

REGIONAL SCHOOL DISTRICT NO. 13

Durham and Middlefield, Connecticut

FINANCIAL STATEMENTS

JUNE 30, 2016

REGIONAL SCHOOL DISTRICT NO. 13
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Independent Auditors' Report

To the Board of Education
Regional School District No. 13

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Regional School District No. 13 as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Regional School District No. 13'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 auditors' 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 auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Regional School District No. 13 as of June 30, 2016 and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 3 to the financial statements, during the fiscal year ended June 30, 2016, Regional School District No. 13 adopted new accounting guidance, GASB Statement No. 72, *Fair Value Measurement and Application*. Our opinion is not modified with respect to this matter.

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 4 through 9, the budgetary comparison information on pages 43 through 45 and the pension schedules on pages 46 through 49 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Regional School District No. 13's basic financial statements. The combining and individual nonmajor fund financial statements and schedules, and debt limitation schedule are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and 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 5, 2016 on our consideration of the Regional School District No. 13's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Regional School District No. 13's internal control over financial reporting and compliance.

Blum, Shapiro & Company, P.C.

West Hartford, Connecticut
December 5, 2016

**REGIONAL SCHOOL DISTRICT NO. 13
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016**

Management of Regional School District No. 13 (the Region) offers readers of these financial statements this narrative overview and analysis of the financial activities of the Region for the fiscal year ended June 30, 2016.

Financial Highlights

- The assets of the Region exceeded its liabilities at the close of the most recent fiscal year by \$27,760,759 (net position).
- The Region's total net position increased by \$537,050, resulting primarily from a reduction in long term liabilities.
- As of the close of the current fiscal year, the Region's governmental funds reported a combined ending fund balance of \$3,362,037, an increase of \$748,527 in comparison with the prior year.
- At the end of the current fiscal year, the fund balance for the general fund was \$2,081,747, a decrease of \$169,689, which is designated for subsequent year's budget.
- Long-term bonds decreased by \$1,705,000 due to the principal payments.

Overview of the Basic Financial Statements

This discussion and analysis are intended to serve as an introduction to the Region's basic financial statements. The Region's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic 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 Region's finances in a manner similar to a private-sector business.

The statement of net position presents information on all of the Region's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Region is improving or deteriorating.

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

The government-wide financial statements present the functions of the Region, which are principally supported by assessments to member towns and intergovernmental revenues. The governmental activities of the Region include general instruction, special education, student services, administration, buildings and transportation.

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 Region uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Region can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful evaluating the Region'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 Region'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 Region maintains nine individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund, the Special School Grants and Programs Fund, the Capital Projects Fund and the Capital Reserve Fund, all of which are considered to be major funds. Data from the other five governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The Region adopts an annual budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

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

Notes to the Basic Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information. The combining statements referred to earlier in connection with nonmajor governmental funds are presented following the notes to the basic financial statements. Combining and individual fund statements and schedules can be found in Exhibits A-1 and A-2.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Region, assets exceeded liabilities by \$27,760,759 at the close of the most recent fiscal year.

By far, the largest portion of the Region's net position reflects its investment in capital assets (e.g., land, buildings, and machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The Region uses these capital assets to provide public education to eligible citizens living within the district; consequently, these assets are not available for future spending. Although the Region'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 remaining balance of unrestricted net position is (\$698,446).

REGIONAL SCHOOL DISTRICT NO. 13 NET POSITION

	Governmental Activities	
	2016	2015
Current and other assets	\$ 3,820,977	\$ 3,336,823
Capital assets, net of accumulated depreciation	38,551,782	38,608,821
Total assets	<u>42,372,759</u>	<u>41,945,644</u>
Deferred outflows of resources	<u>950,201</u>	<u>516,526</u>
Long-term liabilities outstanding	14,886,755	14,574,726
Other liabilities	588,834	663,735
Total liabilities	<u>15,475,589</u>	<u>15,238,461</u>
Deferred inflows of resources	<u>86,612</u>	<u>-</u>
Net Position:		
Net investment in capital assets	28,453,250	28,017,335
Restricted	5,955	26,485
Unrestricted	<u>(698,446)</u>	<u>(820,111)</u>
Total Net Position	<u>\$ 27,760,759</u>	<u>\$ 27,223,709</u>

Governmental Activities. The Region's net position increased by \$537,050 during the current fiscal year. The increase is primarily due to school construction grants received from the State of Connecticut for the Brewster School Roof Project.

**REGIONAL SCHOOL DISTRICT NO. 13
CHANGES IN NET POSITION**

	Governmental Activities	
	<u>2016</u>	<u>2015</u>
Revenues:		
Program revenues:		
Charges for services:		
Special education	\$ 988,034	\$ 755,734
Student services	530,333	523,586
Buildings	49,176	39,814
Operating grants and contributions	4,447,037	4,064,832
Capital grants and contributions	733,275	35,705
General revenues:		
Assessments from member towns	35,604,297	35,178,402
Investment income	16,129	12,271
Miscellaneous	122,229	146,207
Total revenues	<u>42,490,510</u>	<u>40,756,551</u>
Expenses:		
General instruction	18,986,164	17,780,963
Special education	8,710,986	8,759,832
Student services	2,946,524	2,823,122
Administration	5,548,780	5,342,741
Buildings	3,965,252	4,010,046
Transportation	1,450,849	1,303,626
Interest expense	344,905	399,597
Total expenses	<u>41,953,460</u>	<u>40,419,927</u>
Change in net position	537,050	336,624
Net Position at Beginning of Year	<u>27,223,709</u>	<u>26,887,085</u>
Net Position at End of Year	<u>\$ 27,760,759</u>	<u>\$ 27,223,709</u>

- Capital grant revenues increased due to the receipt of school construction grants from the State of Connecticut for the Brewster School roof replacement.

Financial Analysis of the Region's Funds

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

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

At the end of the current fiscal year, the Region's governmental funds reported a combined ending fund balance of \$3,362,037, an increase of \$748,527 in comparison with the prior year. Of that balance, \$2,081,747 constitutes funds designated for subsequent year's budgets. The remaining \$1,280,290 of fund balance is reserved to indicate that it is not available for new spending because it has already been committed as capital reserves and other governmental projects or funds.

General Fund Budgetary Highlights

There were several differences between the original budget and the final amended budget of revenues and expenditures. Significant budgetary variances can be briefly summarized as follows:

Final Budget to Actual

- Salary expense was under budget by \$471,970, or 2.24%.
- We saw positive variances (under budget) of \$210,935 in employee benefits expenditures, due to the adoption of a high deductible health insurance plan and unemployment, \$19,791 in property services, \$60,608 in supplies, \$142,819 in tuition and \$119,531 in professional services.
- We saw negative variances (over budget) in the areas of transportation \$117,265 due to special needs and athletic transportation and fuel for buses, \$48,990.

Capital Assets and Debt Administration

Capital Assets. The Region's investment in capital assets for its governmental activities as of June 30, 2016 amounts to \$38,551,782 (net of accumulated depreciation). This investment in capital assets includes land, buildings and machinery and equipment. The net decrease of \$57,039 in the Region's capital assets for the current fiscal year is a result of adjustments for normal depreciation as well as some asset dispositions, offset by additions, primarily the new Brewster School roof.

**REGIONAL SCHOOL DISTRICT NO. 13
CAPITAL ASSETS
(NET OF DEPRECIATION)**

	Governmental Activities	
	2016	2015
Land	\$ 200,000	\$ 200,000
Construction in progress		16,500
Buildings and improvements	33,256,999	32,854,454
Land improvements	3,910,020	4,154,187
Equipment	640,575	541,765
Vehicles	544,188	841,915
 Total	 \$ 38,551,782	 \$ 38,608,821

Additional information on the Region’s capital assets can be found in Note 3B of this report.

Long-Term Debt. At the end of the current fiscal year, the Region had total bonded debt outstanding of \$7,765,000. All of this debt comprises debt backed by the full faith and credit of the Region.

**REGIONAL SCHOOL DISTRICT NO. 13
OUTSTANDING DEBT
GENERAL OBLIGATION BONDS**

	Governmental Activities	
	2016	2015
General obligation bonds	\$ 7,765,000	\$ 9,470,000

The Region’s total debt decreased by \$1,705,000 during the current fiscal year. The Region increased its rating from “A2” to Aa3 from Moody’s for general obligation debt.

State Statutes limit the amount of general obligation debt a regional school district may issue to 4.5 times total tax collections including interest and lien fees and the tax relief for elderly freeze grant of the member towns. The current debt limitation for the Region is \$177,099,966 which is significantly in excess of the Region’s outstanding general obligation debt.

A portion of the Region’s debt is allocated to each member town and is included in the town’s debt limitation. Additional information on the Region’s long-term debt can be found in Note 3D of this report.

Requests for Information

This financial report is designed to provide a general overview of the Region’s finances for all those with an interest in the government’s finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Ronald Melnik, Business Manager, Regional School District No. 13, 135A Pickett Lane, Durham, Connecticut 06422.

REGIONAL SCHOOL DISTRICT NO. 13
STATEMENT OF NET POSITION
JUNE 30, 2016

	Governmental Activities
Assets:	
Cash and cash equivalents	\$ 2,884,755
Investments	10,714
Accounts receivable	50,005
Intergovernmental receivable	235,472
Other assets	16,706
Prepaid expenses	620,792
Restricted assets:	
Permanently restricted:	
Investments	2,533
Capital assets not being depreciated	200,000
Capital assets net of accumulated depreciation	<u>38,351,782</u>
Total assets	<u>42,372,759</u>
Deferred Outflows of Resources:	
Deferred charge on refunding	209,525
Changes in assumptions	295,979
Differences between projected and actual earnings on pension plan	<u>444,697</u>
Total deferred outflows of resources	<u>950,201</u>
Liabilities:	
Accounts and other payables	345,811
Accrued interest payable	129,894
Unearned revenue	113,129
Noncurrent liabilities:	
Due within one year	2,158,193
Due in more than one year	<u>12,728,562</u>
Total liabilities	<u>15,475,589</u>
Deferred Inflows of Resources:	
Differences between expected and actual experience	<u>86,612</u>
Net Position:	
Net investment in capital assets	28,453,250
Restricted for:	
Textbooks:	
Expendable	3,422
Nonexpendable	2,533
Unrestricted	<u>(698,446)</u>
Total Net Position	<u>\$ 27,760,759</u>

The accompanying notes are an integral part of the financial statements

REGIONAL SCHOOL DISTRICT NO. 13
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

Functions/Programs	Expenses	Program Revenues		Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions		
Governmental activities:					
General instruction	\$ 18,986,164	\$	\$ 3,503,050	\$	\$ (15,483,114)
Special education	8,710,986	988,034	736,028		(6,986,924)
Student services	2,946,524	530,333	115,515		(2,300,676)
Administration	5,548,780				(5,548,780)
Buildings	3,965,252	49,176		731,828	(3,184,248)
Transportation	1,450,849		92,444		(1,358,405)
Interest	344,905			1,447	(343,458)
	<u>\$ 41,953,460</u>	<u>\$ 1,567,543</u>	<u>\$ 4,447,037</u>	<u>\$ 733,275</u>	<u>(35,205,605)</u>
General revenues:					
Assessments from district member towns					35,604,297
Investment income					16,129
Miscellaneous					122,229
Total general revenues					<u>35,742,655</u>
Change in Net Position					537,050
Net Position at Beginning of Year					<u>27,223,709</u>
Net Position at End of Year					<u>\$ 27,760,759</u>

The accompanying notes are an integral part of the financial statements

**REGIONAL SCHOOL DISTRICT NO. 13
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016**

	<u>General</u>	<u>Special School Grants and Programs</u>	<u>Capital Reserve Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 2,133,706	\$ 79,837	\$ 382,773	\$ 288,439	\$ 2,884,755
Investments				13,247	13,247
Prepaid items			620,792		620,792
Accounts receivable	21,953	28,052			50,005
Intergovernmental receivable	187,168	15,406	13,548	19,350	235,472
Other assets				16,706	16,706
Total Assets	<u>\$ 2,342,827</u>	<u>\$ 123,295</u>	<u>\$ 1,017,113</u>	<u>\$ 337,742</u>	<u>\$ 3,820,977</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts and other payables	\$ 261,080	\$ 11,825	\$	\$ 72,906	\$ 345,811
Unearned revenue		111,470		1,659	113,129
Total liabilities	<u>261,080</u>	<u>123,295</u>	<u>-</u>	<u>74,565</u>	<u>458,940</u>
Fund balances:					
Nonspendable			620,792	19,239	640,031
Restricted	2,081,747			30,064	2,111,811
Committed			396,321	240,930	637,251
Unassigned				(27,056)	(27,056)
Total fund balances	<u>2,081,747</u>	<u>-</u>	<u>1,017,113</u>	<u>263,177</u>	<u>3,362,037</u>
Total Liabilities and Fund Balances	<u>\$ 2,342,827</u>	<u>\$ 123,295</u>	<u>\$ 1,017,113</u>	<u>\$ 337,742</u>	<u>\$ 3,820,977</u>

(Continued on next page)

REGIONAL SCHOOL DISTRICT NO. 13
BALANCE SHEET - GOVERNMENTAL FUNDS (CONTINUED)
JUNE 30, 2016

Reconciliation of the Balance Sheet - Governmental Funds to Statement of Net Position

Amounts reported for governmental activities in the statement of net position (Exhibit I) are different from the governmental fund balance sheet. The details of this difference are as follows:

Total fund balances (Exhibit III)	\$ 3,362,037
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:

Governmental capital assets	61,865,078
Less accumulated depreciation	(23,313,296)

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds:

Deferred outflows related to changes of assumptions	295,979
Deferred outflows related to differences in projected and actual pension earnings	444,697

Some liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds:

Bonds payable	(7,765,000)
Notes payable	(1,335,284)
Bond premium	(280,697)
Deferred charge on refunding	209,525
Compensated absences	(51,697)
Net OPEB obligation	(2,989,276)
Net pension liability	(1,537,725)
Capital leases	(927,076)
Accrued interest payable	(129,894)
Deferred inflows related to differences between expected and actual experience	(86,612)

Net Position of Governmental Activities (Exhibit I)	<u>\$ 27,760,759</u>
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The accompanying notes are an integral part of the financial statements

**REGIONAL SCHOOL DISTRICT NO. 13
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>General</u>	<u>Special School Grants and Programs</u>	<u>Capital Reserve Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
Assessments from district member towns	\$ 35,604,297	\$	\$	\$	\$ 35,604,297
Intergovernmental	3,982,504	560,024	707,990	115,515	5,366,033
Charges for services	83,202			1,484,341	1,567,543
Local sources	14,910		2,010	65	16,985
Miscellaneous	90,428			30,945	121,373
Total revenues	<u>39,775,341</u>	<u>560,024</u>	<u>710,000</u>	<u>1,630,866</u>	<u>42,676,231</u>
Expenditures:					
Current:					
Salaries	20,565,041			779,001	21,344,042
Employee benefits	10,355,808			84,658	10,440,466
Purchased services	889,623	560,024		145,519	1,595,166
Property services	1,024,803				1,024,803
Operational services	3,150,226			81,873	3,232,099
Supplies	1,621,972			323,329	1,945,301
Capital outlay	487,462		1,432,270		1,919,732
Debt service	2,047,391		10,000		2,057,391
Total expenditures	<u>40,142,326</u>	<u>560,024</u>	<u>1,442,270</u>	<u>1,414,380</u>	<u>43,559,000</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(366,985)</u>	<u>-</u>	<u>(732,270)</u>	<u>216,486</u>	<u>(882,769)</u>
Other Financing Sources (Uses):					
Transfers in	50,000		184,000		234,000
Transfers out	(184,000)			(50,000)	(234,000)
Issuance of capital leases	296,012				296,012
Issuance of notes payable	35,284		1,300,000		1,335,284
Total other financing sources (uses)	<u>197,296</u>	<u>-</u>	<u>1,484,000</u>	<u>(50,000)</u>	<u>1,631,296</u>
Net Change in Fund Balances	(169,689)	-	751,730	166,486	748,527
Fund Balances at Beginning of Year	<u>2,251,436</u>	<u>-</u>	<u>265,383</u>	<u>96,691</u>	<u>2,613,510</u>
Fund Balances at End of Year	<u>\$ 2,081,747</u>	<u>\$ -</u>	<u>\$ 1,017,113</u>	<u>\$ 263,177</u>	<u>\$ 3,362,037</u>

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REGIONAL SCHOOL DISTRICT NO. 13
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2016

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances -
 Governmental Funds to the Statement of Activities:

Amounts reported for governmental activities in the statement of activities (Exhibit II) are different
 because of the following:

Net change in fund balances - total governmental funds (Exhibit IV)	\$ 748,527
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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
 expense. The capital outlay and depreciation expense are as follows for the current period:

Capital outlay	1,758,757
Depreciation expense	(1,701,975)

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins
 and donations) is to increase net assets. In the statement of activities, only the loss on the sale of
 capital assets is reported. However, in the governmental funds, the proceeds from the sale increase
 financial resources. Thus, the change in net position differs from the change in fund balance by the
 cost of the capital assets sold.

(113,821)

Revenues in the statement of activities that do not provide current financial resources are not
 reported as revenues in the funds, and revenues recognized in the funds are not reported in the
 statement of activities:

School building grant receipts	(185,721)
Change in deferred outflows related to changes of assumption	295,979
Change in deferred outflows related to differences in projected and actual earnings on pension plan	170,779

The issuance of long-term debt (e.g., bonds, capital leases) provides current financial resources
 to governmental funds, while the repayment of the principal of long-term debt consumes the
 current financial resources of governmental funds. Neither transaction, however, has any
 effect on net position. Also, governmental funds report 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 details of these differences in the treatment
 of long-term debt and related items are as follows:

Payments on general obligation bonds	1,705,000
Issuance of capital leases	(296,012)
Payments on capital leases	408,013
Notes payable proceeds	(1,335,284)

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

Net OPEB obligation	(344,997)
Net pension liability	(509,667)
Accrued interest payable	(3,751)
Compensated absences	16,598
Bond premium	44,320
Deferred charge on refunding	(33,083)
Change in deferred inflows related to differences between expected and actual experience	(86,612)

Change in Net Position of Governmental Activities (Exhibit II)	<u>\$ 537,050</u>
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The accompanying notes are an integral part of the financial statements

**REGIONAL SCHOOL DISTRICT NO. 13
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2016**

	Pension Trust Funds	Private Purpose Trust Funds	Agency Funds
	<u> </u>	<u> </u>	<u> </u>
Assets:			
Cash and cash equivalents	\$ 332,442	\$ _____	\$ 298,725
Investments, at fair value:			
Proprietary mutual funds	9,435		
Corporate bonds	866,050		
U.S. Government obligations	592,072		
Common stocks	5,069,290		
Preferred stocks	13,003		
Other investment	619,317		
Accrued interest	16,524		
Total investments, at fair value	<u>7,185,691</u>	<u> - </u>	<u> - </u>
Total assets	<u>7,518,133</u>	<u> - </u>	<u>\$ 298,725</u>
Liabilities:			
Due to student groups and others	<u> </u>	<u> </u>	<u>\$ 298,725</u>
Net Position:			
Held in trust for pension benefits and individuals	<u>\$ 7,518,133</u>	<u>\$ _____</u>	

The accompanying notes are an integral part of the financial statements

**REGIONAL SCHOOL DISTRICT NO. 13
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - PENSION TRUST FUNDS
AND PRIVATE-PURPOSE TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Pension Trust Funds</u>	<u>Private- Purpose Trust Funds</u>
Additions:		
Contributions:		
Employer	\$ 330,684	\$
Employee	179,303	
Total contributions	<u>509,987</u>	<u>-</u>
Investment income:		
Net change in fair value of investments	125,861	
Interest and dividends	197,135	
Total investment income	<u>322,996</u>	
Less investment expense	<u>85,288</u>	
Net investment income	<u>237,708</u>	<u>-</u>
Total additions	<u>747,695</u>	<u>-</u>
Deductions:		
Benefits	253,084	
Administrative expense	14,621	
Supplies		2,756
Total deductions	<u>267,705</u>	<u>2,756</u>
Change in net position	479,990	(2,756)
Net Position Beginning of Year	<u>7,038,143</u>	<u>2,756</u>
Net Position End of Year	<u>\$ 7,518,133</u>	<u>\$ -</u>

The accompanying notes are an integral part of the financial statements

REGIONAL SCHOOL DISTRICT NO. 13
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Regional School District No. 13 (the District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant policies of the District are described below.

A. Reporting Entity

The District was organized under provisions of the Connecticut General Statutes in 1970 for the purpose of providing education for grades 1 through 12 to the residents of the towns of Durham and Middlefield, Connecticut. The District consists of three elementary schools, two middle schools and one high school.

The District is governed by a Regional Board of Education consisting of six members from Durham and four members from Middlefield. The members of the Board serve three-year terms. The Superintendent of Schools, selected by the Board of Education, manages the day-to-day affairs of the District and the schools of Durham and Middlefield.

The District's operating and debt service expenses are paid by the member towns in proportion to the number of attending pupils. The current year assessment percentages are 65.04% for Durham and 34.96% for Middlefield.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are normally supported by member town assessments, intergovernmental revenues and revenues from local sources.

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

Separate financial statements are provided for governmental and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Agency funds do not have a measurement focus but are reported using 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. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

REGIONAL SCHOOL DISTRICT NO. 13
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due.

Member town assessments, expenditure reimbursement type grants, and certain intergovernmental revenues, transfers and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items, including the state interest and bond subsidy grant, are considered to be measurable and available only when cash is received by the District.

The District reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those resources required to be accounted for in another fund.

The *Special School Grants and Programs Fund* accounts for the revenues and expenditures relating to Federal and State education grants. The major sources of revenue for this fund are Federal and State grants.

The *Capital Reserve Fund* accounts for the revenues and expenditures relating to reserves for capital items.

Additionally, the District reports the following fund types:

The *Private-Purpose Trust Funds* are used to account for resources legally held in trust for scholarships. Resources of the fund, including any earnings on invested resources, may be used for student scholarships.

The *Pension Trust Funds* account for the activities of the Regional School District No. 13 Employees' Retirement System, which accumulates resources for pension benefit payments to qualified employees.

The *Agency Funds* account for monies held on behalf of students in a custodial capacity.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements, except for any interfund services provided by one fund used by another fund. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed. Unrestricted resources are used in the following order: committed, assigned then unassigned.

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

Deposits and Investments

Deposits

The District considers cash equivalents as cash on hand, demand deposits, money market accounts and short-term investments with original maturities of three months or less from the date of acquisition.

The deposit of public funds is controlled by the Connecticut General Statutes (Section 7-402). Deposits may be made in a “qualified public depository” as defined by the Statutes, or, in amounts not exceeding the Federal Deposit Insurance Corporation insurance limit, in an “out of state bank” as defined by the Statutes, which is not a “qualified public depository.”

Investments

Investments are reported at fair value.

The Connecticut General Statutes (Section 7-400) permit municipalities to invest in: 1) obligations of the United States and its agencies; 2) highly rated obligations of any state of the United States or of any political subdivision, authority or agency thereof; and 3) 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. Other provisions of the Statutes cover specific municipal funds with particular investment authority. The provisions of the Statutes regarding the investment of municipal pension funds do not specify permitted investments. Therefore, investment of such funds is generally controlled by the laws applicable to fiduciaries and the provisions of the applicable plan.

The Statutes (Sections 3-24f and 3-27f) also provide for investment in shares of the State Short-Term Investment Fund (STIF) and the State Tax Exempt Proceeds Fund (TEPF). These investment pools are under the control of the State Treasurer, with oversight provided by the Treasurer’s Cash Management Advisory Board, and are regulated under the State Statutes and subject to annual audit by the Auditors of Public Accounts. Investment yields are accounted for on an amortized-cost basis with an investment portfolio that is designed to attain a market-average rate of return throughout budgetary and economic cycles. Investors accrue interest daily based on actual earnings, less expenses and transfers to the designated surplus reserve, and the fair value of the position in the pool is the same as the value of the pool shares.

Receivables

Intergovernmental and member town assessment receivables are considered to be fully collectible, and no allowance has been recorded.

Interfund Activity

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is 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 noncurrent portion of interfund loans).

**REGIONAL SCHOOL DISTRICT NO. 13
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

Inventories

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed, rather than when purchased.

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 for equipment and vehicles and \$20,000 for buildings and improvements, land and land improvements and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Property, plant and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	45-50
Building improvements	45-50
Land improvements	20-25
Vehicles	5-15
Office equipment	5-15
Computer equipment	5-7

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period or periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District reports a deferred charge on refunding and deferred outflows related to pension in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. A deferred outflow of resources related to pension results from differences between expected and actual experience, changes in assumptions or other inputs. These amounts are deferred and included in pension expense in a systematic and rational manner over a period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension plan (active employees and inactive employees).

REGIONAL SCHOOL DISTRICT NO. 13
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period or periods and so will not be recognized as an inflow of resources (revenue) until that time. The District reports deferred inflows of resources related to pensions in the government-wide statement of net position. A deferred inflow of resources related to pension results from differences between expected and actual experience, changes in assumptions or other inputs. These amounts are deferred and included in pension expense in a systematic and rational manner over a period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension plan (active employees and inactive employees).

Restricted Assets

Certain donations received by the District have been classified as restricted assets because their use is limited by the donors.

Unearned Revenues

Unearned revenues arise when potential revenue does not meet both the measurable and available criteria for recognition in the current period. Unearned revenues also arise when resources are received before the District has legal claim to them, as when grant monies are received prior to the issuance of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has legal claim to the resource, the unearned revenues is removed from the balance sheet, and revenue is recognized.

Compensated Absences

Sick leave and vacation leave expenditures are recognized in the governmental funds in the current year to the extent that they are paid during the year. Unpaid benefits lapse at year end, and any amounts payable during an employee's active term cannot exceed a full year's budgeted payroll and, as such, no liability is accrued.

All vacation and sick pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Net Pension Liability

The net pension liability is measured as the portion of the actuarial present value of projected benefits that is attributed to past periods of employee service (total pension liability), net of the pension plan's fiduciary net position. The pension plan's fiduciary net position is determined using the same valuation methods that are used by the pension plan for purposes of preparing its statement of fiduciary net position. The net pension liability is measured as of a date (measurement date) no earlier than the end of the employer's prior fiscal year, consistently applied from period to period.

Net OPEB Obligations

The net OPEB obligation represents the cumulative difference between the annual OPEB cost and the District's contributions to the plans. These amounts are calculated on an actuarial basis and are recorded as noncurrent liabilities, accordingly, in the government-wide financial statements.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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

Fund Equity and Net Position

In the fund financial statements, fund balance is classified into the following categories:

Nonspendable Fund Balance

This category presents amounts that cannot be spent due to form (e.g., inventories and prepaid amounts).

Restricted Fund Balance

This category presents amounts constrained for a specific purpose by external parties, such as grantors, creditors, contributors, or laws and regulations of their governments.

Committed Fund Balance

This category presents amounts constrained for a specific purpose by a government using its highest level of decision-making authority (Regional School District No. 13 Board of Education).

Assigned Fund Balance

This category presents amounts constrained for the intent to be used for a specific purpose by the Board of Education or the Business Manager who has been delegated authority to assign amounts by the District Charter.

Unassigned Fund Balance

This category presents fund balance in the General Fund in excess of nonspendable, restricted, committed and assigned fund balance. If another governmental fund has a fund balance deficit, it is reported as a negative amount in unassigned fund balance.

In the government-wide financial statements, net position is classified into the following categories:

Net Investment in Capital Assets

This category presents the net position that reflect capital assets net of only the debt applicable to the acquisition or construction of these assets. Debt issued for noncapital purposes is excluded.

Restricted Net Position

This category presents the net position restricted by external parties (creditors, grantors, contributors or laws and regulations).

**REGIONAL SCHOOL DISTRICT NO. 13
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

Unrestricted Net Position

This category presents the net position of the District that is not restricted.

E. Estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, including disclosures of contingent assets and liabilities and reported revenues, expenses and expenditures during the fiscal year.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgets and Budgetary Accounting

The District establishes its General Fund budget in accordance with provisions of the Connecticut General Statutes.

A budget for the General Fund is authorized annually by the Board of Education. The Board of Education follows these procedures in establishing the budgetary data reflected in the financial statements:

- The citizens of the District vote on the recommended budget.
- All budget transfers must be approved by the Board of Education.
- Formal budgetary integration is employed as a management control device during the year for the General Fund.
- All unencumbered appropriations of the General Fund lapse at year end.
- The legal level of budgetary control (the level at which expenditures may not legally exceed appropriations) is at the total expenditure level for the General Fund.
- Additional appropriations may be made during the year by the Board of Education. An additional appropriation requires approval at a District meeting if it exceeds \$50,000 or is a second request. There were no additional appropriations made during the year ended June 30, 2016.
- Encumbrances are recognized as a valid and proper charge against a budget appropriation in the year in which the purchase order, contract or other commitment is issued, and, accordingly, encumbrances outstanding at year end are reported in budgetary reports as expenditures in the current year. Generally, all unencumbered appropriations lapse at year end, except those appropriated for the Capital Projects Funds. Appropriations for capital projects are continued until completion of applicable projects, even when projects extend more than one fiscal year.

**REGIONAL SCHOOL DISTRICT NO. 13
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2016**

B. Capital Projects Authorizations

The following is a summary of capital projects at June 30, 2016:

<u>Capital Project</u>	<u>Authorization</u>	<u>Current Year Expenditures</u>	<u>Cumulative Expenditures</u>	<u>Balance June 30, 2016</u>
Brewster School Roof	\$ <u>1,300,000</u>	\$ <u>1,195,710</u>	\$ <u>1,205,998</u>	\$ <u>94,002</u>
Total	\$ <u>1,300,000</u>	\$ <u>1,195,710</u>	\$ <u>1,205,998</u>	\$ <u>94,002</u>

C. Donor-Restricted Endowments

The District has received certain endowments for textbooks and library materials. The amounts are reflected in net position as restricted for expendable purposes. Net cumulative interest earnings on endowments have amounted to \$13,952 and make up a portion of the restricted fund balance.

D. Excess of Expenditures Over Appropriations

- The rentals and leases line was overspent by \$13,233.
- The pupil transportation line item was overspent by \$117,265.
- The field trips/athletics line item was overspent by \$48,990.
- The dues and fees line item was overspent by \$2,778.
- The Printing line item was overspent by \$19,831.
- The debt service interest line item was overspent by \$1,747.

E. Deficit Fund Equity

The Cafeteria Fund had a deficit fund balance of \$5,376. This deficit will be financed in the future with charges for services.

3. DETAILED NOTES

A. Cash and Investments

Deposits

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned. The District does not have a deposit policy for custodial credit risk. The deposit of public funds is controlled by the Connecticut General Statutes. Deposits may be placed with any qualified public depository that has its main place of business in the state of Connecticut. Connecticut General Statutes require that each depository maintain segregated collateral (not required to be based on a security agreement between the depository and the District and, therefore, not perfected in accordance with federal law) in an amount equal to a defined percentage of its public deposits based upon the depository's risk based capital ratio.

REGIONAL SCHOOL DISTRICT NO. 13
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Based on the criteria described in GASB Statement No. 40, Deposits and Investment Risk Disclosures, \$2,992,086 of the District's bank balance of \$3,558,473 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$
Uninsured and collateral held by the pledging bank's trust department, not in the District's name	<u>2,992,086</u>
Total Amount Subject to Custodial Credit Risk	<u>\$ 2,992,086</u>

Cash Equivalents

At June 30, 2016, the District's cash equivalents amounted to \$332,442. The following table provides a summary of the District's cash equivalents (excluding U.S. government guaranteed obligations) as rated by nationally recognized statistical rating organizations. The pools all have maturities of less than one year.

Charles Schwab Money Market*
Morgan Stanley*

*Not rated; some money markets also subject to custodial risk above

Investments

The investments in the Pension Fund are covered by the Securities Investor Protection Corporation (SIPC) up to \$500,000, including \$100,000 of cash from sale or for purchase of investments, but not cash held solely for the purpose of earning interest. SIPC protects securities such as money market funds.

As of June 30, 2016, the District had the following investments:

	<u>Fair Value</u>	<u>Investment Maturities (Years)</u>		
		<u>Less Than 1</u>	<u>1 - 10</u>	<u>More Than 10</u>
Interest-bearing investments:				
Certificate of Deposit	\$ 5,955	\$ 5,955	\$	\$
U.S. Government Securities	592,071		566,286	25,785
U.S. Government Agencies	619,319	71,963	547,356	
Corporate Bonds	<u>866,051</u>	<u>101,587</u>	<u>764,464</u>	
Total	2,083,396	<u>\$ 179,505</u>	<u>\$ 1,878,106</u>	<u>\$ 25,785</u>
Other investments:				
Mutual Funds	9,435			
Common Stock	5,076,580			
Preferred Stock	13,003			
Accrued Interest	<u>16,524</u>			
Total Investments	<u>\$ 7,198,938</u>			

REGIONAL SCHOOL DISTRICT NO. 13
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Presented below is the rating of investments for each debt investment type:

<u>Average Rating</u>	<u>Corporate Bonds</u>	<u>U.S. Government Securities</u>	<u>U.S. Government Agencies</u>	<u>Certificate of Deposit</u>
Aaa	\$ 30,417	\$ 361,588	\$ 78,984	\$
Aa1	35,642		109,343	
Aa2	82,931		103,733	
Aa3			112,017	
A1	36,159		36,956	
A2	108,754		63,695	
A3	207,098			
Baa1	276,142			
Baa2	88,908			
Unrated		230,483	114,591	5,955
	<u>\$ 866,051</u>	<u>\$ 592,071</u>	<u>\$ 619,319</u>	<u>\$ 5,955</u>

The District adopted new accounting guidance, GASB Statement No. 72, *Fair Value Measurement and Application*. The new disclosure is presented below:

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements); followed by quoted prices in inactive markets or for similar assets or with observable inputs (Level 2 measurements); and the lowest priority to unobservable inputs (Level 3 measurements). The District has the following recurring fair value measurements as of June 30, 2016:

	<u>Fair Value</u>	<u>Fair Value Measurements Using</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments by fair value level:				
U.S. Government Securities	\$ 592,071	\$ 592,071	\$	
U.S. Government Agencies	619,319	619,319		
Corporate Bonds	866,051	866,051		
Common Stock	5,076,580	5,076,580		
Preferred Stock	13,003	13,003		
Mutual Funds	9,435	9,435		
Total investments by fair value level	7,176,459	<u>\$ 7,176,459</u>	<u>\$ -</u>	<u>\$ -</u>
Investments not recorded at fair value:				
Certificate of Deposit	5,955			
Accrued Interest	16,524			
Total Investments	<u>\$ 7,198,938</u>			

REGIONAL SCHOOL DISTRICT NO. 13
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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 - Investments

The District has no formal investment policy that would limit its investment choices with respect to credit risk other than State Statutes governing investments in obligations of any State or political subdivision.

Concentration of Credit Risk

The District does not have a formalized investment policy that restricts investments in any one issuer that is in excess of 5% of the District's total investments.

Custodial Credit Risk

Custodial credit risk for an investment is the risk that, in the event of the failure of the counterparty (the institution that pledges collateral or repurchase agreement securities to the District or that sells investments to or buys them for the District), 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.

B. Capital Assets

Capital asset activity for the year ended June 30, 2016 was as follows:

	<u>Beginning</u> <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending</u> <u>Balance</u>
Governmental activities:					
Capital assets not being depreciated:					
Land	\$ 200,000	\$	\$	\$	\$ 200,000
Construction in progress	16,500			(16,500)	-
Total capital assets not being depreciated	<u>216,500</u>	<u>-</u>	<u>-</u>	<u>(16,500)</u>	<u>200,000</u>
Capital assets being depreciated:					
Buildings and improvements	50,578,268	1,414,736		16,500	52,009,504
Land improvements	5,752,897				5,752,897
Equipment	2,284,677	344,021	611,227	(7,600)	2,009,871
Vehicles	2,299,537		414,331	7,600	1,892,806
Total capital assets being depreciated	<u>60,915,379</u>	<u>1,758,757</u>	<u>1,025,558</u>	<u>16,500</u>	<u>61,665,078</u>
Less accumulated depreciation for:					
Buildings	17,723,814	1,028,691			18,752,505
Land improvements	1,598,710	244,167			1,842,877
Equipment	1,742,912	237,611	611,227		1,369,296
Vehicles	1,457,622	191,506	300,510		1,348,618
Total accumulated depreciation	<u>22,523,058</u>	<u>1,701,975</u>	<u>911,737</u>	<u>-</u>	<u>23,313,296</u>
Total capital assets being depreciated, net	<u>38,392,321</u>	<u>56,782</u>	<u>113,821</u>	<u>16,500</u>	<u>38,351,782</u>
Governmental Activities Capital Assets, Net	<u>\$ 38,608,821</u>	<u>\$ 56,782</u>	<u>\$ 113,821</u>	<u>\$ -</u>	<u>\$ 38,551,782</u>

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Depreciation expense was charged as follows:

Administration	\$ 237,611
Buildings	1,272,858
Transportation	<u>191,506</u>
Total	<u>\$ 1,701,975</u>

C. Interfund Transfers

A summary of interfund transfers as of June 30, 2016 is as follows:

	<u>Transfers In</u>		<u>Total Transfers Out</u>
	<u>General Fund</u>	<u>Capital Reserve Fund</u>	
Transfers out:			
General Fund	\$	\$ 184,000	\$ 184,000
Special School Grants and Programs			
Nonmajor Governmental Funds	<u>50,000</u>	<u> </u>	<u>50,000</u>
Total Transfers In	<u>\$ 50,000</u>	<u>\$ 184,000</u>	<u>\$ 234,000</u>

Transfers are used to account for the financing by the General Fund of various programs and activities in other funds. Transfers are also used to provide funding from the Middlesex Transition Academy to the General Fund.

D. Changes in Long-Term Obligations

Summary of Changes

The following is a summary of changes in long-term obligations during the fiscal year:

	<u>Original Amount</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Interest Rate</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:									
Bonds payable:									
Improvement bond	\$ 6,885,000	3/15/04	12/15/15	2.00-3.50	\$ 515,000	\$	\$ 515,000	\$ -	\$
Improvement bond	4,995,000	7/15/09	7/15/24	2.50-4.50	3,320,000		335,000	2,985,000	335,000
Improvement bond	9,185,000	10/14/10	3/1/23	2.00-4.00	<u>5,635,000</u>		<u>855,000</u>	<u>4,780,000</u>	<u>835,000</u>
					9,470,000	-	1,705,000	7,765,000	1,170,000
Plus deferred amounts:									
Bond premium					325,017		44,320	280,697	
Total bonds payable					<u>9,795,017</u>	-	<u>1,749,320</u>	<u>8,045,697</u>	<u>1,170,000</u>
Notes payable						1,335,284		1,335,284	660,217
Obligations under capital leases					1,039,077	296,012	408,013	927,076	327,976
Compensated absences					68,295	179,648	196,246	51,697	
Net pension liability					1,028,058	509,667		1,537,725	
Net OPEB obligation					<u>2,644,279</u>	<u>344,997</u>		<u>2,989,276</u>	
Total Governmental Activities					<u>\$ 14,574,726</u>	<u>\$ 2,665,608</u>	<u>\$ 2,353,579</u>	<u>\$ 14,886,755</u>	<u>\$ 2,158,193</u>
Long-Term Liabilities									

All long-term liabilities are generally liquidated by the General Fund.

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The annual requirements to amortize all bonds payable as of June 30, 2016 and the amounts to be provided by the State of Connecticut for the retirement of school bonds and of debt principal and interest maturities are as follows:

<u>Year Ending June 30,</u>	<u>Bond Principal</u>	<u>Bond Interest</u>
2017	\$ 1,170,000	\$ 288,075
2018	1,160,000	250,462
2019	1,145,000	204,062
2020	1,135,000	158,362
2021	1,130,000	112,962
2022-2025	<u>2,025,000</u>	<u>125,290</u>
Total	<u>\$ 7,765,000</u>	<u>\$ 1,139,213</u>

Notes Payable

Notes payable as of June 30, 2016 include the following:

General obligation serial notes dated July 30, 2015 with an interest rate of 1.5%. Installments are to be paid in July through 2017.	\$ 1,300,000
Promissory note dated June 3, 2016 with an interest rate of 3.99%. Installments are to be made monthly through July 2019.	<u>35,284</u>
Total	<u>\$ 1,335,284</u>

The annual requirements to amortize all notes payable as of June 30, 2016 are as follows:

<u>Year Ending June 30,</u>	<u>Note Principal</u>	<u>Note Interest</u>
2017	\$ 660,217	\$ 24,814
2018	661,711	5,675
2019	12,194	316
2020	<u>1,162</u>	<u>4</u>
Total	<u>\$ 1,335,284</u>	<u>\$ 30,809</u>

**REGIONAL SCHOOL DISTRICT NO. 13
 NOTES TO FINANCIAL STATEMENTS
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Capital Leases

At June 30, 2016, the District is committed under lease agreements for the acquisition of office equipment, business equipment, and school buses and other vehicles. The lease agreements qualify as capital leases for accounting purposes (titles transfer at the end of the lease term) and, therefore, have been recorded at the lower of the present value of the future minimum lease payments or the fair value of the leased assets at the date of their inception.

The annual requirements to amortize the capital leases as of June 30, 2016 are as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>
2017	\$ 352,790
2018	287,993
2019	288,165
2020	<u>46,060</u>
Total minimum lease payments	975,008
Less amount representing interest	<u>47,932</u>
Total	<u>\$ 927,076</u>

The assets acquired through the capital lease are as follows:

	<u>Governmental Activities</u>
Assets:	
Buildings	\$ 186,988
Equipment	995,241
Vehicles	<u>1,757,672</u>
	2,939,901
Less accumulated depreciation	<u>1,960,583</u>
Total	<u>\$ 979,318</u>

Statutory Debt Limitations

The District's indebtedness does not exceed the legal debt limitations as required by Connecticut General Statutes. The statutes allow for debt up to 4.5 times the annual receipts of taxation of the member towns. The District's debt limitation is as follows:

<u>Category</u>	<u>Debt Limit</u>	<u>Net Indebtedness</u>	<u>Balance</u>
Schools	\$ 177,099,966	\$ 7,765,000	\$ 169,334,966

**REGIONAL SCHOOL DISTRICT NO. 13
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E. Fund Balance

The components of fund balance for the governmental funds at June 30, 2016 are as follows:

	<u>General Fund</u>	<u>Capital Reserve Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Fund balances:				
Nonspendable:				
Inventory	\$	\$	\$ 16,706	\$ 16,706
Endowment			2,533	2,533
Prepaid items		620,792		620,792
Restricted for:				
Grants			19,350	19,350
Library materials			3,422	3,422
Education supplies			7,292	7,292
Enabling legislation	2,081,747			2,081,747
Committed to:				
Middlesex Transition Academy			240,930	240,930
Capital projects		396,321		396,321
Unassigned			<u>(27,056)</u>	<u>(27,056)</u>
 Total Fund Balances	 \$ <u>2,081,747</u>	 \$ <u>1,017,113</u>	 \$ <u>263,177</u>	 \$ <u>3,362,037</u>

There are no significant encumbrances at June 30, 2016. As such, no amounts are contained in the above table in either the assigned or committed categories of the General Fund.

4. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; thefts of, damage to or destruction of assets; errors or omissions; injuries to employees or natural disasters.

The District is currently a member in the Connecticut Interlocal Risk Management Agency (CIRMA), a public entity risk pool established for the purpose of administering an interlocal risk management program pursuant to the provisions of Section 7-479a et. seq. of Connecticut General Statutes, for workers' compensation and employer liability coverage. CIRMA currently has 223 members in the workers' compensation pool. The District pays an annual premium for its coverage. CIRMA is to be self-sustaining through members' premiums but reinsures in excess of \$1,000,000 for each insured occurrence. Members may be subject to supplemental assessment in the event of deficiencies; however, potential assessments are limited pursuant to the by-laws.

The District purchases commercial insurance for all other risks of loss, including blanket and umbrella policies.

Settled claims have not exceeded commercial coverage in any of the past three fiscal years. There have been no significant reductions in insurance coverage from coverage in the prior year.

5. PENSION PLANS

A. Regional School District No. 13 Employee Retirement Plan

Plan Description and Benefits Provided

The District is the administrator of a single-employer pension employee retirement system (PERS) established and administered by the District to provide pension benefits for its employees. The Pension Committee, consisting of employees from the District, makes recommendations for plan provisions. The recommendations are then approved by the Board of Education. The PERS is considered to be part of the District's financial reporting entity and is included in the District's financial statements as a pension trust fund.

Investment management of the plan rests with the Board of Education, which consists of ten members. Administration of the plan rests with a five-member committee appointed by the Board of Education.

Summary of Significant Accounting Policies and Plan Asset Matters

Basis of Accounting

The pension trust fund's financial statements are prepared using the accrual basis of accounting. Revenues (contributions and investment income) are recognized when they are earned, and expenses (benefits) are recognized when they are due and payable in accordance with the terms of the plan.

Valuation of Investments

Investments are valued at fair value based upon quoted market prices.

Classes of Employees Covered

As of July 1, 2015, the date of the last actuarial valuation, the plan's membership consisted of the following:

Retirees, disabled and beneficiaries currently receiving benefits	23
Terminated employees entitled to benefits but not yet receiving them	16
Current plan members	<u>85</u>
Total	<u><u>124</u></u>

Benefit Provisions

The plan covers substantially all regularly employed, permanent noncertified employees of the District. In order to be eligible for the plan, the employee must complete 1 year of service and attain a minimum age of 21.

The death benefit for the plan is the present value of accrued benefits.

Participants are vested after ten years of service.

REGIONAL SCHOOL DISTRICT NO. 13
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Contributions

Contribution requirements of the plan members and the District are established and may be amended by the Board of Education. Plan members are required to contribute 5% of their earnings to the plan. The District is required to contribute at an actuarially determined rate. The District's contribution for the year ended June 30, 2016 represented 10.28% of covered payroll. Administrative costs of the plan are financed through investment earnings of the plan's assets.

Investments

Investment Policy

The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the Board of Education by a majority vote of its members. It is the policy of the Board of Education to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The pension plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The following was the Board's adopted asset allocation policy as of June 30, 2016:

<u>Asset Class</u>	<u>Target Allocation</u>
Large Cap Core Equity	30.00 %
Mid Cap Core Equity	15.00
Small Cap Core Equity	10.00
International Equity	10.00
Emerging Market Equity	5.00
Intermediate Duration Inv Grade Tax Fixed	15.50
Short Duration Inv Grade Tax Fixed	12.50
Cash	<u>2.00</u>
	<u><u>100.00 %</u></u>

Rate of Return

For the year ended June 30, 2016, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 3.28%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability of the District

The components of the net pension liability of the District at June 30, 2016 were as follows:

Total pension liability	\$ 9,055,858
Plan fiduciary net position	<u>(7,518,133)</u>
District's Net Pension Liability	<u><u>\$ 1,537,725</u></u>
Plan fiduciary net position as a percentage of the total pension liability	83.02%

**REGIONAL SCHOOL DISTRICT NO. 13
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2016**

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of July 1, 2015, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	4.50%
Investment rate of return	7.50%

Mortality rates were based on the RP-2000 Healthy Annuitant Mortality Table for Males or Females, as appropriate, with adjustments 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. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2016 (see the discussion of the pension plan's investment policy) are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Large Cap Core Equity	6.70 %
Mid Cap Core Equity	7.20
Small Cap Core Equity	7.70
International Equity	6.50
Emerging Market Equity	7.50
Intermediate Duration Inv Grade Tax Fixed	2.70
Short Duration Inv Grade Tax Fixed	1.60
Cash	1.00

Discount Rate

The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that District contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the local pension liability.

**REGIONAL SCHOOL DISTRICT NO. 13
NOTES TO FINANCIAL STATEMENTS
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Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances as of June 30, 2015	\$ 8,066,201	\$ 7,038,143	\$ 1,028,058
Changes for the year:			
Service cost	367,442		367,442
Interest on total pension liability	623,204		623,204
Differences between expected and actual experience	(104,288)		(104,288)
Changes in assumptions	356,383		356,383
Employer contributions		330,684	(330,684)
Member contributions		179,303	(179,303)
Net investment income		237,708	(237,708)
Benefit payments, including refund to employee contributions	(253,084)	(253,084)	-
Administrative expenses		(14,621)	14,621
Net changes	<u>989,657</u>	<u>479,990</u>	<u>509,667</u>
Balances as of June 30, 2016	\$ <u>9,055,858</u>	\$ <u>7,518,133</u>	\$ <u>1,537,725</u>

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 7.50%, as well as what the District's pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.50%) or 1 percentage point higher (8.50%) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Total Net Pension Liability	\$ 2,496,235	\$ 1,537,725	\$ 713,668

Pension Expense and Deferred Outflows of Resources Related to Pensions

For the year ended June 30, 2016, the District recognized pension expense of \$330,684. At June 30, 2016, the District reported deferred outflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$	\$ 86,612
Changes of assumptions	295,979	
Net difference between projected and actual earning on pension plan investments	<u>444,697</u>	
Total	\$ <u>740,676</u>	\$ <u>86,612</u>

**REGIONAL SCHOOL DISTRICT NO. 13
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Amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	
2017	\$ 171,023
2018	171,023
2019	171,021
2020	102,542
2021	<u>38,455</u>
Total	\$ <u><u>654,064</u></u>

B. Teachers Retirement

Plan Description

Teachers, principals, superintendents or supervisors engaged in service of public schools are provided with pensions through the Connecticut State Teachers' Retirement System, a cost sharing multiple-employer defined benefit pension plan administered by the Teachers Retirement Board. Chapter 167a of the State Statutes grants authority to establish and amend the benefit terms to the Teachers Retirement Board. The Teachers Retirement Board issues a publicly available financial report that can be obtained at www.ct.gov.

Benefit Provisions

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

Normal Retirement

Retirement benefits for employees are calculated as 2% of the average annual salary times the years of credited service (maximum benefit is 75% of average annual salary during the 3 years of highest salary).

Early Retirement

Employees are eligible after 25 years of credited service including 20 years of Connecticut service, or age 55 with 20 years of credited service including 15 years of Connecticut service with reduced benefit amounts.

Disability Retirement

Employees are eligible for service-related disability benefits regardless of length of service. Five years of credited service is required for nonservice-related disability eligibility. Disability benefits are calculated as 2% of average annual salary times credited service to date of disability, but not less than 15% of average annual salary, nor more than 50% of average annual salary.

**REGIONAL SCHOOL DISTRICT NO. 13
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Contributions

Per Connecticut General Statutes Section 10-183z (which reflects Public Act 79-436 as amended), contribution requirements of active employees and the State of Connecticut are approved, amended and certified by the State Teachers Retirement Board and appropriated by the General Assembly.

Employer (School Districts)

School District employers are not required to make contributions to the plan.

The statutes require the State of Connecticut to contribute 100% of each school districts' required contributions, which are actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of the benefits earned by employees during the year, with any additional amount to finance any unfunded accrued liability.

Employees

Effective July 1, 1992, each teacher is required to contribute 6% of salary for the pension benefit.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2016, the District reports no amounts for its proportionate share of the net pension liability, and related deferred outflows and inflows, due to the statutory requirement that the State pay 100% of the required contribution. The amount recognized by the District as its proportionate share of the net pension liability, the related state support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the net pension liability	\$
State's proportionate share of the net pension liability associated with the District	<u>41,754,112</u>
Total	<u>\$ 41,754,112</u>

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014. At June 30, 2016, the District has no proportionate share of the net pension liability.

For the year ended June 30, 2016, the District recognized pension expense and revenue of \$3,345,556 in Exhibit II for on-behalf amounts for the benefits provided by the State.

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2014, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increase	3.75-7.00%, including inflation
Investment rate of return	8.50%, net of pension plan investment expense, including inflation

**REGIONAL SCHOOL DISTRICT NO. 13
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Mortality rates were based on the RP-2000 Combined Mortality Table projected 19 years using scale AA, with a two-year setback for males and females for the period after service retirement and for dependent beneficiaries.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2005 - June 30, 2010.

Future cost-of-living increases for members who retire on or after September 1, 1992 are assumed to be an annual cost-of-living adjustment of 2%.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of arithmetic real rates of return for each major 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%	7.3%
Developed non-U.S. equities	18.0%	7.5%
Emerging markets (non-U.S.)	9.0%	8.6%
Core fixed income	7.0%	1.7%
Inflation linked bond fund	3.0%	1.3%
Emerging market bond	5.0%	4.8%
High yield bonds	5.0%	3.7%
Real estate	7.0%	5.9%
Private equity	11.0%	10.9%
Alternative investments	8.0%	0.7%
Liquidity fund	6.0%	0.4%
Total	<u>100.0%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 8.50%. 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 contribution rates in the 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.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The District's proportionate share of the net pension liability is \$-0- and, therefore, the change in the discount rate would only impact the amount recorded by the State of Connecticut.

**REGIONAL SCHOOL DISTRICT NO. 13
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2016**

Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s fiduciary net position is available in the separately issued financial statements available at www.ct.gov.

Other Information

Additional information is included in the required supplementary information section of the financial statements. A schedule of contributions is not presented as the District has no obligation to contribute to the plan.

6. RETIREE HEALTH PLAN

Plan Description

The Region 13 Retiree Health Plan (RHP) is a single-employer defined benefit healthcare plan administered by the Region. The RHP provides medical and life insurance benefits to eligible retirees and their spouses. All employees of the Region are eligible to participate in the plan. Benefit provisions are established through negotiations between the Region and the various unions representing the employees.

There is no trust created for this plan. The benefits are paid directly out of the General Fund on a pay-as-you-go basis.

At July 1, 2014, plan membership consisted of the following:

	<u>Retiree Health Plan</u>
Retired members	24 *
Active plan members	<u>329</u>
Total Participants	<u><u>353</u></u>

*Includes spouses of retirees

Funding Policy

The contribution requirements of plan members and the Region are also negotiated with the various unions representing the employees. Retired plan members and beneficiaries currently receiving benefits are required to contribute specified amounts monthly toward the cost of health insurance premiums as follows:

Retirees Pre 65

Teachers/Administrators pay 100% of active premium. Superintendent pays 5% of active premium. Business assistant to superintendent pays 20% of active premium. Board of Education employees pay 100% of active premium. The active premium for the year ended June 30, 2016 was \$8,986 per member and \$8,986 per spouse.

**REGIONAL SCHOOL DISTRICT NO. 13
 NOTES TO FINANCIAL STATEMENTS
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Retirees Post 65

Teachers and administrators may continue their coverage post 65 if they are eligible for Medicare. The superintendent receives TRB Medicare supplemental coverage between the ages of 65 and 75. All others are not covered post 65.

Contributions

Employer contributions to the plan of \$161,374 were made in accordance with actuarially determined requirements. Of this amount, \$161,374 represents premium payments. There was no amount contributed to prefund benefits.

Regional School District No. 13's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. 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 (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation:

Annual required contribution (ARC)	\$	547,668
Interest on net OPEB obligation		105,771
Adjustment to annual required contribution		<u>(147,068)</u>
Annual OPEB cost (AOC)		506,371
Contribution made		<u>161,374</u>
Change in net OPEB obligation		344,997
Net OPEB obligation - beginning of year		<u>2,644,279</u>
Net OPEB Obligation - End of Year	\$	<u><u>2,989,276</u></u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal year ended June 30, 2016 are presented below:

<u>Year Ended</u>	<u>Actual Contribution</u>	<u>Annual Required Contribution (ARC)</u>	<u>Percentage of ARC Contributed</u>	<u>Annual OPEB Cost (AOC)</u>	<u>Percentage of AOC Contributed</u>	<u>Net OPEB Obligation</u>
2014	\$ 215,908	\$ 592,518	36 %	\$ 563,139	38 %	\$ 2,228,406
2015	150,677	601,352	25	566,550	27	2,644,279
2016	161,374	547,668	29	506,371	32	2,989,276

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funding status of the plan and the annual required contributions of the employer are subject to continual revision as accrual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**REGIONAL SCHOOL DISTRICT NO. 13
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2016**

Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded Actuarial Accrued Liability (UAAL)</u>	<u>Funded Ratio</u>	<u>Estimated Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
July 1, 2010	\$ -	\$ 5,955,023	\$ 5,955,023	- %	\$ 20,530,438	29 %
July 1, 2012	-	6,552,896	6,552,896	-	20,270,180	32
July 1, 2014	-	6,351,172	6,351,172	-	19,651,260	32

Projections for benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2014 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions include 5.0% investment rate of return, which is the rate of the expected long-term investment returns of plan assets calculated based on the funding policy of the plan at the valuation date. The annual medical cost trend rate is 10% initially, graded to 5% in 2017 and beyond. Projected salary increases and general inflation were not factors in the calculation. The determination of the actuarial value of assets was not applicable. The UAAL is being amortized at a level payments method. The remaining amortization period at July 1, 2014 was 30 years.

7. CONTINGENT LIABILITIES

There are various lawsuits and claims pending against the District, the ultimate effect of which, if any, cannot presently be determined; however, the ultimate resolution of these matters is not expected to have a material adverse effect on the financial condition of the District.

State and federal grants received by the District are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursement to the grantor agency for any expenditures disallowed under terms of the grant. The amount, if any, of expenditures that may be disallowed cannot be determined at this time, although the District’s management believes such disallowance, if any, will be immaterial.

The District may owe rebate payments to the federal government of arbitrage earnings (if there were any) on investment of the proceeds of certain borrowings, or a penalty in lieu of rebate, unless an exemption applies. The District would have to provide the factual information to determine whether there were any arbitrage earnings and whether it qualified for an exemption from rebate (or from a penalty in lieu of rebate).

REGIONAL SCHOOL DISTRICT NO. 13
GENERAL FUND
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Assessments from District Member Towns	\$ 35,604,297	\$ 35,604,297	\$ 35,604,297	\$ -
Local Sources:				
Interest income	16,500	16,500	14,910	(1,590)
Intergovernmental:				
State receipts building grants	187,168	187,168	187,168	-
Transportation	120,000	120,000	92,444	(27,556)
Special education	343,262	343,262	338,328	(4,934)
Adult education	11,900	11,900	10,159	(1,741)
Magnet			6,500	6,500
Health services			2,349	2,349
Total intergovernmental	662,330	662,330	636,948	(25,382)
Charges for Services:				
Buildings/grounds rentals	60,000	60,000	83,202	23,202
Total charges for services	60,000	60,000	83,202	23,202
Other Revenue:				
Miscellaneous	70,000	70,000	90,428	20,428
Total revenues	36,413,127	36,413,127	36,429,785	16,658
Other Financing Sources:				
Transfer in	50,000	50,000	50,000	-
Appropriation of fund balance	1,054,488	1,054,488		(1,054,488)
Total other financing sources	1,104,488	1,104,488	50,000	(1,054,488)
Total Revenues and Other Financing Sources	\$ 37,517,615	\$ 37,517,615	36,479,785	\$ (1,037,830)
Budgetary revenues are different than GAAP revenues because:				
State of Connecticut on-behalf contributions to the Connecticut State Teachers' Retirement System for Town teachers are not budgeted.			3,345,556	
Issuance of notes payable			35,284	
Issuance of capital lease			296,012	
Total Revenues and Other Financing Sources as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds - Exhibit IV			\$ 40,156,637	

**REGIONAL SCHOOL DISTRICT NO. 13
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED JUNE 30, 2016**

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
Salaries:				
Certified personnel	\$ 15,947,277	\$ 15,947,277	\$ 15,745,954	\$ 201,323
Support personnel	5,089,734	5,089,734	4,819,087	270,647
Total salaries	<u>21,037,011</u>	<u>21,037,011</u>	<u>20,565,041</u>	<u>471,970</u>
Employee Benefits:				
Employee benefits	<u>7,221,187</u>	<u>7,221,187</u>	<u>7,010,252</u>	<u>210,935</u>
Purchased Services:				
Education	394,334	394,334	347,111	47,223
Conferences	62,180	62,180	62,007	173
Professional	264,236	264,236	225,649	38,587
Technical	288,404	288,404	254,856	33,548
Total purchased services	<u>1,009,154</u>	<u>1,009,154</u>	<u>889,623</u>	<u>119,531</u>
Property Services:				
Disposal services	27,000	27,000	25,146	1,854
Snow removal	50,000	50,000	28,860	21,140
Lawn service	115,000	115,000	114,566	434
Repairs and maintenance	227,410	227,410	217,814	9,596
Rentals and leases	625,184	625,184	638,417	(13,233)
Total property services	<u>1,044,594</u>	<u>1,044,594</u>	<u>1,024,803</u>	<u>19,791</u>
Operational Services:				
Pupil transportation	1,287,440	1,287,440	1,404,705	(117,265)
Field trips/athletics	216,135	216,135	265,125	(48,990)
Liability insurance	145,520	145,520	140,727	4,793
Dues and fees	47,716	47,716	50,494	(2,778)
Communication	90,197	90,197	75,119	15,078
Advertising	4,000	4,000	3,145	855
Printing	68,840	68,840	88,671	(19,831)
Tuition	1,236,673	1,236,673	1,093,854	142,819
Travel	33,171	33,171	28,386	4,785
Total operational services	<u>3,129,692</u>	<u>3,129,692</u>	<u>3,150,226</u>	<u>(20,534)</u>
Supplies:				
Supplies	631,001	631,001	615,889	15,112
Books/resource materials	197,993	197,993	181,331	16,662
Electricity	597,084	597,084	588,822	8,262
Bottled gas	11,000	11,000	8,368	2,632
Heating oil	237,502	237,502	224,103	13,399
Gasoline and oil vehicles	8,000	8,000	3,459	4,541
Total supplies	<u>1,682,580</u>	<u>1,682,580</u>	<u>1,621,972</u>	<u>60,608</u>
Capital Improvements/Equipment:				
Buildings	184,000	184,000	184,000	
Equipment	163,753	163,753	156,166	7,587
Total capital improvements/equipment	<u>347,753</u>	<u>347,753</u>	<u>340,166</u>	<u>7,587</u>

(Continued on next page)

REGIONAL SCHOOL DISTRICT NO. 13
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
Debt Service:				
Principal	\$ 1,705,000	\$ 1,705,000	\$ 1,705,000	\$ -
Interest	340,644	340,644	342,391	(1,747)
Total debt service	<u>2,045,644</u>	<u>2,045,644</u>	<u>2,047,391</u>	<u>(1,747)</u>
Total Expenditures	<u>\$ 37,517,615</u>	<u>\$ 37,517,615</u>	36,649,474	<u>\$ 868,141</u>
Budgetary expenditures are different than GAAP expenditures because:				
State of Connecticut on-behalf payments to the Connecticut State Teachers'				
Retirement System for Town teachers are not budgeted.				
			3,345,556	
			35,284	
			<u>296,012</u>	
Total Expenditures and Other Financing Uses as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds - Exhibit IV			<u>\$ 40,326,326</u>	

REGIONAL SCHOOL DISTRICT 13
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
LAST THREE FISCAL YEARS*

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability:			
Service cost	\$ 367,442	\$ 351,588	\$ 336,448
Interest	623,204	574,926	531,037
Differences between expected and actual experience	(104,288)		
Changes of assumptions	356,383		
Benefit payments, including refunds of member contributions	<u>(253,084)</u>	<u>(342,618)</u>	<u>(253,857)</u>
Net change in total pension liability	989,657	583,896	613,628
Total pension liability - beginning	<u>8,066,201</u>	<u>7,482,305</u>	<u>6,868,677</u>
Total pension liability - ending	<u>9,055,858</u>	<u>8,066,201</u>	<u>7,482,305</u>
Plan fiduciary net position:			
Contributions - employer	330,684	322,555	320,180
Contributions - member	179,303	165,524	163,275
Net investment income	237,708	167,531	1,000,455
Benefit payments, including refunds of member contributions	(253,084)	(342,618)	(253,857)
Administrative expense	<u>(14,621)</u>	<u>(4,902)</u>	<u>(455)</u>
Net change in plan fiduciary net position	479,990	308,090	1,229,598
Plan fiduciary net position - beginning	<u>7,038,143</u>	<u>6,730,053</u>	<u>5,500,455</u>
Plan fiduciary net position - ending	<u>7,518,133</u>	<u>7,038,143</u>	<u>6,730,053</u>
Net Pension Liability - Ending	<u>\$ 1,537,725</u>	<u>\$ 1,028,058</u>	<u>\$ 752,252</u>
Plan fiduciary net position as a percentage of the total pension	83.02%	87.25%	89.95%
Covered-employee payroll	\$ 3,215,234	\$ 3,419,417	\$ 3,272,169
Net pension liability as a percentage of covered-employee payroll	47.83%	30.07%	22.99%

*Note - This schedule is intended to show information for ten years. Additional information will be added as it becomes available.

**REGIONAL SCHOOL DISTRICT 13
SCHEDULE OF EMPLOYER CONTRIBUTIONS
LAST TEN FISCAL YEARS**

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Actuarially determined contribution	\$ 76,255	\$ 63,307	\$ 97,007	\$ 98,948	\$ 258,312	\$ 263,788	\$ 289,746	\$ 320,180	\$ 322,555	\$ 330,684
Contributions in relation to the actuarially determined contribution	<u>87,129</u>	<u>69,692</u>	<u>103,674</u>	<u>105,615</u>	<u>258,312</u>	<u>263,788</u>	<u>289,746</u>	<u>320,180</u>	<u>322,555</u>	<u>330,684</u>
Contribution Deficiency (Excess)	<u>\$ (10,874)</u>	<u>\$ (6,385)</u>	<u>\$ (6,667)</u>	<u>\$ (6,667)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 2,253,463	\$ 2,412,654	\$ 2,542,758	\$ 2,747,081	\$ 2,770,762	\$ 3,032,044	\$ 3,188,263	\$ 3,272,169	\$ 3,419,417	\$ 3,215,234
Contributions as a percentage of covered-employee payroll	3.87%	2.89%	4.08%	3.84%	9.32%	8.70%	9.09%	9.78%	9.43%	10.28%

Notes to Schedule

Valuation date: July 1, 2015
Measurement date: June 30, 2016
Actuarially determined contribution rates are calculated as of June 30, 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
Amortization method: Level percentage of payroll, closed
Remaining amortization period: 25 years
Asset valuation method: Expected asset value plus 20% of the difference between the Expected Value and the Market Value.
Inflation: 3.0%
Salary increases: 4.50%
Investment rate of return: 7.50%

**REGIONAL SCHOOL DISTRICT 13
SCHEDULE OF INVESTMENT RETURNS
LAST THREE FISCAL YEARS***

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Annual money-weighted rate of return, net of investment expense	3.28%	2.46%	18.32%

*Note - This schedule is intended to show information for ten years. Additional information will be added as it becomes available.

**REGIONAL SCHOOL DISTRICT NO. 13
SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHERS RETIREMENT PLAN
LAST TWO FISCAL YEARS***

	<u>2016</u>	<u>2015</u>
Region's proportion of the net pension liability	0.00%	0.00%
Region's proportionate share of the net pension liability	\$ -	\$ -
State's proportionate share of the net pension liability associated with the District	<u>41,754,112</u>	<u>38,593,309</u>
Total	<u>\$ 41,754,112</u>	<u>\$ 38,593,309</u>
Region's covered-employee payroll	\$ 15,322,385	\$ 15,189,280
Region's proportionate share of the net pension liability as a percentage of its covered-employee payroll	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	59.50%	61.51%

Notes to Schedule

Changes in benefit terms	None
Changes of assumptions	During 2011, rates of withdrawal, retirement and assumed rates of salary increases were adjusted to reflect actual and anticipated experience. These assumptions were recommended as part of the Experience Study for the System for the five-year period ended June 30, 2010.
Actuarial cost method	Entry age
Amortization method	Level percent of salary, closed
Remaining amortization period	22.4 years
Asset valuation method	4-year smoothed market

*Note - This schedule is intended to show information for ten years. Additional information will be added as it becomes available.

**REGIONAL SCHOOL DISTRICT NO. 13
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2016**

	<u>Special Revenue Funds</u>			<u>Capital Project Fund</u>	<u>Permanent Funds</u>		<u>Total Nonmajor Governmental Funds</u>
	<u>School Cafeteria Fund</u>	<u>Adult Education</u>	<u>Middlesex Transition Academy</u>	<u>Bonded Capital Projects Fund</u>	<u>A. Smith</u>	<u>Haake Science and History</u>	
ASSETS							
Cash and cash equivalents	\$	\$	\$ 276,042	\$	\$	\$ 12,397	\$ 288,439
Investments					5,955	7,292	13,247
Intergovernmental receivable	19,350						19,350
Other assets	16,706						16,706
Total Assets	<u>\$ 36,056</u>	<u>\$ -</u>	<u>\$ 276,042</u>	<u>\$ -</u>	<u>\$ 5,955</u>	<u>\$ 19,689</u>	<u>\$ 337,742</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable and accrued items	\$ 25,397	\$	\$ 35,112	\$	\$	\$ 12,397	\$ 72,906
Deferred revenue	1,659						1,659
Total liabilities	<u>27,056</u>	<u>-</u>	<u>35,112</u>	<u>-</u>	<u>-</u>	<u>12,397</u>	<u>74,565</u>
Fund Balances:							
Nonspendable	16,706				2,533		19,239
Restricted	19,350				3,422	7,292	30,064
Committed			240,930				240,930
Unassigned	(27,056)						(27,056)
Total fund balances	<u>9,000</u>	<u>-</u>	<u>240,930</u>	<u>-</u>	<u>5,955</u>	<u>7,292</u>	<u>263,177</u>
Total Liabilities and Fund Balances	<u>\$ 36,056</u>	<u>\$ -</u>	<u>\$ 276,042</u>	<u>\$ -</u>	<u>\$ 5,955</u>	<u>\$ 19,689</u>	<u>\$ 337,742</u>

**REGIONAL SCHOOL DISTRICT NO. 13
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2016**

	Special Revenue Funds			Capital Project Fund	Permanent Funds		Total Nonmajor Governmental Funds
	School Cafeteria Fund	Adult Education	Middlesex Transition Academy	Bonded Capital Projects Fund	A. Smith	Haake Science and History	
Revenues:							
Local sources	\$ 50	\$	\$	\$	15	\$	65
Intergovernmental	115,515						115,515
Charges for services	530,333		954,008				1,484,341
Miscellaneous	31,801					(856)	30,945
Total revenues	<u>677,699</u>	<u>-</u>	<u>954,008</u>	<u>-</u>	<u>15</u>	<u>(856)</u>	<u>1,630,866</u>
Expenditures:							
Salaries	348,578		430,423				779,001
Employee benefits			84,658				84,658
Purchased services	18,549		126,970				145,519
Operational services			81,873				81,873
Supplies	301,244		9,688			12,397	323,329
Capital outlay							-
Total expenditures	<u>668,371</u>	<u>-</u>	<u>733,612</u>	<u>-</u>	<u>-</u>	<u>12,397</u>	<u>1,414,380</u>
Excess (Deficiency) of Revenues over Expenditures	9,328	-	220,396	-	15	(13,253)	216,486
Other Financing Sources (Uses):							
Transfers out			(50,000)				(50,000)
Net Change in Fund Balances	9,328	-	170,396	-	15	(13,253)	166,486
Fund Balances at Beginning of Year	(328)	-	70,534	-	5,940	20,545	96,691
Fund Balances at End of Year	<u>\$ 9,000</u>	<u>\$ -</u>	<u>\$ 240,930</u>	<u>\$ -</u>	<u>\$ 5,955</u>	<u>\$ 7,292</u>	<u>\$ 263,177</u>

**REGIONAL SCHOOL DISTRICT NO. 13
 COMBINING STATEMENT OF FIDUCIARY NET POSITION -
 PRIVATE-PURPOSE TRUST FUNDS
 JUNE 30, 2016**

	<u>Moeller</u>	<u>P. Lyman</u>	<u>Total Private- Purpose Trust Funds</u>
ASSETS			
Cash and cash equivalents	\$ <u> </u>	\$ <u> </u>	\$ <u> </u> -
NET POSITION			
Net Position Held in Trust for Individuals	\$ <u> </u>	\$ <u> </u>	\$ <u> </u> -

**REGIONAL SCHOOL DISTRICT NO. 13
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION -
 PRIVATE-PURPOSE TRUST FUNDS
 FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Moeller</u>	<u>P. Lyman</u>	<u>Total Private- Purpose Trust Funds</u>
Additions:			
Investment income:			
Interest and dividends	\$ _____	\$ _____	\$ _____ -
Deductions:			
Educational supplies	<u>504</u>	<u>2,252</u>	<u>2,756</u>
Change in net position	(504)	(2,252)	(2,756)
Net Position Beginning of Year	<u>504</u>	<u>2,252</u>	<u>2,756</u>
Net Position End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**REGIONAL SCHOOL DISTRICT NO. 13
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -
 AGENCY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Balance July 1, 2015</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2016</u>
Student Activity Fund				
Assets:				
Cash	\$ <u>284,114</u>	\$ <u>506,589</u>	\$ <u>514,446</u>	\$ <u>276,257</u>
Liabilities:				
Due to student groups	\$ <u>284,114</u>	\$ <u>506,589</u>	\$ <u>514,446</u>	\$ <u>276,257</u>
Middlesex Consortium				
Assets:				
Cash	\$ <u>14,982</u>	\$ <u>83,063</u>	\$ <u>75,577</u>	\$ <u>22,468</u>
Liabilities:				
Due to others	\$ <u>14,982</u>	\$ <u>83,063</u>	\$ <u>75,577</u>	\$ <u>22,468</u>
Total All Funds				
Assets:				
Cash	\$ <u>299,096</u>	\$ <u>589,652</u>	\$ <u>590,023</u>	\$ <u>298,725</u>
Liabilities:				
Due to student groups and others	\$ <u>299,096</u>	\$ <u>589,652</u>	\$ <u>590,023</u>	\$ <u>298,725</u>

**REGIONAL SCHOOL DISTRICT NO. 13
SCHEDULE OF DEBT LIMITATION - THE DISTRICT
JUNE 30, 2016**

	<u>Town of</u>		
	<u>Durham</u>	<u>Middlefield</u>	<u>Total</u>
Total tax collections (including interest and lien fees)	\$ 25,597,303	\$ 13,758,245	\$ 39,355,548
Property tax relief elderly			-
Base	<u>\$ 25,597,303</u>	<u>\$ 13,758,245</u>	<u>\$ 39,355,548</u>
Debt Limitation:			
Limit for School Building Purposes (4.5 times base)			\$ <u>177,099,966</u>
Indebtedness:			
Bonds outstanding			<u>7,765,000</u>
Net Indebtedness			<u>7,765,000</u>
Debt Limitation in Excess of Net Indebtedness			<u>\$ 169,334,966</u>