

REGIONAL SCHOOL DISTRICT NO. 10

FINANCIAL STATEMENTS

**AS OF AND FOR THE YEAR ENDED
JUNE 30, 2018**

REGIONAL SCHOOL DISTRICT NO. 10
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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, 2018, 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, 2018, 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

Change in Accounting Principle

As discussed in Note 1 to the financial statements, the District adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*. Our opinion is not modified with respect to this matter.

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 54 through 66 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 67 through 72 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 December 21, 2018, 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.



Certified Public Accountants
Glastonbury, Connecticut
December 21, 2018

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, 2018

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, 2018.

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 \$39,654,867 (net position). Of this amount, \$1,482,655 (unrestricted net position) may be used to meet the District's ongoing obligations.
- The District's overall change in net position for the year ended June 30, 2018 resulted in an increase of \$432,541.
- The beginning net position of the District was decreased by \$1,490,957 as a result of implementing Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions*. This decrease represented the difference between the net other post-employment benefits obligation previously recognized in accordance with GASB Statement No. 45 and the total other post-employment liability recognized in accordance with GASB Statement No. 75.
- As of the close of the current fiscal year, the District's governmental funds reported a combined ending fund balance of \$4,300,432, an increase in ending fund balance of \$1,025,867 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund amounted to \$2,669,506. Of this amount, \$762,035 represents the District's budgetary surplus for the year ended June 30, 2018.
- The District's principal balance on long-term bonded debt decreased by \$1,285,000 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/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.

REGIONAL SCHOOL DISTRICT NO. 10
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

OVERVIEW OF THE FINANCIAL STATEMENTS *(Continued)*

Government-wide Financial Statements *(Continued)*

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

The government-wide financial statements are intended to distinguish functions of the District that are principally supported by District 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 and the Educational Grants Fund, both of which are considered to be major funds.

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, 2018

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 53 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 54 through 66 of this report.

Other Information

Combining and individual fund statements and schedules can be found on pages 67 through 72 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 \$39,654,867 as of June 30, 2018 and \$39,222,326 as of June 30, 2017, as adjusted for the implementation of GASB Statement No. 75, and is summarized as follows.

	2018	2017 <i>(As Adjusted)</i>	\$ Variance	% Variance
Current and other assets	\$ 5,326,940	\$ 3,958,542	\$ 1,368,398	34.6%
Capital assets, net	<u>52,833,643</u>	<u>54,951,818</u>	<u>(2,118,175)</u>	-3.9%
Total assets	<u>58,160,583</u>	<u>58,910,360</u>	<u>(749,777)</u>	-1.3%
Deferred outflows of resources	<u>962,890</u>	<u>1,000,534</u>	<u>(37,644)</u>	-3.8%
Long-term liabilities	18,242,346	19,756,028	(1,513,682)	-7.7%
Other liabilities	<u>1,193,981</u>	<u>864,544</u>	<u>329,437</u>	38.1%
Total liabilities	<u>19,436,327</u>	<u>20,620,572</u>	<u>(1,184,245)</u>	-5.7%
Deferred inflows of resources	<u>32,279</u>	<u>67,996</u>	<u>(35,717)</u>	-52.5%
Net position:				
Net investment in capital assets	38,172,212	38,737,685	(565,473)	-1.5%
Unrestricted	<u>1,482,655</u>	<u>484,641</u>	<u>998,014</u>	205.9%
Total net position	<u>\$ 39,654,867</u>	<u>\$ 39,222,326</u>	<u>\$ 432,541</u>	1.1%

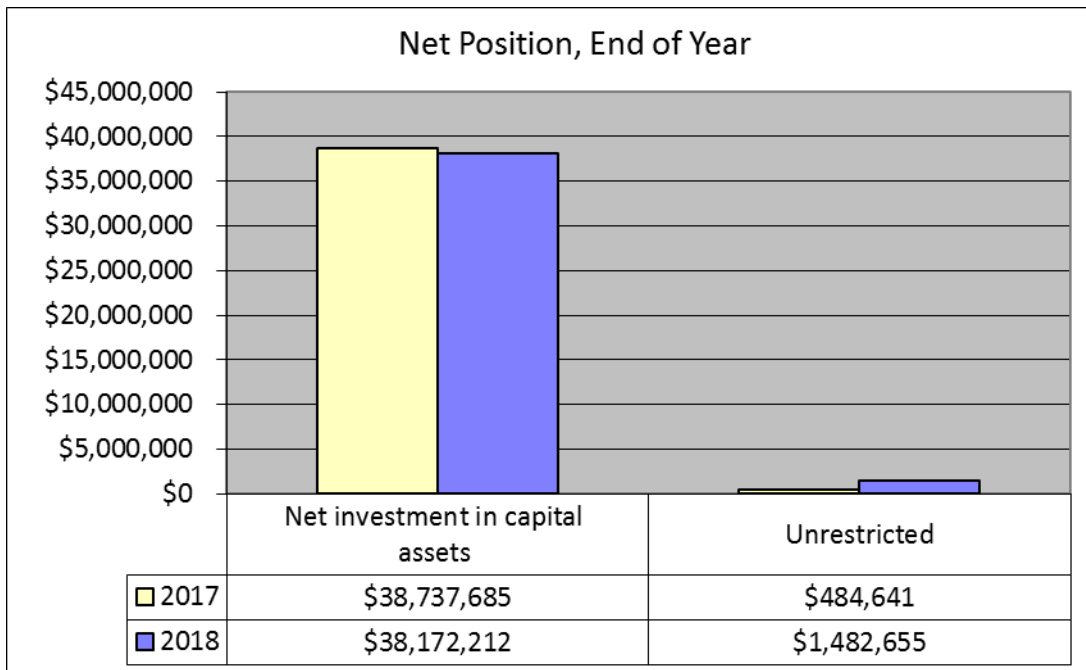
REGIONAL SCHOOL DISTRICT NO. 10
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Net Position (Continued)

96.3% and 98.8% of the District's net position as of June 30, 2018 and 2017, respectively, 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, 2018 and 2017, respectively, were 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, 2018

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Changes in Net Position

Changes in net position for the years ended June 30, 2018 and 2017 are as follows. Reclassifications have been made to the amounts reported for the year ended June 30, 2017 to conform with the current year presentation. The amounts reported for the year ended June 30, 2017 have not been adjusted for the implementation of GASB Statement No. 75, since the effects of the adjustments on the statements of changes in net position are not readily determinable.

	<u>2018</u>	<u>2017</u>	<u>\$ Variance</u>	<u>% Variance</u>
Revenues:				
Program revenues:				
Charges for services	\$ 892,624	\$ 939,466	\$ (46,842)	-5.0%
Operating grants and contributions	9,025,140	8,049,356	975,784	12.1%
General revenues:				
District Towns	38,954,032	38,326,608	627,424	1.6%
Unrestricted investment earnings	48,146	27,956	20,190	72.2%
Total revenues	<u>48,919,942</u>	<u>47,343,386</u>	<u>1,576,556</u>	3.3%
Program expenses:				
General instruction	33,001,316	32,114,961	886,355	2.8%
Support services - students	3,563,211	3,487,235	75,976	2.2%
Improvement of instruction	2,457,518	2,324,853	132,665	5.7%
Support services - administration	460,728	485,673	(24,945)	-5.1%
School-based administration	1,817,672	1,888,809	(71,137)	-3.8%
Plant operation and maintenance	3,548,570	3,056,866	491,704	16.1%
Transportation	2,467,669	2,556,038	(88,369)	-3.5%
Other support services	653,639	855,437	(201,798)	-23.6%
Interest expense	517,078	585,976	(68,898)	-11.8%
Total expenses	<u>48,487,401</u>	<u>47,355,848</u>	<u>1,131,553</u>	2.4%
Change in net position	<u>\$ 432,541</u>	<u>\$ (12,462)</u>	<u>\$ 445,003</u>	-3570.9%

The District's change in net position was an increase of \$432,541.

Overall revenues increased by \$1,576,556 or 3.3% over the prior year. The increase in revenues was primarily due to an increase in assessments to the District's Member Towns to fund budgeted operating costs increases and the recognition of the current year OPEB expense in the amount of \$685,976 for on-behalf expenses incurred by the State of Connecticut relating to the State Teachers' Retirement System.

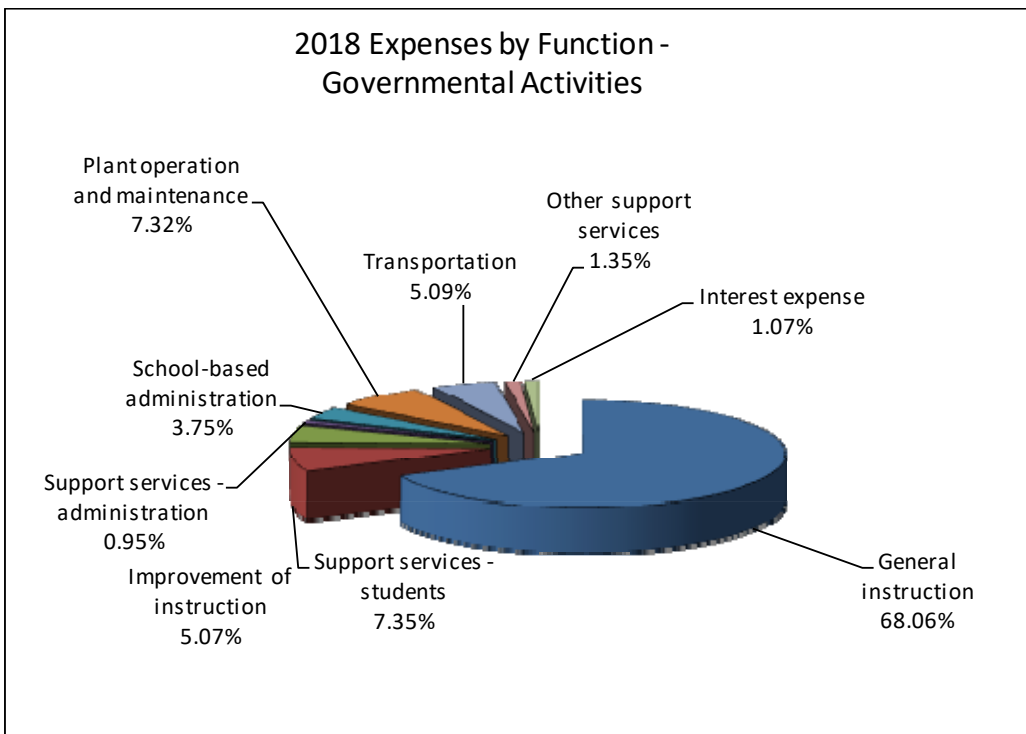
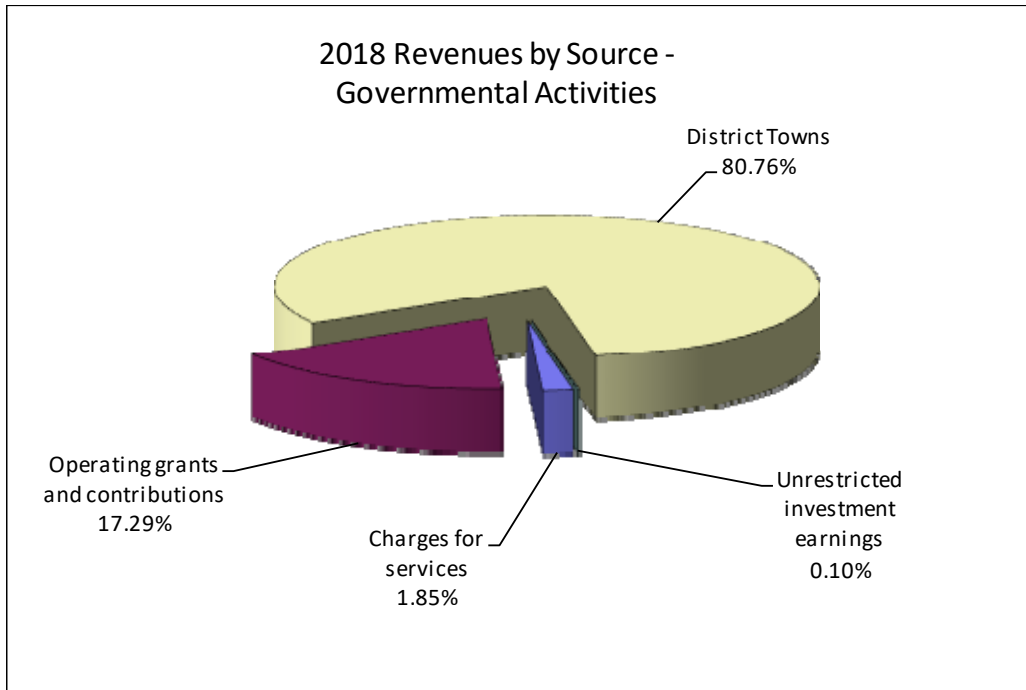
Overall expenses increased by \$1,131,553 or 2.4% over the prior year. This increase is primarily due to an increase in general instruction costs, plant operation and maintenance and the current year OPEB expense in the amount of \$685,976 for on-behalf expenses incurred by the State of Connecticut relating to the State Teachers' Retirement System.

REGIONAL SCHOOL DISTRICT NO. 10
 MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) *(Continued)*
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

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, 2018.



REGIONAL SCHOOL DISTRICT NO. 10
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

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 \$4,300,432, an increase in ending fund balance of \$1,025,867 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 \$3,854,742 as of June 30, 2018. Unassigned fund balance totaled \$2,669,506 and includes a \$762,035 budgetary surplus recognized for the year ended June 30, 2018 that is available to reduce future assessments 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.

GENERAL FUND BUDGETARY HIGHLIGHTS

The District's original budget contemplated the use of fund balance in the amount of \$239,543. During the year ended June 30, 2018, the District authorized the transfers of \$248,585 from the fiscal year 2017 budgetary surplus for the purpose of funding technology and parking lot improvements. The actual change in fund balance was an increase of \$273,907.

Revenues were \$449,888 less than budgeted, primarily due to the District reducing assessments to its Member Towns by \$496,133. This reduction was made by the District to help offset reductions in State aid to the Member Towns. Expenditures were frozen on July 1, 2018 in reaction to the uncertainty of the State of Connecticut budget and the impact it would have on the District and its Member Towns. The District transferred \$496,133 into contingency to cover the Member Towns reduction in assessments. The remaining surplus is a direct correlation to the savings set aside for the uncertain economic times facing the State of Connecticut and its direct impact on public education.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The District's investment in capital assets for its governmental activities as of June 30, 2018 totaled \$52,833,643 (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 \$2,118,175.

REGIONAL SCHOOL DISTRICT NO. 10
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

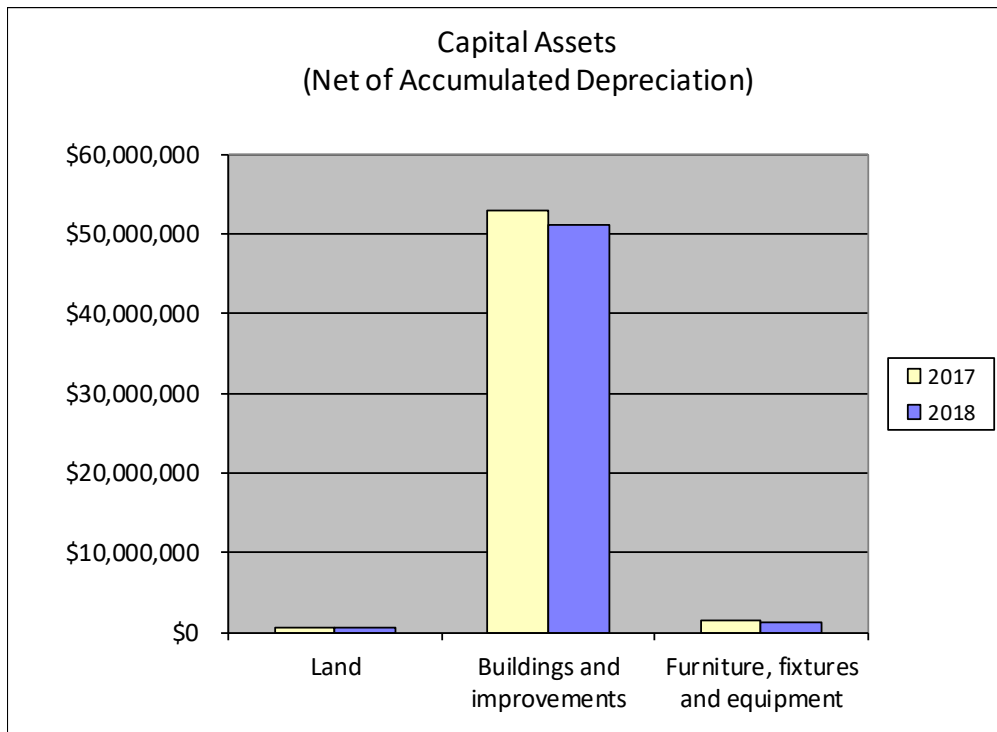
CAPITAL ASSET AND DEBT ADMINISTRATION (Continued)

Capital Assets (Continued)

This decrease consists primarily of current year depreciation in the amount of \$2,684,537, offset by capital additions of \$574,518. Significant current year capital asset additions consisted of parking lot renovations, playground resurfacing, and installing of a handicap enabling lift.

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

	<u>2018</u>	<u>2017</u>
Land	\$ 501,479	\$ 501,479
Buildings and improvements	51,062,827	53,000,001
Furniture, fixtures and equipment	<u>1,269,337</u>	<u>1,450,338</u>
Totals	<u>\$ 52,833,643</u>	<u>\$ 54,951,818</u>



Additional information on the District's capital assets can be found in Note 5 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, 2018

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 \$14,500,000, 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 \$216,543.

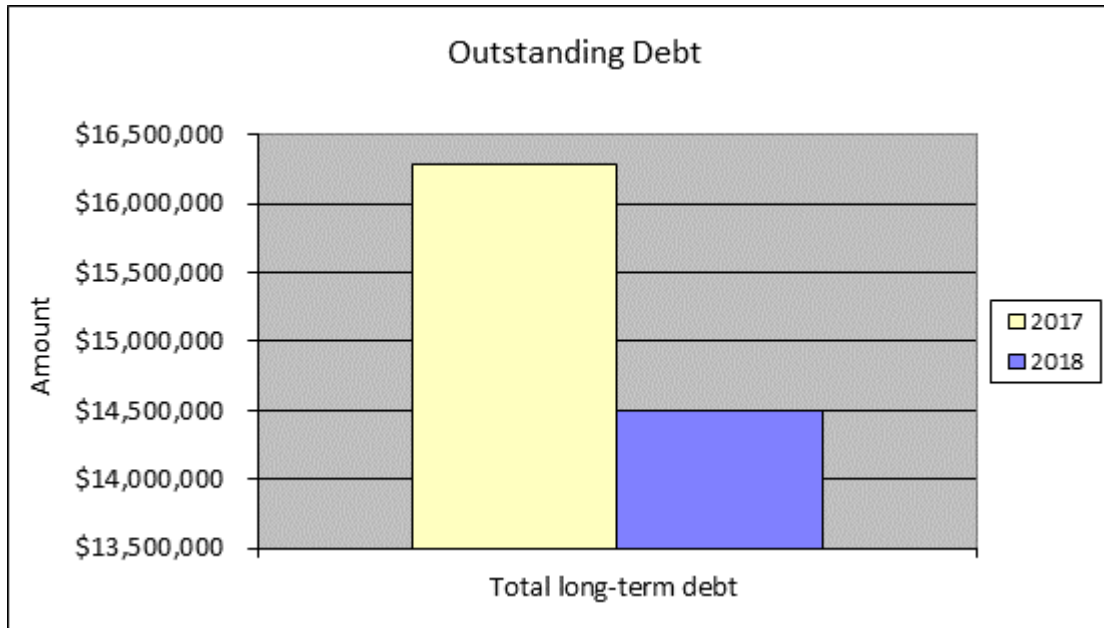
The District's total long-term bonded debt decreased by \$1,285,000 during the current year due to scheduled principal repayments. The District's capital lease obligations decreased by \$283,910 due to scheduled principal repayments of \$283,910.

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:

	<u>2018</u>	<u>2017</u>
General obligation bonds	\$ 14,500,000	\$ 15,785,000
Capital leases	216,543	500,453
Total long-term debt	<u>\$ 14,716,543</u>	<u>\$ 16,285,453</u>



Additional information on the District's long-term debt can be found in Note 8 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, 2018

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 2019. In May 2018, the District's fiscal year 2018 budget was approved at referendum. The approved budgetary expenditures total \$39,903,905, a \$120,197 or 0.3% increase over the District's fiscal year 2018 approved budgetary expenditures. The budget contemplates the use of the District's remaining fiscal year 2017 surplus of \$227,165 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, 2018

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 4,678,968
Receivables:	
Grants and contracts	88,691
Assessment	542,330
Other	13,156
Other assets	3,795
Capital assets:	
Non-depreciable	501,479
Depreciable, net	52,332,164
Total assets	58,160,583
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charges on pension expense	218,668
Deferred charges on OPEB expense	133,242
Deferred charges on refundings	610,980
Total deferred outflows of resources	962,890
LIABILITIES	
Accounts payable	778,633
Accrued expenses	353,939
Unearned revenue	61,409
Noncurrent liabilities:	
Due within one year	1,677,110
Due in more than one year	16,565,236
Total liabilities	19,436,327
DEFERRED INFLOWS OF RESOURCES	
Deferred charges on pension expense	32,279
NET POSITION	
Net investment in capital assets	38,172,212
Unrestricted	1,482,655
Total net position	\$ 39,654,867

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, 2018

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position - Governmental Activities</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
General instruction	\$ 33,001,316	\$ 92,813	\$ 8,705,180	\$ (24,203,323)
Support services:				
Support services - students	3,563,211	799,811	319,960	(2,443,440)
Improvement of instruction	2,457,518	-	-	(2,457,518)
Support services - administration	460,728	-	-	(460,728)
School-based administration	1,817,672	-	-	(1,817,672)
Plant operation and maintenance	3,548,570	-	-	(3,548,570)
Transportation	2,467,669	-	-	(2,467,669)
Other support services	653,639	-	-	(653,639)
Total support services	<u>14,969,007</u>	<u>799,811</u>	<u>319,960</u>	<u>(13,849,236)</u>
Interest expense	517,078	-	-	(517,078)
	<u>\$ 48,487,401</u>	<u>\$ 892,624</u>	<u>\$ 9,025,140</u>	<u>(38,569,637)</u>
General revenues:				
District Towns				38,954,032
Unrestricted investment earnings				48,146
Total general revenues				<u>39,002,178</u>
Change in net position				432,541
Net position - beginning, as originally reported				40,713,283
Cumulative effect of implementing new accounting standard (See Note 1)				<u>(1,490,957)</u>
Net position - beginning, as adjusted				<u>39,222,326</u>
Net position - ending				<u>\$ 39,654,867</u>

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

REGIONAL SCHOOL DISTRICT NO. 10
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018

	General Fund	Educational Grants Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 4,167,468	\$ 851	\$ 510,649	\$ 4,678,968
Receivables:				
Grants and contracts	-	60,558	28,133	88,691
Assessment	542,330	-	-	542,330
Other	9,822	-	3,334	13,156
Due from other funds	98,585	-	5,010	103,595
Inventories	-	-	3,795	3,795
Total assets	<u>\$ 4,818,205</u>	<u>\$ 61,409</u>	<u>\$ 550,921</u>	<u>\$ 5,430,535</u>
LIABILITIES				
Accounts payable	\$ 778,633	\$ -	\$ -	\$ 778,633
Accrued expenses	179,820	-	6,646	186,466
Due to other funds	5,010	-	98,585	103,595
Unearned revenue	-	61,409	-	61,409
Total liabilities	<u>963,463</u>	<u>61,409</u>	<u>105,231</u>	<u>1,130,103</u>
FUND BALANCES				
Nonspendable:				
Inventories	-	-	3,795	3,795
Committed to:				
School lunch operations	-	-	307,152	307,152
Debt service	-	-	136	136
Capital purposes	-	-	134,607	134,607
Assigned to:				
Education encumbrances	958,071	-	-	958,071
Use in fiscal year 2019 budget	227,165	-	-	227,165
Unassigned:				
Fiscal year 2018 surplus	762,035	-	-	762,035
Operating reserve	1,907,471	-	-	1,907,471
Total fund balances	<u>3,854,742</u>	<u>-</u>	<u>445,690</u>	<u>4,300,432</u>
Total liabilities and fund balances	<u>\$ 4,818,205</u>	<u>\$ 61,409</u>	<u>\$ 550,921</u>	<u>\$ 5,430,535</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, 2018

Total fund balances for governmental funds		\$ 4,300,432
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.		52,833,643
Deferred charges on refundings are not susceptible to accrual and are, therefore, not reported in governmental funds.		610,980
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.		319,631
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	\$ (14,500,000)	
Unamortized bond premiums	(555,868)	
Obligations under capital leases	(216,543)	
Accrued interest payable	(167,473)	
Other long-term liabilities:		
Compensated absences	(802,724)	
Total OPEB liability	(1,857,258)	
Net pension liability	(309,953)	
Total long-term liabilities	<u>(18,409,819)</u>	
Net position of governmental activities		<u>\$ 39,654,867</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, 2018

	General Fund	Educational Grants Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
District Towns	\$ 38,954,032	\$ -	\$ -	\$ 38,954,032
Intergovernmental	5,261,111	660,539	161,349	6,082,999
Charges for goods and services	92,813	-	799,811	892,624
Interest income	47,431	-	715	48,146
Total revenues	<u>44,355,387</u>	<u>660,539</u>	<u>961,875</u>	<u>45,977,801</u>
EXPENDITURES				
Current:				
General instruction	27,462,784	501,928	-	27,964,712
Support services:				
Support services - students	2,446,062	158,611	918,643	3,523,316
Improvement of instruction	2,247,212	-	-	2,247,212
Support services - administration	459,803	-	-	459,803
School-based administration	1,627,088	-	-	1,627,088
Plant operation and maintenance	3,036,551	-	-	3,036,551
Transportation	2,454,884	-	-	2,454,884
Other support services	605,195	-	-	605,195
Total support services	<u>12,876,795</u>	<u>158,611</u>	<u>918,643</u>	<u>13,954,049</u>
Capital outlays	808,112	-	133,454	941,566
Debt service:				
Principal payments	283,910	-	1,285,000	1,568,910
Interest and fiscal charges	8,734	-	513,963	522,697
Total expenditures	<u>41,440,335</u>	<u>660,539</u>	<u>2,851,060</u>	<u>44,951,934</u>
Excess (deficiency) of revenues over expenditures	2,915,052	-	(1,889,185)	1,025,867
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	2,047,548	2,047,548
Transfers out	(2,047,548)	-	-	(2,047,548)
Total other financing sources (uses)	<u>(2,047,548)</u>	<u>-</u>	<u>2,047,548</u>	<u>-</u>
Net changes in fund balances	867,504	-	158,363	1,025,867
Fund balances - beginning	<u>2,987,238</u>	<u>-</u>	<u>287,327</u>	<u>3,274,565</u>
Fund balances - ending	<u>\$ 3,854,742</u>	<u>\$ -</u>	<u>\$ 445,690</u>	<u>\$ 4,300,432</u>

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, 2018

Net change in fund balances for governmental funds \$ 1,025,867

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	\$ 574,518	
Depreciation and amortization expense	<u>(2,684,537)</u>	
Net adjustment		(2,110,019)

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. (8,156)

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	283,910	
Bonds payable	<u>1,285,000</u>	
Net adjustment		1,568,910

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	(536)	
Accrued interest	13,094	
Amortization of bond premiums	125,457	
Amortization of deferred charge on refundings	(141,665)	
Total OPEB liability	(160,975)	
Net pension liability	(19,174)	
Deferred charges on pension expense	6,496	
Deferred charges on OPEB expense	<u>133,242</u>	
		<u>(44,061)</u>

Change in net position of governmental activities \$ 432,541

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

REGIONAL SCHOOL DISTRICT NO. 10
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2018

	Pension Trust Funds	Private Purpose Trust - Scholarship Fund	Agency Funds
ASSETS			
Cash and cash equivalents	\$ 438,907	\$ 110,610	\$ 277,506
Investments:			
Mutual funds	4,218,337	-	-
Equity securities	141,744	-	-
Other assets	193,300	-	-
Total assets	4,992,288	110,610	\$ 277,506
LIABILITIES			
Accounts payable	-	-	\$ 25,615
Due to others	-	-	251,891
Total liabilities	-	-	\$ 277,506
NET POSITION			
Held in trust for pension benefits and other purposes	\$ 5,613,098	\$ 110,610	

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, 2018

	Pension Trust Funds	Private- Purpose Trust - Scholarship Fund
ADDITIONS		
Contributions:		
Employer	\$ 236,808	\$ -
Employee	177,830	-
Private donations	-	6,410
Total contributions	<u>414,638</u>	<u>6,410</u>
Investment earnings:		
Interest and dividends	289,236	24
Net change in the fair value of investments, net of fees	<u>80,652</u>	<u>-</u>
Total investment earnings	<u>369,888</u>	<u>24</u>
Total additions	<u>784,526</u>	<u>6,434</u>
DEDUCTIONS		
Insurance premiums	19,824	-
Benefit payments	1,017,631	15,169
Other	<u>33,566</u>	<u>-</u>
Total deductions	<u>1,071,021</u>	<u>15,169</u>
Change in net position	(286,495)	(8,735)
Net position - beginning	<u>5,899,593</u>	<u>119,345</u>
Net position - ending	<u>\$ 5,613,098</u>	<u>\$ 110,610</u>

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, 2018

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 (2017/2018) assessment percentages was Burlington at 66% and Harwinton at 34%.

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, 2018

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.

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, 2018

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, 2017, the District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 81, *Irrevocable Split-Interest Agreements*, GASB Statement No. 85, *Omnibus 2017*, and GASB Statement No. 86, *Certain Debt Extinguishment Issues*. The adoption of these statements did not have a material effect on the District's financial statements.

Effective July 1, 2017, the District adopted the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. GASB Statement No. 75 established standards for recognizing and measuring liabilities, deferred outflows and inflows of resources, and expenses/expenditures for post-employment benefits other than pension. This standard identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. In addition, this statement provides for certain required supplementary information and note disclosures about post-employment benefits other than pensions.

REGIONAL SCHOOL DISTRICT NO. 10
 NOTES TO FINANCIAL STATEMENTS *(Continued)*
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

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

Implementation of Accounting Standards *(Continued)*

The District has reported the following cumulative effect of applying GASB Statement No. 75 as an adjustment of beginning net position as of July 1, 2017.

	Governmental Activities
Net position - beginning, as originally reported	\$ 40,713,283
Adjustment to remove net other post-employment benefit obligation recognized under GASB Statement No. 45	205,326
Adjustment to record total other post-employment liability recognized under GASB Statement No. 75	(1,696,283)
	(1,490,957)
Net position - beginning, as adjusted	\$ 39,222,326

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.

REGIONAL SCHOOL DISTRICT NO. 10
NOTES TO FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

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

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

Capital Assets *(Continued)*

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

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

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.

REGIONAL SCHOOL DISTRICT NO. 10
NOTES TO FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

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

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

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

Net Position/Fund Balance

The government-wide statement of net position presents the District's non-fiduciary assets, liabilities and deferred outflows and inflows of resources, with 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.

REGIONAL SCHOOL DISTRICT NO. 10
NOTES TO FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

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

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

Net Position/Fund Balance *(Continued)*

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

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.

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".

Advances between funds, as reported in the fund financial statements, are offset by a restricted fund balance designation (non-spendable) in the General Fund and by a restricted, committed or assigned fund balance designation of other governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

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 fund financial statements, transfers are reported as other financing uses in the funds making transfers and other financing sources in the funds receiving transfers.

Interfund Reimbursements

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

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

REGIONAL SCHOOL DISTRICT NO. 10
NOTES TO FINANCIAL STATEMENTS (Continued)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

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. As of June 30, 2018, the carrying amount of the District's cash deposits was \$1,565,691. As of June 30, 2018, \$1,233,451 of the District's bank balance of \$1,859,051 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 1,110,106
Uninsured and collateralized with securities held by the pledging bank's trust department or agent but not in the District's name	<u>123,345</u>
	\$ 1,233,451

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, 2018 is as follows:

Government-wide statement of net position:	
Cash and cash equivalents	\$ 4,678,968
Less: cash equivalents considered investments for disclosure purposes	<u>3,638,864</u>
	1,040,104
Statement of fiduciary net position:	
Cash and cash equivalents	827,023
Less: cash equivalents considered investments for disclosure purposes	<u>301,436</u>
	525,587
	\$ 1,565,691

REGIONAL SCHOOL DISTRICT NO. 10
NOTES TO FINANCIAL STATEMENTS (Continued)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

NOTE 2 - CASH DEPOSITS AND INVESTMENTS (Continued)

Investments

A reconciliation of the District's investments as of June 30, 2018 is as follows:

Government-wide statement of net position:		
Investments	\$	-
Add: cash equivalents considered investments for disclosure purposes		3,638,864
		3,638,864
Statement of fiduciary net position:		
Investments		4,360,081
Add: cash equivalents considered investments for disclosure purposes		301,436
		4,661,517
	\$	8,300,381

As of June 30, 2018, 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	\$ 3,638,864	\$ 3,638,864
<i>Fiduciary Funds:</i>				
Money market mutual funds	Net asset value	Unrated	301,436	301,436
			3,940,300	\$ 3,940,300
Other Investments:				
<i>Fiduciary Funds:</i>				
Mutual funds	Fair value	N/a	4,218,337	
Equity securities	Fair value	N/a	141,744	
			\$ 8,300,381	

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.

REGIONAL SCHOOL DISTRICT NO. 10
NOTES TO FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

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

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 were unrated at June 30, 2018.

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, 2018 because it was held by the buyer-lender. The District's other investments were not exposed to custodial credit risk as of June 30, 2018 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, 2018, 100% or \$3,638,864 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. In addition, as of June 30, 2018, 9.0% or \$475,532 of the District's fiduciary investments were invested in the PIMCO Total Return Class R Fund managed by PIMCO.

NOTE 3 - FAIR VALUE MEASUREMENTS

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

REGIONAL SCHOOL DISTRICT NO. 10
NOTES TO FINANCIAL STATEMENTS (Continued)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

NOTE 3 - FAIR VALUE MEASUREMENTS (Continued)

The District's financial assets that are accounted for at fair value on a recurring basis as of June 30, 2018, 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	\$ 4,218,337	\$ -	\$ -
Equity securities	141,744	-	-

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018 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	95,869,358	444,097	-	96,313,455
Furniture and equipment	5,095,232	130,421	(231,578)	4,994,075
Total capital assets, being depreciated	<u>100,964,590</u>	<u>574,518</u>	<u>(231,578)</u>	<u>101,307,530</u>
Less accumulated depreciation and amortization for:				
Buildings and improvements	42,869,357	2,381,271	-	45,250,628
Furniture and equipment	3,644,894	303,266	(223,422)	3,724,738
Total accumulated depreciation and amortization	<u>46,514,251</u>	<u>2,684,537</u>	<u>(223,422)</u>	<u>48,975,366</u>
Total capital assets, being depreciated, net	<u>54,450,339</u>	<u>(2,110,019)</u>	<u>(8,156)</u>	<u>52,332,164</u>
Governmental activities capital assets, net	<u>\$ 54,951,818</u>	<u>\$ (2,110,019)</u>	<u>\$ (8,156)</u>	<u>\$ 52,833,643</u>

REGIONAL SCHOOL DISTRICT NO. 10
 NOTES TO FINANCIAL STATEMENTS *(Continued)*
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

NOTE 4 - CAPITAL ASSETS *(Continued)*

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

Governmental Activities:		
General instruction	\$	1,860,042
Support services:		
Support services - students		198,506
Improvement of instruction		179,294
Support services - administration		31,933
School-based administration		190,584
Plant operation and maintenance		162,949
Transportation		12,785
Other support services		48,444
Total depreciation and amortization expense	\$	<u><u>2,684,537</u></u>

NOTE 5 - INTERFUND RECEIVABLES AND PAYABLES

Interfund receivable and payable balances at June 30, 2018 are as follows:

Receivable Fund	Payable Fund	Amount
Governmental Funds		
General Fund	Nonmajor governmental funds	\$ 98,585
Nonmajor governmental funds	General Fund	<u>5,010</u>
		<u><u>\$ 103,595</u></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, 2018 consisted of the following:

Transfers In	Transfers Out	Amount
Governmental Funds		
Nonmajor governmental funds	General Fund	<u><u>\$ 2,047,548</u></u>

Transfers are used (1) 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, and (2) to account for unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

REGIONAL SCHOOL DISTRICT NO. 10
NOTES TO FINANCIAL STATEMENTS (Continued)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

NOTE 7 - LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the year ended June 30, 2018:

	<u>Beginning Balance (As Adjusted)</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities					
Bonds payable:					
General obligation bonds	\$ 15,785,000	\$ -	\$ (1,285,000)	\$ 14,500,000	\$ 1,320,000
Unamortized premiums	681,325	-	(125,457)	555,868	-
Total bonds payable	16,466,325	-	(1,410,457)	15,055,868	1,320,000
Other liabilities:					
Capital leases	500,453	-	(283,910)	216,543	129,944
Compensated absences	802,188	65,630	(65,094)	802,724	227,166
Total OPEB liability (see Note 10)	1,696,283	160,975	-	1,857,258	-
Net pension liability (see Note 9)	290,779	19,174	-	309,953	-
	<u>\$ 19,756,028</u>	<u>\$ 245,779</u>	<u>\$ (1,759,461)</u>	<u>\$ 18,242,346</u>	<u>\$ 1,677,110</u>

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

Bonds Payable

A summary of bonds payable outstanding at June 30, 2018 is as follows:

<u>Purpose of Bonds</u>	<u>Final Maturity Dates</u>	<u>Interest Rates</u>	<u>Amount Outstanding</u>
Bonds Payable			
General Obligation Bonds:			
General obligation bonds issued 8/1/10, original amount of \$3,500,000	8/2030	2.00% - 4.00%	\$ 2,495,000
General obligation bonds and refunding bonds issued 4/13/12, original amount of \$8,170,000	8/2025	2.00% - 4.00%	5,740,000
General obligation refunding bonds issued 8/1/14, original amount of \$7,400,000	8/2025	2.00% - 4.00%	6,265,000
			<u>\$ 14,500,000</u>

REGIONAL SCHOOL DISTRICT NO. 10
 NOTES TO FINANCIAL STATEMENTS *(Continued)*
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

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

Annual debt service repayments to maturity at June 30, 2018 are as follows:

Year ending June 30:	General Obligation Bonds		
	Principal	Interest	Total
2019	\$ 1,320,000	\$ 472,162	\$ 1,792,162
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
2024-2028	6,490,000	601,345	7,091,345
2029-2031	675,000	40,897	715,897
	<u>\$ 14,500,000</u>	<u>\$ 2,489,779</u>	<u>\$ 16,989,779</u>

As of June 30, 2018, 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 \$610,645 as of June 30, 2018 and amortization expense for the year ended June 30, 2018 totaled \$141,665.

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 \$175,293,144 as of June 30, 2018. The District did not exceed the statutory debt limitation as of June 30, 2018.

Capital Leases

A summary of assets under capital leases is as follows as of June 30, 2018:

Equipment	\$ 785,900
Less: accumulated amortization	448,076
	<u>\$ 337,824</u>

Amortization expense relative to leased property under capital leases totaled \$171,356 for the year ended June 30, 2018 and is included in depreciation and amortization expense disclosed in Note 5.

REGIONAL SCHOOL DISTRICT NO. 10
NOTES TO FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

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

Capital Leases *(Continued)*

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2018 are as follows:

Year ending June 30:	
2019	\$ 131,254
2020	79,956
2021	<u>6,643</u>
Total minimum lease payments	217,853
Less: amount representing interest	<u>1,310</u>
Present value of minimum lease payments	<u><u>\$ 216,543</u></u>

NOTE 8 - 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.

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 \$64,813 and \$33,000, respectively, for the year ended June 30, 2018.

REGIONAL SCHOOL DISTRICT NO. 10
NOTES TO FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

NOTE 8 - PENSION PLANS *(Continued)*

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 \$71,995 and \$131,378, respectively, for the year ended June 30, 2018.

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.

Plan membership - Membership of the Plan consisted of the following at July 1, 2017, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	22
Active plan members	<u>7</u>
Total	<u><u>29</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.

REGIONAL SCHOOL DISTRICT NO. 10
NOTES TO FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

NOTE 8 - PENSION PLANS *(Continued)*

Defined Benefit Pension Plan *(Continued)*

Plan Description *(Continued)*

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, 2018, employer contributions to the Plan totaled \$100,000.

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 fund 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. The following was the asset allocation as of June 30, 2018:

<u>Asset Class</u>	<u>Target Allocation</u>
Mutual Funds	94%
Equity securities	6%

Rate of return - For the year ended June 30, 2018 the annual money-weighted rate of return on pension plan investments, net of pension plan investment expenses, was 5.21%. 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.

REGIONAL SCHOOL DISTRICT NO. 10
 NOTES TO FINANCIAL STATEMENTS *(Continued)*
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

NOTE 8 - PENSION PLANS *(Continued)*

Defined Benefit Pension Plan *(Continued)*

Net Pension Liability

The components of the District's net pension liability of the Plan at June 30, 2018, was as follows:

Total pension liability	\$ 2,927,293
Plan fiduciary net position	<u>2,617,340</u>
District's net pension liability	<u><u>\$ 309,953</u></u>
Plan fiduciary net position as a percentage of the total pension liability	89.4%

The components of the changes in the net pension liability for the Plan for the year ended June 30, 2018, was as follows:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance as of June 30, 2017	\$ 2,917,428	\$ 2,626,649	\$ 290,779
Changes for the year:			
Service cost	42,376	-	42,376
Interest	195,306	-	195,306
Actuarial (gains) losses	29,580	-	29,580
Contributions - employer	-	100,000	(100,000)
Contributions - employee	-	13,452	(13,452)
Net investment income	-	173,639	(173,639)
Benefit payments, including refunds	(257,397)	(257,397)	-
Other	-	(39,003)	39,003
Net changes	<u>9,865</u>	<u>(9,309)</u>	<u>19,174</u>
Balance as of June 30, 2018	<u><u>\$ 2,927,293</u></u>	<u><u>\$ 2,617,340</u></u>	<u><u>\$ 309,953</u></u>

Actuarial assumptions - The total pension liability for the Plan was determined by an actuarial valuation as of July 1, 2017, 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 RP-2000 Unisex Healthy Annuitant Mortality Table, with adjustments to the valuation year for mortality improvements based on Scale AA.

REGIONAL SCHOOL DISTRICT NO. 10
 NOTES TO FINANCIAL STATEMENTS *(Continued)*
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

NOTE 8 - PENSION PLANS *(Continued)*

Defined Benefit Pension Plan *(Continued)*

Net Pension Liability *(Continued)*

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	\$ 529,902	\$ 309,953	\$ 115,730

Pension Expense and Deferred Outflows/Inflows of Resources

For the year ended June 30, 2018, the District recognized pension expense of \$139,881. At June 30, 2018, 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	\$ 151,247	\$ (28,366)	\$ 122,881
Differences between expected and actual experience	67,421	(3,913)	63,508
Change of assumptions	-	-	-
Total	<u>\$ 218,668</u>	<u>\$ (32,279)</u>	<u>\$ 186,389</u>

REGIONAL SCHOOL DISTRICT NO. 10
 NOTES TO FINANCIAL STATEMENTS *(Continued)*
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

NOTE 8 - PENSION PLANS *(Continued)*

Defined Benefit Pension Plan *(Continued)*

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

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:

	Pension Expense
Year ended June 30,	
2019	\$ 91,471
2020	69,461
2021	14,250
2022	11,207
Total	\$ 186,389

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, 2018.

	Employees' Pension Plan
ASSETS	
Cash and cash equivalents	\$ 208,981
Investments:	
Mutual funds	1,882,529
Equity securities	141,744
Other assets	193,300
Total assets	2,426,554
NET POSITION	
Held in trust for pension benefits	\$ 2,617,340

REGIONAL SCHOOL DISTRICT NO. 10
 NOTES TO FINANCIAL STATEMENTS *(Continued)*
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

NOTE 8 - PENSION PLANS *(Continued)*

Defined Benefit Pension Plan *(Continued)*

Pension Plan Financial Statements *(Continued)*

	Employees' Pension Plan
ADDITIONS	
Contributions:	
Employer contributions	\$ 100,000
Employee contributions	13,452
Total contributions	113,452
Investment earnings:	
Interest and dividends	155,283
Net change in the fair value of investments, net of fees	18,356
Total investment earnings	173,639
Total additions	287,091
 DEDUCTIONS	
Benefit payments	257,397
Insurance premiums	19,824
Other	19,179
Total deductions	296,400
Change in net position	(9,309)
 Net position held in trust for pension benefits:	
Beginning	2,626,649
Ending	\$ 2,617,340

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.

Benefit Provisions

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

REGIONAL SCHOOL DISTRICT NO. 10
NOTES TO FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

NOTE 8 - PENSION PLANS *(Continued)*

Connecticut State Teachers' Retirement System *(Continued)*

Benefit Provisions *(Continued)*

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

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

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

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

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

Contributions

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

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

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.

REGIONAL SCHOOL DISTRICT NO. 10
NOTES TO FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

NOTE 8 - PENSION PLANS *(Continued)*

Connecticut State Teachers' Retirement System *(Continued)*

Administrative Expenses

Administrative costs of the plan are funded by the State.

Basis of Presentation

The collective net pension liability, deferred outflows and inflows of resources, and pension expense for the TRS has been measured as of June 30, 2017 based on an actuarial valuation performed as of June 30, 2016. 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, 2017 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, 2018 and for reporting the proportionate share of the collective net pension liability that is attributed to the District as of June 30, 2018.

Allocation Methodology

The schedule of employer allocations for the TRS was calculated based upon the fiscal year 2017 expected contribution effort for each participating employer. The employer allocations were then applied to the net pension liability and pension expense to determine the amount applicable to each employer. For fiscal year 2017, the District's expected contribution effort for allocation purposes totaled \$4,310,801 or 0.426% 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, 2018.

The components associated with the collective pension expense and deferred inflows and outflows of resources for the TRS have been determined based on the fiduciary net position as audited by the State of Connecticut Auditors of Public Accounts as part of the State of Connecticut's Comprehensive Annual Financial Report as of and for the year ended June 30, 2017. The portion of the collective pension expense allocated to the District totaled \$6,651,814. The District has recognized this amount as an operating contribution and related education expense of the governmental activities for the year ended June 30, 2018.

The total collective net pension liability of participating employers for the TRS was approximately \$13.502 billion as of the June 30, 2017 measurement date. The portion attributed to the District totaled \$57,506,427 or approximately 0.426% of the total collective net pension liability.

Actuarial Assumptions

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

Inflation	2.75%
Salary increase	3.25%-6.50%, including inflation
Investment rate of return	8.00%, net of pension plan investment expense, including inflation

Mortality rates were based on the RPH-2014 White Collar table with employee and annuitant rates blended from ages 50 to 80, projected to the year 2020 using the BB improvement scale.

REGIONAL SCHOOL DISTRICT NO. 10
 NOTES TO FINANCIAL STATEMENTS *(Continued)*
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

NOTE 8 - PENSION PLANS *(Continued)*

Connecticut State Teachers' Retirement System *(Continued)*

Actuarial Assumptions *(Continued)*

Future cost-of-living increases for teachers who retired prior to September 1, 1992, are made in accordance with increases in the Consumer Price Index, with a minimum of 3% and a maximum of 5% per annum. For teachers who were members of the Teachers' Retirement System before July 1, 2007, and retire on or after September 1, 1992, pension benefit adjustments are made that are consistent with those provided for Social Security benefits on January 1 of the year granted, with a maximum of 6% per annum. If the return on assets in the previous year was less than 8.5%, the maximum increase is 1.5%. For teachers who were members of the Teachers' Retirement System after July 1, 2007, pension benefit adjustments are made that are consistent with those provided for Social Security benefits on January 1 of the year granted, with a maximum of 5% per annum. If the return on assets in the previous year was less than 11.5%, the maximum increase is 3%, and if the return on the assets in the previous year was less than 8.5%, the maximum increase is 1.0%.

Long-Term Rate of Return

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

<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%
Fixed Income (Core)	7.0%	1.3%
High Yield Bonds	5.0%	3.9%
Emerging Market Bonds	5.0%	3.7%
Inflation Linked Bonds	3.0%	1.0%
Cash	6.0%	0.4%
	<u>100%</u>	

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.

REGIONAL SCHOOL DISTRICT NO. 10
 NOTES TO FINANCIAL STATEMENTS *(Continued)*
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

NOTE 8 - PENSION PLANS *(Continued)*

Connecticut State Teachers' Retirement System *(Continued)*

Proportionate Share of the Collective Net Pension Liability

The following presents the proportionate share of the net pension liability attributed to the District as of the June 30, 2017 measurement date, calculated using a discount rate of 8.00%, as well as what the proportionate share of the net pension liability attributed to the District would be if it were calculated using a discount rate that is 1-percentage point lower (7.00%) or 1-percentage-point higher (9.00%) than the current rate:

	1.00% Decrease (7.00%)	Current Rate (8.00%)	1.00% Increase (9.00%)
District's proportionate share of the net pension liability (rounded to nearest thousand)	\$ 71,981,000	\$ 57,506,000	\$ 45,269,000

NOTE 9 - 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	326

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

Contributions - Contribution requirements of the 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.

REGIONAL SCHOOL DISTRICT NO. 10
NOTES TO FINANCIAL STATEMENTS (Continued)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

NOTE 9 - OTHER POST-EMPLOYMENT BENEFITS (OPEB) (Continued)

Board of Education Plan (Continued)

Total OPEB Liability

The District's total OPEB liability reported as of June 30, 2018 totaled \$1,857,258. The total OPEB liability was measured as of June 30, 2018 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 used the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial cost method	Entry Age
	Normal Cost Method
Amortization method	Level Dollar
Remaining amortization period	30 years, closed
Asset valuation method	Market Value
Actuarial assumptions (includes inflation rate):	
Investment rate of return	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 were based on the RP-2000 Healthy Annuitant Mortality Table for Males and Females projected generationally with Scale BB.

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.

Changes in the Total OPEB Liability

	Total OPEB Liability
	\$ 1,696,283
Balance as of June 30, 2017	
Changes for the year:	
Service cost	59,833
Interest	55,307
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions or other inputs	155,449
Benefit payments	(109,614)
Net changes	160,975
Balance as of June 30, 2018	\$ 1,857,258

REGIONAL SCHOOL DISTRICT NO. 10
 NOTES TO FINANCIAL STATEMENTS *(Continued)*
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

NOTE 9 - OTHER POST-EMPLOYMENT BENEFITS (OPEB) *(Continued)*

Board of Education Plan (Continued)

Changes in the Total OPEB Liability

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	\$ 2,076,777	\$ 1,857,258	\$ 1,667,085

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	\$ 1,169,061	\$ 1,891,482	\$ 2,717,886

OPEB Expense and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2018, the District recognized OPEB expense of \$206,762. As of June 30, 2018, the District reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources
Changes of assumptions	\$ 133,242

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

Year ended June 30:	
2019	\$ 22,207
2020	22,207
2021	22,207
2022	22,207
2023	22,207
Thereafter	22,207
	\$ 133,242

REGIONAL SCHOOL DISTRICT NO. 10
NOTES TO FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

NOTE 9 - OTHER POST-EMPLOYMENT BENEFITS (OPEB) *(Continued)*

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.

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.

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

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

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

Employees are eligible to retire at age 60 with 20 years of credited service in Connecticut, or 35 years of credited service including at least 25 years of service in Connecticut.

Contributions

Per CGS 10-183z, which reflects Public Act 79-436 as amended), contribution requirements of active employees and the State of Connecticut are amended and certified by the TRB and appropriated by the General Assembly. The State pays for one third of plan costs through and annual appropriation in the General Fund. School district employers are not required to make contributions to the Plan.

REGIONAL SCHOOL DISTRICT NO. 10
NOTES TO FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

NOTE 9 - OTHER POST EMPLOYMENT BENEFITS (OPEB) *(Continued)*

Connecticut State Teachers' Retirement System *(Continued)*

Contributions *(Continued)*

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.

Basis of Presentation

The collective net OPEB liability, deferred outflows and inflows of resources, and OPEB expense for the TRS has been measured as of June 30, 2017 based on an actuarial valuation performed as of June 30, 2016. 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, 2017 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, 2018 and for reporting the proportionate share of the collective net OPEB liability that is attributed to the District as of June 30, 2018.

The components associated with the OPEB expense and deferred inflows and outflows of resources have been determined using the unrecognized portions of each year's experience and assumption changes for the year ended June 30, 2017.

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, 2017.

For fiscal year 2017, the District's expected contribution effort for allocation purposes totaled \$84,848 or 0.43% 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, 2018.

The components associated with the collective OPEB expense and deferred inflows and outflows of resources for the TRS have been determined based on the fiduciary net position as audited by the State of Connecticut Auditors of Public Accounts as part of the State of Connecticut's Comprehensive Annual Financial Report as of and for the year ended June 30, 2017. The portion of the collective OPEB expense allocated to the District totaled \$685,976. The District has recognized this amount as an operating contribution and related education expense of the governmental activities for the year ended June 30, 2018.

REGIONAL SCHOOL DISTRICT NO. 10
NOTES TO FINANCIAL STATEMENTS (Continued)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

NOTE 9 - OTHER POST EMPLOYMENT BENEFITS (OPEB) (Continued)

Connecticut State Teachers' Retirement System (Continued)

Allocation Methodology (Continued)

The total collective net OPEB liability of participating employers for the TRS was approximately \$3.475 billion as of the June 30, 2017 measurement date. The portion attributed to the District totaled \$14,801,490 or approximately 0.43% of the total collective net OPEB liability.

Actuarial Assumptions

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

Inflation	2.75%
Salary increases	3.25% - 6.50%, including inflation
Investment rate of return	2.75%, net of investment related expense
Healthcare cost trend rates:	
Pre- Medicare	7.25% for 2017 decreasing to an ultimate rate of 5.00% by 2022
Medicare	7.25% for 2017 decreasing to an ultimate rate of 5.00% by 2022

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:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
U.S. Treasuries (Cash Equivalents)	100.0%	0.04%

REGIONAL SCHOOL DISTRICT NO. 10
 NOTES TO FINANCIAL STATEMENTS *(Continued)*
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

NOTE 9 - OTHER POST EMPLOYMENT BENEFITS (OPEB) *(Continued)*

Connecticut State Teachers' Retirement System *(Continued)*

Discount Rate

The discount rate used to measure the total OPEB liability was 3.56%. 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, 2016. In addition to the actuarial methods and assumptions of the June 30, 2016 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.
- For future plan members, contribution inflows were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.

Based on those assumptions, the Plan's fiduciary net position was projected to be depleted in 2018 and, as a result, the Municipal Bond Index Rate was used in the determination 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, 2017 measurement date, calculated using a discount rate of 3.56%, 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 (2.56%) or 1-percentage-point higher (4.56%) than the current rate:

	1.00% Decrease (2.56%)	Current Rate (3.56%)	1.00% Increase (4.56%)
Proportionate share of the net OPEB liability attributed to the Town	\$ 17,838,165	\$ 14,801,490	\$ 12,413,788

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, 2017 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 Town	\$ 12,186,967	\$ 14,801,490	\$ 18,321,626

REGIONAL SCHOOL DISTRICT NO. 10
NOTES TO FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

NOTE 10 - 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 11 - 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 2018, 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 12 - 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 13 - IMPACT OF NEW ACCOUNTING STANDARDS NOT YET EFFECTIVE

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations. (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement which (1) establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs, (2) requires the measurement of an ARO to be based on the best estimate of the current value of outlays expected to be incurred, and (3) requires the current value of a government's AROs to be adjusted for the effects of general inflation or deflation at least annually. 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.

REGIONAL SCHOOL DISTRICT NO. 10
NOTES TO FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

NOTE 13 - IMPACT OF NEW ACCOUNTING STANDARDS NOT YET EFFECTIVE

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

In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this statement are effective for the District's reporting period beginning July 1, 2020. The District is currently evaluating the potential impact of adopting this Statement on its financial statements.

In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The requirements of this Statement are effective for the District's reporting period beginning July 1, 2018. 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 is currently evaluating the potential impact of adopting this Statement on its financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

REGIONAL SCHOOL DISTRICT NO. 10
STATEMENT OF REVENUES, EXPENDITURES, OTHER FINANCING SOURCES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -
BUDGETARY BASIS - GENERAL FUND (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
District Towns	\$ 39,450,165	\$ 39,450,165	\$ 38,954,032	\$ (496,133)
Interest income	12,000	12,000	47,432	35,432
Other	82,000	82,000	92,813	10,813
Total revenues	<u>39,544,165</u>	<u>39,544,165</u>	<u>39,094,277</u>	<u>(449,888)</u>
EXPENDITURES				
Current:				
Salaries	23,729,531	23,264,595	23,203,195	(61,400)
Employee benefits	5,751,000	5,107,072	5,025,678	(81,394)
Supplies	1,263,638	1,155,463	1,043,287	(112,176)
Facilities	1,291,430	1,385,301	1,280,989	(104,312)
Purchased services	680,794	721,999	662,480	(59,519)
Equipment	338,176	1,152,689	1,130,906	(21,783)
Other	4,930,177	5,197,627	4,479,975	(717,652)
Debt service	1,798,962	1,798,962	1,798,963	1
Total expenditures	<u>39,783,708</u>	<u>39,783,708</u>	<u>38,625,473</u>	<u>(1,158,235)</u>
Excess (deficiency) of revenues over expenditures	(239,543)	(239,543)	468,804	708,347
OTHER FINANCING SOURCES (USES)				
Use of fiscal year 2016 surplus	239,543	239,543	-	(239,543)
Use of fiscal year 2017 surplus	-	248,585	-	(248,585)
Unliquidated encumbrances	-	-	53,688	53,688
Transfer out	-	(248,585)	(248,585)	-
Total other financing sources (uses)	<u>239,543</u>	<u>239,543</u>	<u>(194,897)</u>	<u>(434,440)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 273,907</u>	<u>\$ 273,907</u>

See accompanying notes to required supplementary information.

REGIONAL SCHOOL DISTRICT NO. 10
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES - BUDGET AND ACTUAL -
BUDGETARY BASIS - GENERAL FUND (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
District Towns:				
Burlington	\$ 26,141,548	\$ 26,141,548	\$ 25,810,198	\$ (331,350)
Harwinton	13,308,617	13,308,617	13,143,834	(164,783)
Total District Towns	<u>39,450,165</u>	<u>39,450,165</u>	<u>38,954,032</u>	<u>(496,133)</u>
Interest income	<u>12,000</u>	<u>12,000</u>	<u>47,432</u>	<u>35,432</u>
Other revenues:				
User fees and tuition	82,000	82,000	84,441	2,441
Other	-	-	8,372	8,372
Total other revenues	<u>82,000</u>	<u>82,000</u>	<u>92,813</u>	<u>10,813</u>
Total revenues	<u>39,544,165</u>	<u>39,544,165</u>	<u>39,094,277</u>	<u>(449,888)</u>
OTHER FINANCING SOURCES:				
Use of fiscal year 2016 surplus	239,543	239,543	-	(239,543)
Use of fiscal year 2017 surplus	-	248,585	-	(248,585)
Unliquidated encumbrances	-	-	53,688	53,688
Total other financing sources	<u>239,543</u>	<u>488,128</u>	<u>53,688</u>	<u>(434,440)</u>
Total revenues and other financing sources	<u>\$ 39,783,708</u>	<u>\$ 40,032,293</u>	<u>\$ 39,147,965</u>	<u>\$ (884,328)</u>

See accompanying notes to required supplementary information.

REGIONAL SCHOOL DISTRICT NO. 10
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES - BUDGET AND ACTUAL -
BUDGETARY BASIS - GENERAL FUND (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual	Variance With Final Budget Over (Under)
	Original	Final		
EXPENDITURES:				
Salaries:				
Certified	\$ 18,762,608	\$ 18,342,354	\$ 18,339,491	\$ (2,863)
Noncertified	4,671,923	4,678,216	4,637,034	(41,182)
Substitute wages	295,000	244,025	226,670	(17,355)
Total salaries	<u>23,729,531</u>	<u>23,264,595</u>	<u>23,203,195</u>	<u>(61,400)</u>
Employee Benefits:				
Health and life benefits	4,250,000	3,820,000	3,761,105	(58,895)
Social security and Medicare tax	770,000	695,000	679,565	(15,435)
Retirement contributions	325,000	266,000	265,846	(154)
Workers compensation	270,000	250,072	249,959	(113)
Group disability insurance	30,000	30,000	27,132	(2,868)
Tuition reimbursement	26,000	16,000	15,266	(734)
Unemployment compensation	80,000	30,000	26,805	(3,195)
Total employee benefits	<u>5,751,000</u>	<u>5,107,072</u>	<u>5,025,678</u>	<u>(81,394)</u>
Supplies:				
Supplies	554,806	535,389	448,678	(86,711)
Library/Audio supplies	218,482	221,054	216,298	(4,756)
Textbooks	112,809	60,219	54,423	(5,796)
Library books	24,450	3,988	2,759	(1,229)
Periodicals	14,310	11,032	8,930	(2,102)
Propane and natural gas	49,000	49,000	44,519	(4,481)
Fuel oil	283,781	268,781	262,538	(6,243)
Gasoline	6,000	6,000	5,142	(858)
Total supplies	<u>1,263,638</u>	<u>1,155,463</u>	<u>1,043,287</u>	<u>(112,176)</u>
Facilities:				
Repairs and maintenance services	427,454	455,750	384,931	(70,819)
Utility services	569,983	589,983	575,112	(14,871)
Grounds upkeep	44,800	40,800	36,068	(4,732)
Snowplowing services	68,100	68,099	68,096	(3)
Security services	45,630	90,330	84,378	(5,952)
Disposal services	46,600	50,711	50,707	(4)
Septic and water system	40,300	40,565	34,989	(5,576)
LGS sewer annual fee	25,730	26,230	26,226	(4)
Facility rentals	20,033	20,033	17,962	(2,071)
Pest control	2,800	2,800	2,520	(280)
Total facilities	<u>1,291,430</u>	<u>1,385,301</u>	<u>1,280,989</u>	<u>(104,312)</u>

(Continued)

REGIONAL SCHOOL DISTRICT NO. 10
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES - BUDGET AND ACTUAL -
BUDGETARY BASIS - GENERAL FUND (UNAUDITED) (Continued)
FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual	Variance With Final Budget Over (Under)
	Original	Final		
EXPENDITURES (Continued) :				
Purchased services:				
Other professional services	\$ 533,154	\$ 574,409	\$ 532,381	\$ (42,028)
Administrative services	75,000	60,000	57,547	(2,453)
Professional education services	42,390	52,390	38,607	(13,783)
Instructional improvement	22,500	22,500	21,245	(1,255)
Technical services	7,750	12,700	12,700	-
Total purchased services	<u>680,794</u>	<u>721,999</u>	<u>662,480</u>	<u>(59,519)</u>
Equipment:				
Replace non-instructional equipment	336,116	386,563	385,554	(1,009)
Replace instructional equipment	2,060	1,300	854	(446)
New non-instructional equipment	-	105,000	104,648	(352)
Total equipment	<u>338,176</u>	<u>1,152,689</u>	<u>1,130,906</u>	<u>(21,783)</u>
Other:				
Transportation/reimbursable	2,420,735	2,390,999	2,366,538	(24,461)
Insurance	193,650	194,449	191,286	(3,163)
Communication/telephone	69,400	69,400	41,331	(28,069)
Postage	31,700	31,700	25,148	(6,552)
Advertising	2,000	2,000	961	(1,039)
Printing & binding	9,729	9,939	7,701	(2,238)
Tuition to LEAs	216,845	219,974	218,094	(1,880)
Tuition to private sources	1,008,000	1,035,886	1,035,885	(1)
Professional development	89,208	42,593	33,324	(9,269)
Other purchased services	184,801	191,457	171,523	(19,934)
Student activities	16,787	16,787	9,663	(7,124)
Dues and fees	35,084	29,235	26,049	(3,186)
Capital improvements	215,264	360,269	352,472	(7,797)
Total other	<u>4,493,203</u>	<u>4,594,688</u>	<u>4,479,975</u>	<u>(114,713)</u>
Debt service:				
Principal	1,285,000	1,285,000	1,285,000	-
Interest	513,962	513,962	513,963	1
Total debt service	<u>1,798,962</u>	<u>1,798,962</u>	<u>1,798,963</u>	<u>1</u>
Contingency	436,974	602,939	-	(602,939)
Total expenditures	<u>39,783,708</u>	<u>39,783,708</u>	<u>38,625,473</u>	<u>(1,158,235)</u>
OTHER FINANCING USES:				
Transfer out	-	248,585	248,585	-
Total expenditures and other financing uses	<u>\$ 39,783,708</u>	<u>\$ 40,032,293</u>	<u>\$ 38,874,058</u>	<u>\$ (1,158,235)</u> <i>(Concluded)</i>

See accompanying notes to required supplementary information.

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

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 107,961	\$ 149,939	\$ 126,038	\$ 151,312	\$ 204,948
Contributions in relation to the actuarially determined contribution	<u>113,452</u>	<u>228,043</u>	<u>127,016</u>	<u>197,075</u>	<u>249,024</u>
Excess Contribution	<u>\$ (5,491)</u>	<u>\$ (78,104)</u>	<u>\$ (978)</u>	<u>\$ (45,763)</u>	<u>\$ (44,076)</u>
Covered employee payroll	\$ 276,636	\$ 442,748	\$ 442,124	\$ 441,500	\$ 469,968
Contributions as a percentage of covered employee payroll	41.01%	51.51%	28.73%	44.64%	52.99%
Annual money-weighted rate of return, net of investment expense	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 FOUR FISCAL YEARS
(Rounded to nearest thousand)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Proportion of the net pension liability attributed to the District	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>57,506,000</u>	<u>60,670,000</u>	<u>48,951,000</u>	<u>45,246,000</u>
Total	<u>\$ 57,506,000</u>	<u>\$ 60,670,000</u>	<u>\$ 48,951,000</u>	<u>\$ 45,246,000</u>
District's covered payroll	\$ 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 payroll	0.0%	0.0%	0.0%	0.0%
Plan fiduciary net position as a percentage of the total pension liability	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 FISCAL YEAR

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

See accompanying notes to required supplementary information.

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

	2018
Proportion of the net OPEB liability attributed to the District	0.426%
District's proportionate share of the net OPEB liability	\$ -
State's proportionate share of the net OPEB liability attributed to the District	14,801,490
Total	\$ 14,801,490
District's covered payroll	\$ 18,441,000
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	0.0%
Plan fiduciary net position as a percentage of the total OPEB liability	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, 2018

NOTE 1 - STATEMENT OF REVENUES, EXPENDITURES 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, 2018

NOTE 1 - STATEMENT OF REVENUES, EXPENDITURES 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, 2018:

	<u>Revenues</u>	<u>Expenditures</u>	<u>Other Financing Sources (Uses)</u>	<u>Change in Fund Balance</u>
Budgetary basis	\$ 39,094,277	\$ 38,625,473	\$ (194,897)	\$ 273,907
"On-behalf" payments - State Teachers' Retirement Fund	4,395,649	4,395,649	-	-
Reimbursement for certain special education and other costs recorded as a reduction to expenditures for budgetary purposes	865,461	865,461	-	-
Transfers out recorded as expenditures for budgetary purposes	-	(1,798,963)	(1,798,963)	-
Encumbrances outstanding:				
June 30, 2018	-	(958,071)	-	958,071
June 30, 2017	-	310,786	(53,688)	(364,474)
GAAP basis	<u>\$ 44,355,387</u>	<u>\$ 41,440,335</u>	<u>\$ (2,047,548)</u>	<u>\$ 867,504</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, 2017. The July 1, 2017 was utilized to calculate the total pension liability as of July 1, 2017, which was rolled forward to the most recent measurement date of June 30, 2018.

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, 2018

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, 2018.

Actuarial cost method	Aggregate Cost Method
Amortization method	Not applicable
Remaining amortization period	Not applicable
Asset valuation method	Market Value
Actuarial assumptions (includes inflation rate):	
Investment rate of return	7.00%
Discount rate	7.00%
Salary scale	2.5% per annum

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, 2016. The June 30, 2016 actuarial valuation was rolled forward to the most recent measurement date of June 30, 2017. This information is utilized by the District for reporting as of June 30, 2018.

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 had a significant effect on the measurement of the total pension liability as of June reported as of June 30, 2017.

- the inflation assumption was reduced from 3.00% to 2.75%,
- the real rate of return assumption was reduced from 5.50% to 5.25%, which when combined with the inflation assumption change, resulted in a decrease in the investment rate of return assumption from 8.50% to 8.00%,
- the payroll growth assumption was reduced from 3.75% to 3.25%, and
- various demographic assumption changes including the utilization of the RPH-2014 mortality tables.

REGIONAL SCHOOL DISTRICT NO. 10
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED) *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

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.

Actuarial valuations are prepared every year with the most recent available actuarial valuation performed as of July 1, 2017. The July 1, 2017 was utilized to calculate the total OPEB liability as of July 1, 2017, which was rolled forward to the most recent measurement date of June 30, 2018.

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 total pension liability as of June 30, 2018.

NOTE 6 - SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET OTHER POST-EMPLOYMENT BENEFITS LIABILITY - CONNECTICUT STATE TEACHERS' RETIREMENT SYSTEM

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

Actuarial valuations are prepared every two years with the most recent available actuarial valuation performed as of June 30, 2016. The June 30, 2016 actuarial valuation was rolled forward to the most recent measurement date of June 30, 2017. This information is utilized by the District for reporting as of June 30, 2018.

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

Assumption Changes - There have been no changes in assumptions that have had a significant effect on the measurement of the total OPEB liability.

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

REGIONAL SCHOOL DISTRICT NO. 10
SCHEDULE OF DEBT LIMITATION
CONNECTICUT GENERAL STATUTES, SECTION 7-374(b)
FOR THE YEAR ENDED JUNE 30, 2018

	Burlington	Harwinton	Total
Total cash collections for the year ended June 30, 2018:	\$ 25,810,198	\$ 13,143,834	\$ 38,954,032
			District
Debt limitation: 4-1/2 times base			\$ 175,293,144
Indebtedness:			
Bonds payable			14,500,000
Total indebtedness			14,500,000
Debt limitation in excess of outstanding and authorized debt			\$ 160,793,144
Total capacity of borrowing (4-1/2 times base)			\$ 175,293,144
Total present indebtedness			14,500,000
Margin for additional borrowing			\$ 160,793,144

See accompanying Independent Auditor's Report.

REGIONAL SCHOOL DISTRICT NO. 10
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2018

	Nonmajor Governmental Funds			
	School Lunch Fund	Debt Service Fund	Capital Projects Fund	Total Nonmajor Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 277,321	\$ 136	\$ 233,192	\$ 510,649
Receivables:				
Grants	28,133	-	-	28,133
Other	3,334	-	-	3,334
Due from other funds	5,010	-	-	5,010
Inventories	3,795	-	-	3,795
Total assets	<u>\$ 317,593</u>	<u>\$ 136</u>	<u>\$ 233,192</u>	<u>\$ 550,921</u>
LIABILITIES				
Accrued expenses	\$ 6,646	\$ -	\$ -	\$ 6,646
Due to other funds	-	-	98,585	98,585
Total liabilities	<u>6,646</u>	<u>-</u>	<u>98,585</u>	<u>105,231</u>
FUND BALANCES				
Nonspendable:				
Inventories	3,795	-	-	3,795
Committed to:				
School lunch operations	307,152	-	-	307,152
Debt service	-	136	-	136
Capital purposes	-	-	134,607	134,607
Total fund balances	<u>310,947</u>	<u>136</u>	<u>134,607</u>	<u>445,690</u>
Total liabilities and fund balances	<u>\$ 317,593</u>	<u>\$ 136</u>	<u>\$ 233,192</u>	<u>\$ 550,921</u>

See accompanying Independent Auditor's Report.

REGIONAL SCHOOL DISTRICT NO. 10
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2018

	Nonmajor Governmental Funds			Total Nonmajor Governmental Funds
	School Lunch Fund	Debt Service Fund	Capital Projects Fund	
REVENUES				
Intergovernmental	\$ 161,349	\$ -	\$ -	\$ 161,349
Charges for goods and services	799,811	-	-	799,811
Interest income	141	84	490	715
Total revenues	<u>961,301</u>	<u>84</u>	<u>490</u>	<u>961,875</u>
EXPENDITURES				
Current:				
Support services - students	918,643	-	-	918,643
Capital outlays	-	-	133,454	133,454
Debt service:				
Principal payments	-	1,285,000	-	1,285,000
Interest and fiscal charges	-	513,963	-	513,963
Total expenditures	<u>918,643</u>	<u>1,798,963</u>	<u>133,454</u>	<u>2,851,060</u>
Excess (deficiency) of revenues over expenditures	42,658	(1,798,879)	(132,964)	(1,889,185)
OTHER FINANCING SOURCES				
Transfers in	-	1,798,963	248,585	2,047,548
Total other financing sources	<u>-</u>	<u>1,798,963</u>	<u>248,585</u>	<u>2,047,548</u>
Net changes in fund balances	42,658	84	115,621	158,363
Fund balances - beginning	268,289	52	18,986	287,327
Fund balances - ending	<u>\$ 310,947</u>	<u>\$ 136</u>	<u>\$ 134,607</u>	<u>\$ 445,690</u>

See accompanying Independent Auditor's Report.

REGIONAL SCHOOL DISTRICT NO. 10
COMBINING STATEMENT OF NET POSITION
PENSION TRUST FUNDS
JUNE 30, 2018

	Employees' Pension Plan	Employees' Defined Contribution Plan	Custodial and Maintenance Employees' Plan	Total
ASSETS				
Cash and cash equivalents	\$ 208,981	\$ 77,876	\$ 152,050	\$ 438,907
Investments:				
Mutual funds	1,882,529	1,306,547	1,029,261	4,218,337
Equity securities	141,744	-	-	141,744
Other assets	193,300	-	-	193,300
Total assets	<u>2,426,554</u>	<u>1,384,423</u>	<u>1,181,311</u>	<u>4,992,288</u>
LIABILITIES				
Accounts payable	-	-	-	-
Due to others	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET POSITION				
Held in trust for pension benefits	<u>\$ 2,617,340</u>	<u>\$ 1,655,591</u>	<u>\$ 1,340,167</u>	<u>\$ 5,613,098</u>

See accompanying Independent Auditor's Report.

REGIONAL SCHOOL DISTRICT NO. 10
COMBINING STATEMENT OF CHANGES IN NET POSITION
PENSION TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Employees' Pension Plan</u>	<u>Employees' Defined Contribution Plan</u>	<u>Custodial and Maintenance Employees' Plan</u>	<u>Total</u>
ADDITIONS				
Contributions:				
Employer contributions	\$ 100,000	\$ 71,995	\$ 64,813	\$ 236,808
Employee contributions	13,452	131,378	33,000	177,830
Total contributions	<u>113,452</u>	<u>203,373</u>	<u>97,813</u>	<u>414,638</u>
Investment earnings:				
Interest and dividends	155,283	79,152	54,801	289,236
Net change in the fair value of investments, net of fees	<u>18,356</u>	<u>28,596</u>	<u>33,700</u>	<u>80,652</u>
Total investment earnings	<u>173,639</u>	<u>107,748</u>	<u>88,501</u>	<u>369,888</u>
Total additions	<u>287,091</u>	<u>311,121</u>	<u>186,314</u>	<u>784,526</u>
DEDUCTIONS				
Benefit payments	257,397	694,105	66,129	1,017,631
Insurance premiums	19,824	-	-	19,824
Other	<u>19,179</u>	<u>5,095</u>	<u>9,292</u>	<u>33,566</u>
Total deductions	<u>296,400</u>	<u>699,200</u>	<u>75,421</u>	<u>1,071,021</u>
Change in net position	(9,309)	(388,079)	110,893	(286,495)
Net position held in trust for pension benefits:				
Beginning	<u>2,626,649</u>	<u>2,043,670</u>	<u>1,229,274</u>	<u>5,899,593</u>
Ending	<u>\$ 2,617,340</u>	<u>\$ 1,655,591</u>	<u>\$ 1,340,167</u>	<u>\$ 5,613,098</u>

See accompanying Independent Auditor's Report.

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, 2018

	<u>Balance,</u> <u>July 1, 2017</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance,</u> <u>June 30, 2018</u>
ASSETS				
Cash and cash equivalents	\$ 277,824	\$ 593,360	\$ 593,678	\$ 277,506
Total assets	<u>\$ 277,824</u>	<u>\$ 593,360</u>	<u>\$ 593,678</u>	<u>\$ 277,506</u>
 LIABILITIES				
Accounts payable	\$ 32,261	\$ 25,615	\$ 32,261	\$ 25,615
Due to students	245,563	567,745	561,417	251,891
Total liabilities	<u>\$ 277,824</u>	<u>\$ 593,360</u>	<u>\$ 593,678</u>	<u>\$ 277,506</u>

See accompanying Independent Auditor's Report.