Via Google Meet
Dial +1 (305) 912-5248 -
PIN: 632 800 799#
May 07, 2020 @ 6:00 p.m.

Regional School District #4
Chester – Deep River – Essex – Region 4

Combined Supervision District Committee & Regional School District No. 4 BOE Special Meeting

To:	Members of the Supervision District Committee & Regional School District No. 4 Board of Education
Subject:	**Combined Supervision District Committee & Region 4 BOE Special Meeting – Thursday, May 07, 2020**
Time:	**6:00 p.m.**
Place:	**Via Google Meet – To listen remotely please dial (US)+1 (305) 912-5248 PIN: 632 800 799#**

(We kindly ask that you **please mute your phone immediately** upon connecting to the meeting as this will improve the audio quality for all participants. Google Meet may do this automatically, depending on the number of people already connected to the call. If so, pressing ***6** will unmute your phone when it's time to speak)

Please contact Jennifer Bryan at Central Office email jbryan@reg4.k12.ct.us if you are unable to attend.

Mission Statement
We, the communities of Chester, Deep River, Essex and Region 4,
engage all students in a rigorous and collaborative educational program. We prepare our learners to be respectful citizens who are empowered to contribute in a globalized society.

AGENDA

1. **Call to order** (by Chair of both Supervision District and Region 4 - *K. Sandmann*)
2. **Verbal roll call for BOE members** (Supervision District & Region 4)
3. **Presentation of 2018-19 Audit Report for Supervision District** – Mahoney Sabol
4. **Possible Action:** VOTE regarding Supervision District surplus funds (if any)
5. **Presentation of 2018-19 Audit Report for Region No. 4 –** Mahoney Sabol
6. **Possible Action:** No action to be considered until May 14th Region 4 BOE Special Meeting
7. **Comment.** *(In the interest of creating the best remote meeting experience for all participating parties, we would ask that you please keep your phone on mute until such time when the Chair calls for Public Comment. Please continue to keep your phone on mute unless you are requesting to be recognized by the Chair to make a comment. Once you have been recognized by the Chair to make your comment, the following standard public comment guidelines will still apply):* **PLEASE NOTE: Upon dialing in, Google Meet may have shared a message that your phone has been automatically muted due to the number of callers on the line and instructed you to press *6 if you would like to unmute your phone. When you are done speaking, please remember to press *6 (or your phone's mute button) again to reduce background noise.**

   The public is reminded to state name for the record. Comments should be kept to a maximum of three minutes. Public comment is not intended to be a question and answer period; rather it is an opportunity for the Board to hear citizen comment related to educational matters

8. **Adjournment**

Cc: Town Clerks: Chester, Deep River, Essex

Presentation to the Board of Education

Fiscal Year 2019 Audit Results

Regional Supervision District

Presented by:
Michael J. VanDeventer, CPA, Partner

May 7, 2020

MahoneySabol
CPAs and Advisors

Agenda

- Scope of Work
- Auditor’s Reports
- Financial Matters
- Required Communications
- Questions

Scope of Work

Audit of Financial Statements performed in accordance with the following:

- Auditing standards issued by the American Institute of Certified Public Accountants
- *Government Auditing Standards* issued by the Government Accountability Office

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MahoneySabol
CPAs and Advisors

Auditor’s Reports

Report on Financial Statements:

o Unmodified "clean" opinions on the financial statements. Our opinion provides reasonable assurance that the financial statements are free from a material misstatement and that they have been prepared in accordance with accounting principles generally accepted in the United States. Our opinion covers:

— Governmental activities (Full accrual basis of accounting)
— General Fund (Modified accrual basis of accounting)

MahoneySabol
CPAs and Advisors

Auditor's Reports *(Continued)*

Report on Compliance and on Internal Control over Financial Reporting:

- We are not reporting any material noncompliance of laws and regulations that would have a direct and material effect on the District's financial statements
- We did report a material weakness in internal control over financial reporting reported as finding 2019-001 as disclosed on page 51 in the District's *Financial Statements and Supplemental Report*

Condition: The District does not have proper internal controls to ensure the completeness and accuracy of nonstandard manual journal entries and account reconciliations. Specifically, we noted the following:

- prior year audit entries were not recorded, resulting in adjustments to beginning balances;
- cash was not properly reconciled to the general ledger on a monthly basis;
- the June 2019 bank reconciliation included reconciling items that were not valid;
- transfers of cash between the District and Regional School District No. 4 were not properly recorded in the general ledger; and
- prior year accruals for payables and accrued payroll were never adjusted, resulting in an overstatement of cash reported in the general ledger.

Auditor’s Reports *(Continued)*

<u>Report on Compliance and on Internal Control over Financial Reporting *(Continued)*:</u>

Effect: Condition results in inaccurate reporting and has a direct effect on the reliability of the financial information generated from the District’s accounting system and provided to management and the Board of Education throughout the year. (*Important to note from a Board perspective that this deficiency did not have an effect on the normal processing of the District’s payroll and purchases of goods and services)*

Cause: The causes of the deficiency are due to a combination of the following:

- a lack of accounting expertise in the Business Office;
- a lack of documented accounting procedures over the recording of nonstandard manual journal entries and account reconciliations.

Auditor’s Reports *(Continued)*

<u>Report on Compliance and on Internal Control over Financial Reporting *(Continued)*:</u>

Auditor’s Recommendation: The accuracy of recording nonstandard manual journal entries and performing accurate and timely account reconciliations are essential for ensuring the integrity of the District’s general ledger. We recommend the following:

- that the District identify and develop procedures to ensure that nonstandard manual journal entries are recorded accurately and timely in the general ledger;
- that the District develop procedures to ensure that account reconciliations for all balance sheet accounts are performed on a periodic basis;
- that the Superintendent, or his designee, monitor the completion of account reconciliations; and
- that the District evaluate whether additional resources, including the use of a consultant, and/or training are needed to address the identified deficiencies.

Corrective Action: Management of the District, with oversight from the Board, is required to file a corrective action form with the State of Connecticut Office of Policy and Management and the Department of Education.

Financial Matters

Budgetary Results For Fiscal Year 2019:

- Net budgetary surplus of $57,404 presented as a refund payable to member Boards.

	Original Budget	Final Budget	Actual	Variance With Final Budget Over (Under)
REVENUES				
District Boards:				
Current year assessments	$ 6,796,170	$ 6,796,170	$ 6,796,147	$ (23)
Refund payable to member Boards	-	-	(57,404)	(57,404)
Other revenues	30,000	30,000	15,602	(14,398)
Total revenues	6,826,170	6,826,170	6,754,345	(71,825)
EXPENDITURES				
Current:				
Salaries	4,248,750	4,168,986	4,136,852	(32,134)
Employee benefits	1,208,698	1,208,698	1,196,809	(11,889)
Other purchased services	967,597	962,051	937,883	(24,168)
Purchased and technical services	259,277	337,759	336,258	(1,501)
Supplies	110,072	115,915	115,915	-
Purchased property services	22,852	23,837	22,387	(1,450)
Other	8,924	8,924	8,241	(683)
Total expenditures	6,826,170	6,826,170	6,754,345	(71,825)
Excess (deficiency) of revenues over expenditures	$ -	$ -	$ -	$ -

MahoneySabol
CPAs and Advisors

Required Communications

<u>Auditor's Responsibility under U.S. Generally Accepted Auditing Standards:</u>

- Management is responsible for the preparation of the financial statements
- Our responsibility is to express opinions on the financial statements

<u>Planned Scope and Timing of the Audit:</u>

- No changes were made to the planned scope the audit
- A total of 3 extensions were requested from OPM. Delays in issuing the audit were attributed to the following:
    - Transition in the Business Manager position and reassignment of responsibilities within the Business Office
    - The need to contract with a consultant to assist in closing the accounting records
    - Resulting scheduling delays at MahoneySabol, due to increased need for Partner oversight and involvement in conducting the audit

Required Communications *(Continued)*

Significant Audit Findings:

- Difficulties encountered in performing the audit related to additional audit work and adjustments that were required as a result of the deficiencies reported in the District's closing and reconciliation process
- There were no uncorrected misstatements
- There were no disagreements with management
- We obtained a management representation letter and there were no unusual representations requested by us from management
- We are not aware of any consultations by management with other independent accountants

Questions?

Michael VanDeventer , CPA, Partner
860-781-7924
mvandeventer@mahoneysabol.com

REGIONAL SUPERVISION DISTRICT
BOARD OF EDUCATION

FINANCIAL STATEMENTS
AND
SUPPLEMENTAL REPORT

AS OF AND FOR THE
YEAR ENDED JUNE 30, 2019

REGIONAL SUPERVISION DISTRICT BOARD OF EDUCATION
TABLE OF CONTENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

INDEPENDENT AUDITOR'S REPORT

MahoneySabol
CPAs and Advisors

180 Glastonbury Boulevard, Suite 400
Glastonbury, CT 06033

860.541.2000 main
860.541.2001 fax

mahoneysabol.com

Glastonbury
Essex

INDEPENDENT AUDITOR'S REPORT

To the Regional Supervision District Committee of the
Regional Supervision District Board of Education
Deep River, Connecticut

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of the Regional Supervision District Board of Education (the "District"), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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. 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 Supervision District Board of Education, as of June 30, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 10 and the information on pages 37 through 46 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.

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 budgetary comparison schedule for the General Fund on pages 47 and 48 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The budgetary comparison schedule for the General Fund is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 2, 2020 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Mahoney Sabol + Company, LLP

Certified Public Accountants
Glastonbury, Connecticut
April 2, 2020

MANAGEMENT’S DISCUSSION AND ANALYSIS

As management of Regional Supervision District Board of Education (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 year ended June 30, 2019.

FINANCIAL HIGHLIGHTS

- As of June 30, 2019, the District has an unrestricted deficit in its net position of $821,747. This deficit is driven by the District's long-term liabilities, which will be funded by the District through its annual budgeting process as the liabilities become due.

- The District's total net position for the year ended June 30, 2019 decreased by $85,120, which reflects the changes in the District's long-term liabilities.

- As of June 30, 2019, the District has recorded a liability to return the remaining budgetary surplus to its member Boards in the amount of $57,404, which represents the budgetary surplus for the year ended June 30, 2019.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise of 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.

Basis of Presentation

The District is considered a single-program governmental organization for financial reporting purposes. Accounting guidance issued by the Governmental Accounting Standards Board (GASB) requires the presentation of government-wide financial statements and fund financial statements. The government-wide financial statements consist of the statement of net position and the statement of activities, while the governmental fund financial statements consist of the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances. The District has no business-type activities. Rather than presenting government-wide financial statements along with separate governmental fund financial statements, the District has chosen to combine the two types of financial statements.

Accordingly, the accompanying financial statements of the District consist of the governmental fund balance sheet/statement of net position and the governmental fund statement of revenues, expenditures and changes in fund balances/statement of activities.

OVERVIEW OF THE FINANCIAL STATEMENTS *(Continued)*

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 and inflows of resources, with the difference between these 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.

Both of the government-wide financial statements display information about the District's governmental activities, which consists of education services. The District does not have any business-type activities.

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 11 and 12 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. The only fund of the District is a governmental fund.

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 fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

OVERVIEW OF THE FINANCIAL STATEMENTS *(Continued)*

Governmental Funds (Continued)

The District maintains one governmental fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the General Fund.

The basic governmental fund financial statements can also be found on pages 11 and 12 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 13 through 36 of this report.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also contains required supplementary information other than this management's discussion and analysis that can be found on pages 37 through 48 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

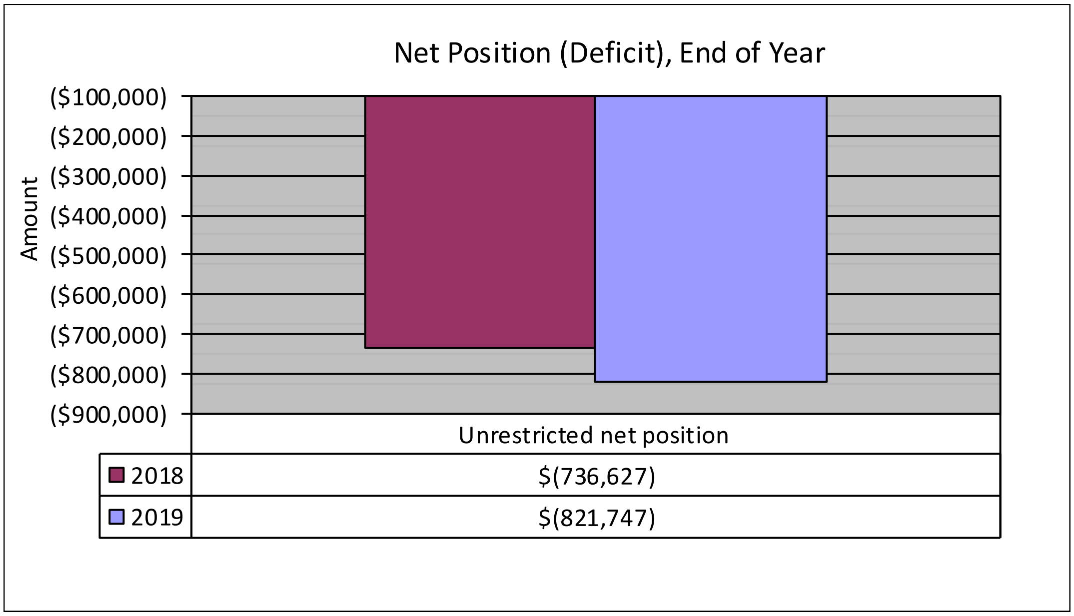
Net Position

Over time, net position may serve as one measure of a government's financial position. The net position of the District consisted of a deficit of $821,747 as of June 30, 2019 and a deficit of $736,627 as of June 30, 2018, are summarized as follows.

	2019	**2018**	$ Variance	% Variance
Current and other assets	$ 432,486	$ 407,532	$ 24,954.00	6.1%
Deferred outflows of resources	766,718	103,862	662,856	638.2%
Long-term liabilities	1,588,465	840,489	747,976	89.0%
Other liabilities	432,486	407,532	24,954	6.1%
Total liabilities	2,020,951	1,248,021	772,930	61.9%
Unrestricted net position	$ (821,747)	$ (736,627)	$ (85,120)	11.6%

GOVERNMENT-WIDE FINANCIAL ANALYSIS *(Continued)*

Net Position *(Continued)*



Increases in deferred outflows of resources and long-term liabilities is attributed to an increase in the District's proportionate share of the net OPEB liability for its participation in the Connecticut Municipal Employees' Retirement System (CMERS). The increase in the overall net OPEB liability of the CMERS was attributed to a decrease in the discount rate utilized to determine the total OPEB liability from 8.0% to 7.0%. This actuarial loss has been deferred and is being amortized as a component of the District's OPEB expense.

GOVERNMENT-WIDE FINANCIAL ANALYSIS *(Continued)*

Changes in Net Position

Changes in net position for the years ended June 30, 2019 and 2018 are as follows.

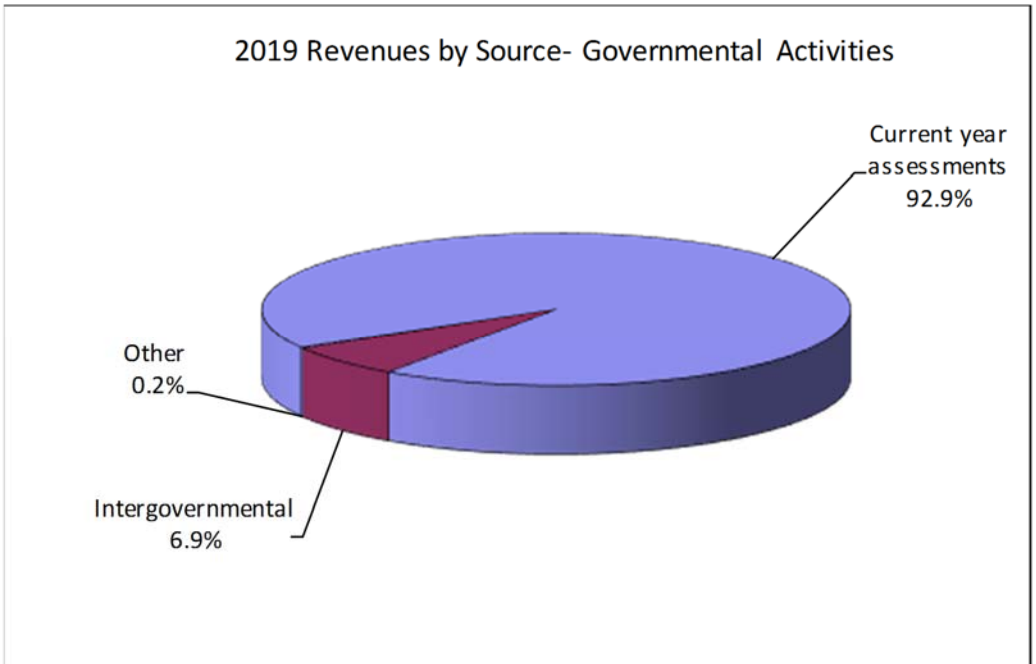
	2019	2018	$ Variance	% Variance
Revenues:				
District boards:				
Current year assessments	$ 6,796,147	$ 6,761,118	$ 35,029	0.5%
Refund to member boards	(57,404)	(105,506)	48,102	-45.6%
Intergovernmental	501,046	1,408,101	(907,055)	-64.4%
Other revenue	15,603	14,333	1,270	8.9%
Total revenues	7,255,392	8,078,046	(822,654)	-10.2%
Expenses:				
Salaries	4,136,854	4,201,574	(64,720)	-1.5%
Employee benefits	1,281,925	1,056,248	225,677	21.4%
State teacher retirement on-behalf expenses	501,046	1,408,101	(907,055)	-64.4%
Other purchased services	937,883	911,716	26,167	2.9%
Purchased and technical services	336,259	250,690	85,569	34.1%
Supplies	115,916	145,772	(29,856)	-20.5%
Purchased property services	22,387	38,338	(15,951)	-41.6%
Other	8,242	10,989	(2,747)	-25.0%
Total expenses	7,340,512	8,023,428	(682,916)	-8.5%
Change in net position	$ (85,120)	$ 54,618	$ (139,738)	-255.8%

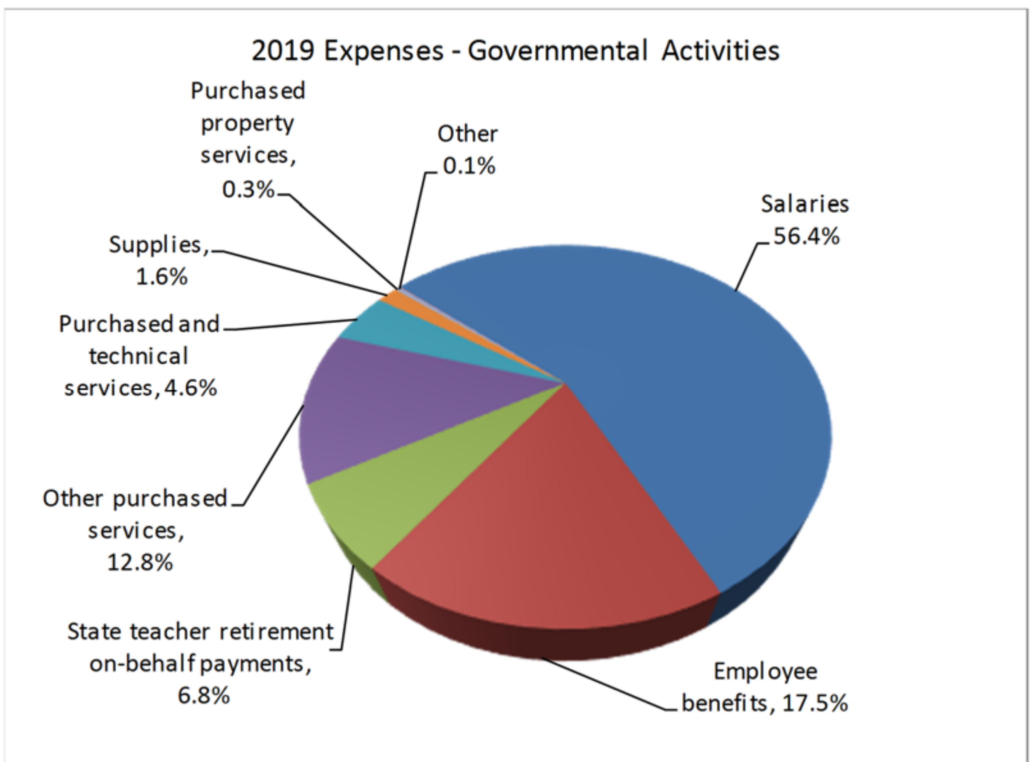
Governmental activities decreased the District's net deficit by $85,120. This decrease primarily reflects a decrease in pension and related deferrals.

The decrease in operating grants is due to a reduction in the amount of pension and OPEB expense recognized by the State of Connecticut in connection with the District's participation in the Connecticut State Teachers' Retirement System. Although the District recognizes its proportionate share of the pension and OPEB expense attributed to the District's employees that participate in the system, the District does not recognize any liabilities for the benefits provided as the State is legally obligated to provide such benefits.

GOVERNMENT-WIDE FINANCIAL ANALYSIS ***(Continued)***

Changes in Net Position ***(Continued)***





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 Fund – General Fund

Governmental funds provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the District's financing requirements. The General Fund is the only fund of the District. Overall, there is no fund balance reported as any surplus funds have been recognized as refunds to member Boards as of June 30, 2019.

BUDGETARY HIGHLIGHTS

The District derives nearly all of its revenue from Regional School District No. 4 and the three Towns that comprise Regional School District No. 4 (Chester, Deep River and Essex). The sole purpose of the District is to facilitate interdistrict activity between the four entities since they all have separate legally adopted budgets. The District's management team has implemented policies to address fund balance deficits so that they are not carried over from year to year and to improve it's communication with the communities that it serves.

Budgets are 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 annual budget for the year ended June 30, 2019.

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 Board of Education or the Office of the Business Manager, P.O. Box 187, Deep River, CT 06417.

BASIC FINANCIAL STATEMENTS

REGIONAL SUPERVISION DISTRICT BOARD OF EDUCATION

GOVERNMENTAL FUND BALANCE SHEET/STATEMENT OF NET POSITION

AS OF JUNE 30, 2019

	General Fund	Adjustments *(See Note 4)*	Government-Wide Statement of Net Position
ASSETS			
Cash	$ 208,726	$ -	$ 208,726
Due from Regional School District No. 4	223,760	-	223,760
Total assets	432,486	-	432,486
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charges on pension expense	-	729,328	729,328
Deferred charges on OPEB expense	-	37,390	37,390
Total deferred outflows of resources	-	766,718	766,718
Total assets and deferred outflows of resources	$ 432,486		
LIABILITIES			
Accounts payable	$ 30,222	-	30,222
Accrued liabilities	343,610	-	343,610
Refund payable to member Boards	57,404	-	57,404
Unearned revenue	1,250	-	1,250
Noncurrent liabilities:			
Due in more than one year	-	1,588,465	1,588,465
Total liabilities	432,486	1,588,465	2,020,951
FUND BALANCE/NET POSITION			
Fund balance:			
Unassigned	-	-	-
Total fund balance	-	-	-
Total liabilities and fund balance	$ 432,486		
Net position:			
Unrestricted deficit		(821,747)	(821,747)
Total net position		$ (821,747)	$ (821,747)

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

REGIONAL SUPERVISION DISTRICT BOARD OF EDUCATION

GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE/STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2019

	General Fund	Adjustments *(See Note 4)*	Government-Wide Statement of Activities
REVENUES			
District Boards:			
Current year assessments	$ 6,796,147	$ -	$ 6,796,147
Refund payable to member Boards	(57,404)	-	(57,404)
Intergovernmental	1,086,072	(585,026)	501,046
Other revenues	15,603	-	15,603
Total revenues	7,840,418	(585,026)	7,255,392
EXPENDITURES/EXPENSES			
Current:			
Salaries	$ 4,136,854	-	4,136,854
Employee benefits	2,282,877	(499,906)	1,782,971
Other purchased services	937,883	-	937,883
Purchased and technical services	336,259	-	336,259
Supplies	115,916	-	115,916
Purchased property services	22,387	-	22,387
Other	8,242	-	8,242
Total expenditures/expenses	7,840,418	(499,906)	7,340,512
Excess (deficiency) of revenues over expenditures/expenses, Change in net position	-	$ (85,120)	(85,120)
Fund balance/net position - beginning	-		(736,627)
Fund balance/net position - end of year	$ -		$ (821,747)

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Regional Supervision District Board of Education (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 was formed in 1962 for the purpose of administering educational funds and services to the school boards of the towns of Chester, Deep River, and Essex, Connecticut, and to Regional School District No. 4 (the "Boards"). The District operates under a Board of Education/Superintendent form of government and provides a full range of educational services to its member towns through the Regional Supervision District Committee (the "Committee"). The District receives funding from local and state government sources and must comply with the concomitant requirements of these funding source entities.

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

Basis of Presentation

The District is considered a single program governmental organization for financial reporting purposes. Accounting guidance issued by the Governmental Accounting Standards Board (GASB) requires the presentation of government-wide financial statements and fund financial statements. The government-wide financial statements consist of the statement of net position and the statement of activities, while the governmental fund financial statements consist of the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances. The District has no business-type activities. Rather than presenting government-wide financial statements along with separate governmental fund financial statements, the District has chosen to combine the two types of financial statements. Accordingly, the accompanying financial statements of the District consist of the governmental fund balance sheet/statement of net position and the governmental fund statement of revenues, expenditures and changes in fund balances/statement of activities.

Government-wide and Fund Financial Statements

Government-wide Financial Statements

Information presented in the government-wide statement of net position column and in the government-wide statement of activities column of the accompanying financial statements includes all financial activities of the District. The District's activities are financed through member town assessments, intergovernmental revenues and other nonexchange transactions.

Information presented in the government-wide statement of activities column demonstrates the degree to which the District's expenses are offset by revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. For the District's purposes, all revenues and expenses are related to a single program, education.

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

Government-wide and Fund Financial Statements (Continued)

Fund Financial Statements

Information presented in the fund financial statement column provides information about the District's General Fund, which accounts for all financial resources of the District. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. The District has no remaining funds aggregated and reported as non-major funds.

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Revenues from the member boards 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.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measureable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital lease are reported as other financing sources.

Implementation of Accounting Standards

Effective July 1, 2018, the District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 88, *Certain Disclosures Related to Debt, including Borrowings and Direct Placements*. This Statement defines debt for purposes of disclosure in notes to the financial statements as a liability (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The adoption of this statement did not have a material effect on the District's financial statements.

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

Implementation of Accounting Standards (Continued)

Effective July 1, 2018, the District adopted the provisions of GASB Statement No. 83, *Certain Asset Retirement Obligations*. GASB Statement No. 83 addresses accounting and financial reporting for certain asset retirement obligations (AROs). The Statement established criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. The adoption of this statement did not have a material effect on the District's financial statements.

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

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Deferred Outflows and Inflows of Resources

Deferred outflows and inflows of resources represents a consumption or acquisition of net position that applies to a future period and so will not be recognized as an outflow or inflow of resources until then. The District recognizes deferred outflows and inflows of resources in the government-wide statement of net position for deferred charges on pension and OPEB expenses, which result from changes in the components of the District's net pension and total OPEB liabilities. These amounts are deferred and amortized as a component of pension and OPEB expense on a systematic and rational basis.

Compensated Absences

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

Net Position/Fund Equity

Information presented in the government-wide statement of net position column includes the District's non-fiduciary assets, liabilities, and deferred outflows and inflows of resources with the difference reported as net position. Net position may be reported in three categories:

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

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

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

Net Position/Fund Equity *(Continued)*

Restricted net position - This category consists of net position whose use is restricted either through external restrictions imposed by creditors, grantors, contributors, and the like, or through restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position - This category consists of net position, which do not meet the definition of the two preceding categories.

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

Nonspendable - This category consists of amounts that cannot be spent because they are not in spendable form or they are legally or contractually required to be maintained intact.

Restricted - This category consists of amounts for which constraints are placed on the use of resources that are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through enabling legislation.

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

Assigned - This category consists of amounts that are constrained by the District's intent to be used for specific purposes, but are not restricted or committed. The District Committee's is the body authorized to assign fund balance via majority vote of the District Committee.

Unassigned - This category consists of the 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.

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 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).

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

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

Fund Balance Flow Assumption *(Continued)*

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.

Annual District Assessment

Each Board in the District pays a share of the cost of capital outlays and current expenditures necessary for the operation of the District. The Committee determines the amount to be paid by each member Board. Such amount is based upon an accepted methodology established by the Committee.

Use of Estimates

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

NOTE 2 - CASH DEPOSITS

Cash Deposits

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 possession of an outside party. The District does not have a deposit policy for custodial risk. As of June 30, 2019, the entire amount of the District's bank balance of $230,466 was insured.

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

NOTE 3 - LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the year ended June 30, 2019:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental Activities					
Compensated absences	$ 8,670	$ 1,048	$ -	$ 9,718	$ -
Net pension liability (see *Note 5*)	599,641	738,399	-	1,338,040	-
Total OPEB liability (see *Note 6*)	232,178	8,529	-	240,707	-
Total long-term liabilities	$ 840,489	$ 747,976	$ -	$ 1,588,465	$ -

The above obligations are liquidated by the General Fund.

NOTE 4 - EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND FINANCIAL STATEMENTS AND THE GOVERNMENT-WIDE FINANCIAL STATEMENTS

Governmental Fund Balance Sheet/Statement of Net Position

Adjustments to convert from the governmental fund balance sheet to the government-wide statement of net position consisted of the following as of June 30, 2019:

Compensated absences - long-term portion	$ (9,718)
Net pension liability	(1,338,040)
Total OPEB liability	(240,707)
Deferred charges on pension expense	729,328
Deferred charges on OPEB expense	37,390
	$ (821,747)

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 fund liabilities. All liabilities – both current and long-term are reported in the statement of net position.

Deferred charges on pension and OPEB expenses represent a consumption or acquisition of net position that applies to a future period and so will not be recognized as an outflow or inflow of resources until then. Accordingly, deferred charges on pension and OPEB expenses are only reported in the statement of net position.

NOTE 4 - EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND FINANCIAL STATEMENTS AND THE GOVERNMENT-WIDE FINANCIAL STATEMENTS *(Continued)*

Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance/Statement of Activities

Adjustments to convert from the governmental fund statement of revenues, expenditures and changes in fund balance to the government-wide statement of activities consisted of the following for the year ended June 30, 2019:

Net changes in:		
Compensated absences	$	(1,048)
Net pension liability and related deferrals		(63,079)
Total OPEB liability and related deferrals		(20,993)
	$	(85,120)

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 under the accrual basis, expenses and liabilities are reported regardless of when financial resources are available.

Deferred charges on pension and OPEB expenses represent a consumption or acquisition of net position that applies to a future period and so will not be recognized as an outflow or inflow of resources until then. Deferred charges on pension and OPEB expenses are amortized as a component of pension and OPEB expenses in the statement of activities.

NOTE 5 - PENSION PLANS

Connecticut Municipal Employees' Retirement System

The District participates in the Connecticut's Municipal Employees' Retirement System (CMERS). CMERS is the public pension plan offered by the State of Connecticut for municipal employees in participating municipalities. The plan was established in 1947 and is governed by Connecticut Statute Title 7, Chapter 113. Chapter 113, Part II of the General Statutes of Connecticut, which can be amended by legislative action, establishes PERS benefits, member contribution rates, and other plan provisions.

Municipalities may designate which departments are to be covered under the CMERS. Only employees covered under the State Teachers' Retirement System may not be included. There are no minimum age or service requirements. Membership is mandatory for all regular full time employees of participating departments except Police and Fire hired after age 60.

The plan has 4 sub plans as follows:

- General employees with social security
- General employees without social security
- Policemen and firemen with social security
- Policemen and firemen without social security

NOTE 5 - PENSION PLANS *(Continued)*

Connecticut Municipal Employees' Retirement System (Continued)

Plan Description

Plan administration - CMERS is a multiemployer pension plan administered by the Connecticut State Retirement Commission. The State Retirement Commission is responsible for the administration of the CMERS. The State Treasurer is responsible for investing CMERS funds for the exclusive benefit of CMERS members.

Plan membership - All full-time employees of the District, except for certified Board of Education personnel who are eligible for the State Teachers' Retirement System, who are age 55 or younger at the date of hire, participate in the CMERS plan for general employees with social security.

Benefits provided - General employees are eligible to retire at age 55 with 5 years of continuous service, or 15 years of active aggregate service, or 25 years of aggregate service. Police are eligible at the compulsory retirement age for police and fire members are eligible at the age of 65.

For members not covered by social security, the benefit is 2% of average final compensation times years of service. For members covered by social security, the benefit is 1 % of the average final compensation not in excess of the year's breakpoint plus 2% of average final compensation in excess of the year's breakpoint, times years of service.

The maximum benefit is 100% of average final compensation and the minimum benefit is $1,000 annually. Both the minimum and the maximum include workers' compensation and social security benefits. If any member covered by social security retires before age 62, the benefit until age 62 is reached or a social security disability award is received, is computed as if the member is not under social security.

Employees are eligible for early retirement after 5 years of continuous or 15 years of active aggregate service. The benefit is calculated on the basis of average final compensation and service to date of termination. Deferred to normal retirement age, or an actuarially reduced allowance may begin at the time of separation.

Employees are eligible for service-related disability benefits from being permanently or totally disabled from engaging in the service of the municipality provided such disability has arisen out of and in the course of employment with the municipality. Disability due to hypertension or heart disease, in the case of firemen and policemen, is presumed to have been suffered in the line of duty. Disability benefits are calculated based on compensation and service to the date of the disability with a minimum benefit (including workers' compensation benefits) of 50% of compensation at the time of disability.

Employees are eligible for non-service-related disability benefits with 10 years of service and being permanently or totally disabled from engaging in gainful employment in the service of the municipality. Disability benefits are calculated based on compensation and service to the date of the disability.

The plan also offers a pre-retirement death benefit in the form of a lump sum return of contributions with interest or surviving spouse benefit depending on length of service.

NOTE 5 - PENSION PLANS (*Continued)*

Connecticut Municipal Employees' Retirement System* (*Continued)

Plan Description *(Continued)*

Contributions - The contribution requirements of plan members are established and may be amended by the State Retirement Commission. The District is required to contribute annual contributions consisting of a normal cost contribution, a contribution for the amortization of the net unfunded accrued liability and a prior service amortization payment which covers the liabilities of the system not met by member contributions. The current rate is 11.74% of the annual District employees' covered payroll. The contribution requirements of the District are established and may be amended by the State Retirement Commission. The District's contributions to the CMERS for the year ended June 30, 2019 totaled $89,639, and were equal to the required contributions for the year.

For employees not covered by social security, each person is required to contribute 5% of compensation. For employees covered by social security, each person is required to contribute 2.25% of compensation up to the social security taxable wage base plus 5% of compensation, if any, in excess of such base.

Summary of Significant Accounting Policies

Pensions - For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions and pension expense, information about the fiduciary net position of CMERS and additions and deletions from CMERS' net position are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. For this purpose, benefit payments are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

Investment policy - The CMERS' policy in regard to the allocation of invested assets is established and may be amended by the State Retirement Commission. It is the policy of the State to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The State Treasurer is responsible for investing CMERS funds for the exclusive benefit of CMERS members.

Net Pension Liability

The total estimated net pension liability of the CMERS as of June 30, 2018 was $956.443 million, the most recent available reporting provided by the Board. The portion that was associated with the District totaled $1,338,040 or approximately 0.14% of the total estimated net pension liability. The collective total pension liability as of June 30, 2018 is based upon the June 30, 2018 actuarial valuation. The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2012 through June 30, 2017. Expected payroll adjusts actual payroll for known changes in the status of employees, annualized salaries for partial year employees and anticipated salary increases.

NOTE 5 - PENSION PLANS *(Continued)*

Connecticut Municipal Employees' Retirement System* (*Continued)

Net Pension Liability *(Continued)*

The total pension liability for the CMERS was determined by an actuarial valuation as of June 30, 2018, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	3.50% - 10.00%, including inflation
Investment rate of return	7.00%, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2014 Combined Mortality Table for annuitants and non-annuitants (set forward one year for males and set back one year for females).

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

Asset Class	Target Allocation	Long-term Target Expected Real Rate of Return
Domestic Equity	20.0%	5.3%
Developed Market International	11.0%	5.1%
Emerging Market International	9.0%	7.4%
Core Fixed Income	16.0%	1.6%
Inflation Linked Bond	5.0%	1.3%
Emerging Market Debt	5.0%	2.9%
High Yield Bond	6.0%	3.4%
Real Estate	10.0%	4.7%
Private Equity	10.0%	7.3%
Alternative Investments	7.0%	3.2%
Liquidity Fund	1.0%	0.9%
	100.0%	

Discount rate - The discount rate used to measure the CMERS' total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that State contributions will be made at the actuarially determined rates in future years. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE 5 - PENSION PLANS *(Continued)*

Connecticut Municipal Employees' Retirement System* (*Continued)

Net Pension Liability *(Continued)*

Sensitivity of the net pension liability to changes in the discount rate - The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.00%%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate:

	1% Decrease (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
District's proportionate share of the net pension liability	$ 1,973,626	$ 1,338,040	$ 805,838

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

Pension Expense and Deferred Outflows and Inflows of Resources

For the year ended June 30, 2019, the District recognized pension expense related to the CMERS of $194,730. At June 30, 2019, the District reported its proportionate share of deferred outflows and inflows of resources related to the CMERS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net
Difference between actual and expected experience	$ 190,622	$ -	$ 190,622
Net difference between projected and actual earnings on pension plan investments	80,557	-	80,557
Changes in assumptions	455,860	-	455,860
Other	22,775	(20,486)	2,289
Total	$ 749,814	$ (20,486)	$ 729,328

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

Year ended June 30,	
2020	$ 221,390
2021	190,473
2022	147,409
2023	170,056
	$ 729,328

NOTE 5 - PENSION PLANS *(Continued)*

<u>Connecticut State Teachers' Retirement System</u>

Plan Description

The faculty and professional personnel of the District's Board of Education participate in the State of Connecticut's Teachers' Retirement System ("TRS"), which is a cost-sharing multiple-employer defined benefit pension plan that provides retirement. The TRS is governed by the Connecticut General Statue ("GCS") *Title 10, Chapter 167a* and is administered by the Connecticut State Teachers' Retirement Board (the "Board"). The TRS is included as a fiduciary pension trust fund in the State of Connecticut's Comprehensive Annual Financial Report and the Board issues publicly available financial reports.

Benefit Provisions

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

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

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

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

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

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

NOTE 5 - PENSION PLANS *(Continued)*

<u>Connecticut State Teachers' Retirement System (Continued)</u>

Contributions

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

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

Administrative Expenses

Administrative costs of the plan are funded by the State.

Basis of Presentation

The collective net pension liability, deferred outflows and inflows of resources, and pension expense for the TRS has been measured as of June 30, 2018 based on an actuarial valuation performed as of June 30, 2018. Since the District does not contribute directly to the TRS, the District does not recognize its proportionate share of these amounts in its financial statements. The information determined as of the June 30, 2018 measurement date for the TRS has been utilized by the District for reporting on-behalf revenues, expenditures and expenses for the year ended June 30, 2019 and for reporting the proportionate share of the collective net pension liability that is attributed to the District as of June 30, 2019.

Allocation Methodology

The schedule of employer allocations for the TRS was calculated based upon the fiscal year 2018 expected contribution effort for each participating employer. The employer allocations were then applied to the net pension liability and pension expense to determine the amount applicable to each employer. For fiscal year 2018, the District's expected contribution effort for allocation purposes totaled $1,056,753 or 0.083% of the total expected contribution effort. The District has recognized this amount as an on-behalf payment into the TRS as intergovernmental revenues and related education expenditures of the General Fund for the year ended June 30, 2019.

The components associated with the collective pension expense and deferred inflows and outflows of resources for the TRS have been determined based on the fiduciary net position as audited by the State of Connecticut Auditors of Public Accounts as part of the State of Connecticut's Comprehensive Annual Financial Report as of and for the year ended June 30, 2018. The portion of the collective pension expense allocated to the District totaled $1,227,155. The District has recognized this amount as an operating contribution and related education expense of the governmental activities for the year ended June 30, 2019.

NOTE 5 - PENSION PLANS *(Continued)*

Connecticut State Teachers' Retirement System (Continued)

Allocation Methodology *(Continued)*

The total collective net pension liability of participating employers for the TRS was approximately $13.164 billion as of the June 30, 2018 measurement date. The portion attributed to the District totaled $10,934,000 or approximately 0.083% of the total collective net pension liability.

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2018 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increase	3.25-6.50%, including inflation
Investment rate of return	8.00%, net of pension plan investment expense, including inflation
Administrative expenses	$0 assumption as expenses are paid for by the General Assembly

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

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

Long-Term Rate of Return

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

NOTE 5 - PENSION PLANS *(Continued)*

Connecticut State Teachers' Retirement System (Continued)

Long-Term Rate of Return *(Continued)*

Best estimates of arithmetic real rates of return for each major asset class included in the plan's target asset allocation are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Large Cap U.S. Equities	21%	5.8%
Developed Non-U.S. Equities	18%	6.6%
Emerging Markets (Non-U.S.)	9%	8.3%
Real Estate	7%	5.1%
Private Equity	11%	7.6%
Alternative Investment	8%	4.1%
Core fixed income	7%	1.3%
High yield bonds	5%	3.9%
Emerging market bond	5%	3.7%
Inflation linked bond fund	3%	1.0%
Cash	6%	0.4%
	100%	

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

Proportionate Share of the Collective Net Pension Liability

The following presents the District's proportionate share of the net pension liability attributed to the District as of the June 30, 2018 measurement date, calculated using the discount rate of 8.00%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (7.00%) or 1-percentage-point higher (9.00%) than the current rate:

	1.00% Decrease	Current Rate	1.00% Increase
District's proportionate share of the net pension liability	$ 13,819,000	$ 10,934,000	$ 8,495,000

NOTE 6 - OTHER POST-EMPLOYMENT BENEFITS (OPEB)

Board of Education Plan

Plan Description

The District provides healthcare insurance benefits for eligible retirees and their families through the District's group health insurance plan, which covers both active and retired members. Benefit provisions are established through negotiations between the District and the unions representing District employees and are renegotiated each three-year bargaining period.

Benefits Provided

Contribution requirements of the participants and the District are established by and may be amended through negotiations between the District and the unions. Currently, participants contribute 100% toward medical and dental premiums.

Employee Covered by Benefit Terms

As of July 1, 2017, the valuation date, the following employees were covered by the benefit terms:

Inactive plan members receiving benefits	4
Active plan members	51
	55

Total OPEB Liability

The District's total OPEB liability of $240,707 reported as of June 30, 2019 was measured as of July 1, 2017 utilizing an actuarial valuation performed as of July 1, 2017. The total OPEB liability was measured using the Entry Age Normal Method.

Actuarial assumptions and other inputs - The total OPEB liability as of June 30, 2019 was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Discount rate	3.25%
Rate of return	6.50%
Healthcare cost trend rate	5.00%
Payroll increase	3.00%

Mortality rates were based on the RP-2000 Mortality Table with base year 2000 projected to 2017 with scale AA to RP-2000 Healthy Annuitant Mortality Table project generationally with scale BB and a base year of 2009.

NOTE 6 - OTHER POST-EMPLOYMENT BENEFITS (OPEB) *(Continued)*

Board of Education Plan (Continued)

Changes in the Total OPEB Liability

Total OPEB Liability	
Balance at June 30, 2018	$ 232,178
Service cost	5,946
Interest	7,657
Differences between expected and actual experience	-
Changes in assumptions	-
Benefit payments, including refunds	(5,074)
Net change in total OPEB liability	8,529
Balance at June 30, 2019	$ 240,707

Sensitivity of the total OPEB liability to changes in the discount rate – The following presents the total OPEB liability of the District, as well was what the District's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.25%) or higher (4.25%) than the current discount rate:

	1% Decrease (2.25%)	Current Discount (3.25%)	1% Increase (4.25%)
Total OPEB liability	$ 271,114	$ 240,707	$ 214,768

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates – The following presents the total OPEB liability of the District, as well as the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (4.00%) or higher (6.00%) than the current healthcare cost trend rates:

	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
Total OPEB liability	$ 140,602	$ 240,707	$ 1,572,091

OPEB Expense and Deferred Outflows and Inflows of Resources

For the year ended June 30, 2019, the District recognized OPEB expense of $20,993.

NOTE 6 - OTHER POST-EMPLOYMENT BENEFITS (OPEB) *(Continued)*

Board of Education Plan (Continued)

OPEB Expense and Deferred Outflows and Inflows of Resources *(Continued)*

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

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net
Differences between expected and actual experience	$ 37,686	$ -	$ 37,686
Changes in assumptions	-	(296)	(296)
	$ 37,686	$ (296)	$ 37,390

Amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30,	
2020	$ 12,464
2021	12,464
2022	12,462
	$ 37,390

Connecticut State Teachers' Retirement System

Plan Description

The faculty and professional personnel of the District's Board of Education participates in the State of Connecticut's Teachers' Retirement System ("TRS"), which is a cost sharing multiple-employer defined benefit pension plan that provides retirement, disability, survivorship and health insurance benefits to plan members and their beneficiaries. The TRS is governed by Connecticut General Statue ("CGS") *Title 10, Chapter 167a* and is administered by the Connecticut State Teachers' Retirement Board (the "Board"). The OPEB trust fund is included in the TRS, and the TRS is included in the State of Connecticut audit as a pension trust fund.

Benefit Provisions

The Plan covers retired teachers and administrators of public schools in the State who are receiving benefits from the Plan. The Plan provides healthcare insurance benefits to eligible retirees and their spouses. Any member that is currently receiving a retirement or disability benefit through the Plan is eligible to participate in the healthcare portion of the Plan. Subsidized Local School District Coverage provides a subsidy paid to members still receiving coverage through their former employer and the TRB Sponsored Medicare Supplemental Plans provide coverage for those participating in Medicare, but not receiving Subsidized Local School District Coverage.

NOTE 6 - OTHER POST-EMPLOYMENT BENEFITS (OPEB) *(Continued)*

Connecticut State Teachers' Retirement System (Continued)

Benefit Provisions *(Continued)*

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

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

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

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

Contributions

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

The cost of providing plan benefits is financed on a pay-as-you-go basis as follows: active teachers' pay for one third of the Plan costs through a contribution of 1.25% of their pensionable salaries, and retired teachers pay for one third of the Plan costs through monthly premiums, which helps reduce the cost of health insurance for eligible retired members and dependents.

Contributions remitted by the State are recognized when legally due, based upon statutory requirements.

Administrative Expenses

Administrative costs of the Plan are to be paid by the General Assembly per Section 10-183r of the Connecticut General Statutes.

NOTE 6 - OTHER POST-EMPLOYMENT BENEFITS (OPEB) *(Continued)*

Connecticut State Teachers' Retirement System (Continued)

Basis of Presentation

The collective net OPEB liability, deferred outflows and inflows of resources, and OPEB expense for the TRS has been measured as of June 30, 2018 based on an actuarial valuation performed as of June 30, 2018. Since the District does not contribute directly to the TRS, the District does not recognize its proportionate share of these amounts in its financial statements. The information determined as of the June 30, 2018 measurement date for the TRS has been utilized by the District for reporting on-behalf revenues, expenditures and expenses for the year ended June 30, 2019 and for reporting the proportionate share of the collective net OPEB liability that is attributed to the District as of June 30, 2019.

The components associated with the OPEB expense and deferred inflows and outflows of resources have been determined using the unrecognized portions of each year's experience and assumption changes for the year ended June 30, 2018.

Allocation Methodology

The schedule of allocations have been prepared to provide the total amount of employer contributions from the State and the proportionate share percentages that have been determined based on these contributions. Based on these percentages the proportionate share amounts of the net OPEB liability associated with each participating employer and the employer OPEB expense and revenue for State support for each participating employer for the year ending June 30, 2018.

For fiscal year 2018, the District's expected contribution effort for allocation purposes totaled $29,319 or 0.083% of the total expected contribution effort. The District has recognized this amount as an on-behalf payment into the TRS as intergovernmental revenues and related education expenditures of the General Fund for the year ended June 30, 2019.

The components associated with the collective OPEB expense and deferred outflows and inflows of resources for the TRS have been determined based on the fiduciary net position as audited by the State of Connecticut Auditors of Public Accounts as part of the State of Connecticut's Comprehensive Annual Financial Report as of and for the year ended June 30, 2018. The portion of the collective negative OPEB expense allocated to the District totaled $(726,109).

The total collective net OPEB liability of participating employers for the TRS was approximately $2.632 billion as of the June 30, 2018 measurement date. The portion attributed to the District totaled $2,186,000 or approximately 0.083% of the total collective net OPEB liability.

NOTE 6 - OTHER POST-EMPLOYMENT BENEFITS (OPEB) *(Continued)*

Connecticut State Teachers' Retirement System (Continued)

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of June 30, 2018 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Real Wage Growth	0.50%
Wage Inflation	3.25%
Salary Increase	3.25-6.50%, including inflation
Long-term Investment rate of return	3.00%, net of OPEB plan investment expense, including inflation

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

Long-Term Rate of Return

The long-term expected rate of return on plan assets is reviewed as part of the actuarial valuation process. Several factors are considered in evaluation the long-term rate of return assumption, including the Plan's current asset allocations and a log-normal distribution analysis using the best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) for each major asset class.

The long-term expected rate of return was determined by weighing the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The assumption is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
U.S. Treasuries (Cash Equivalents)	100.0%	0.27%

NOTE 6 - OTHER POST-EMPLOYMENT BENEFITS (OPEB) *(Continued)*

Connecticut State Teachers' Retirement System (Continued)

Discount Rate

The discount rate used to measure the total OPEB liability was 3.87%. The projection of cash flows used to determine the discount rate was performed in accordance with the applicable standards. The projection's basis was an actuarial valuation performed as of June 30, 2018. In addition to the actuarial methods and assumptions of the June 30, 2018 actuarial valuation, the following actuarial methods and assumptions were used in the projection of cash flows:

- Total payroll for the initial projection year consists of the payroll of the active membership present on the valuation date. In subsequent projection years, total payroll was assumed to increase annually at a rate of 3.25%.
- Employee contributions were assumed to be made at the current member contribution rate.
- Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- No future employer contributions were assumed to be made.

Based on those assumptions, the Plan's fiduciary net position was projected to be depleted in 2019 and, as a result, the Municipal Bond Index Rate was used in the determination of the single equivalent rate.

Proportionate Share of the Collective Net OPEB Liability

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate - The following presents the proportionate share of the collective net OPEB liability attributed to the District as of the June 30, 2018 measurement date, calculated using a discount rate of 3.87%, as well as what the proportionate share of the net OPEB liability attributed to the District would be if it were calculated using a discount rate that is 1-percentage point lower (2.87%) or 1-percentage-point higher (4.87%) than the current rate:

	1.00% Decrease	Current Rate	1.00% Increase
District's proportionate share of the net OPEB liability	$ 2,596,000	$ 2,186,000	$ 1,859,000

Sensitivity of the Net OPEB liability to Changes in the Healthcare Cost Trend Rates - The following presents the proportionate share of the collective net OPEB liability attributed to the District as of the June 30, 2018 measurement date, calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
District's proportionate share of the net OPEB liability	$ 1,832,000	$ 2,186,000	$ 2,656,000

NOTE 7 - RISK MANAGEMENT

The District is exposed to various risks of loss related to public officials, Board of Education liability, torts, thefts 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. Settled claims have not exceeded commercial coverage in any of the past three fiscal years. There have been no significant reductions in insurance coverage as compared to the prior year.

The District is a participating member of Regional School District No. 4's medical health insurance fund administered by Blue Cross & Blue Shield. The fund was established for the purpose of providing medical benefits for each participant in the fund. The District pays an annual contribution for its coverage. The fund is to be self-sustaining through members' premiums, but reinsures in excess of $150,000 for each insured occurrence. In addition to the District, the participating members include the Town of Chester Board of Education, the Town of Deep River (including the Board of Education), the Town of Essex (including the Board of Education) and Regional School District No. 4. Members may be subject to additional assessments in the event of deficiencies. The District paid premiums totaling $915,444 for the year ended June 30, 2019.

NOTE 8 - IMPACT OF NEW ACCOUNTING STANDARDS NOT YET EFFECTIVE

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities.* The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this statement are effective for the District's reporting period beginning July 1, 2019. The District does not expect this statement to have a material effect on its financial statements.

In June 2017, the GASB issued Statement No. 87, *Leases.* The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this statement are effective for the District's reporting period beginning July 1, 2020. The District does not expect this statement to have a material effect on its financial statements.

NOTE 8 - IMPACT OF NEW ACCOUNTING STANDARDS NOT YET EFFECTIVE *(Continued)*

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The objective of this Statement are (a) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (b) to simplify accounting for interest cost incurred before the end of a construction period. The requirements of this Statement should be applied prospectively and are effective for the District's reporting period beginning July 1, 2020. The District does not expect this statement to have a material effect on its financial statements.

In August 2018, the GASB issued Statement No. 90, *Majority Equity Interests - An Amendment of GASB Statements No. 14 and No. 61,* The objectives of this statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The requirements of this statement are effective for the District's reporting period beginning July 1, 2019. The District does not expect this statement to have a material effect on its financial statements.

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations.* The objectives of this statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The requirements of this statement are effective for the District's reporting period beginning July 1, 2021. The District does not expect this statement to have a material effect on its financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

REGIONAL SUPERVISION DISTRICT BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -
BUDGETARY BASIS - GENERAL FUND (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2019

	Original Budget	Final Budget	Actual	Variance With Final Budget Over (Under)
REVENUES				
District Boards:				
Current year assessments	$ 6,796,170	$ 6,796,170	$ 6,796,147	$ (23)
Refund payable to member Boards	-	-	(57,404)	(57,404)
Other revenues	30,000	30,000	15,602	(14,398)
Total revenues	6,826,170	6,826,170	6,754,345	(71,825)
EXPENDITURES				
Current:				
Salaries	4,248,750	4,168,986	4,136,852	(32,134)
Employee benefits	1,208,698	1,208,698	1,196,809	(11,889)
Other purchased services	967,597	962,051	937,883	(24,168)
Purchased and technical services	259,277	337,759	336,258	(1,501)
Supplies	110,072	115,915	115,915	-
Purchased property services	22,852	23,837	22,387	(1,450)
Other	8,924	8,924	8,241	(683)
Total expenditures	6,826,170	6,826,170	6,754,345	(71,825)
Excess (deficiency) of revenues over expenditures	$ -	$ -	$ -	$ -

See accompanying notes to required supplementary information.

REGIONAL SUPERVISION DISTRICT BOARD OF EDUCATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

CONNECTICUT MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM (UNAUDITED)

LAST FIVE FISCAL YEARS

	2019	2018	2017	2016	2015
District's proportion of the net pension liability	0.14%	0.21%	0.21%	0.29%	0.15%
District's proportionate share of the net pension liability	$ 1,338,040	$ 599,641	$ 704,766	$ 554,130	$ 357,479
District's covered payroll	$ 984,766	$ 921,122	$ 814,671	$ 898,136	$ 771,151
District's proportionate share of the net pension liability as a percentage of its covered payroll	135.9%	65.1%	86.5%	61.7%	46.4%
Plan fiduciary net position as a percentage of the total pension liability	73.60%	91.68%	88.29%	92.72%	90.48%

See accompanying notes to required supplementary information.

REGIONAL SUPERVISION DISTRICT BOARD OF EDUCATION

SCHEDULE OF CONTRIBUTIONS

CONNECTICUT MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM (UNAUDITED)

LAST FIVE FISCAL YEARS

	2019	2018	2017	2016	2015
Contractually required contribution	$ 89,639	$ 95,578	$ 91,325	$ 101,077	$ 98,235
Contributions in relation to the contractually required contribution	89,639	95,578	91,325	101,077	98,235
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 984,766	$ 921,122	$ 814,671	$ 898,136	$ 771,151
Contributions as a percentage of covered payroll	11.74%	11.74%	11.21%	11.25%	12.74%

See accompanying notes to required supplementary information.

REGIONAL SUPERVISION DISTRICT BOARD OF EDUCATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

CONNECTICUT STATE TEACHERS' RETIREMENT SYSTEM (UNAUDITED)

LAST FIVE FISCAL YEARS

(Rounded to Nearest Thousand)

	2019	2018	2017	2016	2015
District's proportion of the net pension liability	0.083%	0.082%	0.082%	0.084%	0.084%
District's proportionate share of the net pension liability	$ -	$ -	$ -	$ -	$ -
State's proportionate share of the net pension liability associated with the District	10,934,000	11,035,000	11,642,000	9,219,000	8,521,000
Total	$ 10,934,000	$ 11,035,000	$ 11,642,000	$ 9,219,000	$ 8,521,000
District's covered payroll	$ 3,385,000	$ 3,260,000	$ 3,263,000	$ 3,264,000	$ 3,181,000
District's proportionate share of the net pension liability as a percentage of its covered payroll	0.0%	0.0%	0.0%	0.0%	0.0%
Plan fiduciary net position as a percentage of the total pension liability	57.69%	55.93%	52.26%	59.50%	61.51%

See accompanying notes to required supplementary information.

REGIONAL SUPERVISION DISTRICT BOARD OF EDUCATION

SCHEDULES OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY

OTHER POST-EMPLOYMENT BENEFITS PLAN (UNAUDITED)

LAST TWO FISCAL YEARS

	2019	2018
Total OPEB Liability		
Service Cost	$ 5,946	$ 10,157
Interest	7,657	5,444
Changes in benefit terms	-	-
Differences between expected and actual experience	-	62,810
Changes of assumptions	-	(492)
Benefit payments, including refunds	(5,074)	(6,174)
	8,529	71,745
Total OPEB liability - beginning	232,178	160,433
Total OPEB liability - ending	$ 240,707	$ 232,178

See accompanying notes to required supplementary information.

REGIONAL SUPERVISION DISTRICT BOARD OF EDUCATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY

CONNECTICUT STATE TEACHERS' RETIREMENT SYSTEM (UNAUDITED)

LAST TWO FISCAL YEARS

(Rounded to the Nearest Thousand)

	2019	**2018**
Proportion of the net OPEB liability attributed to the District	0.083%	0.082%
District's proportionate share of the net OPEB liability	$ -	$ -
State's proportionate share of the net OPEB liability attributed to the District	2,186,000	2,840,000
Total	$ 2,186,000	$ 2,840,000
District's covered employee payroll	$ 3,385,000	$ 3,260,000
District's proportionate share of the net OPEB liability as a percentage of its covered employee payroll	0.0%	0.0%
Plan fiduciary net position as a percentage of the total OPEB liability	1.49%	1.79%

See accompanying notes to required supplementary information.

NOTE 1 - STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND

BUDGETARY INFORMATION

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

- The District adopts an annual budget for the General Fund. Formal budgetary integration is employed by the District as a management control device during the year for the General Fund. A budgetary comparison on a legal basis has been included in the appropriate financial statement and schedule, and a budgetary basis to GAAP basis reporting reconciliation has been provided below.

- Prior to December, each department head or other agency as designated by the Superintendent submits budget requests accompanied by detailed estimates of expenditures to be made and, where appropriate, revenues to be collected during the ensuing fiscal year.

- During December and January, the Superintendent presents to the Committee the revenue and expenditure detail for their consideration.

- The Committee holds a public hearing to present a proposed budget for the next fiscal year. Any person may recommend the addition or deletion of expenditures at such time.

- Within two weeks following the public hearing, the Boards shall hold a joint meeting to discuss, modify if necessary, and vote upon the budget. In order to be adopted, the budget must be approved by each Board of Education individually.

- Upon adoption, the District budget shall be integrated into the proposed budgets of the Boards.

- The annual contributions required for each of the Boards shall be established by the Committee based on each expense in the approved budget being allocated among the members according to an accepted methodology. This methodology may include, but shall not be limited to a 3-way allocation based on Elementary student populations, a 4-way allocation based on total pre K-12 student population, a 1-way allocation for expenses benefiting only one Board, and a use-allocation for expenses which can be segregated by frequency or volume of use. The total of expenses allocated to each Board shall determine the amount of the Board's annual contribution toward the total expense budget.

- If the Committee needs to submit a supplementary budget, the general procedures as outlined above are used.

- The level of control for the legally adopted budget (the level at which expenditures may not legally exceed appropriations without Committee approval) is at the fund level. Transfers from one budget line to another may be made by the Business Manager with the approval of the Superintendent and the Committee.

NOTE 1 - STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND *(Continued)*

BUDGETARY INFORMATION *(Continued)*

- The Committee does not have the authority to expend beyond the total budget appropriation without the four contributing Board's approval. No additional appropriations were made during the year.

- The budget is prepared on the modified accrual basis of accounting. Generally, all unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward to the ensuing fiscal year.

As described above, 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, 2019:

	Total Revenues	Total Expenditures	Net Change in Fund Balance
Budgetary basis	$ 6,754,345	$ 6,754,345	$ -
"On-behalf" payments -			
State Teachers' Retirement System	1,086,073	1,086,073	-
GAAP basis	$ 7,840,418	$ 7,840,418	$ -

NOTE 2 - SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - CONNECTICUT MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM

The District began to report this schedule when it implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - An Amendment of GASB Statement No. 27*, in fiscal year 2015. GASB Statement No. 68 requires the information within the schedule to be presented for the ten most recent fiscal years.

Actuarial valuations are prepared every two years with the most recent available actuarial valuation performed as of June 30, 2018. This information is utilized by the Town for reporting as of June 30, 2019.

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

Assumption Changes - The following assumption changes had a significant effect on the measurement of the total pension liability reported as of June 30, 2019.

- Investment return assumed rate changed from 8.00% to 7.00%;
- Wage inflation assumed rate changed from 3.50% to 3.00%; and
- Assumed rates of Withdrawal, Disability, Retirement, and Mortality have been adjusted to more closely reflect experience.

NOTE 3 - SCHEDULE OF CONTRIBUTIONS - CONNECTICUT MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM

The District began to report the schedule of contributions and investment returns when it implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*, in fiscal year 2015. GASB Statement No. 68 requires the information within this schedule to be presented for the ten most recent fiscal years.

Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported.

Methods and Assumptions Utilized

- Actuarial cost method: Entry Age Actuarial Cost Method;
- Amortization method: Level dollar, closed;
- Remaining amortization period: 21 years;
- Asset valuation method: Smoothed market with 20% recognition of investment gains and losses;
- Inflation: 2.50%;
- Investment rate of return: 7.00%, net of investment related expenses;
- Salary increases: Varies 3.50% to 10.00%;
- Cost of living adjustments: 2.50% for those retiring on or after January 1, 2002, for retirements prior to January 1, 2002 2.50% up to age 65, 3.25% afterwards;
- Social Security Wage Base: 3.00%; and
- various demographic assumption changes including the utilization of the RPH-2014 mortality tables.

NOTE 4 - SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - CONNECTICUT STATE TEACHERS' RETIREMENT SYSTEM

The Town began to report this schedule when it implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*, in fiscal year 2015. GASB Statement No. 68 requires the information within this schedule to be presented for the ten most recent fiscal years.

Actuarial valuations are prepared every two years with the most recent available actuarial valuation performed as of June 30, 2018. This information is utilized by the Town for reporting as of June 30, 2019.

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

Assumption Changes - The following assumption changes had a significant effect on the measurement of the total pension liability reported as of June 30, 2019.

- the inflation assumption was reduced from 2.75% to 2.50%;
- the real rate of return assumption was reduced from 5.25% to 4.40%, which when combined with the inflation assumption change, results in a decrease in the investment rate of return assumption from 8.00% to 6.90%; and
- the annual rate of wage increase assumption was increased from 0.50% to 0.75%.the real rate of return assumption was reduced from 5.50% to 5.25%, which when combined with the inflation assumption change, resulted in a decrease in the investment rate of return assumption from 8.50% to 8.00%, the payroll growth assumption was reduced from 3.75% to 3.25%, and
- various demographic assumption changes including the utilization of the RPH-2014 mortality tables.

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

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

The District measures the total OPEB liability as of July 1 prior to the end of each fiscal year using the Entry Age Normal Method.

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

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

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

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

Actuarial valuations are prepared every two years with the most recent available actuarial valuation performed as of June 30, 2018. This information is utilized by the Town for reporting as of June 30, 2019.

Benefit Changes - Effective July 1, 2018, the Plan changed the "base plan" to the Medicare Advantage Plan for the purposes of determining retiree health care plan subsidies and/or cost sharing amount(s), and introduced a two year waiting period for re-enrollment in a system-sponsored health care plan for those who cancel their coverage or choose not to enroll in a health care coverage option on or after the effective date.

Assumption Changes - The following assumption changes collectively had a significant effect on the measurement of the net OPEB liability reported as of June 30, 2018:

- the expected rate of return on Plan assets was changed from 4.25% to 3.00% to better reflect the anticipated returns on cash and other high quality short-term fixed income investments;
- the discount rate used to measure Plan obligations and amortize supplemental costs was updated to match the expected rate of return on assets selected as of June 30, 2018;
- long-term health care cost trend rates were updated to better reflect the anticipated impact of changes in medical inflation, utilization, leverage in the plan design, improvements in technology, and fees and charges on expected claims and retiree contributions in future periods; and
- the percentage of retired members who are not currently participating in the Plan, but are expected to elect coverage for themselves and their spouses under a system-sponsored health care plan option in the future was updated to better reflect anticipated plan experience.

OTHER SUPPLEMENTARY INFORMATION

REGIONAL SUPERVISION DISTRICT BOARD OF EDUCATION
GENERAL FUND - BUDGETARY COMPARISON SCHEDULE (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2019

	Original Budget	Final Budget	Actual	Variance (Under) Over
District Boards:				
Chester	$ 1,320,215	$ 1,320,215	$ 1,320,201	$ (14)
Deep River	1,737,000	1,737,000	1,736,985	(15)
Essex	1,967,550	1,967,550	1,967,530	(20)
Regional School District No. 4	1,771,405	1,771,405	1,771,431	26
Refund to member Boards	-	-	(57,404)	(57,404)
Total District Boards	6,796,170	6,796,170	6,738,743	(57,427)
Other revenues	30,000	30,000	15,602	(14,398)
Total revenues	6,826,170	6,826,170	6,754,345	(71,825)
Salaries:				
Administration	883,242	901,353	900,458	(895)
Teachers	2,856,004	2,721,317	2,701,860	(19,457)
Secretaries	426,013	451,877	448,354	(3,523)
Custodial	8,541	8,541	1,519	(7,022)
Para-educators	3,000	3,000	-	(3,000)
Network technician salary	47,450	47,450	46,924	(526)
Nurse supervisor stipend	3,000	3,000	3,000	-
Substitute teachers salaries	20,000	25,346	26,293	947
Substitute secretaries and para-educators	500	500	-	(500)
Cafeteria salary	-	-	550	550
Secretary and para-educator overtime	1,000	3,677	4,969	1,292
Board of Education clerk salary	-	2,925	2,925	-
Total salaries	4,248,750	4,168,986	4,136,852	(32,134)
Employee benefits:				
Insurance	920,868	920,868	915,444	(5,424)
Life insurance and disability	7,496	8,612	6,972	(1,640)
M.E.R.F.	84,938	87,681	89,639	1,958
FICA - Medicare	121,989	117,989	113,694	(4,295)
Unemployment compensation	10,000	6,141	3,653	(2,488)
Workers' compensation	35,807	35,807	35,807	-
Annuities	27,600	31,600	31,600	-
Total employee benefits	1,208,698	1,208,698	1,196,809	(11,889)

(Continued)

REGIONAL SUPERVISION DISTRICT BOARD OF EDUCATION

GENERAL FUND - BUDGETARY COMPARISON SCHEDULE (UNAUDITED) *(Concluded)*

FOR THE YEAR ENDED JUNE 30, 2019

	Original Budget	Final Budget	Actual	Variance (Under) Over
Other purchased services:				
Daily transportation	$ 722,585	$ 722,585	$ 723,868	$ 1,283
Special education in District transportation	123,034	123,236	129,087	5,851
Special education summer school transportation	34,033	33,831	19,809	(14,022)
Insurance	4,679	4,679	2,626	(2,053)
Communications	50,000	44,454	31,550	(12,904)
Advertising	750	1,395	1,395	-
Travel and conferences	32,516	31,871	29,548	(2,323)
Total other purchased services	967,597	962,051	937,883	(24,168)
Purchased and technical services:				
Instructional program improvement	89,740	92,003	91,791	(212)
Purchased services	169,537	245,756	244,467	(1,289)
Total purchased and technical services	259,277	337,759	336,258	(1,501)
Supplies:				
General supplies and materials	13,500	18,262	15,074	(3,188)
Instructional supplies	4,772	3,947	3,967	20
Maintenance supplies	1,000	1,000	1,032	32
Heating fuel	6,500	9,169	9,053	(116)
Transportation fuel	82,000	82,297	85,549	3,252
Textbooks and workbooks	1,300	442	442	-
Professional books	1,000	798	798	-
Total supplies	110,072	115,915	115,915	-
Purchased property services:				
Electricity	7,800	8,264	6,000	(2,264)
Repairs and maintenance	6,000	11,085	7,439	(3,646)
Rentals	9,052	4,488	8,948	4,460
Total purchased property services	22,852	23,837	22,387	(1,450)
Other:				
Dues and fees	8,924	8,924	8,241	(683)
Total expenditures	6,826,170	6,826,170	6,754,345	(71,825)
Excess (deficiency) of revenues over expenditures	$ -	$ -	$ -	$ -

(Concluded)

SUPPLEMENTAL REPORT

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Glastonbury
Essex

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Regional Supervision District Committee of the
Regional Supervision District Board of Education
Deep River, Connecticut

We have audited, in accordance with the 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, the financial statements of the governmental activities and the major fund of Regional Supervision District Board of Education (the "District"), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated April 2, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings as item 2019-001, that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mahoney Sabol + Company, LLP

Certified Public Accountants
Glastonbury, Connecticut
April 2, 2020

FINANCIAL STATEMENT FINDINGS

Finding 2019-001: Material Weakness in Internal Control over Financial Reporting

Criteria: The District should have internal controls over financial reporting that provides reasonable assurance that the accounting records can be relied upon and used to prepare the basic financial statements and related notes to the basic financial statements, in conformity with accounting principles generally accepted in the United State of America.

Condition: The District does not have proper internal controls to ensure the completeness and accuracy of nonstandard manual journal entries and account reconciliations. Specifically, we noted the following:

- prior year audit entries were not recorded, resulting in adjustments to beginning balances;
- cash was not properly reconciled to the general ledger on a monthly basis;
- the June 2019 bank reconciliation included reconciling items that were not valid;
- transfers of cash between the District and Regional School District No. 4 were not properly recorded in the general ledger; and
- prior year accruals for payables and accrued payroll were never adjusted, resulting in an overstatement of cash reported in the general ledger.

Effect: The lack of appropriate internal controls over the completeness and accuracy of nonstandard manual journal entries and account reconciliations resulted in inaccurate reporting. This has a direct effect on the reliability of the financial information generated from the District's accounting system and provided to management and the Board of Education throughout the year.

Cause: The causes of the deficiency are due to a combination of the following:

- a lack of accounting expertise in the Business Office;
- a lack of documented accounting procedures over the recording of nonstandard manual journal entries and account reconciliations.

Auditor's Recommendation: The accuracy of recording nonstandard manual journal entries and performing accurate and timely account reconciliations are essential for ensuring the integrity of the District's general ledger. We recommend the following:

- that the District identify and develop procedures to ensure that nonstandard manual journal entries are recorded accurately and timely in the general ledger;
- that the District develop procedures to ensure that account reconciliations for all balance sheet accounts are performed on a periodic basis;
- that the Superintendent, or his designee, monitor the completion of account reconciliations; and
- that the District evaluate whether additional resources, including the use of a consultant, and/or training are needed to address the identified deficiencies.

District's Response: The District intends to take the appropriate actions to strengthen its internal control and remedy the conditions giving rise to this reported deficiency.

MahoneySabol CPAs and Advisors

Presentation to the Board of Education

Fiscal Year 2019 Audit Results

Regional School District No. 4

Presented by:
Michael J. VanDeventer, CPA, Partner

May 7, 2020

MahoneySabol
CPAs and Advisors

Agenda

- Scope of Work
- Auditor's Reports
- Financial Matters
- Required Communications
- Questions

MahoneySabol
CPAs and Advisors

Scope of Work

Audit of Financial Statements performed in accordance with the following:

- Auditing standards issued by the American Institute of Certified Public Accountants
- *Government Auditing Standards* issued by the Government Accountability Office

Single Audit performed in accordance with the following:

- State of Connecticut State Single Audit Act
- District did not meet the threshold for having a federal single audit.

MahoneySabol
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Auditor’s Reports

Report on Financial Statements:

o Unmodified "clean" opinions on the financial statements. Our opinion provides reasonable assurance that the financial statements are free from a material misstatement and that they have been prepared in accordance with accounting principles generally accepted in the United States. Our opinion covers:

- Governmental activities
- Business-type activities (Health Insurance Fund)
- Each Major Governmental Funds:
  - General Fund
  - Education Grants Fund
  - Capital Sinking Fund
  - School Cafeteria Fund
- Aggregate remaining fund information (Scholarship Funds and Student Activities Funds)

Auditor’s Reports *(Continued)*

State Single Audit Report:

- Report on Compliance and on Internal Control at the State Financial Assistance Level
  - Fiscal Year 2019: $324,296 expended; $60,445 nonexempt
  - Major Program: School Security Infrastructure in the amount of $26,088
  - Unmodified “clean” opinion on compliance
  - We are not reporting any significant deficiencies or material weaknesses over grant compliance

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Auditor's Reports *(Continued)*

Report on Compliance and on Internal Control over Financial Reporting:

- We are not reporting any material noncompliance of laws and regulations that would have a direct and material effect on the District's financial statements
- We did report a material weakness in internal control over financial reporting reported as finding 2019-001 as disclosed on page 8 in the District's *State Single Audit*
- Repeat of finding reported in connection with the District's fiscal year 2018 audit, which was completed in March 2019 and presented to the Board at its May 2019 meeting. Expectation was that the 2018 finding would be addressed prior to commencing the 2019 audit. Preliminary review of the District's trial balances, general ledger reports, and bank reconciliations in November 2019 revealed that the 2018 findings were not adequately addressed and that a significant amount of work would be necessary to properly close out the District's fiscal year 2019 accounting records.

Auditor’s Reports *(Continued)*

<u>Report on Compliance and on Internal Control over Financial Reporting *(Continued)*:</u>

Condition: The District does not have proper internal controls to ensure the completeness and accuracy of nonstandard manual journal entries and account reconciliations. Specifically, we noted the following:

- prior year audit entries were not recorded, resulting in adjustments to beginning balances;
- cash was not properly reconciled to the general ledger on a monthly basis;
- the June 2019 bank reconciliation included reconciling items that were not valid;
- transfers of cash between the District’s funds and Regional Supervision District were not properly recorded in the general ledger; and
- prior year accruals for payables and accrued payroll were never adjusted, resulting in an overstatement of cash reported in the general ledger.

Auditor’s Reports *(Continued)*

Report on Compliance and on Internal Control over Financial Reporting *(Continued)*:

Effect: Condition results in inaccurate reporting and has a direct effect on the reliability of the financial information generated from the District’s accounting system and provided to management and the Board of Education throughout the year. (*Important to note from a Board perspective that this deficiency did not have an effect on the normal processing of the District’s payroll and purchases of goods and services).*

Cause: The causes of the deficiency are due to a combination of the following:

- a lack of accounting expertise in the Business Office;
- a lack of documented accounting procedures over the recording of nonstandard manual journal entries and account reconciliations.

Auditor's Reports *(Continued)*

<u>Report on Compliance and on Internal Control over Financial Reporting *(Continued)*:</u>

Auditor's Recommendation: The accuracy of recording nonstandard manual journal entries and performing accurate and timely account reconciliations are essential for ensuring the integrity of the District's general ledger. We recommend the following:

- that the District identify and develop procedures to ensure that nonstandard manual journal entries are recorded accurately and timely in the general ledger;
- that the District develop procedures to ensure that account reconciliations for all balance sheet accounts are performed on a periodic basis;
- that the Superintendent, or his designee, monitor the completion of account reconciliations; and
- that the District evaluate whether additional resources, including the use of a consultant, and/or training are needed to address the identified deficiencies.

Corrective Action: Management of the District, with oversight from the Board, is required to file a corrective action form with the State of Connecticut Office of Policy and Management and the Department of Education.

Financial Matters

Results of Operations:

- A summary of results of operations as of and for the year ended June 30, 2019 are as follows:

	Change in Fund Balances	Fund Balances
General Fund	$ 164,587	$ 201,280
Education Grants Fund	85,000	-
Capital Sinking Fund	(230,468)	(429,729)
School Cafeteria Fund	120,385	26,220
Total Governmental Funds	$ 139,504	$ (202,229)

	Change in Net Position	Net Position
Health Insurance Fund	$ (841,015)	$ (575,105)

Financial Matters *(Continued)*

Results of Operations: *(Continued)*

- General Fund – Net change in fund balance of $164,587 driven by a favorable budgetary variance in expenditures of $158,215. Ending fund balance totaled $201,280. This amount should either be refunded to Member Towns or a portion of the fund balance in the amount of $158,215 could be transferred to the Capital Sinking Fund to reduce the reported deficit in that fund.

- Cafeteria Fund – Prior year deficit of $94,165 and the current year operating deficit of $73,780 was funded by a transfer in from the General Fund in the amount of $194,165. Continued monitoring of the financial activities of the Cafeteria Fund and budgeting of subsidies from the General Fund will be imperative in ensuring that an unfunded deficit does not arise in future years.

Financial Matters *(Continued)*

Results of Operations: *(Continued)*

- Capital Sinking Fund – Beginning deficit of $199,261 was due to the unfunded purchase of the land adjacent to Valley Regional High School for $350,000 in fiscal year 2018. The deficit in the fund increased as a result of paving work and oil tank removal incurred during summer of 2018 prior to management and the Board becoming aware of the deficit position in the Capital Sinking Fund.
  - Options for addressing the deficit in the Capital Sinking Fund:
    - Fund a portion of the deficit by transferring the District's remaining budgetary surplus in the General Fund, subject to the one percent statutory limitation and the balance of the fiscal year 2019 unexpended budgetary appropriation
    - Fund the deficit in subsequent budget years through either budgetary appropriations or from the transfer of unexpended budgetary appropriations, subject to the one percent statutory limitations.
    - Fund the deficit through a supplemental appropriation from the Member Towns.
    - Fund the deficit through a combination of the above.
  - Establishment and adherence to a Capital Reserve Fund Policy will ensure that an unfunded deficit does not arise in future years.

MahoneySabol CPAs and Advisors

Financial Matters *(Continued)*

Results of Operations: *(Continued)*

- Health Insurance Fund – Depletion of the Fund’s net position driven by an unfavorable claims year. Estimate for claims incurred but not reported in the amount of $643 thousand has resulted in an overall Fund deficit of $575 thousand.
  - Establishment and adherence of a Self-Insurance Funding Policy will ensure that an unfunded deficit does not arise in future years
  - Charges should be developed to ensure progress toward accumulating the desired reserves for the plan
  - Desired reserves level typically approximate 3 months of claims expense, which would approximate $1.8 million as of June 30, 2019

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Required Communications

Auditor's Responsibility under U.S. Generally Accepted Auditing Standards:

- Management is responsible for the preparation of the financial statements
- Our responsibility is to express opinions on the financial statements

Planned Scope and Timing of the Audit:

- No changes were made to the planned scope the audit
- A total of 4 extensions were requested from OPM. Delays in issuing the audit were attributed to the following:
  - Transition in the Business Manager position and reassignment of responsibilities within the Business Office
  - The need to contract with a consultant to assist in closing the accounting records
  - Resulting scheduling delays at MahoneySabol, due to increased need for Partner oversight and involvement in conducting the audit

Required Communications *(Continued)*

Significant Audit Findings:

- Qualitative Aspects of Accounting Practices:

  - Proposed a change in the presentation of Health Insurance Fund to a business-type activity due to a substantial portion of the revenues and expenses being derived from external parties not included in the District's reporting entity

  - Implementation of GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*

  - Significant estimates and judgments:
    - Estimated useful lives assigned to capital assets
    - Discount rates utilized to determine net pension and OPEB liabilities

Required Communications *(Continued)*

Significant Audit Findings: *(Continued)*

- Difficulties encountered in performing the audit related to additional audit work and adjustments that were required as a result of the deficiencies reported in the District's closing and reconciliation process

- There were no uncorrected misstatements

- There were no disagreements with management

- We obtained a management representation letter and there were no unusual representations requested by us from management

- We are not aware of any consultations by management with other independent accountants

Questions?

Michael VanDeventer , CPA, Partner
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REGIONAL SCHOOL DISTRICT NO. 4

FINANCIAL STATEMENTS

AS OF AND FOR THE YEAR ENDED
JUNE 30, 2019

REGIONAL SCHOOL DISTRICT NO. 4
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AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education,
Regional School District No. 4
Deep River, Connecticut

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Regional School District No. 4 (the "District") as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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, the business-type activities, each major fund, and the aggregate remaining fund information of Regional School District No. 4, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows 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 on pages 3 through 13 and the information on pages 57 through 66 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.

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 statements and schedules on pages 67 through 71 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 27, 2020 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Mahoney Sabol + Company, LLP

Certified Public Accountants
Glastonbury, Connecticut
April 27, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Regional School District No. 4 (the "District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District as of and for the fiscal year ended June 30, 2019.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources as of June 30, 2019 by $22,066,492 (net position), a decrease of $444,533 in comparison to the prior year.

- As of the close of the current fiscal year, the District's governmental funds reported a combined ending fund balance deficit of $202,229, a decrease of $139,504 in the deficit reported in the prior year.

- The District's long-term bonded debt decreased by $1,420,000 during the current fiscal year due to scheduled principal repayments.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

The statement of net position presents information on all of the District's assets, deferred outflows and inflows of resources, and liabilities, with the difference 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 result in cash flows in future fiscal periods.

OVERVIEW OF THE FINANCIAL STATEMENTS *(Continued)*

Government-wide Financial Statements *(Continued)*

The government-wide financial statements are intended to distinguish functions of the District that are principally supported by District towns and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the District include instruction and support services. The business-type activities of the District include the operation of the District's self-insured health insurance program.

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 outflows and inflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental 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 four individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, the Education Grants Fund, the Capital Sinking Fund, and the School Cafeteria Fund, all of which are considered to be major funds.

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

Proprietary Funds

The District maintains one type of proprietary fund. The District uses a proprietary fund to account for its risk management activities related to health insurance.

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

OVERVIEW OF THE FINANCIAL STATEMENTS *(Continued)*

Fiduciary Funds

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

The basic fiduciary fund financial statements can be found on pages 23 and 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 25 through 56 of this report.

Required Supplementary Information and 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, which can be found on pages 57 through 71 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

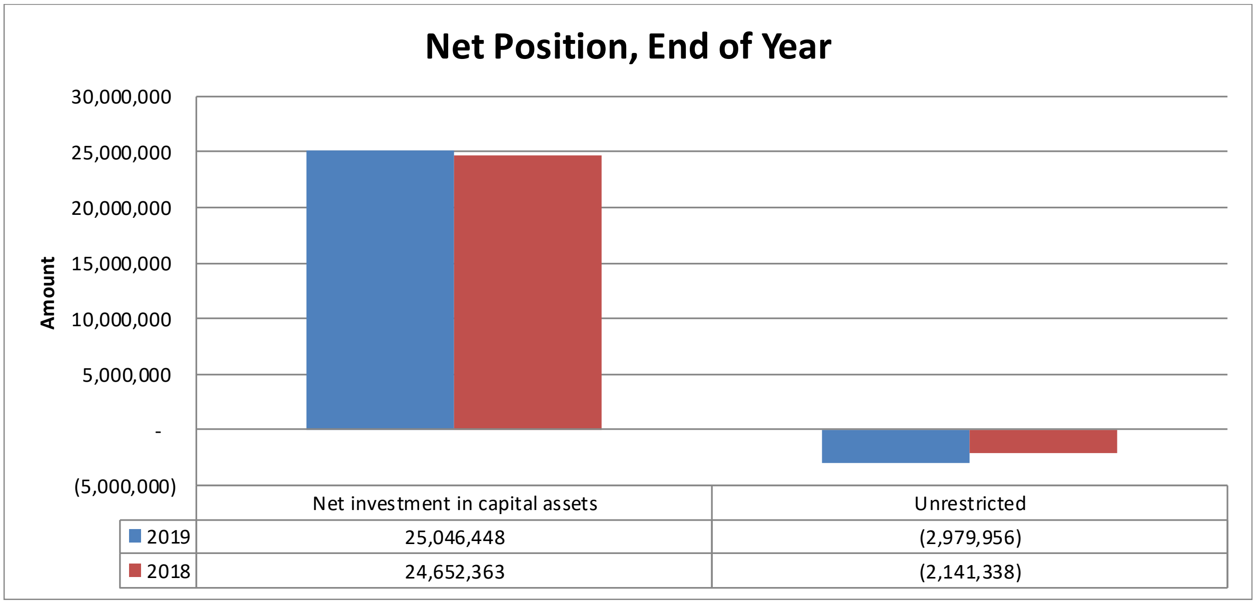
Net Position

Over time, net position may serve as one measure of a government's financial position. Total net position of the District totaled $22,066,492 as of June 30, 2019 and $22,511,025 as of June 30, 2018.

	June 30, 2019					
	Governmental Activities	Business-type Activities	Total	June 30, 2018	$ Change	% Change
Current and other assets	$ 1,032,189	$ 383,787	$ 1,415,976	$ 1,483,267	$ (67,291)	-4.5%
Capital assets	31,419,994	-	31,419,994	32,466,227	(1,046,233)	-3.2%
Total assets	32,452,183	383,787	32,835,970	33,949,494	(1,113,524)	-3.3%
Deferred outflows of resources	1,296,192	-	1,296,192	325,243	970,949	298.5%
Long-term liabilities	9,574,898	-	9,574,898	9,873,670	(298,772)	-3.0%
Other liabilities	1,281,813	958,892	2,240,705	1,606,485	634,220	39.5%
Total liabilities	10,856,711	958,892	11,815,603	11,480,155	335,448	2.9%
Deferred inflows of resources	250,067	-	250,067	283,557	(33,490)	N/a
Net position:						
Net investment in capital assets	25,046,448	-	25,046,448	24,652,363	394,085	1.6%
Unrestricted	(2,404,851)	(575,105)	(2,979,956)	(2,141,338)	(838,618)	39.2%
Total net position	$ 22,641,597	$ (575,105)	$ 22,066,492	$ 22,511,025	$ (444,533)	-2.0%

GOVERNMENT-WIDE FINANCIAL ANALYSIS *(Continued)*

Net Position *(Continued)*



As of June 30, 2019, 113.5% of the District's net position consisted of investments in capital assets, less any related debt. The District's capital assets are used to provide services to students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

The remainder of net position represents the District's net unrestricted deficit and is primarily due to the unfunded portion of the District's pension and OPEB liabilities in the amount of $2,404,851 and unfunded health insurance claims incurred but not reported in the amount of $575,105.

GOVERNMENT-WIDE FINANCIAL ANALYSIS *(Continued)*

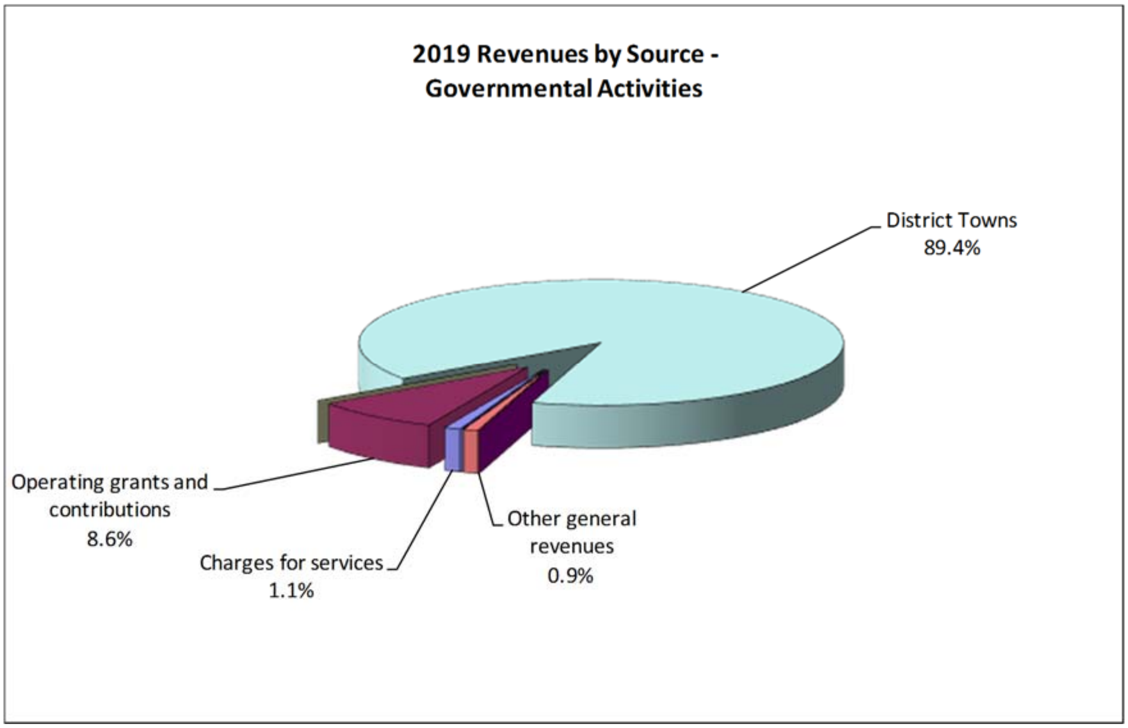
Changes in Net Position

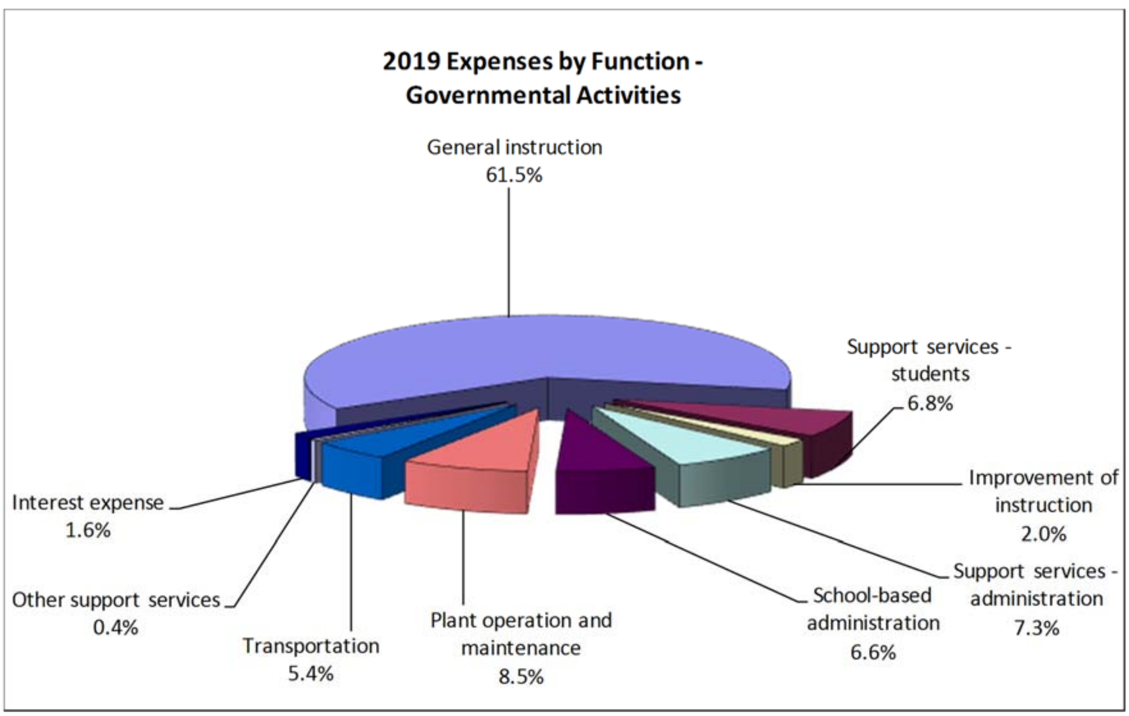
Changes in net position for the years ended June 30, 2019 and 2018 are as follows. Certain reclassifications have been made to amounts reported for the year ended June 30, 2018 to conform with the current year presentation.

	June 30, 2019					
	Governmental Activities	Business-type Activities	Total	June 30, 2018	$ Change	% Change
Program revenues:						
Charges for services	$ 237,284	$ 7,080,513	$ 7,317,797	$ 6,531,737	$ 786,060	12.0%
Operating grants and contributions	1,899,354	-	1,899,354	3,861,389	(1,962,035)	-50.8%
General revenues:						
District Towns	19,767,704	-	19,767,704	19,449,496	318,208	1.6%
Interest income	814	-	814	951	(137)	-14.4%
Other	209,848	-	209,848	233,018	(23,170)	-9.9%
Total revenues	22,115,004	7,080,513	29,195,517	30,076,591	(881,074)	-2.9%
Program expenses:						
General instruction	13,346,139	-	13,346,139	15,015,010	(1,668,871)	-11.1%
Support services - students	1,468,518	-	1,468,518	1,620,597	(152,079)	-9.4%
Improvement of instruction	432,314	-	432,314	412,989	19,325	4.7%
Support services - administration	1,580,700	-	1,580,700	1,707,940	(127,240)	-7.4%
School-based administration	1,433,245	-	1,433,245	1,386,457	46,788	3.4%
Plant operation and maintenance	1,845,463	-	1,845,463	1,660,263	185,200	11.2%
Transportation	1,170,943	-	1,170,943	1,015,668	155,275	15.3%
Other support services	86,591	-	86,591	87,100	(509)	-0.6%
Interest expense	354,609	-	354,609	292,884	61,725	21.1%
Health insurance	-	7,921,528	7,921,528	6,417,440	1,504,088	23.4%
Total expenses	21,718,522	7,921,528	29,640,050	29,616,348	23,702	0.1%
Change in net position	$ 396,482	$ (841,015)	$ (444,533)	$ 460,243	$ (904,776)	-196.6%

GOVERNMENT-WIDE FINANCIAL ANALYSIS *(Continued)*

Change in Net Position *(Continued)*





GOVERNMENT-WIDE FINANCIAL ANALYSIS *(Continued)*

Change in Net Position *(Continued)*

Overall net position decreased by $444,533, primarily as a result of increases in the District's net pension and OPEB liabilities and related deferrals and an increase in unfunded health insurance claims.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

Governmental Funds

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

As of the end of the current fiscal year, the District's governmental funds reported a combined ending fund balance deficit of $202,229.

General Fund

The General Fund is the chief operating fund of the District. At the end of the current fiscal year, the District's unassigned fund balance totaled $201,280, which is available for distribution back to the Member Towns or to reduce the deficit reported in the District's Capital Sinking Fund.

Other Major Funds

The Education Grants Fund has no fund balance. Generally, this fund reports no fund balance as a result of accounting for activities related to cost reimbursement grants and contracts.

The Capital Sinking Fund has a deficit fund balance of $429,729 as of June 30, 2019. The increase in the deficit over the prior year is due to current year unfunded capital outlays. The deficit is expected to be funded through future transfers from the General Fund.

The School Cafeteria Fund has a fund balance of $26,220 as of June 30, 2019.

GENERAL FUND BUDGETARY HIGHLIGHTS

The District's original and final budgets did not contemplate the use of fund balance in order to balance revenues and expenditures. During the year ended June 30, 2019, the District refunded $36,693 of prior year surplus funds to its Member Towns. As of June 30, 2019, $201,280 of fund balance is available to either be refunded to the Member Towns or utilized to eliminate deficits in the District's other governmental funds.

Revenues were $6,372 more than budget and expenditures were $158,215 less than budgeted.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

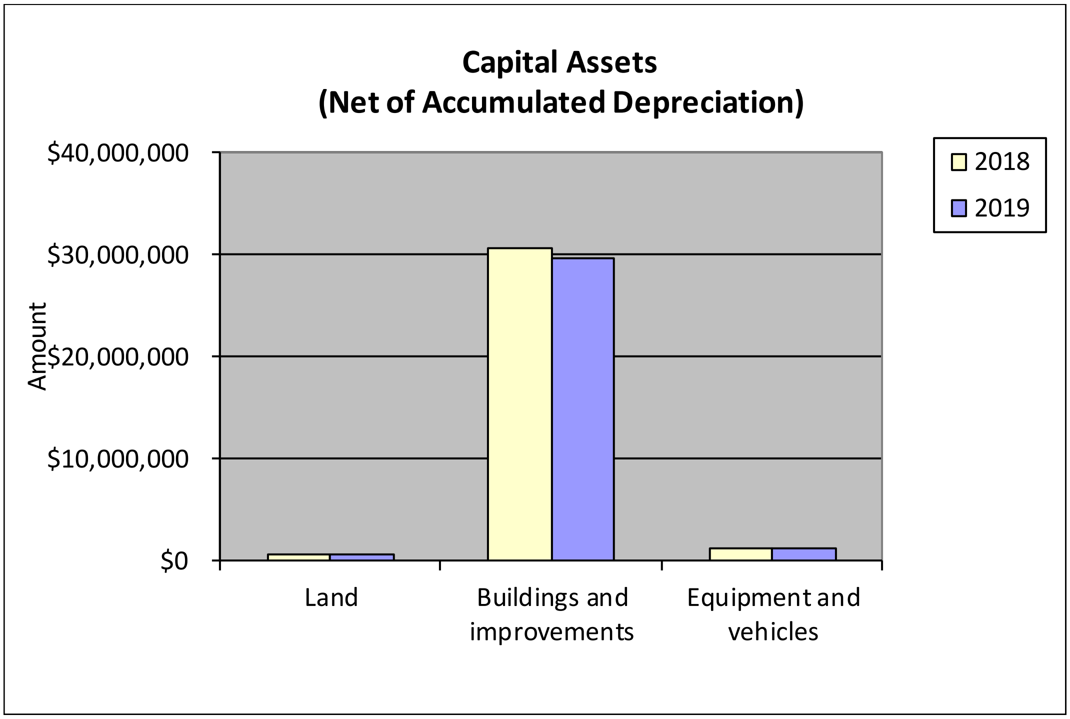
The District's investment in capital assets for its governmental activities as of June 30, 2019 and 2018 totaled $31,419,994 and $32,466,227, respectively (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, equipment, and improvements to athletic facilities. The total decrease in the District's investment in capital assets for the current fiscal year was $1,046,233.

The following table is a two year comparison of the District's investment in capital assets, net:

	2019	2018	$ Change	% Change
Land	$ 589,816	$ 589,816	$ -	0.0%
Buildings and improvements	29,682,392	30,686,138	(1,003,746)	-3.3%
Equipment and vehicles	1,147,786	1,190,273	(42,487)	-3.6%
Totals	$ 31,419,994	$ 32,466,227	$ (1,046,233)	-3.2%

CAPITAL ASSET AND DEBT ADMINISTRATION *(Continued)*

Capital Assets *(Continued)*



Additional information on the District's capital assets can be found in Note 3 of this report.

Long-term Debt

At the end of the current fiscal year, the District had total bonded debt outstanding of $5,635,000.

The District's total bonded debt decreased by $1,420,000 during the current fiscal year due to scheduled principal repayments.

Connecticut General Statutes provide that the aggregate indebtedness of a regional school district shall not exceed 4.5 times the annual receipts from its member towns for the current fiscal year. The current debt limitation for the District is significantly in excess of the District's outstanding general obligation debt.

CAPITAL ASSET AND DEBT ADMINISTRATION *(Continued)*

Long-term Debt *(Continued)*

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

	2019	2018	$ Change	% Change
General obligation bonds	$ 5,635,000	$ 7,055,000	$ (1,420,000)	-20.1%

Additional information on the District's long-term debt can be found in Note 7 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District receives revenues from the Towns of Chester, Deep River and Essex and the State of Connecticut. Connecticut's economy moves in the same general cycle as the national economy. Any loss or significant reduction of these revenues could have a significant impact on the District's financial position.

The District operates under various negotiated union contracts that span multiple budgetary years. A significant portion of the District's budget consists of contractual wages and related employee benefits. In addition, special education costs can vary significantly from year to year based on student needs.

These factors were considered in preparing the District's budget for fiscal year 2020.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Office of the Business Manager, P.O. Box 187, Deep River, CT 06417.

BASIC FINANCIAL STATEMENTS

REGIONAL SCHOOL DISTRICT NO. 4
STATEMENT OF NET POSITION
AS OF JUNE 30, 2019

	Primary Government		
	Governmental Activities	**Business-type Activities**	**Total**
ASSETS			
Cash	$ 1,301,208	$ 54,926	$ 1,356,134
Receivables:			
Due from other governments	25,150	-	25,150
Grants and contracts	11,794	-	11,794
Other	5,139	-	5,139
Inventories	17,759	-	17,759
Internal balances	(328,861)	328,861	-
Capital assets:			
Non-depreciable	589,816	-	589,816
Depreciable, net	30,830,178	-	30,830,178
Total assets	32,452,183	383,787	32,835,970
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charges on refunding	144,390	-	144,390
Deferred charges on pension	1,133,325	-	1,133,325
Deferred charges on OPEB	18,477	-	18,477
Total deferred outflows of resources	1,296,192	-	1,296,192
LIABILITIES			
Accounts payable	122,794	-	122,794
Claims payable	-	315,770	315,770
Due to Regional Supervision District	223,760	-	223,760
Accrued liabilities:			
Accrued payroll and benefits	880,012	-	880,012
Accrued interest	47,395	-	47,395
Incurred but not reported claims	-	643,122	643,122
Unearned revenue	7,852	-	7,852
Noncurrent liabilities:			
Due within one year	1,733,049	-	1,733,049
Due in more than one year	7,841,849	-	7,841,849
Total liabilities	10,856,711	958,892	11,815,603
DEFERRED INFLOWS OF RESOURCES			
Deferred charges on pension	30,965	-	30,965
Deferred charges on OPEB	219,102	-	219,102
Total deferred inflows of resources	250,067	-	250,067
NET POSITION			
Net investment in capital assets	25,046,448	-	25,046,448
Unrestricted	(2,404,851)	(575,105)	(2,979,956)
Total net position	$ 22,641,597	$ (575,105)	$ 22,066,492

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

REGIONAL SCHOOL DISTRICT NO. 4
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

		Program Revenues		Net (Expense) Revenue and Changes in Net Position		
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Governmental Activities**	**Business-type Activities**	**Total**
Primary Government:						
Governmental activities:						
Instruction:						
General instruction	$ 13,346,139	$ -	$ 1,723,254	$ (11,622,885)	$ -	$ (11,622,885)
Support services:						
Support services - students	1,468,518	237,284	176,100	(1,055,134)	-	(1,055,134)
Improvement of instruction	432,314	-	-	(432,314)	-	(432,314)
Support services - administration	1,580,700	-	-	(1,580,700)	-	(1,580,700)
School-based administration	1,433,245	-	-	(1,433,245)	-	(1,433,245)
Plant operation and maintenance	1,845,463	-	-	(1,845,463)	-	(1,845,463)
Transportation	1,170,943	-	-	(1,170,943)	-	(1,170,943)
Other support services	86,591	-	-	(86,591)	-	(86,591)
Total support services	8,017,774	237,284	176,100	(7,604,390)	-	(7,604,390)
Interest expense	354,609	-	-	(354,609)	-	(354,609)
Total governmental activities	21,718,522	237,284	1,899,354	(19,581,884)	-	(19,581,884)
Business-type activities:						
Health insurance	7,921,528	7,080,513	-	-	(841,015)	(841,015)
Total primary government	$ 29,640,050	$ 7,317,797	$ 1,899,354	(19,581,884)	(841,015)	(20,422,899)
General revenues:						
District Towns				19,767,704	-	19,767,704
Interest income				814	-	814
Other				209,848	-	209,848
Total general revenues				19,978,366	-	19,978,366
Change in net position				396,482	(841,015)	(444,533)
Net position - beginning				22,245,115	265,910	22,511,025
Net position - ending				$ 22,641,597	$ (575,105)	$ 22,066,492

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

REGIONAL SCHOOL DISTRICT NO. 4
BALANCE SHEET
GOVERNMENTAL FUNDS
AS OF JUNE 30, 2019

	General Fund	Education Grants Fund	Capital Sinking Fund	School Cafeteria Fund	Total Governmental Funds
ASSETS					
Cash	$ 798,183	$ 192,959	$ 94,146	$ 215,920	$ 1,301,208
Receivables:					
Accounts receivable	-	-	-	5,139	5,139
Due from other governments	-	-	-	25,150	25,150
Grants and contracts	-	-	-	11,794	11,794
Due from other funds	957,082	-	-	-	957,082
Inventories	-	-	-	17,759	17,759
Total assets	$ 1,755,265	$ 192,959	$ 94,146	$ 275,762	$ 2,318,132
LIABILITIES					
Accounts payable	$ 122,794	$ -	$ -	$ -	$ 122,794
Accrued payroll and benefits	878,570	-	-	1,442	880,012
Due to other funds	328,861	185,107	523,875	248,100	1,285,943
Due to Regional Supervision District	223,760	-	-	-	223,760
Unearned revenue	-	7,852	-	-	7,852
Total liabilities	1,553,985	192,959	523,875	249,542	2,520,361
FUND BALANCES					
Unassigned	201,280	-	(429,729)	26,220	(202,229)
Total fund balances	201,280	-	(429,729)	26,220	(202,229)
Total liabilities and fund balances	$ 1,755,265	$ 192,959	$ 94,146	$ 275,762	$ 2,318,132

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

REGIONAL SCHOOL DISTRICT NO. 4
RECONCILIATION OF THE BALANCE SHEET OF
GOVERNMENTAL FUNDS TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION
AS OF JUNE 30, 2019

Total fund balances for governmental funds		$ (202,229)
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	$ 589,816	
Buildings and improvements	49,561,192	
Vehicles	83,616	
Equipment	2,284,869	
Less: accumulated depreciation and amortization	(21,099,499)	
Total capital assets, net		31,419,994
Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and, accordingly, are not reported as governmental fund liabilities. All liabilities - both current and long-term - are reported in the statement of net position. Those liabilities consist of:		
Long-term debt:		
Bonds payable	(5,635,000)	
Unamortized premiums	(120,982)	
Obligations under capital lease	(761,954)	
Deferred amount on refundings	144,390	
Accrued interest payable	(47,395)	
Other long-term liabilities:		
Compensated absences	(20,923)	
Net pension liability	(2,022,412)	
Total OPEB liability	(1,013,627)	
Total long-term liabilities		(9,477,903)
Deferred outflows and inflows of resources resulting from changes in the components of the District's net pension and total OPEB liabilities are reported in the statement of net position.		901,735
Net position of governmental activities		$ 22,641,597

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

REGIONAL SCHOOL DISTRICT NO. 4
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	General Fund	Education Grants Fund	Capital Sinking Fund	School Cafeteria Fund	Total Governmental Funds
REVENUES					
District Towns	$ 19,766,654	$ -	$ -	$ 1,050	$ 19,767,704
Intergovernmental	2,555,399	484,500	-	88,117	3,128,016
Charges for goods and services	-	-	-	196,960	196,960
Interest income	-	-	814	-	814
Other	17,900	-	15,091	40,324	73,315
Total revenues	22,339,953	484,500	15,905	326,451	23,166,809
EXPENDITURES					
Current:					
Instruction:					
General instruction	12,918,333	396,517	-	-	13,314,850
Support services:					
Support services - students	965,827	2,983	-	400,231	1,369,041
Improvement of instruction	395,830	-	-	-	395,830
Support services - administration	1,440,997	-	-	-	1,440,997
School-based administration	1,306,531	-	-	-	1,306,531
Plant operation and maintenance	1,697,632	-	-	-	1,697,632
Transportation	1,086,475	-	-	-	1,086,475
Other support services	62,746	-	-	-	62,746
Total support services	6,956,038	2,983	-	400,231	7,359,252
Debt service:					
Principal	1,769,535	-	-	-	1,769,535
Interest and fiscal charges	285,188	-	-	-	285,188
Capital outlays	361,779	-	266,373	-	628,152
Total expenditures	22,290,873	399,500	266,373	400,231	23,356,977
Deficiency of revenues over expenditures	49,080	85,000	(250,468)	(73,780)	(190,168)
OTHER FINANCING SOURCES (USES)					
Capital lease financing	329,672	-	-	-	329,672
Transfers in	-	-	20,000	194,165	214,165
Transfers out	(214,165)	-	-	-	(214,165)
Total other financing sources	115,507	-	20,000	194,165	329,672
Net change in fund balances	164,587	85,000	(230,468)	120,385	139,504
Fund balances - beginning	36,693	(85,000)	(199,261)	(94,165)	(341,733)
Fund balances - ending	$ 201,280	$ -	$ (429,729)	$ 26,220	$ (202,229)

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

REGIONAL SCHOOL DISTRICT NO. 4
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

Net change in fund balances for governmental funds		$ 139,504
Total change in net position reported for governmental activities in the statement of activities is different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation and amortization expense. The amount by which depreciation and amortization exceeded capital outlays in the current period is as follows:		
Expenditures for capital assets, net	$ 579,159	
Depreciation and amortization expense	(1,625,392)	
		(1,046,233)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal on long-term debt consumes the current financial resources of governmental funds. However, neither transaction has any effect on net position. Also, governmental funds recognize the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The net effect of these differences in the treatment of long-term debt and related items is as follows:		
Debt issued or incurred:		
Capital leases	(329,672)	
Principal repayments:		
Bonds payable	1,420,000	
Capital leases	349,535	
Amortization of deferred amount on refunding	(62,282)	
Amortization of bond premium	62,737	
Net adjustment		1,440,318
Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the statement of activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. The net effect of such items is as follows:		
Compensated absences	(4,374)	
Net pension liability	(1,181,229)	
Total OPEB liability	(18,225)	
		(1,203,828)
Deferred outflows and inflows of resources resulting from changes in the components of the net pension and total OPEB liabilities are amortized as a component of pension expense in the statement of activities.		1,066,721
Change in net position of governmental activities		$ 396,482

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

REGIONAL SCHOOL DISTRICT NO. 4
STATEMENT OF NET POSITION
PROPRIETARY FUND
AS OF JUNE 30, 2019

	Business-type Activities - Health Insurance Fund
ASSETS	
Current assets:	
Cash	$ 54,926
Due from other funds	328,861
Total assets	383,787
LIABILITIES	
Current liabilities:	
Claims payable	315,770
Incurred but not reported claims	643,122
Total liabilities	958,892
NET POSITION	
Unrestricted	(575,105)
Total net position	$ (575,105)

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

REGIONAL SCHOOL DISTRICT NO. 4
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2019

	Business-type Activities - Health Insurance Fund
OPERATING REVENUES	
Charges for services:	
Participating employers	$ 5,615,029
Participating employees	1,014,546
Participating retirees	390,254
Other	60,684
	7,080,513
OPERATING EXPENSES	
Claims, net of stop loss reimbursements of $564,171	7,122,676
Premiums	490,226
Administration	120,496
Other	188,130
	7,921,528
Operating loss	(841,015)
Net position - beginning	265,910
Net position - ending	$ (575,105)

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

REGIONAL SCHOOL DISTRICT NO. 4
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2019

	Business-type Activities - Health Insurance Fund
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from users	$ 7,080,513
Payments of claims, administration and premiums	(7,440,444)
Net cash provided by operating activities	(359,931)
Net change in cash	(359,931)
Cash, beginning of year	414,857
Cash, end of year	$ 54,926
RECONCILIATION OF CHANGE IN NET POSITION TO NET CASH USED IN OPERATING ACTIVITIES:	
Change in net position	$ (841,015)
Change in assets and liabilites:	
Receivables	61,940
Claims payable	272,777
Incurred but not reported claims	146,367
Net cash used in operating activities	$ (359,931)

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

REGIONAL SCHOOL DISTRICT NO. 4
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
AS OF JUNE 30, 2019

	Private Purpose Trust - Scholarship Fund	Agency Fund - Student Activities
ASSETS		
Cash	$ -	$ 249,592
Due from other funds	8,688	-
	8,688	$ 249,592
LIABILITIES		
Due to other funds	-	$ 8,688
Due to student groups	-	240,904
	-	$ 249,592
NET POSITION		
Held in trust for other purposes	$ 8,688	

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

REGIONAL SCHOOL DISTRICT NO. 4
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	Private-Purpose Trust - Scholarship Fund
ADDITIONS	
Contributions	$ 23,799
DEDUCTIONS	
Scholarships	21,600
Change in net position	2,199
Net position - beginning	6,489
Net position - ending	$ 8,688

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Regional School District No. 4 (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. 4, serving the Towns of Chester, Deep River and Essex, Connecticut ("Member Towns"). The District receives funding from local, state, and federal government sources and must comply with the compliance requirements of these funding sources.

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. The District does not allocate indirect expenses to functions in the statement of activities. 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 fiduciary funds. Separate statements for each fund category - governmental, proprietary, and fiduciary - are presented. The emphasis of fund financial statements is on major governmental funds, each of which is displayed in a separate column. The District has no remaining funds aggregated and reported as non-major funds.

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

Government-wide and Fund Financial Statements (Continued)

Fund Financial Statements *(Continued)*

The District reports the following major governmental funds:

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

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

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

School Cafeteria Fund - This fund is used to account for the activities of the District's school lunch program.

The District has no nonmajor governmental funds.

The District reports the following proprietary fund:

Health Insurance Fund - This fund is used to account for risk financing activities relating to health insurance. The purpose of the fund is to allow members to pool their various enrollee counts in order to achieve cost savings and risk sharing in the purchasing of health insurance. In addition to Regional School District No. 4, the participating members are as follows: Town of Chester Board of Education, Town of Deep River (including Board of Education), Town of Essex (including Board of Education) and the Regional Supervision District Board of Education.

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

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

Agency Funds - These funds are used to account for resources held by the District in a purely custodial capacity. The District utilizes these funds to account for assets held for student activities.

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Revenues from the member Towns are recognized as revenues in the year for which they are collected. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the grantor have been met.

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

Measurement Focus and Basis of Accounting (Continued)

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measureable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital lease are reported as other financing sources.

The proprietary and private-purpose trust funds are reported using the economic resources measurement focus and the accrual basis of accounting. The agency fund has no measurement focus but utilizes the accrual basis of accounting for reporting its assets and liabilities.

Proprietary funds distinguish operating revenues and expenses from non-operating 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 Health Insurance Fund are premiums received from participating employers and participants. Operating expenses of the District's Health Insurance Fund consist of claims incurred and administrative expenses. Revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Implementation of Accounting Standards

Effective July 1, 2018, the District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 88, *Certain Disclosures Related to Debt, including Borrowings and Direct Placements*. This Statement defines debt for purposes of disclosure in notes to the financial statements as a liability (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The adoption of this statement did not have a material effect on the District's financial statements.

Effective July 1, 2018, the District adopted the provisions of GASB Statement No. 83, *Certain Asset Retirement Obligations*. GASB Statement No. 83 addresses accounting and financial reporting for certain asset retirement obligations (AROs). The Statement established criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. The adoption of this statement did not have a material effect on the District's financial statements.

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

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. The District had no cash equivalents as of June 30, 2019.

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

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

Donor-restricted Endowments

The District allocates investment income on endowment investments in accordance with donor restrictions and Connecticut law. The State of Connecticut adopted the provisions of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) effective October 1, 2007. UPMIFA requires the investment of endowments in good faith and with the care that an ordinarily prudent person in a like position would exercise under similar circumstances. It requires prudence in incurring investment costs, authorizing only costs that are appropriate and reasonable. Factors to be considered in investing are expanded to include, for example, the effects of inflation. UPMIFA emphasizes that investment decisions be made in relation to the overall resources of the District.

District policy requires all investment income to be recorded in the fund where it is earned and is to be used to offset future donor restricted program expenditures.

Inventories and Prepaid Items

Purchased inventories are reported at cost using the first-in first-out (FIFO) method, except for USDA donated commodities, which are recorded at market value.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets

Capital assets, which include land, buildings and improvements, improvements to athletic facilities, equipment and vehicles, are reported in the government-wide statement of net position. Capital assets are defined by the District as assets with an initial individual cost of more than $5,000 and an estimated useful life in excess of five years. Such assets are recorded at historical cost, or estimated historical cost, if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

Assets	Years
Buildings and improvements	40
Equipment	5-10
Improvements to athletic facilities	10
Vehicles	5

Unearned Revenue

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

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

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

Deferred Outflows and Inflows of Resources

Deferred outflows and inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an outflow or inflow of resources until that time.

Deferred outflows and inflows of resources include deferred charges on pension and OPEB expenses, which resulted from changes in the components of the District's net pension and total OPEB liabilities. These amounts are being amortized as a component of pension and OPEB expense on a systematic and rational basis.

Deferred outflows of resources also includes deferred charges on refundings. Deferred charges on refundings resulted from differences in the carrying value of previously refunded debt and the reacquisition price of the debt and are being amortized to interest expense using the effective-interest method over the life of the related bonds.

Compensated Absences

Sick time may be accumulated by employees of the District. Upon retirement or termination, employees will only receive payment upon meeting the following conditions:

- The employee must have a minimum of 10 years of service in the District.
- There is no payment for the first 50 - 150 accumulated days based on job position.
- Accumulated sick days above 150 shall be compensated at a rate between $20-$75 per day based on job position, with a cap of between $1,000-$2,500 based on job position.

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

Long-term Obligations

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

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.

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

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

Net Position and Fund Balances

The government-wide statement of net position presents the District's non-fiduciary assets, deferred outflows and inflows of resources and liabilities, with the difference reported as net position. Net position 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 are attributed to the acquisition, construction or improvement of capital assets.

Restricted net position - This category consists of net position whose use is restricted either through external restrictions imposed by creditors, grantors, contributors, and the like, or through restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position - This category consists of net position which do not meet the definition of the two preceding categories.

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

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

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

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

Assigned - Amounts are constrained by the 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.

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

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

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 Activities

Interfund activities are reported as follows:

Interfund Receivables and Payables

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

Interfund Services Provided and Used

Sales and purchases of goods and services between funds for a price approximating their external exchange value are reported as revenues and expenditures, or expenses, in the applicable funds.

Interfund Transfers

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

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

Interfund Activities (Continued)

Interfund Reimbursements

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

Annual District Assessment

Each Town in the District pays a share of the cost of capital outlays and current expenditures necessary for the operation of the District. The Board of Education determines the amount to be paid by each member Town. Such amount bears the same ratio to the net expenditures of the District as the number of pupil residents in such town in average daily membership in the District during the preceding school year bears to the total number of such pupils in the District.

Use of Estimates

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

NOTE 2 - CASH DEPOSITS

A reconciliation of the District's cash deposits as of June 30, 2019 is as follows:

Government-wide statement of net position	$ 1,356,134
Statement of fiduciary net position:	
Agency funds	249,592
	$ 1,605,726

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the District will not be able to recover its cash deposits or will not be able to recover collateral securities that are in possession of an outside party. The District does not have a deposit policy for custodial risk. As of June 30, 2019, $687,388 of the District's bank balance of $1,481,609 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	$ 618,649
Uninsured and collateralized with securities held by the pledging bank's trust department or agent but not in the District's name	68,739
	$ 687,388

NOTE 2 - CASH DEPOSITS *(Continued)*

Custodial Credit Risk *(Continued)*

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

NOTE 3 - CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital assets, not being depreciated:				
Land	$ 589,816	$ -	$ -	$ 589,816
Total capital assets, not being depreciated	589,816	-	-	589,816
Capital assets, being depreciated:				
Building and improvements	49,263,930	249,487	-	49,513,417
Improvements to athletic facilities	47,775	-	-	47,775
Vehicles	83,616	-	-	83,616
Equipment	1,955,197	329,672	-	2,284,869
Total capital assets, being depreciated	51,350,518	579,159	-	51,929,677
Less accumulated depreciation and amortization for:				
Building and improvements	(18,577,792)	(1,253,233)	-	(19,831,025)
Improvements to athletic facilities	(47,775)	-	-	(47,775)
Vehicles	(50,642)	(282)	-	(50,924)
Equipment	(797,898)	(371,877)	-	(1,169,775)
Total accumulated depreciation and amortization	(19,474,107)	(1,625,392)	-	(21,099,499)
Total capital assets, being depreciated, net	31,876,411	(1,046,233)	-	30,830,178
Governmental activities capital assets, net	$ 32,466,227	$ (1,046,233)	$ -	$ 31,419,994

NOTE 3 - CAPITAL ASSETS *(Continued)*

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

Governmental Activities:	
Instruction:	
General instruction	$ 950,361
Support services:	
Support services - students	99,477
Improvement of instruction	36,484
Support services - administration	139,703
School-based administration	122,340
Plant operation and maintenance	168,714
Transportation	84,468
Other support services	23,845
Total depreciation and amortization expense - governmental activities	$ 1,625,392

NOTE 4 - INTERFUND RECEIVABLES AND PAYABLES

Interfund receivable and payable balances at June 30, 2019 consisted of the following:

Receivable Fund	Payable Fund	Amount
Governmental Funds		
General Fund	School Cafeteria Fund	$ 248,100
	Capital Sinking Fund	523,875
	Education Grants Fund	185,107
		$ 957,082
Proprietary Fund		
Health Insurance Fund	General Fund	$ 328,861
Fiduciary Fund		
Private Purpose Trust Fund	Agency Fund	$ 8,688

The above balances resulted from the time lag between the dates that (1) transactions are recorded in the accounting system, (2) payments between funds are made and (3) interfund goods or services are provided or reimbursable expenditures occur.

NOTE 5 - INTERFUND TRANSFERS

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

Transfers In	Transfers Out	Amount
Governmental Funds		
Capital Sinking Fund	General Fund	$ 20,000
School Cafeteria Fund	General Fund	194,165
		$ 214,165

The transfer to the School Cafeteria Fund was made to assist in funding the operations of this fund. The transfer to the Capital Sinking Fund included a current year authorized transfer of $20,000.

NOTE 6 - 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 health insurance. During fiscal year 2019, deductibles paid by the District were insignificant. Neither the District nor its insurers have settled any claims, which exceeded the District's insurance coverage in any of the last three fiscal years. There have been no significant reductions in any insurance coverage from amounts in the prior year.

The District participates in a health insurance fund administered by Blue Cross/Blue Shield, and maintains an internal service fund for the purpose of providing healthcare benefits for each participant in the fund. The District pays an annual contribution for its coverage. The fund is to be self-sustaining through members' premiums, but reinsures in excess of $150,000 for each insured occurrence. In addition to Regional School District No. 4, the participating members are as follows: Town of Chester Board of Education, Town of Deep River (including Board of Education), Town of Essex (including Board of Education) and the Regional Supervision District Board of Education. Members may be subject to additional assessments in the event of a deficiency.

Health insurance premiums are based on estimates of the number of employees and type of coverages (single or family), trends in insurance claims and estimates for administration. The claims liability of $643,122 at June 30, 2019 represents a liability for estimated claims "incurred but not reported" (IBNR). The amount of claim accrual is based on the ultimate costs of settling the claim, which include past experience data, inflation and other future economic and societal factors and incremental claim adjustment expenses, net of estimated subrogation recoveries. The claim accrual does not include other allocated or unallocated claims adjustment expenses.

NOTE 6 - RISK MANAGEMENT *(Continued)*

An analysis of the claims liability for the past two years, which is included in claims payable, is as follows:

Year ended June 30,	Balance July 1,	New Claims/ Change in Estimate	Claims Paid	Balance June 30,
2019	$ 496,755	$ 7,122,676	$ 6,660,539	$ 958,892
2018	516,296	5,769,540	5,789,081	496,755

NOTE 7 - LONG-TERM DEBT

The applicable accounting standards define debt as a liability that arises from a contractual obligation to pay cash, or other assets that may be used in lieu of cash, in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. For disclosure purposes, debt does not include accounts payable or leases, except for contracts reported as financed purchase of the underlying asset.

The following is a summary of changes in long-term debt for the year ended June 30, 2019:

Governmental Activities	**Beginning Balance**	**Increases**	**Decreases**	**Ending Balance**	**Amounts Due Within One Year**
Bonds payable:					
General obligation bonds	$ 7,055,000	$ -	$ (1,420,000)	$ 5,635,000	$ 1,405,000
Unamortized premium	183,719	-	(62,737)	120,982	-
	7,238,719	-	(1,482,737)	5,755,982	1,405,000
Capital leases from direct borrowings	781,817	329,672	(349,535)	761,954	307,126
	$ 8,020,536	$ 329,672	$ (1,832,272)	$ 6,517,936	$ 1,712,126

Bonds payable and capital leases are liquidated by the General Fund.

GENERAL OBLIGATION BONDS

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

Purpose of Bonds	**Final Maturity Dates**	**Interest Rates**	**Amount Outstanding**
Governmental Activities			
General obligation refunding bonds issued 4/15/11, original amount of $5,045,000	4/2022	3%-5%	$ 1,485,000
General obligation bonds issued 8/15/11, original amount of $1,472,000	8/2021	2%-3%	420,000
General obligation refunding bonds issued 4/5/12, original amount of $7,760,000	2/2024	2%-4%	3,730,000
			$ 5,635,000

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

GENERAL OBLIGATION BONDS (Continued)

The following is the annual debt service requirements to maturity at June 30, 2019.

Year ending	General Obligation Bonds		
June 30:	Principal	Interest	Total
2020	$ 1,405,000	$ 203,226	$ 1,608,226
2021	1,380,000	159,200	1,539,200
2022	1,380,000	107,800	1,487,800
2023	735,000	58,800	793,800
2024	735,000	29,400	764,400
	$ 5,635,000	$ 558,426	$ 6,193,426

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. The District did not exceed the statutory debt limitation as of June 30, 2019.

Advanced Debt Refundings

In prior years, the District defeased general obligation bonds by creating separate irrevocable trusts. New debt was issued and the proceeds were used to purchase U.S. government securities that were placed in the trusts. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and, therefore, is no longer counted in computing the District's debt for statutory debt limit purposes.

CAPITAL LEASES FROM DIRECT BORROWINGS

Capital leases from direct borrowings include non-appropriation clauses and provide the obligor with a security interest in the underlying equipment in the event of default. A summary of assets acquired under capital leases is as follows as of June 30, 2019:

	Governmental Activities
Equipment	$ 1,525,575
Less: accumulated amortization	(522,297)
	$ 1,003,278

Amortization expense relative to leased property under capital leases totaled $303,991 for the year ended June 30, 2019 and is included in depreciation and amortization expense disclosed in Note 3.

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

CAPITAL LEASES FROM DIRECT BORROWINGS (Continued)

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

	Governmental Activities
Year Ending June 30:	
2020	$ 321,837
2021	254,486
2022	161,830
2023	69,876
Total minimum lease payments	808,029
Less: amount representing interest	(46,075)
Present value of minimum lease payments	$ 761,954

The minimum lease payments are funded through the District's General Fund. A portion of the assets under lease are being utilized by the Member Towns. The District receives reimbursement for the portion of the lease payments associated with those assets. For the year ended June 30, 2019, the District received reimbursements in the amount of $185,354.

NOTE 8 - OTHER LONG-TERM LIABILITIES

Changes in other long-term liabilities for the year ended June 30, 2019 are as follows:

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Other liabilities:					
Compensated absences	$ 16,549	$ 20,923	$ (16,549)	$ 20,923	$ 20,923
Net pension liability *(see Note 9)*	841,183	1,181,229	-	2,022,412	-
Total OPEB liability *(see Note 10)*	995,402	18,225	-	1,013,627	-
	$ 1,853,134	$ 1,220,377	$ (16,549)	$ 3,056,962	$ 20,923

NOTE 9 - PENSION PLANS

Connecticut Municipal Employees' Retirement System

The District participates in the Connecticut's Municipal Employees' Retirement System (CMERS). CMERS is the public pension plan offered by the State of Connecticut for municipal employees in participating municipalities. The plan was established in 1947 and is governed by Connecticut Statute Title 7, Chapter 113. Chapter 113, Part II of the General Statutes of Connecticut, which can be amended by legislative action, establishes PERS benefits, member contribution rates, and other plan provisions.

Municipalities may designate which departments are to be covered under the CMERS. Only employees covered under the State Teachers' Retirement System may not be included. There are no minimum age or service requirements. Membership is mandatory for all regular full time employees of participating departments except Police and Fire hired after age 60.

NOTE 9 - PENSION PLANS *(Continued)*

Connecticut Municipal Employees' Retirement System (Continued)

The plan has 4 sub plans as follows:

- General employees with social security
- General employees without social security
- Policemen and firemen with social security
- Policemen and firemen without social security

Plan Description

Plan administration - CMERS is a multiemployer pension plan administered by the Connecticut State Retirement Commission. The State Retirement Commission is responsible for the administration of the CMERS. The State Treasurer is responsible for investing CMERS funds for the exclusive benefit of CMERS members.

Plan membership - All full-time employees of the District, except for certified Board of Education personnel who are eligible for the State Teachers' Retirement System, who are age 55 or younger at the date of hire, participate in the CMERS plan for general employees with social security.

Benefits provided - General employees are eligible to retire at age 55 with 5 years of continuous service, or 15 years of active aggregate service, or 25 years of aggregate service. Police are eligible at the compulsory retirement age for police and fire members are eligible at the age of 65.

For members not covered by social security, the benefit is 2% of average final compensation times years of service. For members covered by social security, the benefit is 1.5% of the average final compensation not in excess of the year's breakpoint plus 2% of average final compensation in excess of the year's breakpoint, times years of service.

The maximum benefit is 100% of average final compensation and the minimum benefit is $1,000 annually. Both the minimum and the maximum include workers' compensation and social security benefits. If any member covered by social security retires before age 62, the benefit until age 62 is reached or a social security disability award is received, is computed as if the member is not under social security.

Employees are eligible for early retirement after 5 years of continuous or 15 years of active aggregate service. The benefit is calculated on the basis of average final compensation and service to date of termination. Deferred to normal retirement age, or an actuarially reduced allowance may begin at the time of separation.

Employees are eligible for service-related disability benefits from being permanently or totally disabled from engaging in the service of the municipality provided such disability has arisen out of and in the course of employment with the municipality. Disability due to hypertension or heart disease, in the case of firemen and policemen, is presumed to have been suffered in the line of duty. Disability benefits are calculated based on compensation and service to the date of the disability with a minimum benefit (including workers' compensation benefits) of 50% of compensation at the time of disability.

Employees are eligible for non-service-related disability benefits with 10 years of service and being permanently or totally disabled from engaging in gainful employment in the service of the municipality. Disability benefits are calculated based on compensation and service to the date of the disability. The plan also offers a pre-retirement death benefit in the form of a lump sum return of contributions with interest or surviving spouse benefit depending on length of service.

NOTE 9 - PENSION PLANS *(Continued)*

Connecticut Municipal Employees' Retirement System (Continued)

Plan Description *(Continued)*

Contributions - The contribution requirements of plan members are established and may be amended by the State Retirement Commission. The District is required to contribute annual contributions consisting of a normal cost contribution, a contribution for the amortization of the net unfunded accrued liability and a prior service amortization payment which covers the liabilities of the system not met by member contributions. The current rate is 11.74% of the annual District employees' covered payroll. The contribution requirements of the District are established and may be amended by the State Retirement Commission. The District's contributions to the CMERS for the year ended June 30, 2019 totaled $135,487, and were equal to the required contributions for the year.

For employees not covered by social security, each person is required to contribute 5% of compensation. For employees covered by social security, each person is required to contribute 2.25% of compensation up to the social security taxable wage base plus 5% of compensation, if any, in excess of such base.

Summary of Significant Accounting Policies

Pensions - For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions and pension expense, information about the fiduciary net position of CMERS and additions and deletions from CMERS' net position are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. For this purpose, benefit payments are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

Investment policy - The CMERS' policy in regard to the allocation of invested assets is established and may be amended by the State Retirement Commission. It is the policy of the State to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The State Treasurer is responsible for investing CMERS funds for the exclusive benefit of CMERS members.

Net Pension Liability

The total estimated net pension liability of the CMERS as of June 30, 2018 was $956.443 million, the most recent available reporting provided by the Board. The portion that was associated with the District totaled $2,022,412 or approximately 0.21% of the total estimated net pension liability. The collective total pension liability as of June 30, 2018 is based upon the June 30, 2018 actuarial valuation. The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2012 through June 30, 2017. Expected payroll adjusts actual payroll for known changes in the status of employees, annualized salaries for partial year employees and anticipated salary increases.

NOTE 9 - PENSION PLANS *(Continued)*

<u>Connecticut Municipal Employees' Retirement System (Continued)</u>

Net Pension Liability *(Continued)*

The total pension liability for the CMERS was determined by an actuarial valuation as of June 30, 2018, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	3.50% - 10.00%, including inflation
Investment rate of return	7.00%, net of pension plan investment expense, including inflation

For the period after retirement and for dependent beneficiaries, mortality rates were based on the RP-2014 Combined Mortality Table adjusted to 2006 and projected to 2015 with Scale MP-2017 and projected to 2022 with Scale BB for General Employees and the RP-2014 Blue Collar Mortality Table adjusted to 2006 and projected to 2015 with Scale MP-2017 and projected to 2022 with Scale BB for Police and Fire. For disabled retirees, the RP-2014 Disabled Mortality Table projected with Scale B to 2020 was used.

The long-term expected rate of return on pension plan investments was determined using a statistical 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 allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Target Expected Real Rate of Return
Domestic Equity	20.0%	5.3%
Developed Market International	11.0%	5.1%
Emerging Market International	9.0%	7.4%
Core Fixed Income	16.0%	1.6%
Inflation Linked Bond	5.0%	1.3%
Emerging Market Debt	5.0%	2.9%
High Yield Bond	6.0%	3.4%
Real Estate	10.0%	4.7%
Private Equity	10.0%	7.3%
Alternative Investments	7.0%	3.2%
Liquidity Fund	1.0%	0.9%
	100.0%	

NOTE 9 - PENSION PLANS *(Continued)*

Connecticut Municipal Employees' Retirement System (Continued)

Net Pension Liability *(Continued)*

Discount rate - The discount rate used to measure the CMERS' total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that State contributions will be made at the actuarially determined rates in future years. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate - The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.00%%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate:

	1% Decrease	Current Discount	1% Increase
District proportionate share of the net pension liability as of June 30, 2019	$ 2,983,084	$ 2,022,412	$ 1,218,003

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

Pension Expense and Deferred Outflows and Inflows of Resources

For the year ended June 30, 2019, the District recognized pension expense related to the CMERS of $294,330. At June 30, 2019, the District reported its proportionate share of deferred outflows and inflows of resources related to the CMERS from the following sources:

	Deferred Outflow of Resources	Deferred Inflows of Resources	Net
Differences between expected and actual experience	$ 288,121	$ -	$ 288,121
Difference between projected and actual earnings on pension plan investments	121,760	-	121,760
Changes of assumptions	689,020		
Changes in proportion and differences between employer contributions and proportionate share of contributions	34,424	(30,965)	3,459
	$ 1,133,325	$ (30,965)	$ 413,340

NOTE 9 - PENSION PLANS *(Continued)*

<u>Connecticut Municipal Employees' Retirement System (Continued)</u>

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

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

Year ended June 30,		
2020	$	125,471
2021		107,949
2022		83,543
2023		96,377
	$	413,340

<u>Connecticut State Teachers' Retirement System</u>

Plan Description

The faculty and professional personnel of the District's Board of Education participate in the Teachers' Retirement System ("TRS"), which is a cost-sharing multiple-employer defined benefit pension plan that provides retirement, disability, survivorship and health insurance benefits to plan members and their beneficiaries. The TRS is governed by Connecticut General Statue ("CGS") *Title 10, Chapter 167a* and is administered by the Connecticut State Teachers' Retirement Board (the "Board"). The TRS is included as a fiduciary pension trust fund in the State of Connecticut's Comprehensive Annual Financial Report and the Board issues publicly available financial reports.

Benefit Provisions

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

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

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

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

NOTE 9 - PENSION PLANS *(Continued)*

Connecticut State Teachers' Retirement System (Continued)

Benefit Provisions *(Continued)*

Disability Retirement: There is no service requirement if incurred in the performance of duty. Employees are eligible for five years of credited service if not incurred in the performance of duty. 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 contributions with interest or surviving spouse benefit depending on length of service.

Contributions

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

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

Administrative Expenses

Administrative costs of the plan are funded by the State.

Basis of Presentation

The collective net pension liability, deferred outflows and inflows of resources, and pension expense for the TRS has been measured as of June 30, 2018 based on an actuarial valuation performed as of June 30, 2018. Since the District does not contribute directly to the TRS, the District does not recognize its proportionate share of these amounts in its financial statements. The information determined as of the June 30, 2018 measurement date for the TRS has been utilized by the District for reporting on-behalf revenues, expenditures and expenses for the year ended June 30, 2019 and for reporting the proportionate share of the collective net pension liability that is attributed to the District as of June 30, 2019.

NOTE 9 - PENSION PLANS *(Continued)*

Connecticut State Teachers' Retirement System (Continued)

Allocation Methodology

The schedule of employer allocations for the TRS was calculated based upon the fiscal year 2018 expected contribution effort for each participating employer. The employer allocations were then applied to the net pension liability and pension expense to determine the amount applicable to each employer. For fiscal year 2018, the District's expected contribution effort for allocation purposes totaled $2,219,325 or 0.174% of the total expected contribution effort. The District has recognized this amount as an on-behalf payment into the TRS as intergovernmental revenues and related education expenditures of the General Fund for the year ended June 30, 2019.

The components associated with the collective pension expense and deferred inflows and outflows of resources for the TRS have been determined based on the fiduciary net position as audited by the State of Connecticut Auditors of Public Accounts as part of the State of Connecticut's Comprehensive Annual Financial Report as of and for the year ended June 30, 2018. The portion of the collective pension expense allocated to the District totaled $2,577,194. The District has recognized this amount as an operating contribution and related education expense of the governmental activities for the year ended June 30, 2019.

The total collective net pension liability of participating employers for the TRS was approximately $13.164 billion as of the June 30, 2018 measurement date. The portion attributed to the District totaled $22,963,000 or approximately 0.174% of the total collective net pension liability.

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2018 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increase	3.25-6.50%, including inflation
Investment rate of return	8.00%, net of pension plan investment expense, including inflation
Administrative expenses	$0 assumption as expenses are paid for by the General Assembly

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

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

NOTE 9 - PENSION PLANS *(Continued)*

Connecticut State Teachers' Retirement System (Continued)

Long-Term Rate of Return

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Large Cap U.S. Equities	21%	5.8%
Developed Non-U.S. Equities	18%	6.6%
Emerging Markets (Non-U.S.)	9%	8.3%
Real Estate	7%	5.1%
Private Equity	11%	7.6%
Alternative Investment	8%	4.1%
Core fixed income	7%	1.3%
High yield bonds	5%	3.9%
Emerging market bond	5%	3.7%
Inflation linked bond fund	3%	1.0%
Cash	6%	0.4%
	100%	

Discount Rate

The discount rate used to measure the total pension liability was 8.00%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the State contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE 9 - PENSION PLANS *(Continued)*

Connecticut State Teachers' Retirement System (Continued)

Proportionate Share of the Collective Net Pension Liability

The following presents the District's proportionate share of the net pension liability attributed to the District as of the June 30, 2018 measurement date, calculated using the discount rate of 8.00%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (7.00%) or 1-percentage-point higher (9.00%) than the current rate:

	Discount Rates		
	1% Decrease (7.00%)	Current (8.00%)	1% Increase (9.00%)
District proportionate share of the net pension liability as of June 30, 2019	$ 29,022,000	$ 22,963,000	$ 17,841,000

NOTE 10 - OTHER POST-EMPLOYMENT BENEFITS (OPEB)

Board of Education Other Post-Employment Benefits Plan

Plan Description

The District provides healthcare insurance benefits for eligible retirees and their families through the District's group health insurance plan (the "Plan"), which covers both active and retired members. Benefit provisions are established through negotiations between the District and the unions representing District employees and are renegotiated each three-year bargaining period. The Plan does not issue a publicly available financial report and is not included in the financial statements of another entity.

Benefits Provided

The Plan provides for medical and dental insurance benefits to eligible retirees, spouses and beneficiaries. Contribution requirements of the plan members are established in the provisions of the program and in accordance with the General Statutes of the State of Connecticut. Currently, participants contribute 100% toward medical and dental premiums. The District finances the plan on a pay-as-you-go-basis. Contribution requirements of the participants and the District are established by and may be amended through negotiations between the District and the unions.

Employees Covered by Benefit Terms

As of July 1, 2017, the date of the most recent actuarial valuation, the following employees were covered by the benefit terms:

Retirees, beneficiaries, and dependents currently receiving benefits	20
Active participants	138
Total	158

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

Board of Education Other Post-Employment Benefits Plan (Continued)

Total OPEB Liability

The District's OPEB liability reported as of June 30, 2019 totaled $1,013,627. The total OPEB liability was measured as of June 30, 2019 and was determined by an actuarial valuation as of July 1, 2017.

Actuarial Assumptions and Other Inputs - The total OPEB liability as of June 30, 2019 was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75%
Discount rate	3.25% as of June 30, 2019
Healthcare cost trend rates:	
Medical	6.00%, 5.00% ultimate rate
Dental	5.50%, 5.00% ultimate rate

The discount rate was based on the S&P Municipal Bond 20-Year High Grade Index as of the measurement date, which represents municipal bond trends based on a portfolio of 20 general obligation bonds that mature in 20 years.

Mortality rates were based on the RP-2000 Healthy Annuitant Mortality Table projected generationally with scale BB and a base year 2009 for males and females.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance as of June 30, 2018	$ 995,402
Changes for the year:	
Service cost	31,387
Interest	32,633
Differences between expected and actual experience	-
Change in assumption	-
Benefit payments	(45,795)
Net changes	18,225
Balance as of June 30, 2019	$ 1,013,627

Current year experience gain was due to a decrease in the number of retirees over the age of 65 in non-Medicare integrated plans as well as a postponement of the effective date of the ACA Excise ("Cadillac") Tax.

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

Board of Education Other Post-Employment Benefits Plan (Continued)

Changes in the Total OPEB Liability *(Continued)*

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate - The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1- percentage-point lower (2.25%) or 1-percentage-point higher (4.25%) than the current discount rate:

	1% Decrease	Current Rate	1% Increase
Total OPEB Liability	$ 1,111,342	$ 1,013,627	$ 927,039

Sensitivity of the Total OPEB liability to Changes in the Healthcare Cost Trend Rates - The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
Total OPEB Liability	$ 662,145	$ 1,013,627	$ 4,903,270

OPEB Expense and Deferred Outflows and Inflows of Resources

For the year ended June 30, 2019, the Town recognized net OPEB benefit of $(43,373). As of June 30, 2019, the Town reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net
Difference between expected and actual experience	$ -	$ (219,102)	$ (219,102)
Changes in assumptions	18,477	-	18,477
	$ 18,477	$ (219,102)	$ (200,625)

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

Board of Education Other Post-Employment Benefits Plan (Continued)

OPEB Expense and Deferred Outflows and Inflows of Resources ***(Continued)***

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

Year ended June 30,	Deferred Outflows of Resources	Deferred Inflows of Resources	Net
2020	$ 3,696	$ (43,821)	$ (40,125)
2021	3,696	(43,821)	(40,125)
2022	3,696	(43,821)	(40,125)
2023	3,696	(43,821)	(40,125)
Thereafter	3,693	(43,818)	(40,125)
	$ 18,477	$ (219,102)	$ (200,625)

Connecticut State Teachers' Retirement System

Plan Description

The faculty and professional personnel of the District's Board of Education participates in the State of Connecticut's Teachers' Retirement System ("TRS"), which is a cost sharing multiple-employer defined benefit pension plan that provides retirement, disability, survivorship and health insurance benefits to plan members and their beneficiaries. The TRS is governed by Connecticut General Statue ("CGS") *Title 10, Chapter 167a* and is administered by the Connecticut State Teachers' Retirement Board (the "Board"). The OPEB trust fund is included in the TRS, and the TRS is included in the State of Connecticut audit as a pension trust fund.

Benefit Provisions

The Plan covers retired teachers and administrators of public schools in the State who are receiving benefits from the Plan. The Plan provides healthcare insurance benefits to eligible retirees and their spouses. Any member that is currently receiving a retirement or disability benefit through the Plan is eligible to participate in the healthcare portion of the Plan. Subsidized Local School District Coverage provides a subsidy paid to members still receiving coverage through their former employer and the TRB Sponsored Medicare Supplemental Plans provide coverage for those participating in Medicare, but not receiving Subsidized Local School District Coverage.

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

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

Connecticut State Teachers' Retirement System (Continued)

Benefit Provisions *(Continued)*

Any member that is currently participating in Medicare Parts A & B is eligible to either continue health care coverage with their former employer, if offered, or enroll in the plan sponsored by the System. If they elect to remain in the plan with their former employer, the same subsidies as above will be paid to offset the cost of coverage. If a member participating in Medicare Parts A & B so elects, they may enroll in one of the CTRB Sponsored Medicare Supplemental Plans. Active members, retirees, and the State pay equally toward the cost of the basic coverage (medical and prescription drug benefits).

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

Contributions

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

The cost of providing plan benefits is financed on a pay-as-you-go basis as follows: active teachers' pay for one third of the Plan costs through a contribution of 1.25% of their pensionable salaries, and retired teachers pay for one third of the Plan costs through monthly premiums, which helps reduce the cost of health insurance for eligible retired members and dependents.

Contributions remitted by the State are recognized when legally due, based upon statutory requirements.

Administrative Expenses

Administrative costs of the Plan are to be paid by the General Assembly per Section 10-183r of the Connecticut General Statutes.

Basis of Presentation

The collective net OPEB liability, deferred outflows and inflows of resources, and OPEB expense for the TRS has been measured as of June 30, 2018 based on an actuarial valuation performed as of June 30, 2018. Since the District does not contribute directly to the TRS, the District does not recognize its proportionate share of these amounts in its financial statements. The information determined as of the June 30, 2018 measurement date for the TRS has been utilized by the District for reporting on-behalf revenues, expenditures and expenses for the year ended June 30, 2019 and for reporting the proportionate share of the collective net OPEB liability that is attributed to the District as of June 30, 2019.

The components associated with the OPEB expense and deferred inflows and outflows of resources have been determined using the unrecognized portions of each year's experience and assumption changes for the year ended June 30, 2018.

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

Connecticut State Teachers' Retirement System (Continued)

Allocation Methodology

The schedule of allocations have been prepared to provide the total amount of employer contributions from the State and the proportionate share percentages that have been determined based on these contributions. Based on these percentages the proportionate share amounts of the net OPEB liability associated with each participating employer and the employer OPEB expense and revenue for State support for each participating employer for the year ending June 30, 2018.

For fiscal year 2018, the District's expected contribution effort for allocation purposes totaled $61,575 or 0.174% of the total expected contribution effort. The District has recognized this amount as an on-behalf payment into the TRS as intergovernmental revenues and related education expenditures of the General Fund for the year ended June 30, 2019.

The components associated with the collective OPEB expense and deferred outflows and inflows of resources for the TRS have been determined based on the fiduciary net position as audited by the State of Connecticut Auditors of Public Accounts as part of the State of Connecticut's Comprehensive Annual Financial Report as of and for the year ended June 30, 2018. The portion of the collective negative OPEB expense allocated to the District totaled $(1,524,956).

The total collective net OPEB liability of participating employers for the TRS was approximately $2.632 billion as of the June 30, 2018 measurement date. The portion attributed to the District totaled $4,590,000 or approximately or 0.174% of the total collective net OPEB liability.

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of June 30, 2018 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Real Wage Growth	0.50%
Wage Inflation	3.25%
Salary Increase	3.25-6.50%, including inflation
Long-term Investment rate of return	3.00%, net of OPEB plan investment expense, including inflation

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

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

Connecticut State Teachers' Retirement System (Continued)

Long-Term Rate of Return

The long-term expected rate of return on plan assets is reviewed as part of the actuarial valuation process. Several factors are considered in evaluation the long-term rate of return assumption, including the Plan's current asset allocations and a log-normal distribution analysis using the best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) for each major asset class.

The long-term expected rate of return was determined by weighing the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The assumption is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
U.S. Treasuries (Cash Equivalents)	100.0%	0.27%

Discount Rate

The discount rate used to measure the total OPEB liability was 3.87%. The projection of cash flows used to determine the discount rate was performed in accordance with the applicable standards. The projection's basis was an actuarial valuation performed as of June 30, 2018. In addition to the actuarial methods and assumptions of the June 30, 2018 actuarial valuation, the following actuarial methods and assumptions were used in the projection of cash flows:

- Total payroll for the initial projection year consists of the payroll of the active membership present on the valuation date. In subsequent projection years, total payroll was assumed to increase annually at a rate of 3.25%.
- Employee contributions were assumed to be made at the current member contribution rate.
- Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- No future employer contributions were assumed to be made.

Based on those assumptions, the Plan's fiduciary net position was projected to be depleted in 2019 and, as a result, the Municipal Bond Index Rate was used in the determination of the single equivalent rate.

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

Connecticut State Teachers' Retirement System (Continued)

Proportionate Share of the Collective Net OPEB Liability

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate - The following presents the proportionate share of the collective net OPEB liability attributed to the District as of the June 30, 2018 measurement date, calculated using a discount rate of 3.87%, as well as what the proportionate share of the net OPEB liability attributed to the District would be if it were calculated using a discount rate that is 1-percentage point lower (2.87%) or 1-percentage-point higher (4.87%) than the current rate:

	1% Decrease	Current Rate	1% Increase
Proportionate share of the net OPEB liability attributed to the District	$ 5,451,000	$ 4,590,000	$ 3,903,000

Sensitivity of the Net OPEB liability to Changes in the Healthcare Cost Trend Rates - The following presents the proportionate share of the collective net OPEB liability attributed to the District as of the June 30, 2018 measurement date, calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
Proportionate share of the net OPEB liability attributed to the District	$ 3,847,000	$ 4,590,000	$ 5,577,000

NOTE 11 - FUND BALANCE DEFICITS

The following funds have deficit fund balances as of June 30, 2019:

Fund	Amount
Capital Sinking Fund	$ 429,729
Health Insurance Fund	575,105

The above deficits will be funded through either transfers in from the General Fund or future revenues/other financing sources received by the fund.

NOTE 12 - CONTINGENT LIABILITIES

Litigation

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

NOTE 12 - CONTINGENT LIABILITIES *(Continued)*

Federal Awards and State Financial Assistance

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

NOTE 13 - IMPACT OF NEW ACCOUNTING STANDARDS NOT YET EFFECTIVE

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities.* The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this statement are effective for the District's reporting period beginning July 1, 2019. The District does not expect this statement to have a material effect on its financial statements.

In June 2017, the GASB issued Statement No. 87, *Leases.* The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this statement are effective for the District's reporting period beginning July 1, 2020. The District does not expect this statement to have a material effect on its financial statements.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The objective of this Statement are (a) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (b) to simplify accounting for interest cost incurred before the end of a construction period. The requirements of this Statement should be applied prospectively and are effective for the District's reporting period beginning July 1, 2020. The District does not expect this statement to have a material effect on its financial statements.

NOTE 13 - IMPACT OF NEW ACCOUNTING STANDARDS NOT YET EFFECTIVE *(Continued)*

In August 2018, the GASB issued Statement No. 90, *Majority Equity Interests - An Amendment of GASB Statements No. 14 and No. 61,* The objectives of this statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The requirements of this statement are effective for the District's reporting period beginning July 1, 2019. The District does not expect this statement to have a material effect on its financial statements.

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations.* The objectives of this statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The requirements of this statement are effective for the District's reporting period beginning July 1, 2021. The District does not expect this statement to have a material effect on its financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

REGIONAL SCHOOL DISTRICT NO. 4
STATEMENT OF REVENUES AND EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -
BUDGETARY BASIS - GENERAL FUND (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2019

	Budgeted Amounts			Variance With Final Budget
	Original	**Final**	**Actual**	**Over (Under)**
REVENUES				
District Towns:				
Current year assessments	$19,803,194	$19,803,194	$19,803,190	$ (4)
Refunds paid to Member Towns	-	-	(36,693)	(36,693)
Intergovernmental	247,112	247,112	274,499	27,387
Interest	375	375	-	(375)
Fees for service	-	-	2,760	2,760
Other	2,000	2,000	15,297	13,297
Total revenues	20,052,681	20,052,681	20,059,053	6,372
EXPENDITURES				
Current:				
Salaries	10,440,830	10,217,606	10,152,030	(65,576)
Employee benefits	2,826,805	2,763,805	2,710,447	(53,358)
Purchased services	446,650	539,492	539,891	399
Purchased property services	1,021,097	1,088,204	1,074,833	(13,371)
Other purchased services	2,744,338	2,762,527	2,762,526	(1)
Supplies	637,118	637,098	618,036	(19,062)
Equipment	39,500	43,424	42,014	(1,410)
Other objects	212,968	307,150	311,314	4,164
Debt service:				
Principal	1,410,000	1,420,000	1,420,000	-
Interest	273,375	273,375	263,375	(10,000)
Total expenditures	20,052,681	20,052,681	19,894,466	(158,215)
Net change in fund balance	$ -	$ -	$ 164,587	$ 164,587

See accompanying notes to required supplementary information.

REGIONAL SCHOOL DISTRICT NO. 4
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY -
CONNECTICUT MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM (UNAUDITED)
LAST FIVE FISCAL YEARS

	2019	2018	2017	2016	2015
District's proportion of the net pension liability	0.21%	0.34%	0.34%	0.39%	0.26%
District's proportionate share of the net pension liability	$ 2,022,412	$ 841,183	$ 1,120,155	$ 747,390	$ 620,417
District's covered payroll	1,488,449	1,328,312	1,294,839	1,211,374	1,338,359
District's proportionate share of the net pension liability as a percentage of its covered payroll	135.9%	63.3%	86.5%	61.7%	46.4%
Plan fiduciary net position as a percentage of the total pension liability	73.60%	91.68%	88.29%	92.72%	90.48%

See accompanying notes to required supplementary information.

REGIONAL SCHOOL DISTRICT NO. 4
SCHEDULE OF CONTRIBUTIONS -
CONNECTICUT MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM (UNAUDITED)
LAST FIVE FISCAL YEARS

	2019	2018	2017	2016	2015
Contractually required contribution	$ 135,487	$ 155,944	$ 145,152	$ 136,329	$ 139,454
Contributions in relation to the contractually required contribution	135,487	155,944	145,152	136,329	139,454
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 1,488,449	$ 1,328,312	$ 1,294,839	$ 1,211,374	$ 1,338,359
Contributions as a percentage of covered payroll	11.74%	11.74%	11.21%	11.25%	10.42%

See accompanying notes to required supplementary information.

REGIONAL SCHOOL DISTRICT NO. 4
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY -
CONNECTICUT STATE TEACHERS' RETIREMENT SYSTEM (UNAUDITED)
LAST FIVE FISCAL YEARS
(Rounded to Nearest Thousand)

	2019	2018	2017	2016	2015
Proportion of the net pension liability attributed to the District	0.174%	0.167%	0.167%	0.172%	0.172%
District's proportionate share of the net pension liability	$ -	$ -	$ -	$ -	$ -
State's proportionate share of the net pension liability associated with the District	22,963,000	22,570,000	23,812,000	18,872,000	17,443,000
Total	$22,963,000	$22,570,000	$23,812,000	$18,872,000	$17,443,000
District's covered payroll	$ 6,715,000	$ 6,519,000	$ 6,675,000	$ 5,974,000	$ 6,532,000
District's proportionate share of the net pension liability as a percentage of its covered payroll	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	57.69%	55.93%	52.26%	59.50%	61.51%

See accompanying notes to required supplementary information.

REGIONAL SCHOOL DISTRICT NO. 4

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY -

OTHER POST-EMPLOYMENT BENEFITS PROGRAM (UNAUDITED)

LAST TWO FISCAL YEARS

	2019	2018
Total OPEB liability:		
Service cost	$ 31,387	$ 28,143
Interest	32,633	41,328
Changes in benefit terms	-	-
Differences between expected and actual experience	-	(306,744)
Changes of assumptions	-	25,869
Benefit payments, including refunds	(45,795)	(72,719)
Net change in total OPEB liability	18,225	(284,123)
Total OPEB liability - beginning	995,402	1,279,525
Total OPEB liability - ending	$ 1,013,627	$ 995,402

See accompanying notes to required supplementary information.

REGIONAL SCHOOL DISTRICT NO. 4
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY -
CONNECTICUT STATE TEACHERS' RETIREMENT SYSTEM (UNAUDITED)
LAST TWO FISCAL YEARS
(Rounded to Nearest Thousand)

	2019	2018
Proportion of the net OPEB liability attributed to the District	0.174%	0.167%
District's proportionate share of the net OPEB liability	$ -	$ -
State's proportionate share of the net OPEB liability associated with the District	4,590,000	5,809,000
Total	$ 4,590,000	$ 5,809,000
District's covered employee payroll	$ 6,715,000	$ 6,519,000
District's proportionate share of the net OPEB liability as a percentage of its covered employee payroll	0.00%	0.00%
Plan fiduciary net position as a percentage of the total OPEB liability	1.49%	1.79%

See accompanying notes to required supplementary information.

NOTE 1 - BUDGETARY INFORMATION

BUDGETARY INFORMATION

The District adheres to the following procedures in establishing the budgetary data for the General Fund:

- The District legally adopts an annual budget for the General Fund pursuant to Connecticut General Statutes 10-51. Formal budgetary integration is employed by the District as a management control device during the year for the General Fund. The Capital Sinking Fund employs a project length budget, which is approved by the Board of Education.
- Prior to January, each department head as designated by the Superintendent submits budget requests accompanied by detailed estimates of expenditures to be made and, where appropriate, revenues to be collected during the ensuing fiscal year.
- During January and February, the Superintendent presents to the Board the revenue and expenditure detail for their consideration.
- Not less than two weeks before the annual hearing, which must be held on the first Monday of May, the Board shall hold a public meeting to present a proposed budget for the next fiscal year. Any person may request the addition or deletion of expenditures at such time.
- After the public hearing, the Board shall prepare an annual budget for the next fiscal year, make available or request copies thereof and deliver a reasonable number of copies to the Town clerk of each Town in the District at least five days before the annual meeting.
- At the annual meeting, the Board shall present a budget which includes statements of (1) estimated receipts and expenditures for the next fiscal year, (2) estimated receipts and expenditures for the current fiscal year, (3) estimated surplus or deficit in operating funds at the end of the current fiscal year, (4) bonded or other debt, (5) estimated per pupil expenditure for the current and for the next fiscal year and (6) such other information as is necessary in the opinion of the Board.
- Persons present and eligible to vote may accept or reject the proposed budget. If a majority of such persons voting reject the budget, the Board shall, within two weeks thereafter and upon notice of not less than one week, call a District meeting to consider the same or amended budget. Such meetings shall be convened at such intervals until a budget is approved. It has been Board practice at the District meeting, to move the budget to a District referendum.
- After the budget is approved, the Board shall estimate the share of the net expenditures to be paid by each Member Town in accordance with Connecticut General Statutes 10-51, and notify the respective Town Treasurer, thereof.
- The level of control for a legally adopted budget (the level at which expenditures may not legally exceed appropriations without Board approval) is at the fund level. Transfers from one budget line to another may be made by the Business Manager with the approval of the Superintendent and the Board of Education.
- The Board does not have the authority to expend beyond the total budget appropriations without District meeting approval. No additional appropriations were made during the year.
- Except for encumbrance accounting, the budget is prepared on the modified accrual basis of accounting. Generally, all unencumbered appropriations lapse at year-end, except those of the capital projects fund. Encumbered appropriations are carried forward to the ensuing fiscal year. Appropriations for capital projects are continued until the completion of applicable projects, even when those projects extend more than one fiscal year.

NOTE 1 - BUDGETARY INFORMATION AND DEFICIT FUND BALANCES *(Continued)*

BUDGETARY INFORMATION *(Continued)*

As described above, 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, 2019:

	Total Revenues	Total Expenditures	Other Financing Sources (Uses)	Net Change In Fund Balance
Budgetary basis	$ 20,059,053	$ 19,894,466	$ -	$ 164,587
"On-behalf" payments - State Teachers Retirement Fund	2,280,900	2,280,900	-	-
Capital lease proceeds not recorded for budgetary purposes	-	329,672	329,672	-
Certain transfers recorded as expenditures for budgetary purposes	-	(214,165)	(214,165)	-
GAAP basis	$ 22,339,953	$ 22,290,873	$ 115,507	$ 164,587

NOTE 2 - SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - CONNECTICUT MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM

The District began to report this schedule when it implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - An Amendment of GASB Statement No. 27*, in fiscal year 2015.

Actuarial valuations are prepared every two years with the most recent available actuarial valuation performed as of June 30, 2018. This information is utilized by the District for reporting as of June 30, 2019.

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

Assumption Changes - The following assumption changes had a significant effect on the measurement of the total pension liability reported as of June 30, 2019.

- Investment return assumed rate changed from 8.00% to 7.00%;
- Wage inflation assumed rate changed from 3.50% to 3.00%; and
- Assumed rates of Withdrawal, Disability, Retirement, and Mortality have been adjusted to more closely reflect experience.

NOTE 3 - SCHEDULE OF CONTRIBUTIONS - CONNECTICUT MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM

The District began to report the schedule of contributions and investment returns when it implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*, in fiscal year 2015.

Actuarially determined contribution rates are calculated as of June 30, 2017, two years prior to the end of the fiscal year in which contributions are reported.

Methods and Assumptions Utilized:

- Actuarial cost method: Entry Age Actuarial Cost Method;
- Amortization method: Level dollar, closed;
- Remaining amortization period: 21 years;
- Asset valuation method: Smoothed market with 20% recognition of investment gains and losses;
- Inflation: 2.50%;
- Investment rate of return: 7.00%, net of investment related expenses;
- Salary increases: Varies 3.50% to 10.00%;
- Cost of living adjustments: 2.50% for those retiring on or after January 1, 2002, for retirements prior to January 1, 2002 2.50% up to age 65, 3.25% afterwards;
- Social Security Wage Base: 3.00%; and
- Mortality: The RP-2014 Combined Mortality Table adjusted to 2006 and projected to 2015 with Scale MP-2017 and projected to 2022 with Scale BB is used by General Employees for the period after retirement and for dependent beneficiaries. The RP-2014 Blue Collar Mortality Table adjusted to 2006 and projected to 2015 with Scale MP-2017 and projected to 2022 with Scale BB is used by Police and Fire for the period after retirement and for dependent beneficiaries. For disabled retirees, the RP-2014 Disabled Retiree Mortality Table projected to 2020 by Scale BB is used.

NOTE 4 - SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - CONNECTICUT STATE TEACHERS' RETIREMENT SYSTEM

The District began to report this schedule when it implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*, in fiscal year 2015.

Actuarial valuations are prepared every two years with the most recent available actuarial valuation performed as of June 30, 2018. This information is utilized by the District for reporting as of June 30, 2019.

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

Assumption Changes - The following assumption changes had a significant effect on the measurement of the total pension liability reported as of June 30, 2019.

- the inflation assumption was reduced from 2.75% to 2.50%;
- the real rate of return assumption was reduced from 5.25% to 4.40%, which when combined with the
- inflation assumption change, results in a decrease in the investment rate of return assumption from
- 8.00% to 6.90%; and
- the annual rate of wage increase assumption was increased from 0.50% to 0.75%.

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

The District began to report this schedule when it implemented GASB Statement No. 75*, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, in fiscal year 2018.

The District measures the total OPEB liability every two years as of July 1 using the Entry Age Normal Method.

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

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

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

The District began to report this schedule when it implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, in fiscal year 2018.

Actuarial valuations are prepared every two years with the most recent available actuarial valuation performed as of June 30, 2018. This information is utilized by the District for reporting as of June 30, 2019.

Benefit Changes - Effective July 1, 2018, the Plan changed the "base plan" to the Medicare Advantage Plan for the purposes of determining retiree health care plan subsidies and/or cost sharing amount(s), and introduced a two year waiting period for re-enrollment in a system-sponsored health care plan for those who cancel their coverage or choose not to enroll in a health care coverage option on or after the effective date.

Assumption Changes - The following assumption changes collectively had a significant effect on the measurement of the net OPEB liability reported as of June 30, 2018:

- the expected rate of return on Plan assets was changed from 4.25% to 3.00% to better reflect the anticipated returns on cash and other high quality short-term fixed income investments;
- the discount rate used to measure Plan obligations and amortize supplemental costs was updated to match the expected rate of return on assets selected as of June 30, 2018;
- long-term health care cost trend rates were updated to better reflect the anticipated impact of changes in medical inflation, utilization, leverage in the plan design, improvements in technology, and fees and charges on expected claims and retiree contributions in future periods; and
- the percentage of retired members who are not currently participating in the Plan, but are expected to elect coverage for themselves and their spouses under a system-sponsored health care plan option in the future was updated to better reflect anticipated plan experience.

COMBINING INDIVIDUAL FUND STATEMENTS AND SCHEDULES

GENERAL FUND

REGIONAL SCHOOL DISTRICT NO. 4
GENERAL FUND - SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2019

	Budgeted Amounts			Variance With Final Budget
	Original	**Final**	**Actual**	**Over (Under)**
REVENUES:				
District Towns - Assessments:				
Chester	$ 4,089,643	$ 4,089,643	$ 4,089,643	$ -
Deep River	6,115,439	6,115,439	6,115,440	1
Essex	7,914,737	7,914,737	7,914,732	(5)
Debt service - Town contributions	1,683,375	1,683,375	1,683,375	-
Refunds paid to Member Towns	-	-	(36,693)	(36,693)
Total District Towns - assessments	19,803,194	19,803,194	19,766,497	(36,697)
Intergovernmental:				
Adult education	7,822	7,822	10,648	2,826
Excess cost grants	239,290	239,290	263,851	24,561
Total intergovernmental	247,112	247,112	274,499	27,387
Interest Income	375	375	-	(375)
Fees for Service:				
Utility grid	-	-	2,760	2,760
Other	2,000	2,000	15,297	13,297
Total revenues	20,052,681	20,052,681	20,059,053	6,372
EXPENDITURES:				
Salaries:				
Administration	558,180	546,666	546,666	-
Department Coordinators	71,476	73,670	73,670	-
Teachers	6,450,546	6,294,679	6,222,416	(72,263)
Secretaries	348,716	348,716	358,831	10,115
Custodians	655,812	615,812	631,883	16,071
Nurses	101,452	101,452	106,070	4,618
Para-Educators	635,460	658,475	683,946	25,471
Network Technicians	96,808	96,808	86,473	(10,335)
Substitute Teachers	150,000	147,806	118,674	(29,132)
Substitute Others	7,000	7,000	2,499	(4,501)
Athletic Trainer	35,658	-	-	-
Coaches and Extra-curricular	421,996	418,796	433,938	15,142
Secretaries Overtime - Board Clerk Salary	1,000	1,000	-	(1,000)
Custodians Overtime	27,000	27,000	11,320	(15,680)
Building Rental Reimbursements	3,000	3,000	(1,082)	(4,082)
Supervision District	876,726	876,726	876,726	-
Total salaries	10,440,830	10,217,606	10,152,030	(65,576)
Employee Benefits:				
Health Insurance	1,917,331	1,917,331	1,917,331	-
Life Insurance	11,719	11,719	11,037	(682)
MERF - Pension	158,913	158,913	135,487	(23,426)
FICA - Medicare	279,891	279,891	269,667	(10,224)
Unemployment Compensation	63,500	29,500	22,821	(6,679)
Workers' Compensation	106,030	77,030	62,115	(14,915)
Annuities	21,180	21,180	23,748	2,568
Supervision District	268,241	268,241	268,241	-
Total employee benefits	2,826,805	2,763,805	2,710,447	(53,358)

(Continued)

REGIONAL SCHOOL DISTRICT NO. 4
GENERAL FUND - SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - BUDGETARY BASIS *(Continued)*
FOR THE YEAR ENDED JUNE 30, 2019

	Budgeted Amounts			Variance With Final Budget
	Original	**Final**	**Actual**	**Over (Under)**
EXPENDITURES *(Continued)*:				
Purchased services:				
Purchased services	$ 4,650	$ 2,650	$ 1,035	$ (1,615)
Instructional programs	32,000	25,385	28,013	2,628
Other professional services	161,542	229,762	225,848	(3,914)
Professional services	114,000	147,237	150,537	3,300
Supervision District	134,458	134,458	134,458	-
Total purchased services	446,650	539,492	539,891	399
Purchased property services:				
Electricity	368,000	326,235	306,655	(19,580)
Snow plowing	24,000	24,793	24,520	(273)
Repairs and maintenance	356,269	467,125	463,792	(3,333)
Rentals	260,465	257,688	267,503	9,815
Supervision District	12,363	12,363	12,363	-
Total purchased property services	1,021,097	1,088,204	1,074,833	(13,371)
Other purchased services:				
Transportation - Vocational Education	52,941	52,941	50,130	(2,811)
Transportation - Out-of-District	369,338	384,326	468,098	83,772
Transportation - Field Trips	10,650	10,650	11,242	592
Transportation - Athletics	51,054	62,000	85,484	23,484
Transportation - Late Bus	32,081	32,081	31,604	(477)
Insurance	118,285	118,285	111,358	(6,927)
Communications	12,500	14,900	11,282	(3,618)
Advertising	500	895	444	(451)
Tuition - Magnet & VoAg	94,244	86,498	59,705	(26,793)
Tuition - Out-of-District	1,565,279	1,565,279	1,493,856	(71,423)
Travel and Conferences	19,306	16,512	21,163	4,651
Supervision District	418,160	418,160	418,160	-
Total other purchased services	2,744,338	2,762,527	2,762,526	(1)
Supplies:				
General Supplies	62,020	57,021	60,815	3,794
Instructional Supplies	226,617	230,378	216,960	(13,418)
Maintenance Supplies	38,500	38,500	35,195	(3,305)
Bottled Gas	500	300	291	(9)
Heating Oil	159,200	163,888	165,900	2,012
Gasoline	1,250	1,250	900	(350)
Textbooks	72,325	69,055	61,944	(7,111)
Library Books	20,051	20,051	19,376	(675)
Supervision District	56,655	56,655	56,655	-
Total supplies	637,118	637,098	618,036	(19,062)
Equipment	39,500	43,424	42,014	(1,410)
Other objects:				
Dues and fees	88,140	88,157	92,321	4,164
Supervision District	4,828	4,828	4,828	-
Transfer Out - Cafeteria	100,000	194,165	194,165	-
Transfer Out - Capital Sinking Fund	20,000	20,000	20,000	-
Total other objects	212,968	307,150	311,314	4,164

(Continued)

REGIONAL SCHOOL DISTRICT NO. 4
GENERAL FUND - SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - BUDGETARY BASIS *(Concluded)*
FOR THE YEAR ENDED JUNE 30, 2019

	Budgeted Amounts			Variance With Final Budget
	Original	**Final**	**Actual**	**Over (Under)**
EXPENDITURES *(Continued):*				
Debt service:				
Principal	$ 1,410,000	$ 1,420,000	$ 1,420,000	$ -
Interest	273,375	273,375	263,375	(10,000)
Total debt service	1,683,375	1,693,375	1,683,375	(10,000)
Total expenditures	20,052,681	20,052,681	19,894,466	(158,215)
Net change in fund balance	$ -	$ -	$ 164,587	$ 164,587

(Concluded)

REGIONAL SCHOOL DISTRICT NO. 4
SCHEDULE OF DEBT LIMITATION
CONNECTICUT GENERAL STATUTES SECTION 7-374(b)
AS OF JUNE 30, 2019

	Total District Towns - Assessments
Total cash collections for the year ended June 30, 2019:	$ 19,766,497
	District
Debt limitation:	
4-1/2 times base	$ 88,949,237
Indebtedness:	
Bonds payable	5,635,000
Total indebtedness	5,635,000
Debt limitation in excess of outstanding and authorized debt	$ 83,314,237
Total capacity of borrowing (4-1/2 times base)	$ 88,949,237
Total present indebtedness	5,635,000
Margin for additional borrowing	$ 83,314,237

FIDUCIARY FUND

REGIONAL SCHOOL DISTRICT NO. 4
STATEMENT OF CHANGES IN FIDUCIARY
ASSETS AND LIABILITIES
AGENCY FUND - STUDENT ACTIVITIES
AS OF JUNE 30, 2019

	Balance, July 1, 2018	Additions	Deductions	Balance, June 30, 2019
ASSETS				
Cash	$ 266,990	$ 507,127	$ 524,525	$ 249,592
LIABILITIES				
Due to student groups and others				
Due to other funds	$ 18,887	$ -	$ 10,199	$ 8,688
Due to students	248,103	507,127	514,326	240,904
	$ 266,990	$ 507,127	$ 524,525	$ 249,592

REGIONAL SCHOOL DISTRICT NO. 4

STATE SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2019

REGIONAL SCHOOL DISTRICT NO. 4
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FOR THE YEAR ENDED JUNE 30, 2019

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Education of
Regional School District No. 4
Deep River, Connecticut

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Regional School District No. 4 (the "District"), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated April 27, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of state findings and questioned costs as item 2019-001, that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

District's Response to Findings

The District's response to the findings identified in our audit are described in the accompanying schedule of state findings and questioned costs. The District's responses were not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mahoney Sabol + Company, LLP

Certified Public Accountants
Glastonbury, Connecticut
April 27, 2020

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROGRAM, ON INTERNAL CONTROL OVER COMPLIANCE, AND ON THE SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE REQUIRED BY THE CONNECTICUT STATE SINGLE AUDIT ACT

To the Board of Education of
Regional School District No. 4
Deep River, Connecticut

Report on Compliance for Each Major State Program

We have audited Regional School District No. 4's (the "District") compliance with the types of compliance requirements described in the State of Connecticut Office of Policy and Management's *Compliance Supplement* that could have a direct and material effect on each of the District's major state programs for the year ended June 30, 2019. The District's major state programs are identified in the summary of auditor's results section of the accompanying schedule of state findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State Single Audit Act (C.G.S. Sections 4-230 to 4-236). Those standards and the State Single Audit Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major State Program

In our opinion, Regional School District No. 4 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2019.

Report on Internal Control over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the State Single Audit Act, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the State Single Audit Act. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of State Financial Assistance Required by the State Single Audit Act

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We issued our report thereon dated April 27, 2020, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of state financial assistance is presented for purposes of additional analysis as required by the State Single Audit Act and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 schedule of expenditures of state financial assistance is fairly stated in all material respects in relation to the basic financial statements as a whole.

Mahoney Sabol + Company, LLP

Certified Public Accountants
Glastonbury, Connecticut
April 27, 2020

REGIONAL SCHOOL DISTRICT NO. 4
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2019

State Grantor; Pass-Through Grantor; Program Title	State Grant Program Core - CT Number	Expenditures
NONEXEMPT PROGRAMS:		
DEPARTMENT OF EDUCATION		
Direct:		
Adult Education	11000-SDE64370-17030	$ 10,648
School Breakfast	11000-SDE64370-17046	5,796
Healthy Foods Initiative	11000-SDE64370-16212	4,891
Child Nutrition State Matching Grant	11000-SDE64370-16211	2,567
Talent Development	11000-SDE64370-12552	455
Total Department of Education		24,357
DEPARTMENT OF LABOR		
Passed through Workforce Alliance New Haven:		
Workforce Alliance Grant	11000-DOL40000-12205	10,000
DEPARTMENT OF EMERGENCY SERVICES AND PUBLIC PROTECTION		
Direct:		
School Security Infrastructure	12052-DPS32183-43546	26,088
Total State Financial Assistance Before Exempt Programs		60,445
EXEMPT PROGRAMS:		
DEPARTMENT OF EDUCATION		
Direct:		
Excess Costs Student Based and Equity	11000-SDE64370-17047	263,851
Total Exempt Programs		263,851
TOTAL EXPENDITURES OF STATE FINANCIAL ASSISTANCE		$ 324,296

The accompanying note is an integral part of this schedule.

The accompanying schedule of expenditures of state financial assistance includes state grant activity of Regional School District No. 4 (the "District") under programs of the State of Connecticut for the fiscal year ended June 30, 2019. Various departments and agencies of the State of Connecticut have provided financial assistance to the District through grants and other authorizations in accordance with the General Statutes of the State of Connecticut. These financial assistance programs fund several programs of the District.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the District conform to accounting principles generally accepted in the United States of America as applicable to governmental organizations.

The information in the schedule of expenditures of state financial assistance is presented based upon regulations established by the State of Connecticut, Office of Policy and Management. The following is a summary of the more significant policies relating to the aforementioned grant programs.

BASIS OF ACCOUNTING

The accompanying schedule of expenditures of state financial assistance has been prepared on the accrual basis consistent with the preparation of the basic financial statements.

For cost reimbursement awards, revenues are recognized to the extent of expenditures. Expenditures have been recognized to the extent the related obligation was incurred within the applicable grant period and liquidated within 90 days after the end of the grant period.

For performance based awards, revenues are recognized to the extent of performance achieved during the grant period.

Certain financial assistance is not dependent on expenditure activity or the achievement of performance goals and, accordingly, is considered expended in the fiscal year of receipt. In accordance with Section 4-236-22 of the regulations to the Connecticut State Single Audit Act, these financial assistance program receipts are reflected in the expenditures column of the schedule of expenditures of state financial assistance.

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of auditor's report issued:	Unmodified			
Internal control over financial reporting:				
❍ Material weakness(es) identified?	✓	Yes		No
❍ Significant deficiency(ies) identified?		Yes	✓	None Reported
Noncompliance material to financial statements noted?		Yes	✓	No

STATE FINANCIAL ASSISTANCE

Internal control over major programs:				
❍ Material weakness(es) identified?		Yes	✓	No
❍ Significant deficiency(ies) identified?		Yes	✓	None Reported
Type of auditor's report issued on compliance for major programs:	Unmodified			
Any audit findings disclosed that are required to be reported in accordance with Section 4-236-24 of the Regulations to the State Single Audit Act?		Yes	✓	No

The following schedule reflects the major programs included in the audit:

State Grantor/ Program	State Grant Program Core-CT Number	Expenditures
DEPARTMENT OF EMERGENCY SERVICES AND PUBLIC PROTECTION		
School Security Infrastructure	12052-DPS32183-43546	$ 26,088

There were no other major programs as defined by State Single Audit Act guidelines.

Dollar threshold used to distinguish between Type A and Type B programs: $100,000

SECTION II - FINANCIAL STATEMENT FINDINGS

Finding 2019-001: Material Weakness in Internal Control over Financial Reporting

Criteria: The District should have internal controls over financial reporting that provides reasonable assurance that the accounting records can be relied upon and used to prepare the basic financial statements and related notes to the basic financial statements, in conformity with accounting principles generally accepted in the United State of America.

Condition: The District does not have proper internal controls to ensure the completeness and accuracy of nonstandard manual journal entries and account reconciliations. Specifically, we noted the following:

- prior year audit entries were not recorded, resulting in adjustments to beginning balances;
- cash was not properly reconciled to the general ledger on a monthly basis;
- the June 2019 bank reconciliation included reconciling items that were not valid;
- transfers of cash between the District's funds and Regional Supervision District were not properly recorded in the general ledger; and
- prior year accruals for payables and accrued payroll were never adjusted, resulting in an overstatement of cash reported in the general ledger.

Effect: The lack of appropriate internal controls over the completeness and accuracy of nonstandard manual journal entries and account reconciliations resulted in inaccurate reporting. This has a direct effect on the reliability of the financial information generated from the District's accounting system and provided to management and the Board of Education throughout the year.

Cause: The causes of the deficiency are due to a combination of the following:

- a lack of accounting expertise in the Business Office;
- a lack of documented accounting procedures over the recording of nonstandard manual journal entries and account reconciliations.

Auditor's Recommendation: The accuracy of recording nonstandard manual journal entries and performing accurate and timely account reconciliations are essential for ensuring the integrity of the District's general ledger. We recommend the following:

- that the District identify and develop procedures to ensure that nonstandard manual journal entries are recorded accurately and timely in the general ledger;
- that the District develop procedures to ensure that account reconciliations for all balance sheet accounts are performed on a periodic basis;
- that the Superintendent, or his designee, monitor the completion of account reconciliations; and
- that the District evaluate whether additional resources, including the use of a consultant, and/or training are needed to address the identified deficiencies.

District's Response: The District intends to take the appropriate actions to strengthen its internal control and remedy the conditions giving rise to this reported deficiency.

SECTION III - STATE FINANCIAL ASSISTANCE FINDINGS AND QUESTIONED COSTS

No matters were reported.

SUMMARY SCHEDULE OF THE STATUS OF PRIOR AUDIT FINDINGS

Prior audit finding 2018-001, *Material Weakness in Internal Control over Financial Reporting,* has been repeated as finding 2019-001.