

REGIONAL SCHOOL DISTRICT NO. 8
AUDITED FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2017



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INDEPENDENT AUDITORS' REPORT

To the Board of Education
Regional School District No. 8
Hebron, Connecticut 06248

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of the Regional School District No. 8 (the District), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Regional School District No. 8, as of June 30, 2017, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of the District's proportionate share of the net pension liability-teachers retirement plan schedule of funding on pages 6–12, 50 and 51 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining and individual fund financial statements and other schedules and the introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and other schedules are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and other 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 26, 2017, on our consideration of the Regional School District No. 8'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 Regional School District No. 8's internal control over financial reporting and compliance.

Michaud Accavallo Woodbridge & Cusano, LLC

Killingworth, Connecticut

December 26, 2017

REGIONAL SCHOOL DISTRICT NO. 8

MANAGEMENT'S DISCUSSION AND ANALYSIS(UNAUDITED)

JUNE 30, 2017

**REGIONAL SCHOOL DISTRICT NO. 8
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

As management of Regional School District No. 8 (the "District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2017.

FINANCIAL HIGHLIGHTS

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$23,249,554 (net position). The District has an unrestricted net position of \$2,409,809.
- The District's total net position increased by \$330,843. This increase is primarily due to an increase in operating grants and Member town assessments increase netted against increases in regular program and special educational expenses.
- As of the close of the current fiscal year, the District's governmental funds reported a combined ending fund balance of \$370,051 a decrease of \$148,443 in comparison with the prior year, primarily related to increases in regular program and special educational expenses.
- At the end of the close of the current fiscal year, unassigned fund balance for the General Fund was \$65,892.
- The District's total long-term debt, consisting of bonds payable and capital leases payable, decreased by \$1,905,000 or 11.5% during the current fiscal year due to regularly scheduled principal repayments and a bond refinancing.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the District's assets, liabilities, and deferred outflows/inflows 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 District is improving or deteriorating.

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

Both of the government-wide financial statements distinguish functions of the District that are principally supported by member town assessments and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through charges for goods and services (business-type activities). The governmental activities of the District are comprised of education services. The business-type activities of the District include activities related to the operation of the District's School Lunch Program.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

The government-wide financial statements include only the District because there are no legally separate organizations for which the District is legally accountable.

The government-wide financial statements can be found on pages 14 and 15 of this report.

Fund Financial Statements

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

Governmental Funds

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

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

The District maintains two 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 Capital Projects Fund and the Grant Fund, all of which are considered to be major funds.

The basic governmental fund financial statements can be found on pages 16-19 of this report.

Proprietary Fund

The District maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The District uses an enterprise fund to account for its School Lunch Program.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. Information is presented separately in the proprietary fund financial statements for the School Lunch Fund, which is considered to be a major fund.

The basic proprietary fund financial statements can be found on pages 20-22 of this report.

Fiduciary Fund

Fiduciary funds are used to account for resources held for the benefit of parties outside the District government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those

**REGIONAL SCHOOL DISTRICT NO. 8
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

funds are not available to the District's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statement can be found on page 24 of this report.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 24-47 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also contains required supplementary information and combining and individual fund statements and schedules that can be found on pages 49-56 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position

Over time, net position may serve as one measure of a government's financial position. Total net position of the District totaling \$23,249,554 and \$22,918,713 as of June 30, 2017 and 2016, respectively, are summarized as follows:

	Governmental	Business-		Governmental	Business-	
	Activities	type	2017	Activities	type	2016
	<u> </u>	<u> </u>		<u> </u>	<u> </u>	
Current and other assets	\$ 2,005,709	\$ 119,513	\$ 2,125,222	\$ 2,630,472	\$ 56,404	\$ 2,686,876
Capital assets, net	40,523,863	25,455	40,549,318	41,919,493	77,985	41,997,478
Total assets	42,529,572	144,968	42,674,540	44,549,965	134,389	44,684,354
Deferred outflow of resources	315,515	-	315,515	287,673	-	287,673
Long-term liabilities	18,065,394		18,065,394	19,941,336		19,941,336
Other liabilities	1,635,658	39,449	1,675,107	2,111,978	-	2,111,978
Total liabilities	19,701,052	39,449	19,740,501	22,053,314	-	22,053,314
Net position:						
Net investment in capital assets	20,734,226	25,455	20,759,681	20,253,914	77,985	20,331,899
Unrestricted (deficit)	2,409,809	80,064	2,489,873	2,530,410	56,404	2,586,814
Total net position	<u>\$ 23,144,035</u>	<u>\$ 105,519</u>	<u>\$23,249,554</u>	<u>\$ 22,784,324</u>	<u>\$ 134,389</u>	<u>\$22,918,713</u>

At June 30, 2017, \$20,759,681 of the District's net position reflect its investment in capital assets, less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its member towns; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

Overall, net position increased by \$330,843 or 1.44% in comparison to the prior year due primarily to the increase in operating grants and Member town assessments increase netted against increases in regular program and special educational expenses.

Changes in Net Position

Changes in net position for the years ended June 30, 2017 and 2016 are as follows:

	Governmental Activities	Business- type Activities	2017	Governmental Activities	Business- type Activities	2016
Revenues						
Program revenues:						
Charges for services	\$ 284,561	\$ 588,947	\$ 873,508	\$ 225,757	\$ 578,022	\$ 803,779
Operating grants and contributions	5,526,484	142,334	5,668,818	3,462,520	123,474	3,585,994
General revenues:						
Member town assessments	27,980,100	-	27,980,100	27,770,775	-	27,770,775
Investment earnings	-	629	629	-	257	257
Total revenues	<u>33,791,145</u>	<u>731,910</u>	<u>34,523,055</u>	<u>31,459,052</u>	<u>701,753</u>	<u>32,160,805</u>
Program expenses						
Regular programs	14,596,213	-	14,596,213	13,592,549	-	13,592,549
Special education	6,033,204	-	6,033,204	5,121,378	-	5,121,378
Adult education	51,760	-	51,760	52,928	-	52,928
Pupil services	1,046,069	-	1,046,069	1,039,766	-	1,039,766
Improvement of instructional services	44,203	-	44,203	52,564	-	52,564
Educational media	1,189,460	-	1,189,460	1,151,458	-	1,151,458
Support services - students	354,547	-	354,547	350,145	-	350,145
Principal's office services	1,257,123	-	1,257,123	1,188,377	-	1,188,377
Fiscal and business support	358,614	-	358,614	447,766	-	447,766
Plant operations and maintenance	2,559,561	-	2,559,561	2,536,764	-	2,536,764
Transportation	1,245,761	-	1,245,761	1,373,865	-	1,373,865
Other support services	3,132,212	-	3,132,212	3,140,246	-	3,140,246
Student activities	826,760	-	826,760	843,336	-	843,336
Tuition	111,117	-	111,117	105,545	-	105,545
Interest on long-term debt	624,828	-	624,828	683,558	-	683,558
School lunch	-	760,780	760,780	-	718,275	718,275
Total expenses	<u>33,431,432</u>	<u>760,780</u>	<u>34,192,212</u>	<u>31,680,245</u>	<u>718,275</u>	<u>32,398,520</u>
Change in net position	<u>\$ 359,713</u>	<u>\$ (28,870)</u>	<u>\$ 330,843</u>	<u>\$ (221,193)</u>	<u>\$ (16,522)</u>	<u>\$ (237,715)</u>

Governmental Activities

Governmental activities increased the District's net position by \$359,713. This increase is primarily due to the operating grants and Member town assessments increase netted against increases in regular program and special educational expenses.

Business-type Activities

Business-type activities decreased the District's net position by \$28,870. The decrease is attributable to slight increases in operational expenses and annual depreciation expense.

**REGIONAL SCHOOL DISTRICT NO. 8
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

Governmental Funds

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

As of the end of the current fiscal year, the District's governmental funds reported a combined ending fund balance of \$370,051, a decrease of \$148,443 in comparison with the prior year, primarily related to less employee benefit and supplies and material costs were incurred during the year.

General Fund

The General Fund is the chief operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$65,892 while total fund balance was \$363,858.

The General Fund balance decreased by \$141,497 during the current fiscal year. This increase is primarily related increases regular and special education costs were incurred during the year.

Grant Fund

The Grant Fund balance decreased by \$6,946. This decrease was primarily due to increases in expenditures in various programs spending down other local sources revenues such as private grants and contributions.

Proprietary Funds

Total net position of the School Lunch Fund at the end of the year totaled \$105,519, which was a decrease of \$28,870 as compared to the prior year. The decrease is attributable to slight increases in operational expenses and annual depreciation expense.

BUDGETARY HIGHLIGHTS

The budget is adopted by the Board of Education on a modified accrual basis. The adopted annual budget covers the General Fund. There were no additional appropriations to the 2017 budget.

CAPITAL ASSETS

Capital Assets

The District's investment in capital assets for its governmental and business-type activities as of June 30, 2017 totaled \$40,523,863 (net of accumulated depreciation). This investment in capital assets includes land and improvements, buildings and improvements and equipment. The net decrease in the District's investment in capital assets for the current fiscal year was \$1,448,160, or a 3.4% decrease due to current year depreciation expense of \$2,182,767 netted against capital additions of \$787,137.

**REGIONAL SCHOOL DISTRICT NO. 8
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

The following table is a two year comparison of the investment in capital assets presented for both governmental and business-type activities:

	<u>Governmental Activities</u>		<u>Business-type activities</u>		<u>Total</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Land and improvements	\$ 4,732,962	\$ 5,198,710	\$ -	\$ -	\$ 4,732,962	\$ 5,198,710
Buildings and improvements	34,741,481	36,177,670		-	34,741,481	36,177,670
Equipment	1,049,420	543,113	25,455	77,985	1,074,875	621,098
Totals	<u>\$ 40,523,863</u>	<u>\$ 41,919,493</u>	<u>\$ 25,455</u>	<u>\$ 77,985</u>	<u>\$ 40,549,318</u>	<u>\$ 41,997,478</u>

Additional information on the District's capital assets can be found in Note 6 on page 34 of this report.

DEBT ADMINISTRATION

Long-term Debt

At the end of the current fiscal year, the District had total bonded debt outstanding of \$14,645,000. This entire amount is comprised of debt backed by the full faith and credit of the District.

The District's total long-term bonded debt had a net decrease of \$1,905,000 or 11.5% during the current fiscal year due to regularly scheduled principal repayments.

The District maintains an AA+ rating from Standard and Poor's for general obligation debt.

State statutes limit the amount of general obligation debt the District may issue to approximately four and one-half times its annual receipts from member assessments, as defined by the statutes. The current debt limitation for the District is \$125,910,450, which is significantly in excess of the District's outstanding general obligation debt.

The following table is a two-year comparison of long-term debt including capital leases payable presented for governmental activities:

	<u>Governmental activities</u>	
	<u>2017</u>	<u>2016</u>
Bonds payable	\$ 14,645,000	\$ 16,550,000
Capital leases payable	419,198	291,807
	<u>\$ 15,064,198</u>	<u>\$ 16,841,807</u>

Additional information on the District's long-term debt can be found in Note 6 on pages 35-37 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District receives intergovernmental revenues from the State of Connecticut. Connecticut's economy moves in the same general cycle as the national economy which may affect the amount of intergovernmental revenues the District will receive in fiscal year 2017 and thereafter. This was considered in preparing the District's budget for fiscal year 2018.

**REGIONAL SCHOOL DISTRICT NO. 8
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

During the current fiscal year, the budgetary fund balance of the General Fund decreased \$95,460 to \$363,858.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Superintendent of Regional School District No. 8, P.O. Box 1438, Hebron, CT 06248.

**REGIONAL SCHOOL DISTRICT NO. 8
BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

REGIONAL SCHOOL DISTRICT NO. 8
STATEMENT OF NET POSITION
JUNE 30, 2017

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 1,991,669	\$ 85,566	\$ 2,077,235
Grants and contracts receivable	-	15,112	15,112
Other receivables	14,040		14,040
Inventories	-	18,835	18,835
Due from other funds	-	-	-
Capital assets:			
Non-depreciable	1,724,243		1,724,243
Depreciable, net	38,799,620	25,455	38,825,075
Total Assets	\$ 42,529,572	\$ 144,968	\$ 42,674,540
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amount on refunding	\$ 315,515	-	\$ 315,515
LIABILITIES			
Accounts payable	\$ 154,550	\$ 39,449	\$ 193,999
Accrued payroll and benefits	1,466,000	-	1,466,000
Accrued interest	-	-	-
Unearned revenue	15,108	-	15,108
Non-current liabilities:			
Due within one year	2,564,885	-	2,564,885
Due in more than one year	15,500,509	-	15,500,509
Total liabilities	19,701,052	39,449	19,740,501
NET POSITION			
Net investment in capital assets	20,734,226	25,455	20,759,681
Unrestricted (deficit)	2,409,809	80,064	2,489,873
Total Net Position	\$ 23,144,035	\$ 105,519	\$ 23,249,554

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

**REGIONAL SCHOOL DISTRICT NO. 8
STATEMENT OF NET ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017**

Functions/Programs	Program Revenues			Net (Expense) Revenue and changes in Net Position		Total
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	
Governmental activities:						
Regular programs	\$ (14,596,213)	\$ -	\$ 548,200	\$ (14,048,013)	\$ -	\$ (14,048,013)
Special education	(6,033,204)	-	-	(6,033,204)	-	(6,033,204)
Adult education	(51,760)	-	-	(51,760)	-	(51,760)
Pupil services	(1,046,069)	-	-	(1,046,069)	-	(1,046,069)
Improvement of instructional services	(44,203)	-	-	(44,203)	-	(44,203)
Educational media	(1,189,460)	-	-	(1,189,460)	-	(1,189,460)
Support services	(354,547)	-	-	(354,547)	-	(354,547)
Principal's office services	(1,257,123)	-	-	(1,257,123)	-	(1,257,123)
Fiscal and business support	(358,614)	-	4,975,893	4,617,279	-	4,617,279
Plant operation and maintenance	(2,559,561)	-	-	(2,559,561)	-	(2,559,561)
Transportation	(1,245,761)	-	-	(1,245,761)	-	(1,245,761)
Other support services	(3,132,212)	-	2,391	(3,129,821)	-	(3,129,821)
Student activities	(826,760)	284,561	-	(542,199)	-	(542,199)
Tuition	(111,117)	-	-	(111,117)	-	(111,117)
Interest on long-term debt	(624,828)	-	-	(624,828)	-	(624,828)
Total governmental activities	<u>(33,431,432)</u>	<u>284,561</u>	<u>5,526,484</u>	<u>(27,620,387)</u>	<u>-</u>	<u>(27,620,387)</u>
Business-type activities:						
School lunch	(760,780)	588,947	142,334	-	(29,499)	(29,499)
Total	<u>\$ (34,192,212)</u>	<u>\$ 873,508</u>	<u>\$ 5,668,818</u>	<u>(27,620,387)</u>	<u>(29,499)</u>	<u>(27,649,886)</u>
General revenues:						
Member town assessments				27,980,100		27,980,100
Investment earnings				-	629	629
Total general revenues				<u>27,980,100</u>	<u>629</u>	<u>27,980,729</u>
Change in net assets				359,713	(28,870)	330,843
Net assets - beginning				<u>22,784,322</u>	<u>134,389</u>	<u>22,918,711</u>
Net assets - ending				<u>\$ 23,144,035</u>	<u>\$ 105,519</u>	<u>\$ 23,249,554</u>

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

REGIONAL SCHOOL DISTRICT NO. 8
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2017

	<u>General Fund</u>	<u>Grant Fund</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 1,910,091	\$ 81,578	\$ 1,991,669
Other receivables	14,040	-	14,040
Due from other funds	<u>60,277</u>	<u>-</u>	<u>60,277</u>
Total Assets	<u>\$ 1,984,408</u>	<u>\$ 81,578</u>	<u>\$ 2,065,986</u>
LIABILITIES			
Accounts payable	\$ 154,550	\$ -	\$ 154,550
Accrued payroll and expenses	1,466,000	-	1,466,000
Due to other funds	-	60,277	60,277
Unearned/deferred revenue	<u>-</u>	<u>15,108</u>	<u>15,108</u>
Total Liabilities	<u>1,620,550</u>	<u>75,385</u>	<u>1,695,935</u>
FUND BALANCES			
Assigned			
Regular programs	-	6,193	6,193
Committed			
Plant operation and maintenance	297,966	-	297,966
Unassigned	<u>65,892</u>	<u>-</u>	<u>65,892</u>
Total Fund Balances	<u>363,858</u>	<u>6,193</u>	<u>370,051</u>
Total Liabilities and Fund Balances	<u>\$ 1,984,408</u>	<u>\$ 81,578</u>	<u>\$ 2,065,986</u>

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

**REGIONAL SCHOOL DISTRICT NO. 8
RECONCILIATION OF THE BALANCE SHEET OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
JUNE 30, 2017**

Total fund balances for governmental funds \$ 370,051

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

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

Those assets consist of:

Land	1,724,243	
Buildings and improvements	56,810,059	
Equipment	10,042,896	
Land improvements	9,756,597	
Less: accumulated depreciation and amortization	<u>(37,809,932)</u>	
Total capital assets, net		40,523,863

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

Accrued interest payable	(115,818)	
Long-term debt:		
Bonds payable	(14,645,000)	
Unamortized premiums	(574,096)	
Deferred amount on refundings	315,515	
Obligations under capital lease	(419,198)	
Other long-term liabilities:		
Net OPEB obligation	(2,102,000)	
Compensated absences	<u>(209,282)</u>	
Total long-term liabilities		<u>(17,749,879)</u>

Net position of governmental activities \$ 23,144,035

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

REGIONAL SCHOOL DISTRICT NO. 8
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	General Fund	Grant Fund	Total Governmental Funds
REVENUES			
Member town assessments	\$ 27,980,100	\$ -	\$ 27,980,100
Local sources	97,359	-	97,359
Intergovernmental	4,975,893	450,841	5,426,734
Other	284,562	2,391	286,953
Total revenues	33,337,914	453,232	33,791,146
EXPENDITURES			
Current:			
Regular programs	13,898,020	135,956	14,033,976
Special education	5,392,187	324,222	5,716,409
Adult education	47,950	-	47,950
Pupil services	970,822	-	970,822
Improvement of instructional services	44,203	-	44,203
Educational media	1,189,345	-	1,189,345
Support services	271,501	-	271,501
Principal's office services	1,141,992	-	1,141,992
Fiscal and business support	330,845	-	330,845
Plant operations and maintenance	2,737,312	-	2,737,312
Transportation	1,131,524	-	1,131,524
Other supportive activities	3,132,212	-	3,132,212
Student activities	550,553	-	550,553
Tuition	111,117	-	111,117
Total support services	30,949,583	460,178	31,409,761
Debt Service	2,529,828	-	2,529,828
Total expenditures	33,479,411	460,178	33,939,589
Excess of expenditures over(under) revenues	(141,497)	(6,946)	(148,443)
Fund balances - beginning	505,355	13,139	518,494
Fund balances - ending	\$ 363,858	\$ 6,193	\$ 370,051

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

**REGIONAL SCHOOL DISTRICT NO. 8
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017**

Net Change in Fund Balances for Governmental funds \$ (148,443)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The amount by which capital outlays exceeded depreciation and amortization in the current period is as follows:

Expenditures for capital assets	787,137	
Depreciation and amortization expense	<u>(2,182,767)</u>	
Net adjustment		(1,395,630)

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

Principal repayments:		
Bonds payable	1,905,000	
Capital lease financing, net	<u>(127,391)</u>	1,777,609

Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the statement of activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available.

The net effect of such items is as follows:

Compensated absences	204,954	
Accrued interest	23,157	
Net OPEB obligation	(269,000)	
Amortization of bond premium	139,224	
Amortization of deferred amount on refunding	<u>27,842</u>	<u>126,177</u>

Change in net assets of governmental activities \$ 359,713

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

REGIONAL SCHOOL DISTRICT NO. 8
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2017

	Business-Type Activities
	Enterprise Fund - School Lunch
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 85,566
Grants and contracts receivable	15,112
Inventories	18,835
Total current assets	119,513
Noncurrent assets:	
Capital assets	844,718
Less: accumulated depreciation	(819,263)
Total noncurrent assets	25,455
Total assets	\$ 144,968
LIABILITIES	
Accounts payable	\$ 39,449
Total liabilities	39,449
NET POSITION	
Net investment in capital assets	25,455
Unrestricted	80,064
Total net position	105,519
Total liabilities and net position	\$ 144,968

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

**REGIONAL SCHOOL DISTRICT NO. 8
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2017**

	Business-Type Activities
	Enterprise Fund - School Lunch
OPERATING REVENUES	
Charges for services	\$ 588,947
Grants	142,334
Total operating revenues	731,281
OPERATING EXPENSES	
Operations	707,153
Office expense	1,097
Depreciation	52,530
Total operating expenses	760,780
Operating loss	(29,499)
NON-OPERATING REVENUES	
Investment income	629
Total non-operating revenues	629
Change in net position	(28,870)
Net position - beginning	134,389
Net position - ending	\$ 105,519

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

**REGIONAL SCHOOL DISTRICT NO. 8
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Business-type activities</u> <u>Enterprise Fund - School Lunch</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from charges for services	\$ 588,947
Cash received from intergovernmental grants and commissions	150,566
Cash paid to suppliers	<u>(678,683)</u>
Net cash provided by (used in) operating activities	60,830
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment income	<u>629</u>
Net increase (decrease) in cash and cash equivalents	61,459
Cash and cash equivalents, beginning of year	<u>24,107</u>
Cash and cash equivalents, end of year	<u><u>\$ 85,566</u></u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES	
Operating loss	\$ (29,499)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	52,530
Increase in grants and contract receivable	8,232
Increase in inventories	(9,882)
Increase in accounts payable	<u>39,449</u>
Net cash provided by (used in) operating activities	<u><u>\$ 60,830</u></u>

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

REGIONAL SCHOOL DISTRICT NO. 8
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
JUNE 30, 2017

	<u>Agency Fund</u>
ASSETS	
Cash and cash equivalents	\$ 268,846
Investments	<u>81,162</u>
Total assets	<u>\$ 350,008</u>
 LIABILITIES	
Due to Student groups and others	<u>\$ 350,008</u>

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

REGIONAL SCHOOL DISTRICT NO. 8
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Regional School District No. 8 (the “District”) conform to accounting principles generally accepted in the United States of America, as applicable to governmental organizations. The following is a summary of significant accounting policies.

FINANCIAL REPORTING ENTITY

The District is governed by a Board of Education (the “Board”). The Board is an elected group of individuals which has governance responsibilities over all activities related to providing education for grades 7-12 within the jurisdiction of Regional School District No. 8, serving the towns of Hebron, Andover and Marlborough, Connecticut (“Towns”). The District receives funding from local, state, and federal government sources and must comply with the concomitant requirements of these funding source entities. The District is not included in any other governmental “reporting entity” since Board members are elected by the public, have decision making authority, the power to designate management, the responsibility to significantly influence operations, and primary accountability for fiscal matters.

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

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-wide Financial Statements

The statement of net position and the statement of activities display information about the District and include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through payments from the member Towns, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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

Fund Financial Statements

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

The District reports the following major governmental funds:

General Fund - This fund is the District’s primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

REGIONAL SCHOOL DISTRICT NO. 8
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

Grant Fund - This fund is used to account for grant funds primarily from the state and federal government that have been applied for and approved for specific purposes.

The District reports the following proprietary fund:

School Lunch Fund - This fund is an enterprise fund that accounts for the activities of the District's school lunch program.

In addition, the District reports the following fiduciary fund:

Agency Fund - This fund accounts for monies held as a custodian for outside groups. The District includes three agency funds. Since agency funds are custodial in nature (i.e., assets equal liabilities), they do not involve the measurement of results of operations. The agency funds include student activities; memorials, class accounts and an employee flex account.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Government-wide, Proprietary, and Fiduciary Fund Financial Statements

The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting (except for agency funds which have no measurement focus). Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Revenues from the member Towns are recognized as revenues in the year for which they are collected. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services or producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's School Lunch fund are fees received from participants. Operating expenses of the District's School lunch consist of costs incurred and administrative expenses related to food service. Revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Governmental Fund Financial Statements

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 susceptible to accrual, that is, when they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period.

For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current period. Revenues from member towns, grants and contracts, and interest associated with the current period are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when the cash is received by the District. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

REGIONAL SCHOOL DISTRICT NO. 8
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

ASSETS, LIABILITIES, DEFERRED INFLOWS/OUTFLOWS OF RESOURCES AND NET POSITION/FUND BALANCE

Cash Equivalents

The District considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

Investments

Investments for the District are reported at fair value (generally based on quoted market prices) except as described below.

The Town invests in the State Treasurer’s Short-Term Investment Fund (STIF), which is an investment pool managed by the State Treasurer’s Office. STIF operates in conformity with all of the requirements of the Securities and Exchange Commission’s (SEC) Rule 2a7 as promulgated under the Investment Company Act of 1940, as amended. Accordingly, STIF qualifies as a 2a7-like pool and is reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method. STIF is subject to regulatory oversight even though it is not registered by the SEC.

Inventories

Purchased inventories are reported at cost using the first-in first-out (FIFO) method. Inventories of governmental and proprietary funds are recorded as expenditures when consumed rather than when purchased. Inventories primarily consist of federal donated food held for consumption. The cost of the District’s food inventories is based on stated value approximating fair value assigned by the federal government.

Capital Assets

Capital assets, which include land and land improvements, buildings and improvements and equipment, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial individual cost of more than \$1,000 for equipment and \$20,000 for other assets and an estimated useful life in excess of one year. Such assets are recorded at historical cost, or estimated historical cost, if purchased or constructed.

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

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

Assets	Years
Land improvements	10-30
Buildings and building improvements	40
Equipment:	
Vehicles	8
Office/classroom equipment	5-20
Computer equipment	5

REGIONAL SCHOOL DISTRICT NO. 8
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

Unearned Revenue

In the government-wide and fund financial statements, this liability represents resources that have been received but not yet earned.

Long-Term Debt Obligations

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

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

Deferred Outflows/Inflows of Resources

Deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported 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. Deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The District, as of June 30, 2017 had deferred outflows of financial resources related to deferred amounts on bond refunding of \$315,515.

Compensated Absences

It is the District's policy to permit employees to accumulate earned but unused sick pay benefits up to certain limits. All compensated absences are recorded when incurred in the government-wide and proprietary fund financial statements. Expenditures for compensated absences are recognized in the governmental fund financial statements in the current year to the extent they are paid during the year, or the vested amount is expected to be paid with available resources.

Upon retirement under the Connecticut State Teachers' Retirement System, or death, a certified professional employee, or the estate of that employee, will be paid 15% of all accumulated unused sick days up to a limit of 180 days. Retirees have the option of receiving retirement sick leave payments at the time of retirement or after January 1 of the succeeding year. Payments are made as a retirement contribution into the District's 403(b) retirement plan. The retiree must notify the Board of their choice in writing at least one year prior to the desired payment date. The District will include in the applicable financial statements a liability for those eligible teachers upon notification of planned retirement.

The District has established a teacher retirement stipend program that allows eligible teachers to receive a stipend upon retirement from the District. Certified personnel hired prior to July 1, 1997, having completed fifteen years of District employment, are eligible for a grant stipend of five percent of the teacher's base salary plus one – half

REGIONAL SCHOOL DISTRICT NO. 8
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

percent for each year of service in the District beyond fifteen years, for up to a maximum of fifteen percent of the base salary. The stipend is based on the 1996-97 salary rates for the degree track/step held by the teacher immediately preceding retirement. The stipend is granted to the teacher for each of the three school years immediately following his or her retirement date. Participants under this program are required to provide the Board of Education with at least a three year advance notice of their planned retirement and submit a letter of resignation to take effect on that date. Payments are made as retirement contributions into the District's 403(b) retirement plan.

Net Position/Fund Balance

Information presented in the government-wide statement of net position column includes the District's non-fiduciary assets and liabilities, with the difference reported as net position. Net positions are reported in three categories:

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

Restricted net position - This category consists of net position whose use is restricted either through external restrictions imposed by creditors, grantors, contributors, and the like, or through restrictions imposed by law through constitutional provisions or enabling legislation. None of the District's net position are considered to be restricted as of June 30, 2017.

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

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

Non-spendable – Amounts that cannot be spent because they are not in spendable form or they are legally or contractually required to be maintained intact. None of the District's fund balance is considered to be nonspendable as of June 30, 2017.

Restricted – Constraints are placed on the use of resources that are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through enabling legislation. None of the District's fund balance is considered to be restricted as of June 30, 2017.

Committed – Amounts can only be used for specific purposes pursuant to constraints imposed by formal action of the Board of Education (the highest level of decision making authority of the District) and cannot be used for any other purpose unless the District removes or changes the specified use by taking the same formal action. \$297,966 of the District's fund balance is considered to be committed as of June 30, 2017.

Assigned – Amounts are constrained by the District's intent to be used for specific purposes, but are not restricted or committed. The Board of Education is the body authorized to assign fund balance via a majority vote of the Board.

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

REGIONAL SCHOOL DISTRICT NO. 8
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

Net Position Flow Assumption

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

The District does not have a formal policy over the use of restricted resources. The District considers restricted net position to have been depleted before unrestricted net position is applied.

Fund Balance Flow Assumption

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

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

Interfund Receivables and Payables

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

Interfund Transfers

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

Interfund Reimbursements

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

USE OF ESTIMATES

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

NOTE 2 - BUDGETARY INFORMATION AND FUND DEFICITS

The District adheres to the following procedures in establishing the budgetary data included in the basic financial statements for the General Fund:

REGIONAL SCHOOL DISTRICT NO. 8
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

- School administrators prepare their annual budget request based on prior year’s activity and projected needs for the future periods. These requests are then reviewed by the District Finance Director, the Superintendent of Schools and the Finance Committee of the Board of Education in the month of January.
- Upon completion of the proposed budget, the Finance Committee presents the budget to the full Board for additional refinement and adjustments. The full Board then votes on the budget for presentation to the District voters in the month of May.
- The budget is formally voted on at a District-wide referendum and, if approved, becomes binding for that budget year. Should the budget not receive voter support, the Board of Education will continue to modify the budget until approved by the District voters.
- The budget for the General Fund of the District is prepared on the modified accrual basis of accounting. Unencumbered appropriations lapse at the end of the year.

Accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with accounting principles generally accepted in the United States of America (“GAAP basis”). A reconciliation of General Fund amounts presented on the budgetary basis to amounts presented on the GAAP basis is as follows for the year ended June 30, 2017:

	Total	Total Expenditures and total other	Net Change
	Revenues	financing sources	in Fund Balance
Budgetary basis	\$ 28,805,467	\$ 28,900,927	\$ (95,460)
"On-behalf" payments- State Teachers Retirement Fund (see Note 8)	4,532,447	4,532,447	-
Encumbrances outstanding:			
June 30, 2016		46,037	(46,037)
June 30, 2017	-	-	-
GAAP basis	\$ 33,337,914	\$ 33,479,411	\$ (141,497)

NOTE 3 - CASH DEPOSITS AND INVESTMENTS

CASH DEPOSITS

The carrying value of the District’s cash deposits as of June 30, 2017 totaled \$2,314,287. A reconciliation of the District’s cash deposits, as of June 30, 2017, are as follows:

REGIONAL SCHOOL DISTRICT NO. 8
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

Government-wide statement of net assets

Cash and cash equivalents	\$ 1,991,669
Less: cash equivalents considered as investments for disclosure purposes	<u>(31,794)</u>
	1,959,875

Statement of Net Position-Business-type Activities:

Cash and cash equivalents	85,566
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Statement of fiduciary net assets:

Cash and cash equivalents	<u>268,846</u>
	<u><u>\$ 2,314,287</u></u>

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the District will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District does not have a deposit policy for custodial credit risk. As of June 30, 2017, \$2,826,024 of the Town's bank balance of \$3,107,818 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 2,543,422
Uninsured and collateralized with securities held by the pledging bank's trust department or agent but not in the District's name	<u>282,602</u>
	<u><u>\$ 2,826,024</u></u>

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

INVESTMENTS

As of June 30, 2017, the District's investments consisted of the following:

Investment Type	Fair Value	Investment Maturities (In Years)			
		Less Than 1	1 to 5	6 to 10	More Than 10
Debt Securities:					
Short Term Investment Fund	\$ 31,794	\$ 31,794	\$ -	\$ -	\$ -
 Other investments:					
Equity Mutual Funds	<u>81,162</u>				
	<u><u>\$ 112,956</u></u>				

REGIONAL SCHOOL DISTRICT NO. 8
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

Because STIF has a weighted average maturity of less than 90 days, it is presented as an investment with a maturity of less than 1 year. As of June 30, 2017, the District's investments in STIF were rated AAA by Standard and Poor's.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District does not have a policy for custodial credit risk. The District's investments in STIF do not require custodial credit risk disclosures because they are not evidenced by securities that exist in physical or book entry form.

Interest Rate Risk

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

Credit Risk

The District has no investment policy that would further limit its investment choices beyond those limited by Connecticut state statutes. Connecticut state statutes permit the District to invest in obligations of the United States, including its instrumentalities and agencies; in obligations of any state or of any political subdivision, authority or agency thereof, provided such obligations are rated within one of the top two rating categories of any recognized rating service; or in obligations of the State of Connecticut or of any political subdivision thereof, provided such obligations are rated within one of the top three rating categories of any recognized rating service. Pension trust funds may also invest in certain real estate mortgages, savings banks or savings and loan associations, or in stocks or bonds or other securities selected by the trustee, with the care of a prudent investor.

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

Government-wide statement of net assets:

Investments	\$ -
Add: cash equivalents considered investments for disclosure purposes	<u>31,794</u>
	31,794

Statement of fiduciary net assets:

Investments	<u>81,162</u>
	<u><u>\$ 112,956</u></u>

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NOTE 4 – INTERFUND ACCOUNTS

As of June 30, 2017, the interfund receivables and payables that resulted from various interfund transactions were as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Governmental Funds		
General fund	Grants	\$ 60,277

NOTE 5 - RECEIVABLES AND UNEARNED REVENUE

Grants and contracts receivable for governmental activities consist of a receivable from the State of Connecticut for reimbursement of certain special education expenses. No allowance for doubtful accounts has been applied to the receivable due to it being considered fully collectible.

Governmental funds report unearned revenue in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, there was \$15,108 of unearned revenue and no deferred revenue reported in the governmental funds.

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017 consisted of the following:

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	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital assets, not being depreciated				
Land	\$ 1,724,243	\$ -	\$ -	\$ 1,724,243
Total capital assets, not being depreciated	1,724,243	-	-	1,724,243
Capital assets, being depreciated				
Buildings and improvements	56,810,059	-	-	56,810,059
Equipment	9,276,609	766,287	-	10,042,896
Land improvements	9,735,747	20,850	-	9,756,597
Total capital assets, being depreciated	75,822,415	787,137	-	76,609,552
Less accumulated depreciation and amortization for:				
Building and improvements	(20,632,389)	(1,436,189)		(22,068,578)
Equipment	(8,733,496)	(259,980)		(8,993,476)
Land improvements	(6,261,280)	(486,598)	-	(6,747,878)
Total accumulated depreciation and amortization	(35,627,165)	(2,182,767)	-	(37,809,932)
Total capital assets, being depreciated, net	40,195,250	(1,395,630)	-	38,799,620
Governmental activities capital assets, net	<u>\$ 41,919,493</u>	<u>\$ (1,395,630)</u>	<u>\$ -</u>	<u>\$ 40,523,863</u>
Business-type Activities				
Capital assets, being depreciated:				
Equipment	\$ 844,718	\$ -	\$ -	\$ 844,718
Total capital assets, being depreciated	844,718	-	-	844,718
Less accumulated depreciation and amortization for:				
Equipment	(766,733)	(52,530)	-	(819,263)
Total accumulated depreciation and amortization	(766,733)	(52,530)	-	(819,263)
Total capital assets, being depreciated, net	77,985	(52,530)	-	25,455
Business-type activities capital assets, net	<u>\$ 77,985</u>	<u>\$ (52,530)</u>	<u>\$ -</u>	<u>\$ 25,455</u>

Depreciation and amortization expense was charged to functions of the District for the year ended June 30, 2017 as follows:

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Regular programs	\$ 969,886
Special Education	316,795
Adult Education	3,810
Pupil Services	75,247
Improvement of Inst. Media	3,405
Educational Media	83,046
Support Services	21,052
Principal's Office Services	94,079
Fiscal and Business Support	27,769
Plant Operations and Maintenance	191,387
Transportation	84,066
Other Support Services	276,207
Student Activities	30,171
Tuition	5,847
	<u>\$ 2,182,767</u>

NOTE 7 - LONG-TERM LIABILITIES

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

	<u>Beginning</u>			<u>Ending</u>	<u>Amounts Due</u>
	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>	<u>Within One</u>
					<u>Year</u>
Governmental Activities					
Bonds payable					
General obligation bonds	\$ 16,550,000	\$ -	\$ 1,905,000	\$ 14,645,000	\$ 2,105,000
Unamortized amounts:					
Premiums	<u>713,320</u>	<u>-</u>	<u>139,224</u>	<u>574,096</u>	<u>139,224</u>
Total bonds payable	17,263,320	-	2,044,224	15,219,096	2,244,224
Other liabilities					
Accrued interest payable	138,973	-	23,155	115,818	23,155
Capital leases	291,807	379,585	252,194	419,198	187,013
Compensated absences	414,236	-	204,954	209,282	110,493
Net OPEB obligations (see Note 9)	<u>1,833,000</u>	<u>269,000</u>	<u>-</u>	<u>2,102,000</u>	<u>-</u>
Total long-term liabilities	<u>\$ 19,941,336</u>	<u>\$ 648,585</u>	<u>\$ 2,524,527</u>	<u>\$ 18,065,394</u>	<u>\$ 2,564,885</u>

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NOTES TO THE FINANCIAL STATEMENTS
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Statutory Debt Limitation

Connecticut General Statutes Section 7-374(b) provides that authorized debt of the District shall not exceed four and half times base receipts, as defined in the Statute, or \$125,910,450 as of June 30, 2017. The District did not exceed the statutory debt limitation as of June 30, 2017.

General Obligation Bonds

A summary of general obligation bonds outstanding at June 30, 2017 is as follows:

<u>Purpose of Bonds</u>	<u>Final Maturity Dates</u>	<u>Interest Rates</u>	<u>Amount Outstanding</u>
Governmental Activities			
Bonds Payable			
General obligation refunding bonds issued 2/1/07, original amount of \$18,145,000	5/2022	3.50% - 5.00%	\$ 7,015,000
General obligation refunding bonds issued 3/18/15, original amount of \$3,980,000	1/2027	2.00% - 3.25%	3,595,000
General obligation refunding bonds issued 4/15/12, original amount of \$6,045,000	4/2024	2.00% - 4.00%	4,035,000
			<u>\$ 14,645,000</u>

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

<u>Year ending</u>	<u>General Obligation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 2,105,000	\$ 547,863	\$ 2,652,863
2019	2,200,000	459,213	2,659,213
2020	2,300,000	361,113	2,661,113
2021	2,385,000	275,813	2,660,813
2022	2,475,000	183,863	2,658,863
2023-2027	<u>3,180,000</u>	<u>228,613</u>	<u>3,408,613</u>
	<u>\$ 14,645,000</u>	<u>\$ 2,056,478</u>	<u>\$ 16,701,478</u>

General Obligation Bonds

As of June 30, 2017, the District had \$365,000 of authorized, unissued bonds.

REGIONAL SCHOOL DISTRICT NO. 8
NOTES TO THE FINANCIAL STATEMENTS
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Debt Refundings

The proceeds of the refunding bonds were used to purchase U.S. Government securities which were deposited into an irrevocable trust with an escrow agent to provide for all future payments on the refunded bonds. Thus, the refunded bonds are considered defeased. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements.

As of June 30, 2017, \$17,985,000 of outstanding general obligation bonds, including prior year's refundings are considered defeased.

Capital Leases

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

	Governmental Activities
Equipment	\$ 1,521,083
Less: accumulated amortization	(858,243)
	\$ 662,840

Amortization expense relative to leased property under capital leases for the year ended June 30, 2017 totaled \$124,697 and is included in depreciation and amortization expense disclosed in Note 5. Future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2017 are as follows:

	Governmental Activities
Year ending June 30:	
2018	\$ 204,017
2019	80,637
2020	80,637
2021	80,637
Total minimum lease payments	445,928
Less: amount representing interest	26,730
Present value of minimum lease payments	\$ 419,198

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NOTES TO THE FINANCIAL STATEMENTS
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Compensated Absences

The District accrues compensated absences (sick days) and retirement stipends in the government-wide financial statements as they are earned by employees if the leave or stipend is attributable to past service and it is probable that the District will compensate the employees by cash payments at termination or retirement. The amounts of the estimated obligations at June 30, 2017 are as follows:

Retirement stipends	\$	150,318
Compensated absences		<u>58,964</u>
	\$	<u><u>209,282</u></u>

NOTE 8 - PENSION PLANS

Connecticut State Teachers' Retirement Fund

Organization

The Connecticut Teachers' Retirement System (TRS) is the public pension plan offered by the State of Connecticut to provide retirement, disability, survivorship and health insurance benefits for Connecticut public school teachers and their beneficiaries. The plan is governed by Connecticut Statute Title 10, Chapter 167a of the Connecticut General Statutes. TRS is a multiemployer pension plan administered by the Connecticut State Teachers' Retirement Board. The State Teachers' Retirement Board (TRB) is responsible for the administration of the Connecticut Teachers' Retirement System. The State Treasurer is responsible for investing TRS funds for the exclusive benefit of TRS members.

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 multiemployer 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 TRB. TRS 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 the 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).

In addition, amounts derived from the accumulation of 1 % contributions made prior to July 1, 1989 and voluntary contributions are payable.

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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. Benefit amounts are reduced by 6% per year for the first 5 years preceding normal retirement age and 4% per year for the next 5 years preceding normal retirement age. Effective July 1, 1999, the reduction for individuals with 30 or more years of service is 3% per year by which retirement precedes normal retirement date.

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

Disability Retirement: Employees are eligible for service-related disability benefits regardless of length of service. Five years of credited service is required 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. In addition, disability benefits under this plan (without regard to cost-of-living adjustments) plus any initial award of social security benefits and workers' compensation cannot exceed 75% of average annual salary.

A plan member who leaves service and has attained 10 years of service will be entitled to 100% of the accrued benefit as of the date of termination of covered employment. Benefits are payable at age 60 and early retirement reductions are based on the number of years of service the member would have had if they had continued work until age 60.

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

Contributions-State of Connecticut

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 is amended and certified by the State Teachers' Retirement Board and appropriated by the General Assembly. The contributions are actuarially determined as an amount that, when combined with employee contributions and investment earning, 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.

Employer (School Districts)

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

Employees:

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

**REGIONAL SCHOOL DISTRICT NO. 8
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Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At **June 30, 2017**, 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 Town 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>41,561,649</u>
Total	\$	<u><u>41,561,649</u></u>

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015. At June 30, 2017, the District has no proportionate share of the net pension liability. For the year ended June 30, 2017, the District recognized pension expense and revenue of \$4,532,447 in 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, 2016, using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

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:

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<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Large Cap U.S. equities	21%	5.80%
Developed non-U.S. equities	18%	6.60%
Emerging markets (non-U.S.)	9%	8.30%
Core fixed income	7%	1.30%
Inflation linked bond fund	3%	1.00%
Emerging market bond	5%	3.70%
High yield bonds	5%	3.90%
Real estate	7%	5.10%
Private equity	11%	7.60%
Alternative investments	8%	4.10%
Liquidity fund	<u>6%</u>	0.40%
Total	<u>100%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 8.00%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that 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.

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.

A copy of the plan's comprehensive annual financial report can be obtained from the State of Connecticut Teachers Retirement Board.

OFFICE EMPLOYEES PENSION PLAN

Non-certified employees may elect to participate in a District sponsored defined contribution pension plan. Under the terms of the plan, employees who have attained one year of service may contribute to the plan. The District will match employee contributions to the plan to a maximum of 3% of the employees' annual regular wages.

The plan is administered by the Equitable Life Assurance Company, which has established the plan in accordance with the Internal Revenue Code Section 403(b). For the ended June 30, 2017, District contributions to the plan totaled \$54,067 based on eligible salaries of approximately \$2,200,000. The District submits all contributions

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directly to a third party administrator who holds the assets in trust; therefore, this plan is not included in the District's financial statements.

NOTE 9 - OTHER POST-EMPLOYMENT BENEFITS (OPEB)

Plan Description

The District provides healthcare insurance benefits for eligible retirees and their spouses through the District's group health insurance plan, which covers both active and retired members. The Plan does not issue a publicly available financial report and is not included in the financial statements of another entity.

Funding Policy

Certified Board of Education Employees and their spouses are eligible for medical benefits upon retirement at the earlier of age 55 with 20 years of service or 25 years of service until the retiree reaches age 65. Benefits continue for retirees and their spouses after age 65 for life for those that are not eligible for Medicare (pre 1986 hires). Those who choose to participate must pay 100% of the premium. Benefits valued are equal to the implicit rate subsidy. The District finances the plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation

The District's annual OPEB cost (expense) is calculated based on the annual required contribution ("ARC"), 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 over a period not to exceed thirty years. The District's annual OPEB cost and net OPEB obligation are primarily attributed to an implicit rate subsidy, whereby retirees are considered to be receiving a benefit from the District for access to insurance rates offered to the District's active employees. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation:

Annual Required Contribution (ARC)	\$ 443,000
Interest on Net OPEB obligation	73,000
Adjustment to Annual Required Contribution	<u>(102,000)</u>
Annual OPEB cost	414,000
Contributions made	<u>(145,000)</u>
Increase in net OPEB Obligation	269,000
Net OPEB Obligation, beginning of the year	<u>1,833,000</u>
Net OPEB Obligation, end of year	<u><u>\$ 2,102,000</u></u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2017 is as follows:

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Year			Percentage
Ended June	Annual	Actual	of Annual
30,	OPEB Cost	Contribution	OPEB Cost
			Contributed
2017	\$ 414,000	\$ 145,000	35.0%
2016	\$ 413,000	\$ 135,000	32.7%
2015	\$ 305,000	\$ 154,000	50.5%
2014	\$ 303,000	\$ 113,000	37.3%

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Funded Status and Funding Progress

The funded status of the plan as of July 1, 2014 (the date of the most recent actuarial valuation) was as follows:

Actuarial Accrued Liability (AAL) -						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Projected Unit Credit Cost Method (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
7/1/2014	\$ -	\$ 5,487,000	\$ 5,487,000	0.00%	\$ 10,179,000	53.91%
7/1/2011	-	3,399,000	3,399,000	0.00%	11,254,000	30.20%
7/1/2009	-	3,130,000	3,130,000	0.00%	12,784,000	24.48%
7/1/2007	-	3,521,000	3,521,000	0.00%	11,430,000	30.80%

Funded Status and Funding Progress

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

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Actuarial Methods and Assumptions

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

Valuation date:	July 1, 2014
Actuarial Cost Method:	Projected Unit Credit Cost Method
Amortization Method:	Level Dollar Amount
Remaining amortization period:	30 years, open
Asset valuation method:	Market value
Actuarial assumptions:	
Investment rate of return	4.00%
Inflation rate	2.50%
Healthcare cost trend rate	8.0% initial 5.0% final

Mortality	RP2000 Mortality Table for male and female, with no collar adjustment, combined table for non-annuitants and annuitants, projected to the valuation date with Scale BB.
Turnover	Percentage of Employed Terminating Prior to End of Year (Service Based) (From CT State TRS 2010 OPEB Valuation)
Retirement	Percentage of Employees with 25 years of service Retiring Prior to End of Year. (From CT State TRS 2010 OPEB Valuation)
Utilization	We assume 80% of all active participants will participate in the medical plan beginning at retirement until 65, and that 20% of teachers hired prior to 1986 will continue coverage post 65.

NOTE 10 - RISK MANAGEMENT

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

The District is currently a member in 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

REGIONAL SCHOOL DISTRICT NO. 8
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provisions of Section 7-479a et. Seq. of Connecticut General Statutes for workers' compensation and employer liability coverage.

At June 30, 2017, CIRMA had 216 members in the workers compensation pool and 157 members in the liability-automobile-property 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.

NOTE 11 - IMPLEMENTATION OF NEW PRONOUNCEMENTS

GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, addresses reporting by governments that provide OPEB to their employees and for governments that finance OPEB for employees of other governments. GASB Statement No. 75 requires governments to report a liability on the face of the financial statements for the OPEB that they provide:

- Governments that are responsible only for OPEB liabilities related to their own employees and that provide OPEB through a defined benefit OPEB plan administered through a trust that meets specified criteria will report a net OPEB liability—the difference between the total OPEB liability and assets accumulated in the trust and restricted to making benefit payments.
- Governments that participate in a cost-sharing OPEB plan that is administered through a trust that meets the specified criteria will report a liability equal to their proportionate share of the collective OPEB liability for all entities participating in the cost-sharing plan.
- Governments that do not provide OPEB through a trust that meets specified criteria will report the total OPEB liability related to their employees. GASB Statement No. 75 carries forward from GASB Statement No. 45 the option to use a specified alternative measurement method in place of an actuarial valuation for purposes of determining the total OPEB liability for benefits provided through OPEB plans in which there are fewer than 100 plan members (active and inactive). This option was retained in order to reduce costs for smaller governments. The provisions of this Statement are effective for fiscal years beginning after June 15, 2017.

GASB Statement No. 77, Tax Abatement Disclosures. Financial statements prepared by state and local governments in conformity with generally accepted accounting principles provide citizens and taxpayers, legislative and oversight bodies, municipal bond analysts, and others with information they need to evaluate the financial health of governments, make decisions, and assess accountability. This information is intended, among other things, to assist these users of financial statements in assessing (1) whether a government's current-year revenues were sufficient to pay for current-year services (known as interperiod equity), (2) whether a government complied with finance-related legal and contractual obligations, (3) where a government's financial resources come from and how it uses them, and (4) a government's financial position and economic condition and how they have changed over time. This Statement requires governments that enter into tax abatement agreements to disclose the following information about the agreements:

- Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients
- The gross dollar amount of taxes abated during the period

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NOTES TO THE FINANCIAL STATEMENTS
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- Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement. Governments should organize those disclosures by major tax abatement program and may disclose information for individual tax abatement agreements within those programs. Tax abatement agreements of other governments should be organized by the government that entered into the tax abatement agreement and the specific tax being abated. Governments may disclose information for individual tax abatement agreements of other governments within the specific tax being abated. For those tax abatement agreements, a reporting government should disclose:
 - The names of the governments that entered into the agreements
 - The specific taxes being abated
 - The gross dollar amount of taxes abated during the period. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2015. Earlier application is encouraged.

GASB Statement No. 78, Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans. This standard narrows the scope and applicability of GASB Statement No. 68, Accounting and Financial Reporting for Pensions, to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan meeting specific criteria; establishes new guidance for these employers, including separate requirements for recognition and measurement of pension expense or expenditures and liabilities, note disclosures and required supplementary information (RSI). The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2015. Earlier application is encouraged.

GASB Statement No. 79, Certain External Investment Pools and Pool Participants. This standard establishes new criteria to continue amortization cost accounting for certain external investment pools in light of recent changes to money market fund criteria. The portfolio quality and monthly shadow pricing requirements of this Statement are effective for periods beginning after December 15, 2015. Earlier application is encouraged.

GASB Statement No. 80, Blending Requirements for Certain Component Units – An Amendment of GASB Statement No.14. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of GASB Statement No. 14, The Financial Reporting Entity, as amended. This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of GASB Statement No. 39, Determining Whether Certain Organizations Are Component Units. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. Earlier application is encouraged.

GASB Statement No. 81, Irrevocable Split-Interest Agreements. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively. Earlier application is encouraged.

GASB Statement No. 82, Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the

REGIONAL SCHOOL DISTRICT NO. 8
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

requirements of paragraph 7 in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements of paragraph 7 are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. Earlier application is encouraged.

**REQUIRED
SUPPLEMENTARY
INFORMATION**

REGIONAL SCHOOL DISTRICT NO. 8
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF NET PENSION LIABILITY-
TEACHERS RETIREMENT PLAN

	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportionate share of the net pension liability	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability associated with the District	<u>\$41,561,649</u>	<u>\$33,816,975</u>	<u>\$31,257,017</u>
Total	<u>\$41,561,649</u>	<u>\$33,816,975</u>	<u>\$31,257,017</u>
District's covered-employee payroll	\$ 16,597,190	\$ 16,907,438	\$ 16,099,860
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	0%	0%	0%
Plan fiduciary net position as a percentage of the total pension liability	0.2918%	0.3082%	0.3082%

See notes to the financial statements for actuarial methods and assumptions.

**REGIONAL SCHOOL DISTRICT NO. 8
SCHEDULE OF FUNDING PROGRESS
JUNE 30, 2017**

Other Post-Employment Benefit Plan

Actuarial Accrued Liability (AAL) -						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Projected Unit Credit Cost Method (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
7/1/2014	\$ -	\$ 5,487,000	\$ 5,487,000	0.00%	\$ 10,179,000	53.91%
7/1/2011	-	3,399,000	3,399,000	0.00%	11,254,000	30.20%
7/1/2009	-	3,130,000	3,130,000	0.00%	12,784,000	24.48%

See notes to the financial statements for actuarial methods and assumptions.

**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

**GENERAL
FUND**

**REGIONAL SCHOOL DISTRICT NO. 8
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL –
BUDGETARY BASIS – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
REVENUES				
Member town assessments	\$ 27,980,096	\$ 27,980,096	\$ 27,980,100	\$ 4
Investment	2,550	2,550	7,134	4,584
Miscellaneous	487,742	487,742	75,569	(412,173)
Athletics	125,400	125,400	132,410	7,010
Use of buildings	47,500	47,500	69,449	21,949
Tuition	53,263	53,263	97,359	44,096
Intergovernmental revenues	<u>72,840</u>	<u>72,840</u>	<u>443,446</u>	<u>370,606</u>
Total revenues	28,769,391	28,769,391	28,805,467	36,076
EXPENDITURES				
Salaries	15,282,677	15,204,608	15,001,391	203,217
Employee benefits	3,158,245	3,209,516	3,176,086	33,430
Professional services	1,061,728	1,042,694	1,251,076	(208,382)
Property services	1,912,655	1,871,424	1,747,200	124,224
Purchased services	3,834,036	3,860,142	4,284,692	(424,550)
Supplies and materials	489,587	483,428	386,019	97,409
Other	172,547	163,407	145,902	17,505
Debt services	<u>2,857,916</u>	<u>2,934,172</u>	<u>2,908,561</u>	<u>25,611</u>
Total expenditures	28,769,391	28,769,391	28,900,927	(131,536)
Excess of revenues over expenditures	<u>\$ -</u>	<u>\$ -</u>	(95,460)	<u>\$ (95,460)</u>
Beginning fund balance			<u>459,318</u>	
Ending fund balance			<u>\$ 363,858</u>	

**REGIONAL SCHOOL DISTRICT NO. 8
SCHEDULE OF DEBT LIMITATION
CONNECTICUT GENERAL STATUTES, SECTION 7-374(b)
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Hebron</u>	<u>Andover</u>	<u>Marlborough</u>	<u>Total</u>
Total cash collections for the year ended June 30, 2016	<u>\$ 15,269,772</u>	<u>\$ 4,160,152</u>	<u>\$ 8,550,176</u>	<u>\$ 27,980,100</u>
				<u>District</u>
Debt limitation:				
4 1/2 times base				\$ 125,910,450
Indebtedness:				
Bonds payable				14,645,000
Bonds authorized and unissued				<u>365,000</u>
Total indebtedness				<u>15,010,000</u>
Debt limitation in excess of outstanding and authorized debt				<u>\$ 110,900,450</u>
Total capacity of borrowing (4 1/2 times base)				\$ 125,910,450
Total present indebtedness				<u>15,010,000</u>
Margin for additional borrowing				<u>\$ 110,900,450</u>

**FIDUCIARY
FUNDS**

REGIONAL SCHOOL DISTRICT NO. 8
STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES –
AGENCY FUND
FOR THE YEAR ENDED JUNE 30, 2017

	Balance	Additions	Deductions	Balance
	July 01, 2016			June 30, 2017
ASSETS				
Cash and cash equivalents				
Student activity	\$ 185,658	\$ 439,204	\$ 427,034	\$ 197,828
Memorial funds	73,320	-	2,302	71,018
Total cash and cash equivalents	258,978	439,204	429,336	268,846
 Investments				
Memorial funds	81,415	4,347	4,600	81,162
Total assets	\$ 340,393	\$ 443,551	\$ 433,936	\$ 350,008
 LIABILITIES				
Due to student groups and others				
Student activity	\$ 185,658	\$ 439,204	\$ 427,034	\$ 197,828
Memorial funds	154,735	4,347	6,902	152,180
Total liabilities	\$ 340,393	\$ 443,551	\$ 433,936	\$ 350,008