

REGIONAL SCHOOL DISTRICT NO. 10

**BASIC FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION, AND
INDEPENDENT AUDITOR'S REPORT**

JUNE 30, 2017

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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, 2017, 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, 2017, and the respective changes in financial position thereof, and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 12 and the schedules on the District's pension plans and other post-retirement benefit plan on pages 51 through 54 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 55 through 63 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 18, 2017, 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.



Glastonbury, Connecticut
December 18, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

REGIONAL SCHOOL DISTRICT NO. 10
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
JUNE 30, 2017

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, 2017.

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 \$40,713,283 (net position). Of this amount, \$1,975,598 (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, 2017 resulted in a decrease of \$12,462.
- As of the close of the current fiscal year, the District's governmental funds reported a combined ending fund balance of \$3,274,565, a decrease in ending fund balance of \$96,972 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund amounted to \$2,383,221. Of this amount, \$475,750 represents the District's budgetary surplus for the year ended June 30, 2017.
- The District's principal balance on long-term bonded debt decreased by \$1,560,000 due to scheduled principal repayments. The District's balance on long-term capital lease obligations decreased by \$123,920 due to new leases entered into during the year for computer equipment, offset by 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.

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

REGIONAL SCHOOL DISTRICT NO. 10
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited) (Continued)
JUNE 30, 2017

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Government-wide Financial Statements (Continued)

The government-wide financial statements are intended to distinguish functions of the District that are principally supported by District towns and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the District include instruction and support services. The District has no business-type activities.

The government-wide financial statements can be found on pages 13 and 14 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term outflows and inflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the District's near-term financing requirements.

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

The District maintains a number of individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund 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 20 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 21 and 22 of this report.

REGIONAL SCHOOL DISTRICT NO. 10
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited) (Continued)
JUNE 30, 2017

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 23 through 50 of this report.

Required Supplementary Information

Required supplementary information on the District's pension and other post-employment benefit plans can be found on pages 51 through 54 of this report.

Other Information

Combining and individual fund statements and schedules can be found on pages 55 through 63 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 \$40,713,283 and \$40,725,745 as of June 30, 2017 and 2016, respectively, and are summarized as follows:

	<u>2017</u>	<u>2016</u>
Current and other assets	\$ 3,958,542	\$ 4,155,614
Capital assets, net	54,951,818	56,337,649
Total assets	<u>58,910,360</u>	<u>60,493,263</u>
Deferred outflows of resources	<u>1,000,534</u>	<u>1,170,313</u>
Long-term liabilities	18,265,071	20,057,442
Other liabilities	864,544	823,954
Total liabilities	<u>19,129,615</u>	<u>20,881,396</u>
Deferred inflows of resources	<u>67,996</u>	<u>56,435</u>
Net position:		
Net investment in capital assets	38,737,685	38,457,173
Unrestricted	<u>1,975,598</u>	<u>2,268,572</u>
Total net position	<u>\$ 40,713,283</u>	<u>\$ 40,725,745</u>

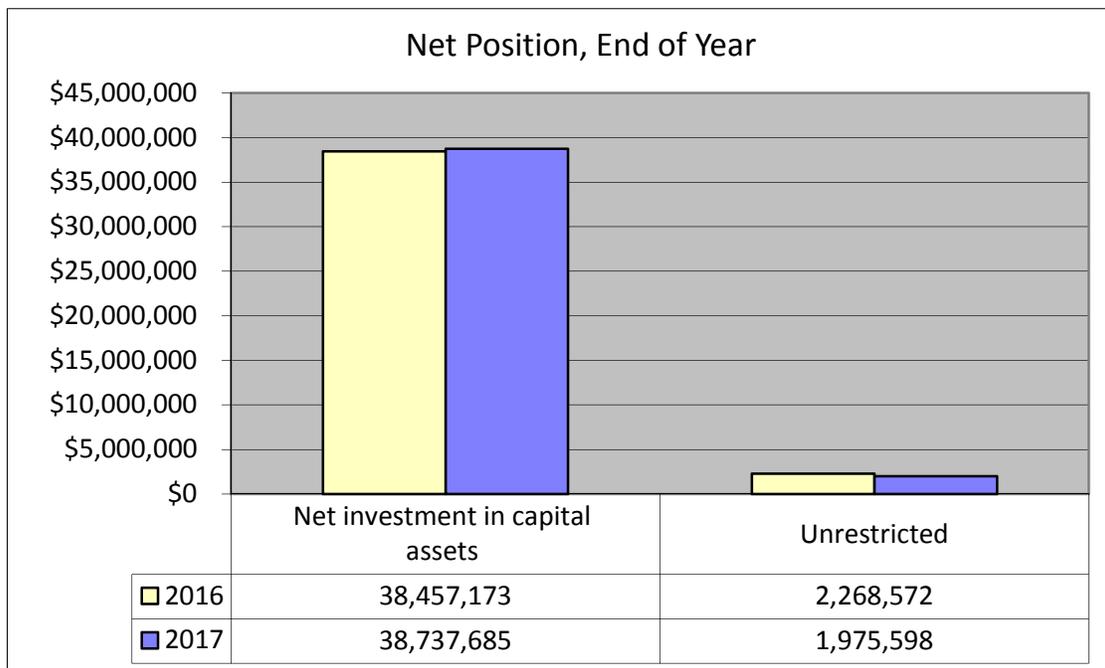
REGIONAL SCHOOL DISTRICT NO. 10
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited) (Continued)
JUNE 30, 2017

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Net Position (Continued)

95.1% and 94.4% of the District's net position as of June 30, 2017 and 2016, 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 4.9% and 5.6% of the District's net position as of June 30, 2017 and 2016, respectively, were considered unrestricted and available to be used to meet the District's ongoing obligations to citizens and creditors.



REGIONAL SCHOOL DISTRICT NO. 10
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited) (Continued)
JUNE 30, 2017

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Changes in Net Position

Changes in net position for the years ended June 30, 2017 and 2016 are as follows. Reclassifications have been made to the amounts reported for the year ended June 30, 2016 to conform with the current year presentation.

	<u>2017</u>	<u>2016</u>
Revenues:		
Program revenues:		
Charges for services	\$ 939,466	\$ 898,729
Operating grants and contributions	5,588,095	6,416,637
Capital grants and contributions	-	52,199
General revenues:		
District Towns	38,326,608	37,346,848
Unrestricted investment earnings	27,956	12,867
Total revenues	<u>44,882,125</u>	<u>44,727,280</u>
Program expenses:		
General instruction	29,653,700	29,448,027
Support services - students	3,487,235	3,309,735
Improvement of instruction	2,324,853	2,556,393
Support services - administration	485,673	513,719
School-based administration	1,888,809	2,045,497
Plant operation and maintenance	3,056,866	4,474,357
Transportation	2,556,038	2,103,808
Other support services	855,437	747,213
Interest and fiscal charges	585,976	608,177
Total expenses	<u>44,894,587</u>	<u>45,806,926</u>
Change in net position	<u>\$ (12,462)</u>	<u>\$ (1,079,646)</u>

The District's change in net position was a decrease of \$12,462. This is a decrease in the deficit from the prior year of \$1,079,646.

Overall revenues increased by \$154,845 or 0.3% over the prior year. Operating grants and contributions decreased by \$828,542 or 12.9%. This decrease is primarily due to a decrease in eligible grant reimbursements for special education costs. The decrease in operating grants and contributions was offset by an increase in revenues assessed to the District's member towns in the amount of \$979,760 or 2.6%.

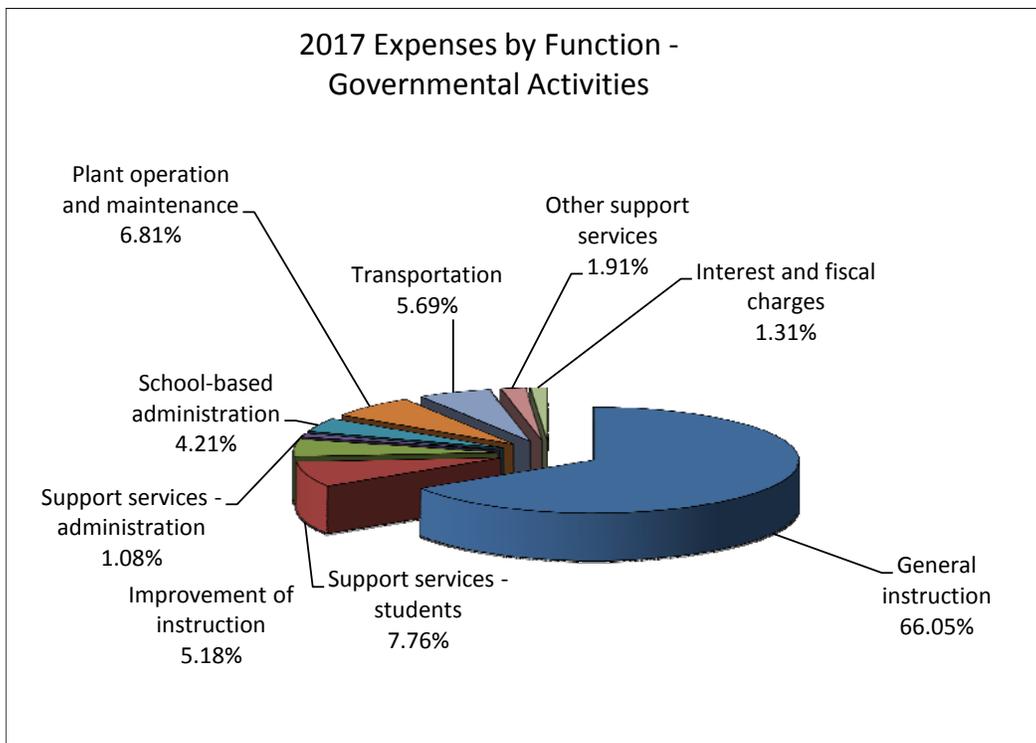
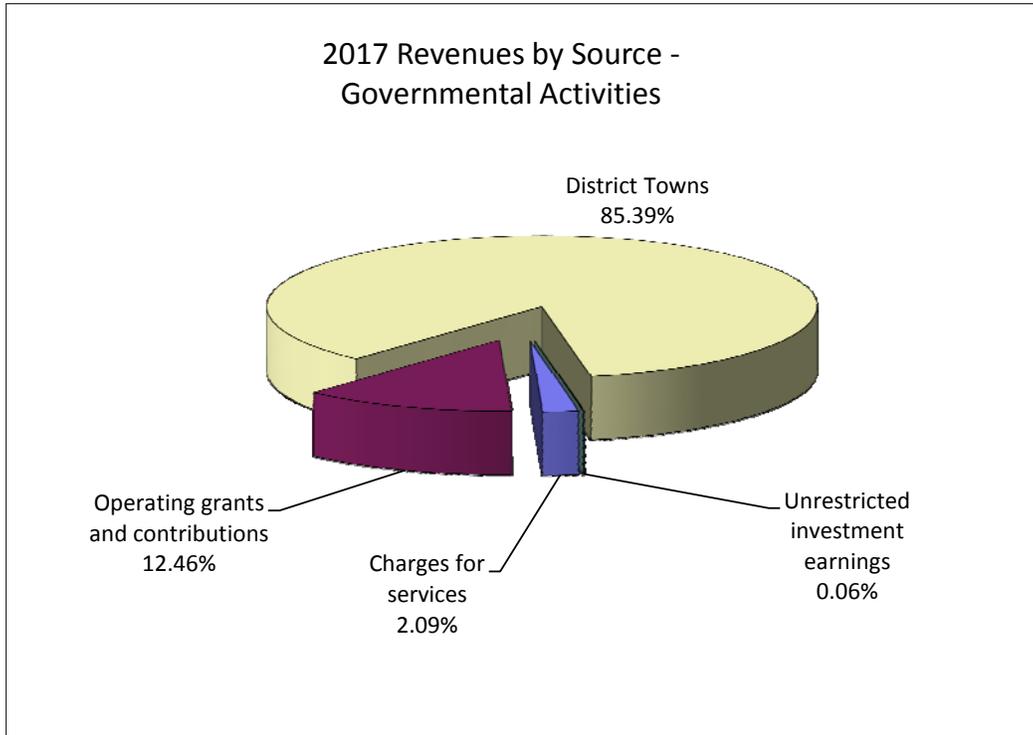
Overall expenses decreased by \$912,339 or 2.0% over the prior year. This decrease is primarily due to an increase in current year capitalized costs relating to building and site improvements.

**REGIONAL SCHOOL DISTRICT NO. 10
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited) (Continued)
JUNE 30, 2017**

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, 2017.



REGIONAL SCHOOL DISTRICT NO. 10
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited) (Continued)
JUNE 30, 2017

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 \$3,274,565, a decrease in ending fund balance of \$96,972 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 \$2,987,238 as of June 30, 2017. Unassigned fund balance totaled \$2,383,221 and includes a \$475,750 budgetary surplus recognized for the year ended June 30, 2017 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 \$178,875. The actual change in fund balance was an increase of \$204,415, which included a \$92,460 refund of the prior year's surplus to the District's member towns to offset funding cuts made by the State of Connecticut to the education cost sharing grant received by the District's member towns. The resulting budgetary surplus for the year ended June 30, 2017 totaled \$475,750. Revenues were \$111,668 less than budgeted revenues and expenditures were \$587,418 less than budgeted expenditures.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The District's investment in capital assets for its governmental activities as of June 30, 2017 totaled \$54,951,818 (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 \$1,385,831. This decrease consists primarily of current year depreciation in the amount of \$2,663,156, offset by capital additions of \$1,292,325. Significant current year capital asset additions consisted of energy efficiency improvements made to the District's facilities and improvements made to the District's track and field.

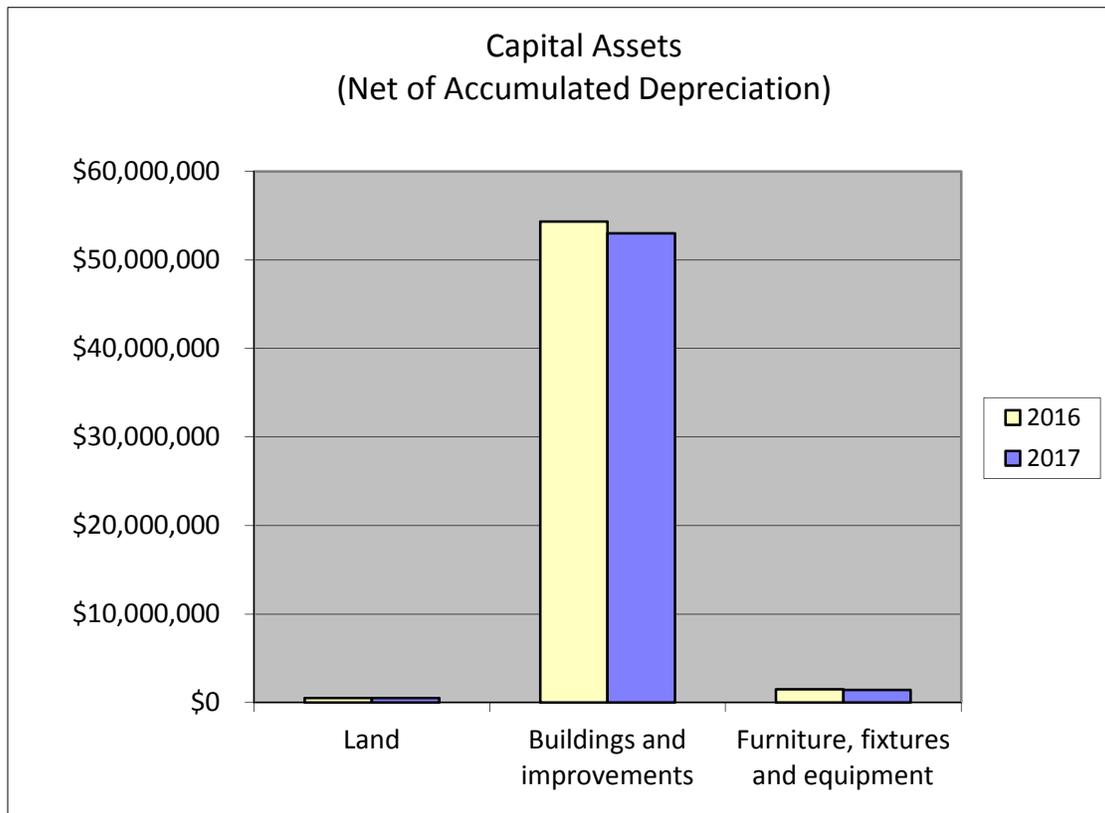
REGIONAL SCHOOL DISTRICT NO. 10
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited) (Continued)
JUNE 30, 2017

CAPITAL ASSET AND DEBT ADMINISTRATION (Continued)

Capital Assets (Continued)

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

	<u>2017</u>	<u>2016</u>
Land	\$ 501,479	\$ 501,479
Buildings and improvements	53,000,001	54,315,813
Furniture, fixtures and equipment	<u>1,450,338</u>	<u>1,520,357</u>
Totals	<u>\$ 54,951,818</u>	<u>\$ 56,337,649</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)
JUNE 30, 2017

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 \$15,785,000, 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 \$500,453.

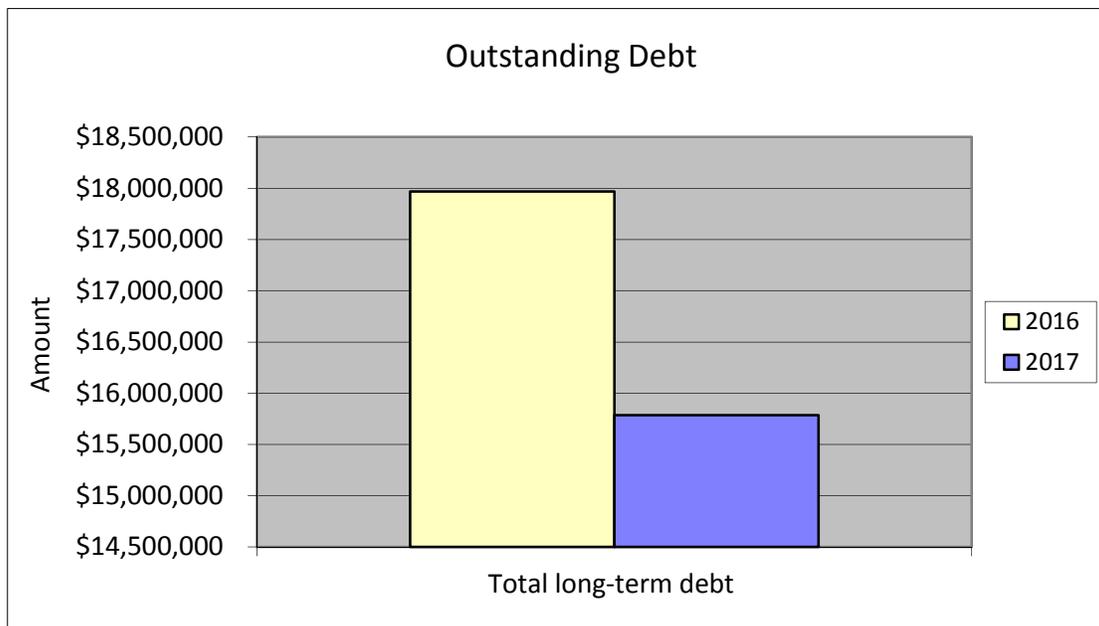
The District's total long-term bonded debt decreased by \$1,560,000 during the current year due to scheduled principal repayments. The District's capital lease obligations decreased by \$123,920 due to scheduled principal repayments of \$273,920 offset by a new lease entered into in the amount of \$150,000 relating to technology upgrades.

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:

	2017	2016
General obligation bonds	\$ 15,785,000	\$ 17,345,000
Capital leases	500,453	624,373
Total long-term debt	\$ 16,285,453	\$ 17,969,373



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)
JUNE 30, 2017

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 2018. In May 2017, the District's fiscal year 2018 budget was approved at referendum. The approved budgetary expenditures total \$39,783,708, a \$811,428 or 2.08% increase over the District's fiscal year 2017 approved budgetary expenditures. The budget contemplates the use of the District's fiscal year 2016 surplus of \$239,543 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, 2017

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 3,905,069
Receivables	47,901
Other	5,572
Capital assets:	
Non-depreciable	501,479
Depreciable, net	54,450,339
Total assets	58,910,360
 DEFERRED OUTFLOWS OF RESOURCES	
Deferred charges on pension	247,889
Deferred charges on refundings	752,645
Total deferred outflows of resources	1,000,534
 LIABILITIES	
Accounts payable	489,289
Accrued expenses	349,454
Unearned revenue	25,801
Noncurrent liabilities:	
Due within one year	1,811,439
Due in more than one year	16,453,632
Total liabilities	19,129,615
 DEFERRED INFLOWS OF RESOURCES	
Deferred charges on pension	67,996
 NET POSITION	
Net investment in capital assets	38,737,685
Unrestricted	1,975,598
Total net position	\$ 40,713,283

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, 2017**

<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	\$ 29,653,700	\$ 135,250	\$ 5,380,003	\$ (24,138,447)
Support services:				
Support services - students	3,487,235	804,216	166,231	(2,516,788)
Improvement of instruction	2,324,853	-	-	(2,324,853)
Support services - administration	485,673	-	-	(485,673)
School-based administration	1,888,809	-	-	(1,888,809)
Plant operation and maintenance	3,056,866	-	32,260	(3,024,606)
Transportation	2,556,038	-	8,119	(2,547,919)
Other support services	855,437	-	-	(855,437)
Total support services	<u>14,654,911</u>	<u>804,216</u>	<u>206,610</u>	<u>(13,644,085)</u>
Interest expense	585,976	-	1,482	(584,494)
	<u>\$ 44,894,587</u>	<u>\$ 939,466</u>	<u>\$ 5,588,095</u>	<u>(38,367,026)</u>
General revenues:				
District Towns				38,326,608
Unrestricted investment earnings				<u>27,956</u>
Total general revenues				<u>38,354,564</u>
Change in net position				(12,462)
Net position - beginning				<u>40,725,745</u>
Net position - ending				<u>\$ 40,713,283</u>

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

**REGIONAL SCHOOL DISTRICT NO. 10
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017**

	General Fund	Educational Grants Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 3,599,064	\$ 37,870	\$ 268,135	\$ 3,905,069
Receivables:				
Grants	-	2,017	20,511	22,528
Other	20,388	-	4,985	25,373
Due from other funds	5,452	-	-	5,452
Inventories	-	-	5,572	5,572
Total assets	<u>\$ 3,624,904</u>	<u>\$ 39,887</u>	<u>\$ 299,203</u>	<u>\$ 3,963,994</u>
LIABILITIES				
Accounts payable	\$ 475,203	\$ 14,086	\$ -	\$ 489,289
Accrued expenses	162,463	-	6,424	168,887
Due to other funds	-	-	5,452	5,452
Unearned revenue	-	25,801	-	25,801
Total liabilities	<u>637,666</u>	<u>39,887</u>	<u>11,876</u>	<u>689,429</u>
FUND BALANCES				
Nonspendable:				
Inventories	-	-	5,572	5,572
Committed to:				
School lunch operations	-	-	262,717	262,717
Debt service	-	-	52	52
Capital purposes	-	-	18,986	18,986
Assigned to:				
Education encumbrances	364,474	-	-	364,474
Use in fiscal year 2018 budget	239,543	-	-	239,543
Unassigned:				
Fiscal year 2017 surplus	475,750	-	-	475,750
Operating reserve	1,907,471	-	-	1,907,471
Total fund balances	<u>2,987,238</u>	<u>-</u>	<u>287,327</u>	<u>3,274,565</u>
Total liabilities and fund balances	<u>\$ 3,624,904</u>	<u>\$ 39,887</u>	<u>\$ 299,203</u>	<u>\$ 3,963,994</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, 2017**

Total fund balances for governmental funds		\$ 3,274,565
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.		54,951,818
Deferred charges on refundings are not susceptible to accrual and are, therefore, not reported in governmental funds.		752,645
Deferred outflows and inflows of resources resulting from changes in the components of the District's net pension liability are reported in the statement of net position.		179,893
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	\$ (15,785,000)	
Unamortized bond premiums	(681,325)	
Obligations under capital leases	(500,453)	
Accrued interest payable	(180,567)	
Other long-term liabilities:		
Compensated absences	(802,188)	
Net OPEB obligation	(205,326)	
Net pension liability	(290,779)	
Total long-term liabilities	(18,445,638)	(18,445,638)
Net position of governmental activities		\$ 40,713,283

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, 2017**

	General Fund	Educational Grants Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
District Towns	\$ 38,419,068	\$ -	\$ -	\$ 38,419,068
Intergovernmental	4,824,526	727,147	144,100	5,695,773
Charges for goods and services	135,250	-	804,216	939,466
Interest income	27,523	-	433	27,956
Total revenues	<u>43,406,367</u>	<u>727,147</u>	<u>948,749</u>	<u>45,082,263</u>
EXPENDITURES				
Current:				
General instruction	27,067,479	696,897	-	27,764,376
Support services:				
Support services - students	2,342,192	22,131	879,688	3,244,011
Improvement of instruction	2,150,266	-	-	2,150,266
Support services - administration	444,582	-	-	444,582
School-based administration	1,703,534	-	-	1,703,534
Plant operation and maintenance	2,857,012	-	-	2,857,012
Transportation	2,535,236	8,119	-	2,543,355
Other support services	804,412	-	-	804,412
Total support services	<u>12,837,234</u>	<u>30,250</u>	<u>879,688</u>	<u>13,747,172</u>
Capital outlays	969,184	-	354,475	1,323,659
Debt service:				
Principal payments	273,920	-	1,560,000	1,833,920
Interest and fiscal charges	12,061	-	555,587	567,648
Total expenditures	<u>41,159,878</u>	<u>727,147</u>	<u>3,349,750</u>	<u>45,236,775</u>
Excess (deficiency) of revenues over expenditures	2,246,489	-	(2,401,001)	(154,512)
OTHER FINANCING SOURCES (USES)				
Capital leases	150,000	-	-	150,000
Refunds to District Towns	(92,460)	-	-	(92,460)
Transfers in	-	-	2,099,009	2,099,009
Transfers out	(2,099,009)	-	-	(2,099,009)
Total other financing sources (uses)	<u>(2,041,469)</u>	<u>-</u>	<u>2,099,009</u>	<u>57,540</u>
Net changes in fund balances	205,020	-	(301,992)	(96,972)
Fund balances - beginning	2,782,218	-	589,319	3,371,537
Fund balances - ending	<u>\$ 2,987,238</u>	<u>\$ -</u>	<u>\$ 287,327</u>	<u>\$ 3,274,565</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, 2017**

Net change in fund balances for governmental funds \$ (96,972)

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	\$ 1,292,325	
Depreciation and amortization expense	<u>(2,663,156)</u>	
Net adjustment		(1,370,831)

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. (15,000)

Intergovernmental revenue on school construction grants is not susceptible to accrual and, therefore, is only reported as revenue in the governmental funds when the cash is received by the District. In the government-wide financial statements, the cash received reduces the grant receivable recognized in the government-wide statement of net position. (139,939)

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:

Debt issued or incurred:		
Capital lease financing	(150,000)	
Principal repayments:		
Obligations under capital leases	273,920	
Bonds payable	<u>1,560,000</u>	
Net adjustment		1,683,920

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 *(Continued)*
FOR THE YEAR ENDED JUNE 30, 2017

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	\$	(112,405)	
Accrued interest		(751)	
Net OPEB obligation		(49,664)	
Net pension liability		137,398	
Deferred charges on pension		(30,641)	
Amortization of bond premiums		133,122	
Amortization of deferred charge on refundings		(150,699)	
			\$ (73,640)
Change in net position of governmental activities			\$ (12,462)

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

REGIONAL SCHOOL DISTRICT NO. 10
STATEMENT OF REVENUES, EXPENDITURES, OTHER FINANCING SOURCES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -
BUDGETARY BASIS - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual	Variance With Final Budget Over (Under)
	Original	Final		
REVENUES				
District Towns	\$ 38,419,068	\$ 38,419,068	\$ 38,419,068	\$ -
Intergovernmental	288,337	288,337	146,358	(141,979)
Interest income	4,000	4,000	27,523	23,523
Other	82,000	82,000	88,788	6,788
Total revenues	<u>38,793,405</u>	<u>38,793,405</u>	<u>38,681,737</u>	<u>(111,668)</u>
EXPENDITURES				
Current:				
Salaries	23,634,888	23,410,316	23,399,664	(10,652)
Employee benefits	5,624,553	5,051,540	5,039,354	(12,186)
Supplies	1,233,385	1,085,593	1,018,757	(66,836)
Facilities	1,205,476	1,401,384	1,280,465	(120,919)
Purchased services	533,406	687,174	660,622	(26,552)
Equipment	310,390	445,311	442,028	(3,283)
Other	4,328,129	4,791,909	4,444,963	(346,946)
Debt service	2,102,053	2,099,053	2,099,009	(44)
Total expenditures	<u>38,972,280</u>	<u>38,972,280</u>	<u>38,384,862</u>	<u>(587,418)</u>
Excess (deficiency) of revenues over expenditures	(178,875)	(178,875)	296,875	475,750
OTHER FINANCING SOURCES (USES)				
Appropriation of prior year surplus	178,875	271,335	-	(271,335)
Refunds to District Towns	-	(92,460)	(92,460)	-
Total other financing sources (uses)	<u>178,875</u>	<u>178,875</u>	<u>(92,460)</u>	<u>(271,335)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	204,415	<u>\$ 204,415</u>
Fund balance - beginning			<u>2,418,349</u>	
Fund balance - ending			<u>\$ 2,622,764</u>	

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

REGIONAL SCHOOL DISTRICT NO. 10
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2017

	Pension Trust Funds	Private Purpose Trust - Scholarship Fund	Agency Funds
ASSETS			
Cash and cash equivalents	\$ 506,146	\$ 119,345	\$ 277,824
Investments:			
Mutual funds	4,935,459	-	-
Equity securities	166,798	-	-
Other assets	293,167	-	-
Total assets	<u>5,901,570</u>	<u>119,345</u>	<u>\$ 277,824</u>
LIABILITIES			
Accounts payable	1,977	-	\$ 32,261
Due to others	-	-	245,563
Total liabilities	<u>1,977</u>	<u>-</u>	<u>\$ 277,824</u>
NET POSITION			
Held in trust for pension benefits and other purposes	<u>\$ 5,899,593</u>	<u>\$ 119,345</u>	

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

REGIONAL SCHOOL DISTRICT NO. 10
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	Pension Trust Funds	Private- Purpose Trust - Scholarship Fund
ADDITIONS		
Contributions:		
Employer	\$ 357,608	\$ -
Employee	227,956	-
Private donations	-	5,917
Total contributions	<u>585,564</u>	<u>5,917</u>
Investment earnings:		
Interest and dividends	160,455	74
Net change in the fair value of investments, net of fees	437,838	-
Total investment earnings	<u>598,293</u>	<u>74</u>
Total additions	<u>1,183,857</u>	<u>5,991</u>
DEDUCTIONS		
Insurance premiums	18,663	-
Benefit payments	593,770	13,583
Other	27,343	-
Total deductions	<u>639,776</u>	<u>13,583</u>
Change in net position	544,081	(7,592)
Net position - beginning	<u>5,355,512</u>	<u>126,937</u>
Net position - ending	<u>\$ 5,899,593</u>	<u>\$ 119,345</u>

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

REGIONAL SCHOOL DISTRICT NO. 10
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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 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)*
JUNE 30, 2017

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)
JUNE 30, 2017

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, 2016, the District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 74, *Financial Reporting for Postemployment Benefit Plans other than Pension Plans*, GASB Statement No. 77, *Tax Abatement Disclosures*, GASB Statement No. 78, *Pensions Provided through Certain Multiple Employer Defined Benefit Pension Plans*, GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, GASB Statement No. 80, *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14*, and GASB Statement No. 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73*. The adoption of these statements did not have a material effect on the District's financial statements.

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

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.

REGIONAL SCHOOL DISTRICT NO. 10
NOTES TO FINANCIAL STATEMENTS *(Continued)*
JUNE 30, 2017

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

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

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

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

Capital Assets

Capital assets, which include land, construction in progress, buildings and improvements, and furniture, fixtures and equipment are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost, or estimated historical cost, if purchased or constructed. Donated capital assets are recorded at estimated fair market 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:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	20 – 50
Furniture, fixtures and equipment	5 – 20

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 outflow or inflow of resources until then.

Deferred outflows of resources consist of deferred charges on refundings and deferred pension expenses reported in the government-wide statement of net position. Deferred charges on refundings are amortized to interest expense using the effective-interest method over the life of the related bonds. Deferred pension expenses are amortized as a component of pension expense on a systematic and rational basis.

Deferred inflows of resources consist of deferred pension benefits reported in the government-wide statement of net position and are amortized as a component of pension expense on a systematic and rational basis.

REGIONAL SCHOOL DISTRICT NO. 10
NOTES TO FINANCIAL STATEMENTS *(Continued)*
JUNE 30, 2017

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

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

Unearned Revenue

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

Compensated Absences

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

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

Long-term Obligations

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

In the 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.

REGIONAL SCHOOL DISTRICT NO. 10
NOTES TO FINANCIAL STATEMENTS *(Continued)*
JUNE 30, 2017

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)*

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

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

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

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

Assigned - Amounts are constrained by the government's intent to be used for specific purposes, but are not restricted or committed. The Board of Education has delegated the responsibility to assign funds to management of the District, with the exception of those amounts assigned by the Board of Education during the District's annual budgeting process.

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

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

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.

REGIONAL SCHOOL DISTRICT NO. 10
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interfund Activities (Continued)

Interfund Transfers

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

Interfund Reimbursements

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

Use of Estimates

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

NOTE 2 - BUDGETARY INFORMATION

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.

REGIONAL SCHOOL DISTRICT NO. 10
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2017

NOTE 2 - BUDGETARY INFORMATION (Continued)

- 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 significantly from those used to present financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP basis"). 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, 2017:

	<u>Revenues</u>	<u>Expenditures</u>	<u>Other Financing Sources (Uses)</u>	<u>Change in Fund Balance</u>	<u>Fund Balance</u>
Budgetary basis	\$ 38,681,737	\$ 38,384,862	\$ (92,460)	\$ 204,415	\$ 2,622,764
"On-behalf" payments - State Teachers' Retirement Fund	4,154,990	4,154,990	-	-	-
Reimbursement for certain special education and other costs recorded as a reduction to expenditures for budgetary purposes	525,116	525,116	-	-	-
Noncash financing sources related to recording of capital leases not recognized for budgetary purposes	-	150,000	150,000	-	-
Other reclassifications for GAAP purposes	44,524	44,524	-	-	-
Transfers out recorded as expenditures for budgetary purposes	-	(2,099,009)	(2,099,009)	-	-
Encumbrances outstanding:					
June 30, 2017	-	(364,474)	-	364,474	364,474
June 30, 2016	-	363,869	-	(363,869)	-
GAAP basis	<u>\$ 43,406,367</u>	<u>\$ 41,159,878</u>	<u>\$ (2,041,469)</u>	<u>\$ 205,020</u>	<u>\$ 2,987,238</u>

REGIONAL SCHOOL DISTRICT NO. 10
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2017

NOTE 3 - 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, 2017, the carrying amount of the District's cash deposits was \$1,463,321. As of June 30, 2017, \$1,086,032 of the District's bank balance of \$1,753,378 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 977,429
Uninsured and collateralized with securities held by the pledging bank's trust department or agent but not in the District's name	108,603
	<u>\$ 1,086,032</u>

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

A reconciliation of the District's cash deposits as of June 30, 2017 is as follows:

Government-wide statement of net position:	
Cash and cash equivalents	\$ 3,905,069
Less: cash equivalents considered investments for disclosure purposes	3,006,263
	<u>898,806</u>
Statement of fiduciary net position:	
Cash and cash equivalents	903,315
Less: cash equivalents considered investments for disclosure purposes	338,800
	<u>564,515</u>
	<u>\$ 1,463,321</u>

REGIONAL SCHOOL DISTRICT NO. 10
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2017

NOTE 3 - CASH DEPOSITS AND INVESTMENTS (Continued)

Investments

A reconciliation of the District's investments as of June 30, 2017 is as follows:

Government-wide statement of net position:		
Investments	\$	-
Add: cash equivalents considered investments for disclosure purposes		3,006,263
		3,006,263
Statement of fiduciary net position:		
Investments		5,102,257
Add: cash equivalents considered investments for disclosure purposes		338,800
		5,441,057
	\$	8,447,320

As of June 30, 2017, 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	\$ 3,006,263	\$ 3,006,263
<i>Fiduciary Funds:</i>				
Money market mutual funds	Net asset value	Unrated	338,800	338,800
			3,345,063	\$ 3,345,063
Other Investments:				
<i>Fiduciary Funds:</i>				
Mutual funds	Fair value	N/a	4,935,459	
Equity securities	Fair value	N/a	166,798	
			\$ 8,447,320	

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.

REGIONAL SCHOOL DISTRICT NO. 10
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2017

NOTE 3 - CASH DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

Interest Rate Risk

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

Credit Risk

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

The District's investments in debt securities were unrated at June 30, 2017.

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, 2017 because it was held by the buyer-lender. The District's other investments were not exposed to custodial credit risk as of June 30, 2017 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, 2017, 100% or \$3,006,263 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, 2017, 10.7% or \$583,967 of the District's fiduciary investments were invested in the PIMCO Total Return Class R Fund managed by PIMCO.

REGIONAL SCHOOL DISTRICT NO. 10
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2017

NOTE 4 - FAIR VALUE MEASUREMENTS

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

The District's financial assets that are accounted for at fair value on a recurring basis as of June 30, 2017, 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	\$ 4,935,459	\$ -	\$ -
Equity securities	166,798	-	-

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017 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	95,246,159	1,060,361	(437,162)	95,869,358
Furniture and equipment	5,086,468	231,964	(223,200)	5,095,232
Total capital assets, being depreciated	<u>100,332,627</u>	<u>1,292,325</u>	<u>(660,362)</u>	<u>100,964,590</u>
Less accumulated depreciation and amortization for:				
Buildings and improvements	40,930,346	2,361,173	(422,162)	42,869,357
Furniture and equipment	3,566,111	301,983	(223,200)	3,644,894
Total accumulated depreciation and amortization	<u>44,496,457</u>	<u>2,663,156</u>	<u>(645,362)</u>	<u>46,514,251</u>
Total capital assets, being depreciated, net	<u>55,836,170</u>	<u>(1,370,831)</u>	<u>(15,000)</u>	<u>54,450,339</u>
Governmental activities capital assets, net	<u>\$ 56,337,649</u>	<u>\$ (1,370,831)</u>	<u>\$ (15,000)</u>	<u>\$ 54,951,818</u>

REGIONAL SCHOOL DISTRICT NO. 10
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2017

NOTE 5 - CAPITAL ASSETS (Continued)

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

Governmental Activities:		
General instruction		\$ 1,845,227
Support services:		
Support services - students		196,925
Improvement of instruction		177,866
Support services - administration		31,679
School-based administration		189,066
Plant operation and maintenance		161,652
Transportation		12,683
Other support services		48,058
Total depreciation and amortization expense		<u>\$ 2,663,156</u>

NOTE 6 - INTERFUND RECEIVABLES AND PAYABLES

Interfund receivable and payable balances at June 30, 2017 are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Governmental Funds		
General Fund	Nonmajor governmental funds	<u>\$ 5,452</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 7 - INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2017 consisted of the following:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
Governmental Funds		
Nonmajor governmental funds	General Fund	<u>\$ 2,099,009</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)
JUNE 30, 2017

NOTE 8 - LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the year ended June 30, 2017:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities					
Bonds payable:					
General obligation bonds	\$ 17,345,000	\$ -	\$ (1,560,000)	\$ 15,785,000	\$ 1,285,000
Unamortized premiums	814,447	-	(133,122)	681,325	-
Total bonds payable	18,159,447	-	(1,693,122)	16,466,325	1,285,000
Other liabilities:					
Capital leases	624,373	150,000	(273,920)	500,453	283,910
Compensated absences	689,783	153,260	(40,855)	802,188	242,529
Net OPEB obligation (see Note 10)	155,662	49,664	-	205,326	-
Net pension liability (see Note 9)	428,177	-	(137,398)	290,779	-
	<u>\$ 20,057,442</u>	<u>\$ 352,924</u>	<u>\$ (2,145,295)</u>	<u>\$ 18,265,071</u>	<u>\$ 1,811,439</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, 2017 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%	\$ 2,645,000
General obligation bonds and refunding bonds issued 4/13/12, original amount of \$8,170,000	8/2025	2.00% - 4.00%	6,425,000
General obligation refunding bonds issued 8/1/14, original amount of \$7,400,000	8/2025	2.00% - 4.00%	6,715,000
			<u>\$ 15,785,000</u>

REGIONAL SCHOOL DISTRICT NO. 10
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2017

NOTE 8 - LONG-TERM LIABILITIES (Continued)

Bonds Payable (Continued)

Annual debt service repayments to maturity at June 30, 2017 are as follows:

Year ending June 30:	General Obligation Bonds		
	Principal	Interest	Total
2018	\$ 1,285,000	\$ 513,962	\$ 1,798,962
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
2023-2027	7,115,000	826,394	7,941,394
2028-2031	1,620,000	82,710	1,702,710
	<u>\$ 15,785,000</u>	<u>\$ 3,003,741</u>	<u>\$ 18,788,741</u>

As of June 30, 2017, the District has no authorized and unissued bonds.

School Bond Reimbursements

The State of Connecticut reimburses the District for eligible school bond principal and interest costs. The amount of principal and interest reimbursements for the year ended June 30, 2017 was \$139,933 and \$1,488, respectively. The bond was fully matured as of June 30, 2017 and no additional reimbursement of principal and interest has been reflected in the District's financial statements.

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 \$752,645 as of June 30, 2017 and amortization expense for the year ended June 30, 2017 totaled \$150,699.

Legal Debt Limit

The District did not exceed its statutory debt limitations as of June 30, 2017.

Capital Leases

A summary of assets under capital leases is as follows as of June 30, 2017:

Equipment	\$ 785,900
Less: accumulated amortization	<u>276,721</u>
	<u>\$ 509,179</u>

Amortization expense relative to leased property under capital leases totaled \$171,356 for the year ended June 30, 2017 and is included in depreciation and amortization expense disclosed in Note 5.

REGIONAL SCHOOL DISTRICT NO. 10
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2017

NOTE 8 - 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, 2017 are as follows:

Year ending June 30:	
2018	\$ 292,644
2019	131,255
2020	79,956
2021	<u>6,643</u>
Total minimum lease payments	510,498
Less: amount representing interest	<u>10,045</u>
Present value of minimum lease payments	<u><u>\$ 500,453</u></u>

NOTE 9 - PENSION PLANS

Defined Contribution Plans

Custodial and Maintenance Employees' Plan

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

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

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 \$67,956 and \$29,820, respectively, for the year ended June 30, 2017.

REGIONAL SCHOOL DISTRICT NO. 10
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2017

NOTE 9 - PENSION PLANS (Continued)

Defined Contribution 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 \$78,797 and \$180,948, respectively, for the year ended June 30, 2017.

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, 2016, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	21
Active plan members	<u>9</u>
Total	<u><u>30</u></u>

REGIONAL SCHOOL DISTRICT NO. 10
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2017

NOTE 9 - PENSION PLANS (Continued)

Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

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

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

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

Contributions - The contribution requirements of Plan members and the District are established and may be amended by the Board. The Plan's funding policy provides for periodic District contributions at rates that, when expressed as a percentage of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. Participants are required to contribute 5.0% of their annual earnings. The contribution rate for normal costs was determined using the Aggregate Actuarial Cost Method.

For the year ended June 30, 2017, employer contributions to the Plan totaled \$210,855.

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, 2017:

<u>Asset Class</u>	<u>Target Allocation</u>
Mutual Funds	92%
Equity securities	8%

Rate of return - For the year ended June 30, 2017 the annual money-weighted rate of return on pension plan investments, net of pension plan investment expenses, was 8.96%. The money-weighted rate of return expresses investment performance, net of investment expense adjusted for the changing amounts actually invested.

REGIONAL SCHOOL DISTRICT NO. 10
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2017

NOTE 9 - PENSION PLANS (Continued)

Defined Benefit Pension Plan (Continued)

Summary of Significant Accounting Policies (Continued)

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

Net Pension Liability

The components of the District's net pension liability of the Plan at June 30, 2017, was as follows:

Total pension liability	\$ 2,917,428
Plan fiduciary net position	<u>2,626,649</u>
District's net pension liability	<u><u>\$ 290,779</u></u>
Plan fiduciary net position as a percentage of the total pension liability	90.0%

The components of the changes in the net pension liability for the Plan for the year ended June 30, 2017, was as follows:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance as of June 30, 2016	\$ 2,848,680	\$ 2,420,503	\$ 428,177
Changes for the year:			
Service cost	45,698	-	45,698
Interest	190,864	-	190,864
Actuarial (gains) losses	69,657	-	69,657
Contributions - employer	-	210,855	(210,855)
Contributions - employee	-	17,188	(17,188)
Net investment income	-	252,537	(252,537)
Benefit payments, including refunds	(237,471)	(237,471)	-
Other	-	(36,963)	36,963
Net changes	<u>68,748</u>	<u>206,146</u>	<u>(137,398)</u>
Balance as of June 30, 2017	<u><u>\$ 2,917,428</u></u>	<u><u>\$ 2,626,649</u></u>	<u><u>\$ 290,779</u></u>

REGIONAL SCHOOL DISTRICT NO. 10
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2017

NOTE 9 - PENSION PLANS (Continued)

Defined Benefit Pension Plan (Continued)

Net Pension Liability (Continued)

Actuarial assumptions - The total pension liability for the Plan was determined by an actuarial valuation as of July 1, 2016, 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.

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	\$ 516,980	\$ 290,779	\$ 114,827

REGIONAL SCHOOL DISTRICT NO. 10
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2017

NOTE 9 - PENSION PLANS (Continued)

Defined Benefit Pension Plan (Continued)

Pension Expense and Deferred Outflows/Inflows of Resources

For the year ended June 30, 2017, the District recognized pension expense of \$138,476. At June 30, 2017, the District reported deferred outflows and inflows of resources related to the Plan from the following sources:

	Deferred Outflows of Resources	Deferred (Inflows) of Resources	Net Deferred Outflows / (Inflows) of Resources
Net difference between projected and actual earnings on pension plan investments	\$ 181,532	\$ (37,822)	\$ 143,710
Differences between expected and actual experience	66,357	(30,174)	36,183
Change of assumptions	-	-	-
Total	\$ 247,889	\$ (67,996)	\$ 179,893

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:

	Amortization of Deferred Outflows / (Inflows) of Resources
Year ended June 30,	
2018	\$ 53,020
2019	75,368
2020	53,358
2021	(1,853)
Total	\$ 179,893

State Teachers' Retirement System

The faculty and professional personnel of the District participate in the Teachers' Retirement System ("TRS"), which is a cost-sharing multiple-employer defined benefit pension plan established under Chapter 167a of the Connecticut General Statutes. The TRS is administered by the Connecticut State Teachers' Retirement Board (the "Board") and is included as a fiduciary pension trust fund in the State of Connecticut's basic financial statements.

Plan benefits, cost-of-living allowances, required contributions of plan members and the State, and other plan provisions are described in Sections 10-183b to 10-183ss of the Connecticut General Statutes. The plan provides retirement, disability, death benefits, and annual cost-of-living adjustments to plan members and their beneficiaries.

REGIONAL SCHOOL DISTRICT NO. 10
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2017

NOTE 9 - PENSION PLANS (Continued)

State Teachers' Retirement System (Continued)

The contribution requirements of plan members and the State are established and may be amended by the State legislature. In accordance with Section 10-183z of the General Statutes, 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 one hundred percent of employer's contributions on-behalf of its participating municipalities at an actuarially determined rate. Plan members are currently required to contribute 7.25% of their annual earnings to the plan. After five years of service, teachers are fully vested in their own contributions. After ten years of service, teachers are fully vested in the monthly pension benefit which is payable at the age of sixty. The District has recognized on-behalf payments of \$4,154,990 made by the State of Connecticut into the plan as intergovernmental revenues and related expenditures of the General Fund in the accompanying statement of revenues, expenditures and changes in fund balances of the governmental funds.

Administrative costs of the plan are funded by the State.

The total estimated net pension liability of the TRS as of June 30, 2016 was \$14.245 billion, the most recent available reporting provided by the Board. The portion that was associated with the District totaled approximately \$60.67 million or approximately 0.43% of the total estimated net pension liability. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. The portion of the net pension liability associated with the District was based on a projection of the long-term share of contributions to the plan related to the District relative to the projected contributions of all participating employers, actuarially determined.

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

Inflation	2.75%
Salary increases	3.25% - 6.50%, including inflation
Investment rate of return	8.0%, net of investment related expense
Cost of living adjustments:	
Retirements prior to 9/1/1992	3.00%
Retirements on or after 9/1/1992	2.00%

For healthy retirees and beneficiaries, 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)
JUNE 30, 2017

NOTE 9 - PENSION PLANS (Continued)

State Teachers' Retirement System (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>
Large Cap U.S. Equities	21.0%	5.80%
Developed Non-U.S. Equities	18.0%	6.60%
Fixed Income (Core)	7.0%	1.30%
Private Equity	11.0%	7.60%
Emerging Markets (Non-U.S.)	9.0%	8.30%
Alternative investments	8.0%	4.10%
Inflation Linked Bonds	3.0%	1.00%
Cash	6.0%	0.40%
Real Estate	7.0%	5.10%
Emerging Market Bonds	5.0%	3.70%
High Yield Bonds	5.0%	3.90%
	<u>100.0%</u>	

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 State contributions will be made at the actuarially determined rates in future years. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	<u>Decrease (7.00%)</u>	<u>Current Rate (8.00%)</u>	<u>1.00% Increase (9.00%)</u>
District's Proportionate share of the net pension liability (expressed in thousands)	\$ 74,849	\$ 60,670	\$ 48,683

Detailed information about the plan's fiduciary net position is included in the State of Connecticut's basic financial statements.

REGIONAL SCHOOL DISTRICT NO. 10
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2017

NOTE 10 - OTHER POST-EMPLOYMENT BENEFITS (OPEB)

Description of Retiree Welfare Benefits

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.

Funding Policy

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.

Annual OPEB Cost and Net OPEB Obligation

The District's annual OPEB cost (expense) is calculated based on the annual required contribution ("ARC"), which is an amount actuarially determined. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The District's annual OPEB cost and net OPEB obligation are entirely attributed to an implicit rate subsidy, whereby retirees are considered to be receiving a benefit from the District for access to premium rates offered to the District's active employees.

The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed by the District for such benefits, and changes in the District's net OPEB obligation.

Annual required contribution	\$ 135,366
Interest on net OPEB obligation	5,449
Adjustment to annual required contribution	(8,177)
Amortization of Actuarial (Gains)/Losses	<u>26,640</u>
Annual OPEB cost (expense)	159,278
Contributions made	<u>109,614</u>
Increase in net OPEB obligation	49,664
Net OPEB obligation, beginning of year	<u>155,662</u>
Net OPEB obligation, end of year	<u><u>\$ 205,326</u></u>

REGIONAL SCHOOL DISTRICT NO. 10
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2017

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

Annual OPEB Cost and Net OPEB Obligation (Continued)

The District's annual OPEB cost, the percentage of annual OPEB cost contributed by the District for such benefits, and the net OPEB obligation for fiscal year 2017 is as follows:

Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributions	Net OPEB Obligation
2017	\$ 159,278	68.8%	\$ 205,326

Funded Status and Funding Progress

The funded status of the benefit obligation as of July 1, 2015 (the date of the most recent actuarial valuation) was as follows:

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Entry Age Cost Method (B)	Underfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
July 1, 2015	\$ -	\$ 1,677,771	\$ 1,677,771	0.0%	\$ 22,911,182	7.3%

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of events in the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the District are subject to continual revision, as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions

Projections of benefits are based on the substantive plan (the plan as understood by the District and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing of benefit costs between the District and the plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the District and plan members in the future. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

REGIONAL SCHOOL DISTRICT NO. 10
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2017

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

Actuarial Methods and Assumptions (Continued)

Significant methods and assumptions were as follows:

Valuation date	July 1, 2015
Actuarial cost method	Individual Entry Age Normal Cost Method
Amortization method	Level Dollar
Remaining amortization period	23 years at July 1, 2015
Asset valuation method	Market Value
Actuarial assumptions (includes inflation rate):	
Investment rate of return	3.50%
Inflation rate	2.75%
Healthcare cost trend rate	5.00%

NOTE 11 - DEFERRED COMPENSATION PLAN

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

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

NOTE 12 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets; errors or omissions; injuries to employees or acts of God for which the District carries commercial insurance. During fiscal year 2017, deductibles paid by the District were insignificant. Neither the District nor its insurers have settled any claims which exceeded the District's insurance coverage in any of the last three fiscal years. There have been no significant reductions in any insurance coverage from amounts in the prior year.

NOTE 13 - CONTINGENCIES

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

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

REGIONAL SCHOOL DISTRICT NO. 10
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2017

NOTE 14 - RECENTLY ISSUED ACCOUNTING STANDARDS

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*. This statement establishes new accounting and financial reporting requirements for OPEB plans and replaces the requirements of GASB Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended*, and GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB*. The requirements of this statement are effective for the District's reporting period beginning July 1, 2017. The District has not yet determined the impact that this statement will have on its financial statements.

In March 2016, the GASB issued Statement No. 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73*. This Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The requirements of this statement are effective for the District's reporting period beginning July 1, 2017. The District does not expect this statement to have a material effect on its financial statements.

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 does not expect this statement to have a material effect on its financial statements.

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 has not yet determined the impact that this statement might have on its financial statements.

In March 2017, the GASB issued Statement No. 85, *Omnibus*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits). The requirements of this statement are effective for the District's reporting period beginning July 1, 2017. The District does not expect this statement to have a material effect on its financial statements.

REGIONAL SCHOOL DISTRICT NO. 10
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2017

NOTE 14 - RECENTLY ISSUED ACCOUNTING STANDARDS (Continued)

In May 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirements of this statement are effective for the District’s reporting period beginning July 1, 2017. The District does not expect this statement to have a material effect 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 has not yet determined the impact that this statement might have on its financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability				
Service cost	\$ 45,698	\$ 62,762	\$ 62,232	\$ 44,341
Interest	191,089	186,677	189,672	190,447
Changes in benefit terms	-	-	-	-
Differences between expected and actual experience	69,657	24,427	(108,957)	25,798
Changes of assumptions	-	-	-	-
Benefit payments, including refunds	(237,696)	(183,979)	(187,373)	(178,035)
Net change in total pension liability	68,748	89,887	(44,426)	82,551
Total pension liability - beginning	2,848,680	2,758,793	2,803,219	2,720,668
Total pension liability - ending	<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	210,855	105,000	175,000	225,000
Contributions - members	17,188	22,016	22,075	24,024
Net investment income	252,537	(29,292)	111,706	323,455
Benefit payments, including refunds	(237,471)	(183,559)	(187,373)	(178,035)
Other	(36,963)	(36,480)	(37,064)	(38,161)
Net change in plan fiduciary net position	206,146	(122,315)	84,344	356,283
Plan fiduciary net position - beginning	2,420,503	2,542,818	2,458,474	2,102,191
Plan fiduciary net position - ending	<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>\$ 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	90.03%	84.97%	92.17%	87.70%
Covered employee payroll	\$ 442,748	\$ 442,124	\$ 441,500	\$ 469,968
District's net pension liability as a percentage of covered employee payroll	65.68%	96.85%	48.92%	73.35%

NOTES TO THE SCHEDULE:

The District began to report the schedule of changes in net pension liability when it implemented GASB Statement No. 67 in fiscal year 2014.

Benefit changes: There have been no changes in benefit terms that have affected the measurement of the total pension liability.

Assumption Changes : There have been no changes in assumptions or methods from prior years that have affected the measurement of the total pension liability.

REGIONAL SCHOOL DISTRICT NO. 10
SCHEDULE OF CONTRIBUTIONS AND INVESTMENT RETURNS
PENSION PLAN (UNAUDITED)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 149,939	\$ 126,038	\$ 151,312	\$ 204,948
Contributions in relation to the actuarially determined contribution	<u>228,043</u>	<u>127,016</u>	<u>197,075</u>	<u>249,024</u>
Excess Contribution	<u>\$ (78,104)</u>	<u>\$ (978)</u>	<u>\$ (45,763)</u>	<u>\$ (44,076)</u>
Covered employee payroll	\$ 442,748	\$ 442,124	\$ 441,500	\$ 469,968
Contributions as a percentage of covered employee payroll	51.51%	28.73%	44.64%	52.99%
Annual money-weighted rate of return, net of investment expense	8.96%	2.80%	3.14%	13.78%

NOTES TO THE SCHEDULE:

The District began to report the schedule of changes in net pension liability when it implemented GASB Statement No. 67 in fiscal year 2014.

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

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal Actuarial Cost
Amortization method	Not applicable
Remaining amortization period	Not applicable
Asset valuation method	Market value
Investment rate of return	7.0%
Salary increases	2.5%, includes inflation
Retirement age	Normal retirement age

REGIONAL SCHOOL DISTRICT NO. 10
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (UNAUDITED)
CONNECTICUT STATE TEACHERS' RETIREMENT SYSTEM
(Dollar amounts in thousands)

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Proportion of the net pension liability attributed to the District	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	60,670	48,951	45,246
Total	<u>\$ 60,670</u>	<u>\$ 48,951</u>	<u>\$ 45,246</u>
District's covered payroll	\$ 17,008	\$ 17,261	\$ 16,895
District's proportionate share of the net pension liability as a percentage of its covered payroll	0.0%	0.0%	0.0%
Plan fiduciary net position as a percentage of the total pension liability	52.26%	59.50%	61.51%

NOTES TO THE SCHEDULE:

The District began to report this schedule when it implemented GASB Statement No. 68 in fiscal year 2015.

The total pension liability reported for each fiscal year is based on a measurement date as of the end of the prior fiscal year (i.e. the total pension liability reported for 2017 is based on a June 30, 2016 measurement date).

Benefit changes: There were no changes in benefit terms that affected the measurement of the total pension liability.

Changes in assumptions: The following significant changes in assumptions impacting amounts reported for 2017 were as follows:

- Inflation assumption was reduced from 3.00% to 2.75%.
- 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
- The annual rate of wage increase assumption was reduced from 0.75% to 0.50%.
- The payroll growth assumption was reduced from 3.75% to 3.25%.
- Various demographic assumption changes utilizing the RPH-2014 mortality tables.

REGIONAL SCHOOL DISTRICT NO. 10
 SCHEDULE OF FUNDING PROGRESS
 OTHER POST-EMPLOYMENT BENEFITS (UNAUDITED)
 JUNE 30, 2017

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
Retiree Welfare Benefits (OPEB)						
July 1, 2015	\$ -	\$ 1,677,771	\$ 1,677,771	0.0%	\$ 22,911,182	7.32%
July 1, 2012	-	1,634,996	1,634,996	0.0%	Not available	Not available
July 1, 2010	-	1,449,114	1,449,114	0.0%	Not available	Not available

NOTES TO THE SCHEDULE:

Benefit changes: There have been no changes in benefit terms that have affected the measurement of the actuarial accrued liability.

Changes in assumptions: Beginning with the July 1, 2015 actuarial valuation, the discount rate was lowered from 4.0% to 3.5%.

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

REGIONAL SCHOOL DISTRICT NO. 10
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES - BUDGET AND ACTUAL -
BUDGETARY BASIS - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual	Variance With Final Budget Over (Under)
	Original	Final		
REVENUES:				
District Towns:				
Burlington	\$ 25,275,070	\$ 25,275,070	\$ 25,275,070	\$ -
Harwinton	13,143,998	13,143,998	13,143,998	-
Total District Towns	<u>38,419,068</u>	<u>38,419,068</u>	<u>38,419,068</u>	<u>-</u>
Intergovernmental:				
Transportation	146,916	146,916	-	(146,916)
School building grants	141,421	141,421	141,421	-
Special education supplemental	-	-	4,937	4,937
Total intergovernmental	<u>288,337</u>	<u>288,337</u>	<u>146,358</u>	<u>(141,979)</u>
Interest income	<u>4,000</u>	<u>4,000</u>	<u>27,523</u>	<u>23,523</u>
Other revenues:				
User fees and tuition	<u>82,000</u>	<u>82,000</u>	<u>88,788</u>	<u>6,788</u>
Total revenues	<u>38,793,405</u>	<u>38,793,405</u>	<u>38,681,737</u>	<u>(111,668)</u>
OTHER FINANCING SOURCES:				
Appropriation of prior year surplus	<u>178,875</u>	<u>271,335</u>	<u>-</u>	<u>(271,335)</u>
Total revenues and other financing sources	<u>\$ 38,972,280</u>	<u>\$ 39,064,740</u>	<u>\$ 38,681,737</u>	<u>\$ (383,003)</u>

See accompanying Independent Auditor's Report.

REGIONAL SCHOOL DISTRICT NO. 10
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES - BUDGET AND ACTUAL -
BUDGETARY BASIS - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
EXPENDITURES:				
Salaries:				
Certified	\$ 18,659,611	\$ 18,450,805	\$ 18,441,312	\$ (9,493)
Noncertified	4,680,277	4,620,385	4,620,187	(198)
Substitute wages	295,000	339,126	338,165	(961)
Total salaries	<u>23,634,888</u>	<u>23,410,316</u>	<u>23,399,664</u>	<u>(10,652)</u>
Employee Benefits:				
Health and life benefits	4,195,000	3,830,669	3,822,212	(8,457)
Social security and Medicare tax	710,000	681,500	679,654	(1,846)
Retirement contributions	325,000	245,129	244,452	(677)
Workers compensation	270,000	233,818	233,817	(1)
Group disability insurance	34,553	26,253	24,859	(1,394)
Tuition reimbursement	10,000	19,171	19,856	685
Unemployment compensation	80,000	15,000	14,504	(496)
Total employee benefits	<u>5,624,553</u>	<u>5,051,540</u>	<u>5,039,354</u>	<u>(12,186)</u>
Supplies:				
Supplies	564,513	519,005	468,176	(50,829)
Library/Audio supplies	163,247	172,571	170,508	(2,063)
Textbooks	94,747	81,008	75,545	(5,463)
Library books	24,450	24,450	22,811	(1,639)
Periodicals	11,928	10,128	9,489	(639)
Propane and natural gas	52,500	52,500	49,197	(3,303)
Fuel oil	316,000	219,931	218,718	(1,213)
Gasoline	6,000	6,000	4,313	(1,687)
Total supplies	<u>1,233,385</u>	<u>1,085,593</u>	<u>1,018,757</u>	<u>(66,836)</u>
Facilities:				
Repairs and maintenance services	434,476	519,891	402,464	(117,427)
Utility services	487,400	583,964	583,962	(2)
Grounds upkeep	39,000	47,902	47,390	(512)
Snowplowing services	68,100	68,100	68,096	(4)
Security services	45,630	48,456	48,110	(346)
Disposal services	46,600	39,381	39,272	(109)
Septic and water system	36,100	44,969	44,969	-
LGS sewer annual fee	25,234	25,730	25,730	-
Facility rentals	20,136	20,136	17,933	(2,203)
Pest control	2,800	2,855	2,539	(316)
Total facilities	<u>1,205,476</u>	<u>1,401,384</u>	<u>1,280,465</u>	<u>(120,919)</u>

See accompanying Independent Auditor's Report.

REGIONAL SCHOOL DISTRICT NO. 10
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES - BUDGET AND ACTUAL -
BUDGETARY BASIS - GENERAL FUND (Continued)
FOR THE YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual	Variance With Final Budget Over (Under)
	Original	Final		
EXPENDITURES (Continued):				
Purchased services:				
Other professional services	\$ 417,681	\$ 540,504	\$ 516,352	\$ (24,152)
Administrative services	65,000	93,641	93,641	-
Professional education services	25,700	35,482	34,628	(854)
Instructional improvement	18,275	10,797	9,251	(1,546)
Technical services	6,750	6,750	6,750	-
Total purchased services	<u>533,406</u>	<u>687,174</u>	<u>660,622</u>	<u>(26,552)</u>
Equipment:				
Replace non-instructional equipment	302,000	415,871	413,330	(2,541)
Replace instructional equipment	8,390	8,440	7,698	(742)
New non-instructional equipment	-	21,000	21,000	-
Total equipment	<u>310,390</u>	<u>445,311</u>	<u>442,028</u>	<u>(3,283)</u>
Other:				
Transportation/reimbursable	2,295,856	2,313,746	2,269,816	(43,930)
Insurance	191,650	188,595	187,677	(918)
Communication/telephone	61,554	70,397	70,395	(2)
Postage	31,700	29,420	28,220	(1,200)
Advertising	2,500	2,500	964	(1,536)
Printing & binding	10,699	10,944	10,258	(686)
Tuition to LEAs	319,137	241,637	240,127	(1,510)
Tuition to private sources	765,614	1,114,662	1,096,575	(18,087)
Professional development	84,150	71,683	62,948	(8,735)
Other purchased services	190,380	173,651	155,270	(18,381)
Student activities	19,611	19,886	16,583	(3,303)
Dues and fees	37,015	37,419	31,677	(5,742)
Capital improvements	218,263	274,453	274,453	-
Total other	<u>4,228,129</u>	<u>4,548,993</u>	<u>4,444,963</u>	<u>(104,030)</u>
Debt service:				
Principal	1,560,000	1,543,465	1,543,421	(44)
Interest	542,053	555,588	555,588	-
Total debt service	<u>2,102,053</u>	<u>2,099,053</u>	<u>2,099,009</u>	<u>(44)</u>
Contingency	<u>100,000</u>	<u>242,916</u>	<u>-</u>	<u>(242,916)</u>
Total expenditures	<u>38,972,280</u>	<u>38,972,280</u>	<u>38,384,862</u>	<u>(587,418)</u>
OTHER FINANCING USES:				
Refunds to District Towns	<u>-</u>	<u>92,460</u>	<u>92,460</u>	<u>-</u>
Total expenditures and other financing uses	<u>\$ 38,972,280</u>	<u>\$ 39,064,740</u>	<u>\$ 38,477,322</u>	<u>\$ (587,418)</u>

See accompanying Independent Auditor's Report.

**REGIONAL SCHOOL DISTRICT NO. 10
SCHEDULE OF DEBT LIMITATION
CONNECTICUT GENERAL STATUTES, SECTION 7-374(b)
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Burlington</u>	<u>Harwinton</u>	<u>Total</u>
Total cash collections for the year ended June 30, 2017:	<u>\$ 25,275,070</u>	<u>\$ 13,143,998</u>	<u>\$ 38,419,068</u>
			<u>District</u>
Debt limitation: 4-1/2 times base			<u>\$ 172,885,806</u>
Indebtedness:			
Bonds payable			<u>15,785,000</u>
Total indebtedness			<u>15,785,000</u>
Debt limitation in excess of outstanding and authorized debt			<u>\$ 157,100,806</u>
Total capacity of borrowing (4-1/2 times base)			\$ 172,885,806
Total present indebtedness			<u>15,785,000</u>
Margin for additional borrowing			<u>\$ 157,100,806</u>

See accompanying Independent Auditor's Report.

**REGIONAL SCHOOL DISTRICT NO. 10
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2017**

	Nonmajor Governmental Funds			Total Nonmajor Governmental Funds
	School Lunch Fund	Debt Service Fund	Capital Projects Fund	
ASSETS				
Cash and cash equivalents	\$ 249,097	\$ 52	\$ 18,986	\$ 268,135
Receivables:				
Grants	20,511	-	-	20,511
Other	4,985	-	-	4,985
Inventories	5,572	-	-	5,572
Total assets	<u>\$ 280,165</u>	<u>\$ 52</u>	<u>\$ 18,986</u>	<u>\$ 299,203</u>
LIABILITIES				
Accrued expenses	\$ 6,424	\$ -	\$ -	\$ 6,424
Due to other funds	5,452	-	-	5,452
Total liabilities	<u>11,876</u>	<u>-</u>	<u>-</u>	<u>11,876</u>
FUND BALANCES				
Nonspendable:				
Inventories	5,572	-	-	5,572
Committed to:				
School lunch operations	262,717	-	-	262,717
Debt service	-	52	-	52
Capital purposes	-	-	18,986	18,986
Total fund balances	<u>268,289</u>	<u>52</u>	<u>18,986</u>	<u>287,327</u>
Total liabilities and fund balances	<u>\$ 280,165</u>	<u>\$ 52</u>	<u>\$ 18,986</u>	<u>\$ 299,203</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, 2017**

	Nonmajor Governmental Funds			Total Nonmajor Governmental Funds
	School Lunch Fund	Debt Service Fund	Capital Projects Fund	
REVENUES				
Intergovernmental	\$ 144,100	\$ -	\$ -	\$ 144,100
Charges for goods and services	804,216	-	-	804,216
Interest income	115	51	267	433
Total revenues	<u>948,431</u>	<u>51</u>	<u>267</u>	<u>948,749</u>
EXPENDITURES				
Current:				
Support services - students	879,688	-	-	879,688
Capital outlays	-	-	354,475	354,475
Debt service:				
Principal payments	-	1,560,000	-	1,560,000
Interest and fiscal charges	-	555,587	-	555,587
Total expenditures	<u>879,688</u>	<u>2,115,587</u>	<u>354,475</u>	<u>3,349,750</u>
Excess (deficiency) of revenues over expenditures	68,743	(2,115,536)	(354,208)	(2,401,001)
OTHER FINANCING SOURCES				
Transfers in	-	2,099,009	-	2,099,009
Total other financing sources	<u>-</u>	<u>2,099,009</u>	<u>-</u>	<u>2,099,009</u>
Net changes in fund balances	68,743	(16,527)	(354,208)	(301,992)
Fund balances - beginning	<u>199,546</u>	<u>16,579</u>	<u>373,194</u>	<u>589,319</u>
Fund balances - ending	<u>\$ 268,289</u>	<u>\$ 52</u>	<u>\$ 18,986</u>	<u>\$ 287,327</u>

See accompanying Independent Auditor's Report.

REGIONAL SCHOOL DISTRICT NO. 10
COMBINING STATEMENT OF NET POSITION
PENSION TRUST FUNDS
JUNE 30, 2017

	<u>Employees' Pension Plan</u>	<u>Employees' Defined Contribution Plan</u>	<u>Custodial and Maintenance Employees' Plan</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 248,522	\$ 96,476	\$ 161,148	\$ 506,146
Investments:				
Mutual funds	1,937,209	1,947,537	1,050,713	4,935,459
Equity securities	166,798	-	-	166,798
Other assets	275,754	-	17,413	293,167
Total assets	<u>2,628,283</u>	<u>2,044,013</u>	<u>1,229,274</u>	<u>5,901,570</u>
LIABILITIES				
Accounts payable	1,634	343	-	1,977
Total liabilities	<u>1,634</u>	<u>343</u>	<u>-</u>	<u>1,977</u>
NET POSITION				
Held in trust for pension benefits	<u>\$ 2,626,649</u>	<u>\$ 2,043,670</u>	<u>\$ 1,229,274</u>	<u>\$ 5,899,593</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, 2017

	<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	\$ 210,855	\$ 78,797	\$ 67,956	\$ 357,608
Employee contributions	17,188	180,948	29,820	227,956
Total contributions	<u>228,043</u>	<u>259,745</u>	<u>97,776</u>	<u>585,564</u>
Investment earnings:				
Interest and dividends	65,321	55,321	39,813	160,455
Net change in the fair value of investments, net of fees	<u>187,216</u>	<u>131,404</u>	<u>119,218</u>	<u>437,838</u>
Total investment earnings	<u>252,537</u>	<u>186,725</u>	<u>159,031</u>	<u>598,293</u>
Total additions	<u>480,580</u>	<u>446,470</u>	<u>256,807</u>	<u>1,183,857</u>
DEDUCTIONS				
Insurance premiums	18,663	-	-	18,663
Benefit payments	237,471	151,165	205,134	593,770
Other	<u>18,300</u>	<u>794</u>	<u>8,249</u>	<u>27,343</u>
Total deductions	<u>274,434</u>	<u>151,959</u>	<u>213,383</u>	<u>639,776</u>
Change in net position	206,146	294,511	43,424	544,081
Net position held in trust for pension benefits:				
Beginning	<u>2,420,503</u>	<u>1,749,159</u>	<u>1,185,850</u>	<u>5,355,512</u>
Ending	<u>\$ 2,626,649</u>	<u>\$ 2,043,670</u>	<u>\$ 1,229,274</u>	<u>\$ 5,899,593</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, 2017**

	Balance, July 1, 2016	Additions	Deductions	Balance, June 30, 2017
ASSETS				
Cash and cash equivalents	\$ 284,964	\$ 630,902	\$ 638,042	\$ 277,824
Total assets	\$ 284,964	\$ 630,902	\$ 638,042	\$ 277,824
 LIABILITIES				
Accounts payable	\$ 6,408	\$ 32,261	\$ 6,408	\$ 32,261
Due to students	278,556	630,902	663,895	245,563
Total liabilities	\$ 284,964	\$ 663,163	\$ 670,303	\$ 277,824

See accompanying Independent Auditor's Report.