965,281	(73,498)
Employee benefits	5,694,500	5,308,062	5,240,293	(67,769)
Supplies	1,170,996	1,254,162	1,166,424	(87,738)
Facilities	1,306,755	1,316,851	1,191,798	(125,053)
Purchased services	707,622	642,136	585,398	(56,738)
Equipment	337,416	359,916	340,187	(19,729)
Other	5,074,942	5,191,836	4,580,415	(611,421)
Debt service	1,792,162	1,792,163	1,792,163	-
Total expenditures	<u>39,903,905</u>	<u>39,903,905</u>	<u>38,861,959</u>	<u>(1,041,946)</u>
Excess (deficiency) of revenues over expenditures	(227,165)	(227,165)	886,097	1,113,262
OTHER FINANCING SOURCES (USES)				
Use of fiscal year 2017 surplus	227,165	227,165	-	(227,165)
Use of fiscal year 2018 surplus	-	397,837	-	(397,837)
Transfer out	-	(397,837)	(397,837)	-
Total other financing sources (uses)	<u>227,165</u>	<u>227,165</u>	<u>(397,837)</u>	<u>(625,002)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 488,260</u>	<u>\$ 488,260</u>

See accompanying notes to required supplementary information.

REGIONAL SCHOOL DISTRICT NO. 10
SCHEDULE OF CHANGES IN NET PENSION LIABILITY
PENSION PLAN (UNAUDITED)
LAST SIX FISCAL YEARS

	2019	2018	2017	2016	2015	2014
Total pension liability						
Service cost	\$ 40,605	\$ 42,376	\$ 45,698	\$ 62,762	\$ 62,232	\$ 44,341
Interest	196,622	195,306	191,089	186,677	189,672	190,447
Changes in benefit terms	-	-	-	-	-	-
Differences between expected and actual experience	(103,146)	29,580	69,657	24,427	(108,957)	25,798
Changes of assumptions	(252,940)	(257,397)	(237,696)	(183,979)	(187,373)	(178,035)
Benefit payments, including refunds	(118,859)	9,865	68,748	89,887	(44,426)	82,551
Net change in total pension liability	2,927,293	2,917,428	2,848,680	2,758,793	2,803,219	2,720,668
Total pension liability - beginning	2,808,434	2,927,293	2,917,428	2,848,680	2,758,793	2,803,219
Total pension liability - ending						
Plan fiduciary net position						
Contributions - employer	160,000	100,000	210,855	105,000	175,000	225,000
Contributions - members	13,861	13,452	17,188	22,016	22,075	24,024
Net investment income	138,018	173,639	252,537	(29,292)	111,706	323,455
Benefit payments, including refunds	(252,940)	(257,397)	(237,471)	(183,559)	(187,373)	(178,035)
Other	33,534	(39,003)	(36,963)	(36,480)	(37,064)	(38,161)
Net change in plan fiduciary net position	92,473	(9,309)	206,146	(122,315)	84,344	356,283
Plan fiduciary net position - beginning	2,617,340	2,626,649	2,420,503	2,542,818	2,458,474	2,102,191
Plan fiduciary net position - ending	2,709,813	2,617,340	2,626,649	2,420,503	2,542,818	2,458,474
District's net pension liability	\$ 98,621	\$ 309,953	\$ 290,779	\$ 428,177	\$ 215,975	\$ 344,745
Plan fiduciary net position as a percentage of total pension liability	96.49%	89.41%	90.03%	84.97%	92.17%	87.70%
Covered payroll	\$ 278,626	\$ 276,636	\$ 442,748	\$ 442,124	\$ 441,500	\$ 469,968
District's net pension liability as a percentage of covered payroll	35.40%	112.04%	65.68%	96.85%	48.92%	73.35%

See accompanying notes to required supplementary information.

REGIONAL SCHOOL DISTRICT NO. 10
SCHEDULE OF CONTRIBUTIONS AND INVESTMENT RETURNS
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	\$ 124,790	\$ 107,961	\$ 149,939	\$ 126,038	\$ 151,312	\$ 204,948
Contributions in relation to the actuarially determined contribution	<u>160,000</u>	<u>113,452</u>	<u>228,043</u>	<u>127,016</u>	<u>197,075</u>	<u>249,024</u>
Excess contribution	<u>\$ (35,210)</u>	<u>\$ (5,491)</u>	<u>\$ (78,104)</u>	<u>\$ (978)</u>	<u>\$ (45,763)</u>	<u>\$ (44,076)</u>
Covered payroll	\$ 278,626	\$ 276,636	\$ 442,748	\$ 442,124	\$ 441,500	\$ 469,968
Contributions as a percentage of covered payroll	57.42%	41.01%	51.51%	28.73%	44.64%	52.99%
Annual money-weighted rate of return, net of investment expense	6.38%	5.21%	8.96%	2.80%	3.14%	13.78%

See accompanying notes to required supplementary information.

REGIONAL SCHOOL DISTRICT NO. 10
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)

	2019	2018	2017	2016	2015
Proportion of the net pension liability attributed to the District	0.433%	0.426%	0.426%	0.446%	0.446%
District's proportionate share of the net pension liability	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability attributed to the District	<u>56,990,000</u>	<u>57,506,000</u>	<u>60,670,000</u>	<u>48,951,000</u>	<u>45,246,000</u>
Total	<u>\$ 56,990,000</u>	<u>\$ 57,506,000</u>	<u>\$ 60,670,000</u>	<u>\$ 48,951,000</u>	<u>\$ 45,246,000</u>
District's covered employee payroll	\$ 17,954,000	\$ 18,339,000	\$ 18,441,000	\$ 17,944,000	\$ 17,554,000
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	0.0%	0.0%	0.0%	0.0%	0.0%
Plan fiduciary net position as a percentage of the total pension liability	57.69%	55.93%	52.26%	59.50%	61.51%

See accompanying notes to required supplementary information.

REGIONAL SCHOOL DISTRICT NO. 10
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY -
OTHER POST-EMPLOYMENT BENEFITS PLAN (UNAUDITED)
LAST TWO FISCAL YEARS

	2019	2018
Total OPEB liability		
Service cost	\$ 49,919	\$ 59,833
Interest	60,752	55,307
Changes in benefit terms	-	-
Differences between expected and actual experience	-	-
Changes of assumptions	-	155,449
Benefit payments, including refunds	(76,447)	(109,614)
Net change in total OPEB liability	34,224	160,975
Total OPEB liability - beginning	1,857,258	1,696,283
Total OPEB liability - ending	<u>\$ 1,891,482</u>	<u>\$ 1,857,258</u>

See accompanying notes to required supplementary information.

REGIONAL SCHOOL DISTRICT NO. 10
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY -
CONNECTICUT STATE TEACHERS' RETIREMENT SYSTEM (UNAUDITED)
LAST TWO FISCAL YEARS
(Rounded to nearest thousand)

	2019	2018
Proportion of the net OPEB liability attributed to the District	0.433%	0.426%
District's proportionate share of the net OPEB liability	\$ -	\$ -
State's proportionate share of the net OPEB liability attributed to the District	11,393,000	14,802,000
Total	<u>\$ 11,393,000</u>	<u>\$ 14,802,000</u>
District's covered employee payroll	\$ 17,954,000	\$ 18,339,000
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.

REGIONAL SCHOOL DISTRICT NO. 10
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

NOTE 1 - STATEMENT OF REVENUES, EXPENDITURES, OTHER FINANCING SOURCES (USES) AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND

The General Fund is the only fund for which an annual budget is legally adopted. The District adheres to the following procedures in establishing the budgetary data for the General Fund:

- Not less than two weeks before the annual meeting, which must be held on the first Monday of May, the Board holds a public District meeting to present a proposed budget for the next fiscal year. Any person may recommend the addition or deletion of expenditures at such time.
- After the public District meeting, the Board shall prepare an annual budget for the next fiscal year, make available on request copies thereof, and deliver a reasonable number of copies to the Town Clerk of each Member Town at least five days before the annual meeting. At the annual meeting, the Board shall present a budget which includes statements of (1) estimated receipts and expenditures for the next fiscal year, (2) estimated receipts and expenditures for the current fiscal year, (3) estimated surplus or deficit in operating funds at the end of the current fiscal year, (4) bonded or other debt, (5) estimated per pupil expenditures for the current and for the next fiscal year and (6) such other information as is necessary in the opinion of the Board.
- Persons present and eligible to vote at the annual meeting may accept or reject the proposed budget. If a majority of such persons voting reject the budget, the Board shall, within two weeks thereafter and upon notice of not less than one week, call a District meeting to consider the same or an amended budget. Such meetings shall be convened at such intervals until a budget is approved.
- Formal budgetary integration is employed as a management control device during the year.
- The legal level of control (the level at which expenditures may not legally exceed appropriations) is at the fund level. The Superintendent is authorized to make budget transfers, provided that such transfers do not exceed one percent of the District's annual adopted budget.
- Except for the use of encumbrances, the budget is prepared on the modified accrual basis of accounting. Intergovernmental and other reimbursements for certain special education costs are recorded as reductions to expenditures for budgetary purposes and on-behalf payments made by the State of Connecticut into the State Teachers' Retirement System are not recorded for budgetary purposes.
- 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 of the current year.
- All unexpended and unencumbered appropriations lapse at year-end.

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 and of encumbrances, which are recorded as expenditures for budgetary purposes.

REGIONAL SCHOOL DISTRICT NO. 10
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED) (Continued)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

NOTE 1 - STATEMENT OF REVENUES, EXPENDITURES, OTHER FINANCING SOURCES (USES) AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND (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:

	Revenues	Expenditures	Other Financing Sources (Uses)	Change in Fund Balance
Budgetary basis	\$ 39,748,056	\$ 38,861,959	\$ (397,837)	\$ 488,260
"On-behalf" payments -				
State Teachers' Retirement Fund	5,660,778	5,660,778	-	-
Reimbursement for certain				
special education and other				
costs recorded as a reduction				
to expenditures for budgetary				
purposes	1,053,146	1,053,146	-	-
Transfers out recorded as expenditures				
for budgetary purposes	-	(1,792,163)	(1,792,163)	-
Encumbrances outstanding:				
June 30, 2019	-	(173,244)	-	173,244
June 30, 2018	-	1,011,759	-	(1,011,759)
GAAP basis	<u>\$ 46,461,980</u>	<u>\$ 44,622,235</u>	<u>\$ (2,190,000)</u>	<u>\$ (350,255)</u>

NOTE 2 - SCHEDULE OF THE CHANGES IN NET PENSION LIABILITY - 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 valuation was utilized to calculate the total pension liability as 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 changes in assumptions that have had a significant effect on the measurement of the District's total pension liability.

REGIONAL SCHOOL DISTRICT NO. 10
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 - 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, one year 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	Aggregate Actuarial
	Cost Method
Amortization method	Not applicable
Remaining amortization period	Not applicable
Asset valuation method	Market Value
Actuarial assumptions (includes inflation rate):	
Long-term expected rate of return	7.0% per annum
Salary scale	2.5% per annum
Retirement age	Normal retirement age

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, results 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%.

REGIONAL SCHOOL DISTRICT NO. 10
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED) (Continued)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

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

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.

The total OPEB liability was measured as of July 1, 2018 for the reporting period and fiscal year ended June 30, 2019, using an actuarial valuation performed as of July 1, 2017.

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 THE DISTRICT'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

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REGIONAL SCHOOL DISTRICT NO. 10
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES - BUDGET AND ACTUAL -
BUDGETARY BASIS - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2019

	Budgeted Amounts			Variance With
	Original	Final	Actual	Final Budget Over (Under)
REVENUES:				
District Towns:				
Burlington	\$ 26,428,395	\$ 26,428,395	\$ 26,428,395	\$ -
Harwinton	13,146,345	13,146,345	13,146,345	-
Total District Towns	<u>39,574,740</u>	<u>39,574,740</u>	<u>39,574,740</u>	<u>-</u>
Interest income	<u>20,000</u>	<u>20,000</u>	<u>81,909</u>	<u>61,909</u>
Other revenues:				
User fees and tuition	82,000	82,000	76,709	(5,291)
Other	-	-	14,698	14,698
Total other revenues	<u>82,000</u>	<u>82,000</u>	<u>91,407</u>	<u>9,407</u>
Total revenues	<u>39,676,740</u>	<u>39,676,740</u>	<u>39,748,056</u>	<u>71,316</u>
OTHER FINANCING SOURCES:				
Use of fiscal year 2017 surplus	227,165	227,165	-	(227,165)
Use of fiscal year 2018 surplus	-	397,837	-	(397,837)
Total other financing sources	<u>227,165</u>	<u>625,002</u>	<u>-</u>	<u>(625,002)</u>
Total revenues and other financing sources	<u>\$ 39,903,905</u>	<u>\$ 40,301,742</u>	<u>\$ 39,748,056</u>	<u>\$ (553,686)</u>

REGIONAL SCHOOL DISTRICT NO. 10
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES - BUDGET AND ACTUAL -
BUDGETARY BASIS - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2019

	Budgeted Amounts			Variance With Final Budget Over (Under)
	Original	Final	Actual	
EXPENDITURES:				
Salaries:				
Certified	\$ 18,702,283	\$ 18,658,634	\$ 18,629,365	\$ (29,269)
Noncertified	4,822,229	4,962,240	4,934,139	(28,101)
Substitute wages	295,000	417,905	401,777	(16,128)
Total salaries	<u>23,819,512</u>	<u>24,038,779</u>	<u>23,965,281</u>	<u>(73,498)</u>
Employee Benefits:				
Health and life benefits	4,250,000	4,006,095	3,950,519	(55,576)
Social security and Medicare tax	755,000	718,605	717,324	(1,281)
Retirement contributions	285,000	270,707	268,686	(2,021)
Workers compensation	283,500	231,194	231,172	(22)
Group disability insurance	24,000	24,000	19,546	(4,454)
Tuition reimbursement	17,000	11,000	7,726	(3,274)
Unemployment compensation	80,000	46,461	45,320	(1,141)
Total employee benefits	<u>5,694,500</u>	<u>5,308,062</u>	<u>5,240,293</u>	<u>(67,769)</u>
Supplies:				
Supplies	520,887	552,457	483,473	(68,984)
Library/Audio supplies	211,697	216,641	210,437	(6,204)
Textbooks	77,813	81,952	76,386	(5,566)
Library books	23,750	23,646	22,987	(659)
Periodicals	10,099	9,107	7,372	(1,735)
Propane and natural gas	51,000	52,561	48,690	(3,871)
Fuel oil	270,250	312,298	312,295	(3)
Gasoline	5,500	5,500	4,784	(716)
Total supplies	<u>1,170,996</u>	<u>1,254,162</u>	<u>1,166,424</u>	<u>(87,738)</u>
Facilities:				
Repairs and maintenance services	419,496	453,992	366,275	(87,717)
Utility services	583,000	528,810	508,618	(20,192)
Grounds upkeep	47,800	46,300	37,937	(8,363)
Snowplowing services	70,400	69,415	68,136	(1,279)
Security services	45,500	45,153	44,882	(271)
Disposal and recycling services	40,000	50,245	50,245	-
Septic and water system	45,500	46,500	42,125	(4,375)
Sewer fee	26,226	26,350	26,350	-
Facility rentals	20,033	20,033	19,358	(675)
Cleaning services	6,000	11,193	9,408	(1,785)
Pest control	2,800	18,860	18,464	(396)
Total facilities	<u>1,306,755</u>	<u>1,316,851</u>	<u>1,191,798</u>	<u>(125,053)</u>

(Continued)

REGIONAL SCHOOL DISTRICT NO. 10
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES - BUDGET AND ACTUAL -
BUDGETARY BASIS - GENERAL FUND (Continued)
FOR THE YEAR ENDED JUNE 30, 2019

	Budgeted Amounts			Variance With
	Original	Final	Actual	Final Budget Over (Under)
EXPENDITURES (Continued):				
Purchased services:				
Other professional services	\$ 546,772	\$ 458,451	\$ 416,333	\$ (42,118)
Administrative services	75,000	102,435	102,273	(162)
Professional education services	55,900	51,300	38,480	(12,820)
Instructional improvement	19,200	19,200	18,565	(635)
Technical services	10,750	10,750	9,747	(1,003)
Total purchased services	<u>707,622</u>	<u>642,136</u>	<u>585,398</u>	<u>(56,738)</u>
Equipment:				
Replace non-instructional equipment	336,116	355,616	340,054	(15,562)
Replace instructional equipment	1,300	1,300	968	(332)
New instructional equipment	-	3,000	2,516	(484)
New non-instructional equipment	-	-	(3,351)	(3,351)
Total equipment	<u>337,416</u>	<u>359,916</u>	<u>340,187</u>	<u>(19,729)</u>
Other:				
Student transportation	2,554,747	2,570,898	2,510,359	(60,539)
Insurance	213,015	197,015	196,289	(726)
Communication/telephone	73,500	58,500	45,058	(13,442)
Postage	32,200	32,665	23,093	(9,572)
Advertising	4,500	4,500	1,050	(3,450)
Printing & binding	9,599	9,599	5,614	(3,985)
Tuition to LEAs	277,845	304,960	292,514	(12,446)
Tuition to private schools	1,150,000	1,256,000	1,146,439	(109,561)
Professional development/travel	71,375	74,275	60,970	(13,305)
Other purchased services	217,128	180,128	162,692	(17,436)
Student activities	16,576	16,576	7,524	(9,052)
Dues and fees	32,157	35,867	33,555	(2,312)
Capital improvements	204,500	96,295	95,258	(1,037)
Total other	<u>4,857,142</u>	<u>4,837,278</u>	<u>4,580,415</u>	<u>(256,863)</u>
Debt service:				
Principal	1,320,000	1,320,000	1,320,000	-
Interest	472,162	472,163	472,163	-
Total debt service	<u>1,792,162</u>	<u>1,792,163</u>	<u>1,792,163</u>	<u>-</u>
Contingency	<u>217,800</u>	<u>354,558</u>	<u>-</u>	<u>(354,558)</u>
Total expenditures	<u>39,903,905</u>	<u>39,903,905</u>	<u>38,861,959</u>	<u>(1,041,946)</u>
OTHER FINANCING USES:				
Transfer out	<u>-</u>	<u>397,837</u>	<u>397,837</u>	<u>-</u>
Total expenditures and other financing uses	<u>\$ 39,903,905</u>	<u>\$ 40,301,742</u>	<u>\$ 39,259,796</u>	<u>\$ (1,041,946)</u>
				(Concluded)

REGIONAL SCHOOL DISTRICT NO. 10
SCHEDULE OF DEBT LIMITATION
CONNECTICUT GENERAL STATUTES, SECTION 7-374(b)
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Burlington</u>	<u>Harwinton</u>	<u>Total</u>
Total cash collections for the year ended June 30, 2019:	<u>\$ 26,428,395</u>	<u>\$ 13,146,345</u>	<u>\$ 39,574,740</u>
			<u>District</u>
Debt limitation: 4-1/2 times base			<u>\$ 178,086,330</u>
Indebtedness:			
Bonds payable			13,180,000
Bonds authorized and unissued			<u>13,180,000</u>
Total indebtedness			<u>13,180,000</u>
Debt limitation in excess of outstanding and authorized debt			<u>\$ 164,906,330</u>
Total capacity of borrowing (4-1/2 times base)			\$ 178,086,330
Total present indebtedness			<u>13,180,000</u>
Margin for additional borrowing			<u>\$ 164,906,330</u>

REGIONAL SCHOOL DISTRICT NO. 10
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2019

	Nonmajor Governmental Funds		
	School Lunch Fund	Debt Service Fund	Total Nonmajor Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 293,303	\$ 194	\$ 293,497
Receivables:			
Grants and contracts	25,055	-	25,055
Other	4,533	-	4,533
Inventories	2,799	-	2,799
Total assets	<u>\$ 325,690</u>	<u>\$ 194</u>	<u>\$ 325,884</u>
LIABILITIES			
Due to other funds	\$ 1,271	\$ -	\$ 1,271
Total liabilities	<u>1,271</u>	<u>-</u>	<u>1,271</u>
FUND BALANCES			
Nonspendable:			
Inventories	2,799	-	2,799
Restricted:			
School lunch operations	321,620	-	321,620
Committed to:			
Debt service	-	194	194
Total fund balances	<u>324,419</u>	<u>194</u>	<u>324,613</u>
Total liabilities and fund balances	<u>\$ 325,690</u>	<u>\$ 194</u>	<u>\$ 325,884</u>

REGIONAL SCHOOL DISTRICT NO. 10
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	Nonmajor Governmental Funds		
	School Lunch Fund	Debt Service Fund	Total Nonmajor Governmental Funds
REVENUES			
Intergovernmental	\$ 189,593	\$ -	\$ 189,593
Charges for goods and services	791,021	-	791,021
Interest income	155	58	213
Total revenues	<u>980,769</u>	<u>58</u>	<u>980,827</u>
EXPENDITURES			
Current:			
Support services - students	967,297	-	967,297
Debt service:			
Principal payments	-	1,320,000	1,320,000
Interest and fiscal charges	-	472,163	472,163
Total expenditures	<u>967,297</u>	<u>1,792,163</u>	<u>2,759,460</u>
Excess (deficiency) of revenues over expenditures	13,472	(1,792,105)	(1,778,633)
OTHER FINANCING SOURCES			
Transfers in	-	1,792,163	1,792,163
Total other financing sources	<u>-</u>	<u>1,792,163</u>	<u>1,792,163</u>
Net changes in fund balances	13,472	58	13,530
Fund balances - beginning	<u>310,947</u>	<u>136</u>	<u>311,083</u>
Fund balances - ending	<u>\$ 324,419</u>	<u>\$ 194</u>	<u>\$ 324,613</u>

REGIONAL SCHOOL DISTRICT NO. 10
COMBINING STATEMENT OF NET POSITION
PENSION TRUST FUNDS
JUNE 30, 2019

	Employees' Pension Plan	Employees' Defined Contribution Plan	Custodial and Maintenance Employees' Plan	Total
ASSETS				
Cash and cash equivalents	\$ 178,232	\$ 86,717	\$ 102,117	\$ 367,066
Investments:				
Mutual funds	2,161,220	1,513,387	1,203,771	4,878,378
Equity securities	160,704	-	-	160,704
Other assets	209,657	-	-	209,657
Total assets	<u>2,709,813</u>	<u>1,600,104</u>	<u>1,305,888</u>	<u>5,615,805</u>
NET POSITION				
Held in trust for pension benefits	<u>\$ 2,709,813</u>	<u>\$ 1,600,104</u>	<u>\$ 1,305,888</u>	<u>\$ 5,615,805</u>

REGIONAL SCHOOL DISTRICT NO. 10
COMBINING STATEMENT OF CHANGES IN NET POSITION
PENSION TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	Employees' Pension Plan	Employees' Defined Contribution Plan	Custodial and Maintenance Employees' Plan	Total
ADDITIONS				
Contributions:				
Employer contributions	\$ 160,000	\$ 80,670	\$ 62,295	\$ 302,965
Employee contributions	13,861	134,434	30,780	179,075
Total contributions	173,861	215,104	93,075	482,040
Other	68,803	-	-	68,803
Investment earnings:				
Interest and dividends	135,656	80,247	67,648	283,551
Net change in the fair value of investments, net of fees	2,362	3,130	(4,376)	1,116
Total investment earnings	138,018	83,377	63,272	284,667
Total additions	380,682	298,481	156,347	835,510
DEDUCTIONS				
Benefit payments	252,940	353,668	190,626	797,234
Insurance premiums	15,936	-	-	15,936
Other	19,333	300	-	19,633
Total deductions	288,209	353,968	190,626	832,803
Change in net position	92,473	(55,487)	(34,279)	2,707
Net position held in trust for pension benefits:				
Beginning	2,617,340	1,655,591	1,340,167	5,613,098
Ending	\$ 2,709,813	\$ 1,600,104	\$ 1,305,888	\$ 5,615,805

REGIONAL SCHOOL DISTRICT NO. 10
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY
 ASSETS AND LIABILITIES
 AGENCY FUNDS - STUDENT ACTIVITIES FUNDS
 FOR THE YEAR ENDED JUNE 30, 2019

	Balance, July 1, 2018	Additions	Deductions	Balance, June 30, 2019
ASSETS				
Cash and cash equivalents	\$ 277,506	\$ 548,125	\$ 535,645	\$ 289,986
Total assets	<u>\$ 277,506</u>	<u>\$ 548,125</u>	<u>\$ 535,645</u>	<u>\$ 289,986</u>
 LIABILITIES				
Accounts payable	\$ 25,615	\$ -	\$ 25,615	\$ -
Due to students	251,891	548,125	510,030	289,986
Total liabilities	<u>\$ 277,506</u>	<u>\$ 548,125</u>	<u>\$ 535,645</u>	<u>\$ 289,986</u>

