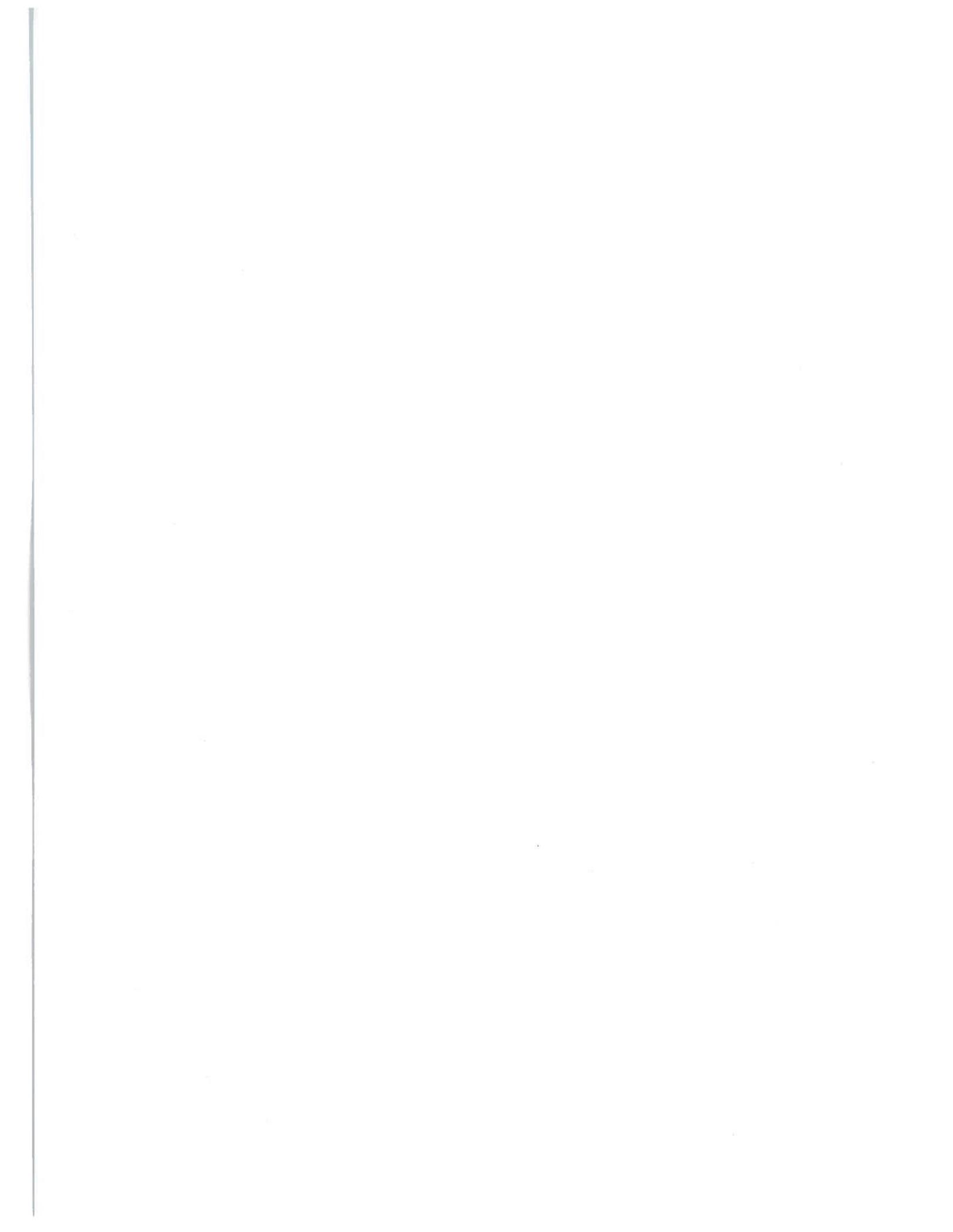


**Regional School District No. 9  
Easton and Redding,  
Connecticut**

Financial Report  
Fiscal Year Ended June 30, 2014



# **FINANCIAL REPORT**

**of**

## **REGIONAL SCHOOL DISTRICT NO. 9**

**Fiscal Year Ended June 30, 2014**

**Prepared by:**

**Margret M. Sullivan  
Director of Finance & Operations**



## Contents

Independent Auditor's Report	1-2
Management's Discussion and Analysis - Unaudited	3-8

### Basic Financial Statements

<b><u>Exhibit</u></b>	<b>Government-Wide Financial Statements:</b>	
A.	Statement of Net Position	9
B.	Statement of Activities	10
	<b>Fund Financial Statements:</b>	
C./D.	Balance Sheet – Governmental Funds and Reconciliation to the Statement of Net Position	11-12
E./F.	Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds and Reconciliation to the Statement of Activities	13-14
G.	Statement of Net Position – Proprietary Funds	15
H.	Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Fund	16
I.	Statement of Cash Flows – Proprietary Funds	17
J.	Statement of Fiduciary Net Position – Fiduciary Funds	18
K.	Statement of Changes in Plan Net Position – Fiduciary Funds	19
	Notes to Financial Statements	20-38

### Required Supplementary Information - Unaudited

<b><u>Exhibit</u></b>		
RSI-1	Schedule of Revenues and Other Financing Sources – Budgetary Basis - Budget and Actual – General Fund	39
RSI-2	Schedule of Expenditures and Other Financing Uses – Budget and Actual – General Fund	40
	Note to Schedule of Expenditures and Other Financing Uses – Budget and Actual – General Fund	41
RSI-3	Schedules of Funding Progress – Pension Plan and OPEB	42
RSI-4	Schedule of Employer Contributions – Pension Plan and OPEB	43
RSI-4	Schedule of Changes in Net Pension Liability and Related Ratios	43

### Supplemental Combining and Individual Fund Financial Statements and Other Schedules

<b><u>Exhibit</u></b>	<b><u>General Fund</u></b>	
A-1	Balance Sheet	45
	<b><u>Nonmajor Governmental Funds</u></b>	
B-1	Combining Balance Sheet – Nonmajor Governmental Funds	47
B-2	Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	48

**Supplemental Combining and Individual Fund Financial  
Statements and Other Schedules**

<b><u>Exhibit</u></b>	<b><u>Fiduciary Funds</u></b>	
C-1	Combining Balance Sheet – Agency Funds	49
C-2	Combining Statement of Changes in Assets and Liabilities – Agency Funds	50
C-3	Schedule of Debt Limitation	51



## Independent Auditor's Report

To the Board of Education  
Regional School District No. 9

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Regional School District No. 9, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Regional School District No. 9's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

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

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

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Regional School District No. 9, as of June 30, 2014 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, the budgetary comparison for the General Fund, schedule of funding progress, the schedule of changes in employer net pension liability and related ratios, and the schedule of employer contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Other Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Regional School District No. 9's basic financial statements. The combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and 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 financial statements and schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2014 on our consideration of the Regional School District No. 9's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Regional School District No. 9's internal control over financial reporting and compliance.



New Haven, Connecticut  
December 17, 2014

**Regional School District No. 9**  
**Management's Discussion and Analysis - *unaudited***  
**For the Year Ended June 30, 2014**

---

Management of the Regional School District No. 9 (the Region) offers readers of these financial statements this narrative overview and analysis of the financial activities of the Region for the fiscal year ended June 30, 2014.

**Financial Highlights**

- The assets of the Region exceeded its liabilities at the close of the most recent fiscal year by \$18,740,384 (net position).
- The Region's total net position increased by \$509,103. The increase was primarily a result of reductions in bonds payable.
- As of the close of the current fiscal year, the Region's governmental funds reported a combined ending fund balance of \$(2,437,164).
- At the end of the current fiscal year, the unassigned fund balance for the general fund was \$4,255.

**Overview of the Basic Financial Statements**

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

**Government-Wide Financial Statements.** The government-wide financial statements are designed to provide readers with a broad overview of the Region's finances in a manner similar to a private-sector business.

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

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

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

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

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

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

The Region maintains six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund, the Capital Non-Recurring Fund, Capital Projects Fund and Capital Maintenance Fund, all of which are considered to be major funds. Data from the other two governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

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

**Proprietary Funds.** The Region maintains one proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the Region's various functions. The Region uses an internal service fund to account for its self-insured medical benefits.

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

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

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

### Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Region, assets exceeded liabilities by \$18,740,384 at the close of the most recent fiscal year.

By far, the largest portion of the Region's net position reflects its investment in capital assets (e.g., land, buildings and machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The Region uses these capital assets to provide public education to eligible citizens living within the region; consequently, these assets are not available for future spending. Although the Region's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities. The remaining balance of unrestricted net position \$(4,373,033) is a deficit balance.

#### Summary Statement of Net Position

	Governmental Activities	
	2014	2013
Current assets and deferred outflows of resources	\$ 2,829,746	\$ 2,011,888
Capital assets, net of accumulated depreciation	39,682,007	37,812,057
Total assets and deferred outflows of resources	<u>42,511,753</u>	<u>39,823,945</u>
Long-term debt outstanding	21,912,392	20,169,608
Other liabilities	1,812,959	1,423,056
Total liabilities	<u>23,725,351</u>	<u>21,592,664</u>
Net Position		
Net investment in capital assets	23,113,417	19,237,210
Unrestricted(Deficit)	<u>(4,373,033)</u>	<u>(1,005,929)</u>
Total net position	<u>\$ 18,740,384</u>	<u>\$ 18,231,281</u>

**Governmental Activities.** The Region's net position increased by \$509,103 during the current fiscal year. The increase is due to the use of accrual accounting at the government-wide financial statement level where capital expenditures are capitalized and debt service principal payments are not expensed.

**Summary Statement of Activities**

	<b>Governmental Activities</b>	
	<b>2014</b>	<b>2013</b>
Revenues		
Program Revenues:		
Charges for services	\$ 1,058,131	\$ 1,058,272
Operating grants and contributions	2,647,538	2,279,966
General Revenues:		
Assessments from member towns	22,457,076	22,023,444
Unrestricted investment earnings	391	572
Total revenues	<u>26,163,136</u>	<u>25,362,254</u>
Expenses		
General instruction	15,474,586	14,711,048
Special education	3,398,199	3,548,111
Student services	1,474,662	1,668,564
Administration	1,849,578	1,738,145
Buildings	2,179,009	2,104,799
Transportation	635,960	475,670
Debt service	642,039	700,258
Total program expenses	<u>25,654,033</u>	<u>24,946,595</u>
Change in net position	509,103	415,659
Net Position at Beginning of Year	<u>18,231,281</u>	<u>17,815,622</u>
Net Position at End of Year	<u>\$ 18,740,384</u>	<u>\$ 18,231,281</u>

- Assessments from member towns increased by \$433,632, substantially due to the overall increase in operating expenditures, which are primarily funded through the assessments from the two towns.
- Increases in general instruction expenses were related to an decrease in contractual salary obligations and an increased investment in instructional technology. Decreases in special education costs were directly related to the changes in the special education student population.

**Financial Analysis of the Region's Funds**

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

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

As of the end of the current fiscal year, the Region's governmental funds reported a combined ending fund balance deficit of \$(2,437,164).

The General Fund is the operating fund of the Region. At the end of the current fiscal year, the unassigned fund balance of the General Fund was \$4,255.

The Capital Projects Fund accounts for the 2000 School Building Project, which is mainly complete, and capital leases.

**General Fund Budgetary Highlights**

There were several differences between the budget and the actual results of revenues and expenditures due to changes in special education student population and the reduction in services needed to support these students. Significant budgetary variances can be briefly summarized as follows:

**Final Budget to Actual**

- The General Instruction favorable variance of \$123,882 is due to changes in personnel, student activities, and instructional department purchases.
- The unfavorable variance in the Operations/Maintenance area is a result of additional expenditures incurred to improve the security in the building, unanticipated repairs and snow removal.
- The unfavorable variance in the Administration area is a result of additional legal expenditures.

**Capital Assets and Debt Administration**

**Capital Assets.** The Region’s investment in capital assets for its governmental activities as of June 30, 2014 amounted to \$39,682,007 (net of accumulated depreciation). This investment in capital assets includes land, buildings, and machinery and equipment.

**Capital Assets  
(Net of Depreciation)**

	<b>Governmental Activities</b>	
	<b>2014</b>	<b>2013</b>
Land	\$ 1,841,268	\$ 1,841,268
Buildings	36,766,326	34,751,295
Machinery and equipment	1,074,413	1,219,494
<b>Total</b>	<b>\$ 39,682,007</b>	<b>\$ 37,812,057</b>

Additional information on the Region’s capital assets can be found in Note 4 of this report.

**Long-Term Debt.** At the end of the current fiscal year, the Region had total bonded debt outstanding of \$15,665,000. All of this debt comprises debt backed by the full faith and credit of the Region.

**Outstanding Debt  
General Obligation Bonds**

	Governmental Activities	
	2014	2013
General Obligation Bonds	\$ 15,665,000	\$ 17,415,000
<b>Total</b>	<b>\$ 15,665,000</b>	<b>\$ 17,415,000</b>

The Region's total debt decreased by \$1,750,000 (10%) during the current fiscal year. The Region received an AAA rating from Standard and Poor's for general obligation debt.

State Statutes limit the amount of general obligation debt a regional school district may issue to 2.25 times total tax collections including interest and lien fees and the tax relief for elderly freeze grant of the member towns.

A portion of the Region's debt is allocated to each member town and is included in the town's debt limitation. Additional information on the Region's long-term debt can be found in Note 6 of this report.

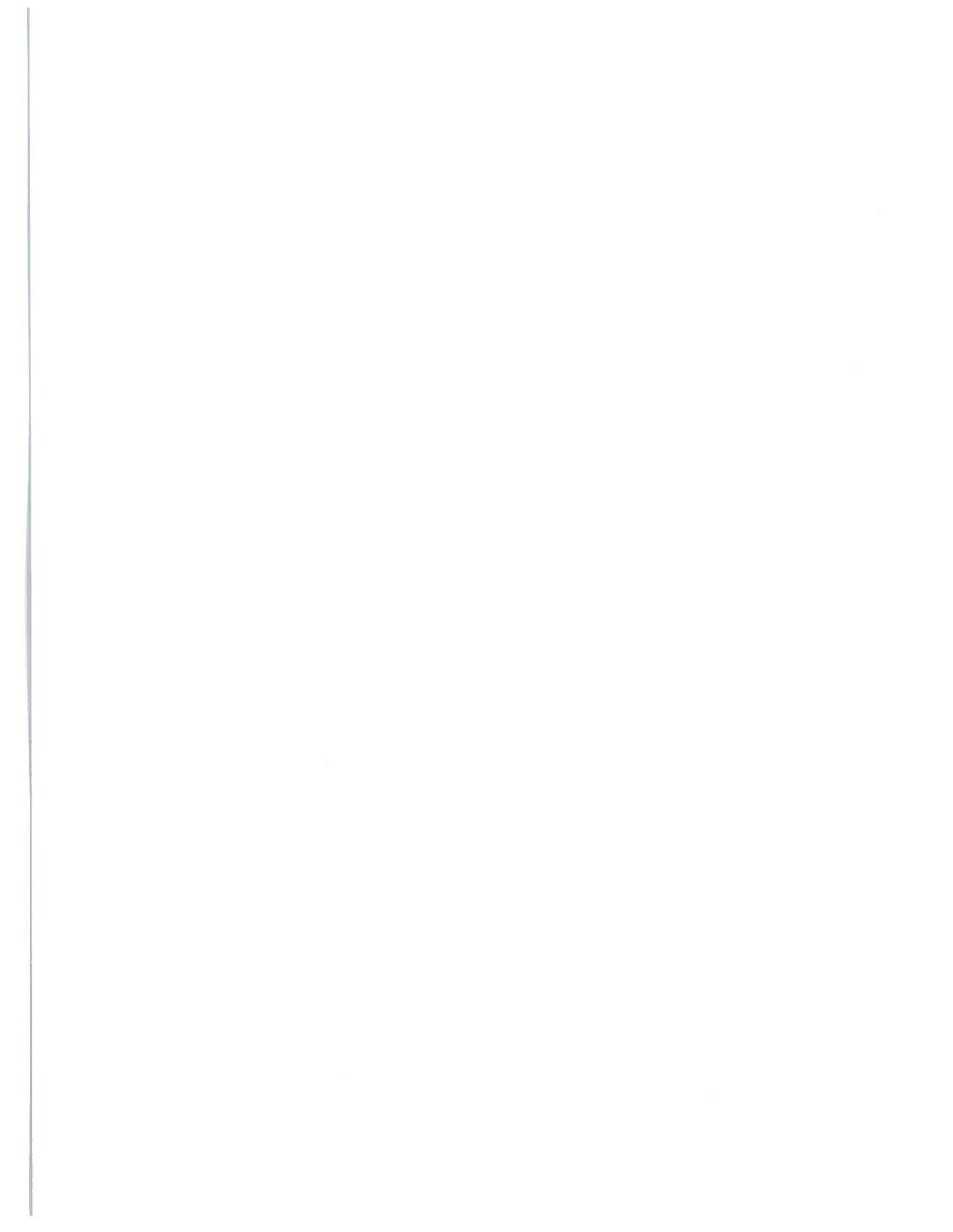
**Economic Factors and Next Year's Budgets and Rates**

- The unemployment rate for the Region's member towns is currently 4.6% for Redding and 5.6% for Easton. This compares favorably to the state's average unemployment rate of 6.4% and the national average rate of 5.9%.
- Inflationary trends in the Region's member towns compare favorably to national indices. All of these factors were considered in preparing the Region's budget for the 2014 fiscal year.

**Requests for Information**

This financial report is designed to provide a general overview of the Region's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Margaret Sullivan, Director of Finance and Operations, Regional School District No. 9, 654 Morehouse Road, Easton, Connecticut 06612.

## **Basic Financial Statements**



**Statement of Net Position**  
**June 30, 2014**

	Governmental Activities
<b>Assets</b>	
Current Assets	
Cash and cash equivalents	\$ 1,320,093
Receivables:	
Intergovernmental	30,222
Due from member towns	1,465,844
Inventory	13,587
<b>Total current assets</b>	<u>2,829,746</u>
Capital Assets	
Assets not being depreciated	1,841,268
Assets being depreciated, net	37,840,739
<b>Total capital assets, net of accumulated depreciation</b>	<u>39,682,007</u>
<b>Total assets</b>	<u>42,511,753</u>
Deferred Outflows of Resources	
Deferred charge on refunding	46,018
<b>Total deferred outflows of resources</b>	<u>46,018</u>
Liabilities	
Accounts and other payables	1,783,251
Bond anticipation notes payable	3,272,000
Unearned revenue	29,708
<b>Total liabilities</b>	<u>5,084,959</u>
Noncurrent Liabilities	
Due within one year	1,996,905
Due in more than one year	16,643,487
<b>Total noncurrent liabilities</b>	<u>18,640,392</u>
<b>Total liabilities</b>	<u>23,725,351</u>
Net Position	
Net investment in capital assets	23,113,417
Unrestricted (deficit)	(4,373,033)
<b>Total net position</b>	<u>\$ 18,740,384</u>

See Notes to Financial Statements.

Regional School District No. 9

Exhibit B

Statement of Activities  
For the Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Governmental Activities</b>					<b>Governmental Activities</b>
General instruction	\$ (15,474,586)	\$ -	\$ 2,274,000	\$ -	\$ (13,200,586)
Special education	(3,398,199)	-	197,468	-	(3,200,731)
Student services	(1,474,662)	1,058,131	176,070	-	(240,461)
Administration	(1,849,578)	-	-	-	(1,849,578)
Buildings	(2,179,009)	-	-	-	(2,179,009)
Transportation	(635,960)	-	-	-	(635,960)
Interest on long-term debt	(642,039)	-	-	-	(642,039)
<b>Total governmental activities</b>	<b>\$ (25,654,033)</b>	<b>\$ 1,058,131</b>	<b>\$ 2,647,538</b>	<b>\$ -</b>	<b>(21,948,364)</b>

General Revenues

Assessment from district member towns	22,457,076
Investment income	391
<b>Total general revenues</b>	<b>22,457,467</b>

Change in net position 509,103

Net Position at Beginning of Year 18,231,281

Net Position at End of Year \$ 18,740,384

See Notes to Financial Statements.

Balance Sheet - Governmental Funds  
June 30, 2014

	General	Capital Non-recurring	Capital Projects	Capital Maintenance	Stadium Improvement	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>							
Cash and Cash Equivalents	\$ 104,349	\$ -	\$ 178,014	\$ -	\$ 602,724	\$ 227,392	\$ 1,112,479
Receivables:							
Intergovernmental	-	-	-	-	-	30,222	30,222
Due from the Town of Redding	799,323	-	-	-	-	-	799,323
Due from the Town of Easton	666,521	-	-	-	-	-	666,521
Due from other funds	4,400	185,906	-	-	-	-	190,306
Inventory	-	-	-	-	-	13,587	13,587
<b>Total assets</b>	<b>\$ 1,574,593</b>	<b>\$ 185,906</b>	<b>\$ 178,014</b>	<b>\$ -</b>	<b>\$ 602,724</b>	<b>\$ 271,201</b>	<b>\$ 2,812,438</b>
<b>Liabilities and Fund Balances (Deficits)</b>							
Liabilities							
Accounts and other payables	\$ 1,388,905	\$ 35,747	\$ -	\$ -	\$ 133,213	\$ 90,386	\$ 1,648,251
Due to other funds	181,433	-	118,210	-	-	-	299,643
Bond anticipation notes payable	-	-	-	-	3,272,000	-	3,272,000
Unearned revenues	-	-	-	-	-	29,708	29,708
<b>Total liabilities</b>	<b>1,570,338</b>	<b>35,747</b>	<b>118,210</b>	<b>-</b>	<b>3,405,213</b>	<b>120,094</b>	<b>5,249,602</b>
Fund Balances (Deficits)							
Nonspendable	-	-	-	-	-	13,587	13,587
Restricted for:							
Grants-Education	-	-	-	-	-	137,520	137,520
Assigned	-	150,159	59,804	-	-	-	209,963
Unassigned	4,255	-	-	-	(2,802,489)	-	(2,798,234)
<b>Total fund balances     (deficits)</b>	<b>4,255</b>	<b>150,159</b>	<b>59,804</b>	<b>-</b>	<b>(2,802,489)</b>	<b>151,107</b>	<b>(2,437,164)</b>
<b>Total liabilities and     fund balances (deficits)</b>	<b>\$ 1,574,593</b>	<b>\$ 185,906</b>	<b>\$ 178,014</b>	<b>\$ -</b>	<b>\$ 602,724</b>	<b>\$ 271,201</b>	<b>\$ 2,812,438</b>

(Continued)

**Balance Sheet - Governmental Funds (Continued)**  
**June 30, 2014**

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

<b>Total fund balances (deficits) (Exhibit C)</b>		<b>\$ (2,437,164)</b>
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:		
Capital assets	54,516,931	
Less accumulated depreciation	<u>(14,834,924)</u>	
<b>Net capital assets</b>		<b>39,682,007</b>
Internal service funds are used by management to charge the cost of medical insurance to individual departments:		
The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets		181,951
Some liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds:		
Bonds payable		(15,665,000)
Net pension obligation		(365,934)
Accrued interest payable		(229,607)
Deferred amount on refunding		(46,018)
Net OPEB obligation		(1,195,481)
Capital leases		(903,590)
Compensated absences		<u>(280,780)</u>
<b>Net position of governmental activities (Exhibit A)</b>		<b><u>\$ 18,740,384</u></b>

See Notes to Financial Statements.

Statement of Revenues, Expenditures and Changes in Fund Balances (Deficit) - Governmental Funds  
For the Year Ended June 30, 2014

	General	Capital Non-recurring	Capital Projects	Capital Maintenance	Stadium Improvement	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues</b>							
Assessments from district member towns	\$ 22,457,076	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 22,457,076
Charges for services	-	-	-	-	-	1,058,131	1,058,131
Intergovernmental	2,274,000	-	-	-	-	373,538	2,647,538
Interest Income	15	-	376	-	-	-	391
<b>Total revenues</b>	<b>24,731,091</b>	<b>-</b>	<b>376</b>	<b>-</b>	<b>-</b>	<b>1,431,669</b>	<b>26,163,136</b>
<b>Expenditures</b>							
Current:							
General instruction	13,732,912	-	-	-	-	111,807	13,844,719
Special education	3,257,713	-	-	-	-	89,172	3,346,885
Student services	469,164	-	-	-	-	1,163,296	1,632,460
Administration	1,828,449	-	-	-	-	-	1,828,449
Buildings	2,150,148	-	-	-	-	-	2,150,148
Transportation	802,169	-	-	-	-	-	802,169
Debt service	2,407,400	-	-	-	-	-	2,407,400
Capital outlay	-	152,054	120,342	45	2,820,148	-	3,092,589
<b>Total expenditures</b>	<b>24,647,955</b>	<b>152,054</b>	<b>120,342</b>	<b>45</b>	<b>2,820,148</b>	<b>1,364,275</b>	<b>29,104,819</b>
<b>Revenues over (under) expenditures</b>	<b>83,136</b>	<b>(152,054)</b>	<b>(119,966)</b>	<b>(45)</b>	<b>(2,820,148)</b>	<b>67,394</b>	<b>(2,941,683)</b>
<b>Other Financing Sources (Uses)</b>							
Proceeds from capital leases	-	-	120,342	-	-	-	120,342
Premium on BANS	-	-	-	-	17,659	-	17,659
Transfers in	-	83,121	-	-	-	-	83,121
Transfers out	(83,121)	-	-	-	-	-	(83,121)
<b>Total other financing sources (uses)</b>	<b>(83,121)</b>	<b>83,121</b>	<b>120,342</b>	<b>-</b>	<b>17,659</b>	<b>-</b>	<b>138,001</b>
<b>Change in fund balances</b>	<b>15</b>	<b>(68,933)</b>	<b>376</b>	<b>(45)</b>	<b>(2,802,489)</b>	<b>67,394</b>	<b>(2,803,682)</b>
Fund Balances, beginning of year	4,240	219,092	59,428	45	-	83,713	366,518
Fund Balances (deficits), end of year	\$ 4,255	\$ 150,159	\$ 59,804	\$ -	\$ (2,802,489)	\$ 151,107	\$ (2,437,164)

See Notes to Financial Statements.

**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance (Deficit) of  
Governmental Funds to the Statement of Activities  
For the Year Ended June 30, 2014**

---

**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance (Deficit)  
to the Statement of Activities:**

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances (deficits) - total governmental funds (Exhibit E) \$ (2,803,682)

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

Capital outlay	2,715,632
Depreciation expense	<u>(845,682)</u>
<b>Total</b>	<u><b>1,869,950</b></u>

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are amortized and deferred in the statement of activities. The details of these differences in the treatment of long-term debt and related items are as follows:

Proceeds from capital leases	(120,342)
Bond principal repayments	<u>1,750,000</u>
<b>Total</b>	<u><b>1,629,658</b></u>

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

The change in these expenses are as follows:

Net OPEB obligation	(182,253)
Net pension obligation	36,549
Capital lease payment	324,007
Compensated absences	(101,730)
Accrued interest payable	(8,872)
Deferred charges on refunding	6,574
<b>Total</b>	<u><b>74,275</b></u>

Internal Service Funds are used by management to charge costs of medical insurance benefits to individual departments. The net revenue of the activities of the Internal Service Fund is reported with governmental activities.

(261,098)

**Change in net position of governmental activities**

**\$ 509,103**

See Notes to Financial Statements.

Regional School District No. 9

Exhibit G

Statement of Net Position - Proprietary Funds  
June 30, 2014

	Governmental Activities
	Internal Service Fund
<hr/>	
<b>Assets</b>	
Cash and Cash Equivalents	\$ 207,614
Due From Other Funds	109,337
<b>Total assets</b>	<u>316,951</u>
<b>Liabilities</b>	
Claims Payable	<u>135,000</u>
<b>Net Position</b>	
Unrestricted	<u>\$ 181,951</u>

See Notes to Financial Statements.

**Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Fund  
For the Year Ended June 30, 2014**

	Governmental Activities
	<u>Internal Service Fund</u>
Operating Revenues	
Charges for services	\$ 2,377,538
<b>Total operating revenues</b>	<u>2,377,538</u>
Operating Expenses	
Claims	2,379,370
Administration	259,706
<b>Total operating expenses</b>	<u>2,639,076</u>
<b>Operating loss</b>	<u>(261,538)</u>
Nonoperating Revenue	
Investment income	440
<b>Net loss</b>	<u>(261,098)</u>
Net Position, Beginning	<u>443,049</u>
Net Position, Ending	<u>\$ 181,951</u>

See Notes to Financial Statements.

**Statement of Cash Flows - Proprietary Fund  
For the Year Ended June 30, 2014**

	Governmental Activities
	Internal Service Fund
Cash Flows From Operating Activities	
Receipts from customers and users	\$ 2,535,611
Claims paid	(2,660,424)
<b>Net cash used in operating activities</b>	<u>(124,813)</u>
Cash Flows From Investing Activities	
Income from investments	440
<b>Decrease in cash and cash equivalents</b>	<u>(124,373)</u>
Cash and Cash Equivalents, Beginning of Year	<u>331,987</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 207,614</u></u>
<b>Reconciliation of Operating Loss to Net Cash Used in Operating Activities</b>	
Operating loss	\$ (261,538)
Adjustments to reconcile operating loss to net cash used in operating activities:	
(Increase) decrease:	
Due from other funds	158,073
(Decrease) increase:	
Claims payable	<u>(21,348)</u>
<b>Net cash used in operating activities</b>	<u><u>\$ (124,813)</u></u>

See Notes to Financial Statements.

**Statement of Fiduciary Net Position - Fiduciary Funds**  
**June 30, 2014**

	Pension Trust Funds	Private Purpose Trust	Agency Funds
<b>Assets</b>			
Cash and Cash Equivalents	\$ 49,364	\$ -	\$ 520,854
<b>Investments</b>			
Equity mutual funds	3,245,044	-	-
Municipal bond mutual funds	90,290	-	-
Fixed income mutual funds	1,248,428	-	-
<b>Total investments</b>	<u>4,583,762</u>	-	-
Accounts Receivable	30,000	-	-
<b>Total assets</b>	<u>4,663,126</u>	-	<u>520,854</u>
<b>Liabilities</b>			
Due to Others	-	-	520,854
<b>Net position restricted for pension</b>	<u>\$ 4,663,126</u>	<u>\$ -</u>	<u>\$ -</u>

See Notes to Financial Statements.

**Statement of Changes in Plan Net Position - Fiduciary Funds  
For the Year Ended June 30, 2014**

	Pension Trust Fund	Private Purpose Trust Fund
<b>Additions</b>		
Contributions:		
Employer	\$ 442,000	\$ -
Investment income:		
Net appreciation in fair value of investments	523,198	-
Interest and dividends	138,607	-
<b>Net investment income</b>	<b>661,805</b>	<b>-</b>
<b>Total additions</b>	<b>1,103,805</b>	<b>-</b>
<b>Deductions</b>		
Benefits	217,068	-
Other	543	941
<b>Total deductions</b>	<b>217,611</b>	<b>941</b>
<b>Net increase (decrease)</b>	<b>886,194</b>	<b>(941)</b>
Net Position Restricted for Pension, Beginning of Year	3,776,932	941
Net Position Restricted for Pension, End of Year	<b>\$ 4,663,126</b>	<b>\$ -</b>

See Notes to Financial Statements.

## Regional School District No. 9

### Notes to Financial Statements

---

#### Note 1. Summary of Significant Accounting Policies

**Reporting Entity:** Regional School District No. 9 (the Region) was formed in 1957 for the purpose of providing secondary school education to the residents of the Towns of Easton and Redding. It consists of one senior high school located in Redding Connecticut.

The Region is governed by a Regional Board of Education consisting of four members from each town. The members of the Board serve for four-year terms. The Superintendent of Schools, selected by the Board of Education, manages the day-to-day activities and operations of the Region and the K-8 schools of Easton and Redding. In addition, the Region has an Assistant Superintendent of Schools. The Region also manages the school cafeterias for Easton and Redding.

The Region's operating and debt service expenses are paid by the member towns in proportion to the number of attending pupils. The current year assessment percentages are 45.1% for Easton and 54.9% for Redding.

Accounting principles generally accepted in the United States of America require that the reporting entity include (1) the primary government, (2) organizations for which the primary government is financially accountable and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The criteria provided in Government Accounting Standards Board Statement Codification Section 2100 have been considered and there are no agencies or entities that should be, but are not, included in the financial statements of the Region.

#### Accounting Standards Adopted in the Current Year:

*GASB Statement No. 65, Items Previously Reported as Assets and Liabilities*, was implemented as July 1, 2013. This statement clarified the appropriate reporting of deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. As a result of the adoption of this standard, there were deferred amounts on refundings required to be reclassified to Deferred Outflows of Resources.

*GASB Statement No. 67, Financial Reporting for Pension Plans an amendment of GASB Statement No. 25*, issued in June 2012, was effective for the Region as of July 1, 2013. This Statement replaces the requirements of *Statements No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and *No. 50, Pension Disclosures*, as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of *Statements 25 and 50* remain applicable to pension plans that are not administered through trusts covered by the scope of this Statement and to defined contribution plans that provide postemployment benefits other than pensions. The implementation of this statement resulted in additional disclosures as shown in Note.

*GASB Statement No. 70, Accounting and Financial Reporting for Nonexchange Financial Guarantees*, became effective on July 1, 2013. This statement provides guidance to governments that extend and receive nonexchange financial guarantees. The implementation of this statement had no impact on the Region's financial statement.

**Basis of Presentation:** The financial statements of the Region have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant policies of the Region are described below.

## Regional School District No. 9

### Notes to Financial Statements

---

#### Note 1. Summary of Significant Accounting Policies (Continued)

Government-Wide and Fund Financial Statements: The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Region. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are normally supported by member town assessments and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services.

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

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation: The government wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Agency funds do not have a measurement focus but are reported using the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met. Member town assessments are similar to an entitlement whereby the amounts are recognized when first available for use.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Region 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 except debt service expenditures, expenditures related to compensated absences, pension and other post-employment costs which are recorded only when payment is due.

Member town assessments are similar to an entitlement whereby the amounts are recognized when first available for use, intergovernmental revenues when eligibility requirements are met, interest associated with the current fiscal period are all measurable and have been reported as revenue, if available. All other revenue items are considered to be measurable only when cash is received by the Region.

The Region reports the following major governmental funds:

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

The *Capital Non-Recurring Fund* accounts for financial resources, mainly from General Fund appropriations, to be used for miscellaneous capital purchases. This fund is considered major for public interest purposes.

The *Capital Projects Fund* accounts for the financial resources, mainly from bond proceeds, to be used for major capital asset construction and/or purchases. This fund is considered major for public interest purposes.

## Regional School District No. 9

### Notes to Financial Statements

---

#### Note 1. Summary of Significant Accounting Policies (Continued)

The *Capital Maintenance Fund* accounts for financial resources, mainly from donations and General Fund appropriations, to be used for specific capital projects, namely roof repairs, track renovations and theater improvements. This fund is considered major for public interest purposes.

The *Stadium Improvement Fund* accounts for financial resources, mainly from donations and General Fund appropriations, to be used for the Stadium Improvement project.

Additionally, the Region reports the following fund types:

The *Internal Service Funds* account for risk financing activities for medical insurance benefits as allowed by GASB Statement No. 10.

The *Private-Purpose Trust Fund* is used to account for resources legally held in trust for scholarships. Resources of the fund, including any earnings on invested resources, may be used for student scholarships. There is no requirement that any portion of these resources be preserved as capital.

The *Pension Trust Fund* accounts for the activities of the Regional School District No. 9 Employees' Retirement System, which accumulates resources for pension benefit payments to qualified employees.

The *Agency Funds* account for monies held on behalf of students and employees.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Region's internal service funds are charges to department customers for medical insurance benefits. Operating expenses for internal service funds include the cost of claims and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

Cash and cash equivalents: The Region considers cash equivalents as short-term investments with original maturities of three months or less from the date of acquisition.

Investments: In general, State of Connecticut Statutes allow the Region to invest in obligations of the United States of America or United States government sponsored corporations and certain other investments as described in Note 2.

Investments for the Region are reported at fair value.

Receivables: Intergovernmental and assessments from member town receivables are recorded at the amounts billed and are considered to be fully collectible and no allowance has been recorded.

Interfunds: 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 noncurrent portion of interfund loans).

Regional School District No. 9

Notes to Financial Statements

---

**Note 1. Summary of Significant Accounting Policies (Continued)**

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

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

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

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

<u>Assets</u>	<u>Year</u>
Buildings	50
Machinery and equipment	5-15

Capital assets are reported as expenditures and no depreciation expense is reported in the governmental fund financial statements.

Compensated Absences: Noncertified Board of Education employees are granted vacation and sick leave based on length of employment. At termination, payout provisions as determined by individual union contracts provide for payments to vested employees.

The General Fund is typically used to liquidate the liability for compensated absences.

Long-Term Obligations: In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond principal premiums and discount are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed as incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. Bond principal payments are recorded as expenditures. 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.

## Regional School District No. 9

### Notes to Financial Statements

---

#### Note 1. Summary of Significant Accounting Policies (Continued)

**Fund Equity:** In the government-wide financial statements, equity is defined as "net position" and is classified into the following categories:

***Net Investment in Capital Assets:*** This category of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

***Restricted Net Position:*** This category consists of restrictions externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

***Unrestricted Net Position:*** This category includes amounts that do not meet the definition of "restricted" or "Net investment in capital assets."

The equity of the fund financial statements is defined as "fund balance" and is classified in the following categories:

***Nonspendable Fund Balance:*** This represents amounts that cannot be spent due to form (e.g., inventories and prepaid amounts).

***Restricted Fund Balance:*** This represents amounts constrained for a specific purpose by external parties, such as grantors, creditors, contributors or laws and regulations of their governments.

***Committed Fund Balance:*** This represents amounts constrained for a specific purpose by a government using its highest level of decision-making authority (the Board of Education). The Board of Education is the highest level of decision making authority for the Region and can commit fund balance through the adoption of a resolution prior to the end of the fiscal year. Once adopted, the limitation imposed by the resolution remains in place until similar action is taken to remove or revise the limitation.

***Assigned Fund Balance:*** For all governmental funds other than the General Fund, this represents any remaining positive amounts not classified as nonspendable, restricted or committed. For the General Fund, this includes amounts constrained for the intent to be used for a specific purpose by the Finance department that has been delegated authority by the Board of Education to assign amounts.

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

***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 of assets and liabilities including disclosures of contingent assets and liabilities and reported revenues, expenses and expenditures during the fiscal year.

***Deferred Outflows/Inflows of Resources:*** In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The Region reports a deferred charge on refunding in the government-wide financial statement of net position. A deferred charge on refunding results from the difference in carry value of the refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period or periods and so will not be recognized as an inflow of resources (revenue) until that time. The Region does not have any deferred inflow of resources in the current year.

Regional School District No. 9

Notes to Financial Statements

---

**Note 1. Summary of Significant Accounting Policies (Continued)**

Pension Accounting:

*Pension Trust Fund:* The Pension Trust Fund is reported on the accrual basis of accounting. Employee contributions are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when due and the Region has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

*Governmental Funds and Governmental Activities:* In governmental funds, expenditures are recognized when they are paid or are expected to be paid with current available resources. In governmental activities, expense is recognized based on actuarially required contributions. The net pension obligation (asset), the cumulative difference between annual pension cost and the Region's contributions to the plans since 1986, is calculated on an actuarial basis consistent with the requirements of Government Accounting Standards Board Statement No. 27. The pension obligation (asset) is recorded as a noncurrent liability (asset) in the government-wide financial statements.

*Funding Policy:* The Region funds the contributions to its pension plans based on the actuarial required contribution.

Net Other Post-Employment Benefit Obligations:

*Governmental Funds and Governmental Activities:* In governmental funds, expenditures are recognized when they are paid or are expected to be paid with current available resources. In governmental activities, expense is recognized based on actuarially required contributions. The net OPEB obligation (asset), the cumulative differences between annual OPEB cost and the Region's contributions to the plan since July 1, 2009, is calculated on an actuarial basis consistent with the requirements of Government Accounting Standards Board Statement No. 45. The OPEB obligation (asset) is recorded in the government-wide financial statements.

**Note 2. Deposits and Investments**

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

The Connecticut General Statutes (Section 7-400) permit municipalities to invest in: 1) obligations of the United States and its agencies; 2) highly rated obligations of any state of the United States or of any political subdivision, authority or agency thereof; and 3) shares or other interests in custodial arrangements or pools maintaining constant net asset values and in highly rated no-load open-end money market and mutual funds (with constant or fluctuating net asset values) whose portfolios are limited to obligations of the United States and its agencies, and repurchase agreements fully collateralized by such obligations. Other provisions of the Statutes cover specific municipal funds with particular investment authority. The provisions of the Statutes regarding the investment of municipal pension funds do not specify permitted investments. Therefore, investment of such funds is generally controlled by the laws applicable to fiduciaries and the provisions of the applicable plan.

Regional School District No. 9

Notes to Financial Statements

**Note 2. Deposits and Investments (Continued)**

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

Deposits:

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

Based on the criteria described in *GASB Statement No. 40, Deposits and Investment Risk Disclosures*, \$2,931,057 of the Region's bank balance of \$3,230,421 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 2,612,951
Uninsured and collateral held by the pledging bank's trust department, not in the Region's name	318,106
<b>Amount subject to custodial credit risk</b>	<b><u>\$ 2,931,057</u></b>

Cash Equivalents: At June 30, 2014, the Region's cash equivalents amounted to \$49,364. The Region's cash equivalents (money market funds, excluding U.S. government guaranteed obligations) were not rated by nationally recognized statistical rating organizations. The pools all have maturities of less than one year.

Investments: As of June 30, 2014, the Region had the following investments:

Pension Trust Fund	
Equity mutual funds	\$ 3,245,044
Municipal bond mutual funds	90,290
Fixed income mutual funds	1,248,428
<b>Total investments</b>	<b><u>\$ 4,583,762</u></b>

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

Credit Risk – Investments: As indicated above, State Statutes limit the investment options of cities and towns. The Region has an investment policy that allows the same type of investments as State Statutes.

Regional School District No. 9

Notes to Financial Statements

**Note 2. Deposits and Investments (Continued)**

Concentration of Credit Risk: The Region does not have a formalized investment policy that restricts investments in any one issuer that are in excess of 5% of the Region's total investments.

Custodial Credit Risk: Custodial credit risk for an investment is the risk that, in the event of the failure of the counterparty (the institution that pledges collateral or repurchase agreement securities to the Region or that sells investments to or buys them for the Region), the Region will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Region does not have a policy for custodial credit risk. At June 30, 2014, the Region did not have investments subject to custodial credit risk.

**Note 3. Receivables/Unearned Revenues**

Receivables as of year-end for the Region's individual major funds and nonmajor and fiduciary funds in the aggregate, are as follows:

	General Fund	Nonmajor Funds	Fiduciary Funds	Total
Receivables				
Intergovernmental	\$ -	\$ 30,222	\$ -	\$ 30,222
Due from Town of Redding	799,323	-	-	799,323
Due from Town of Easton	666,521	-	-	666,521
Other	-	-	30,000	30,000
<b>Total</b>	<b>\$ 1,465,844</b>	<b>\$ 30,222</b>	<b>\$ 30,000</b>	<b>\$ 1,526,066</b>

Governmental funds report unavailable revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also report unearned revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of unearned revenue reported in the governmental funds were as follows:

	Unearned
Cafeteria program revenue not yet earned	\$ 29,708

Regional School District No. 9

Notes to Financial Statements

**Note 3. Receivables/Unearned Revenues (Continued)**

Capital asset activity for the year ended June 30, 2014 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities</b>				
<b>Capital Assets Not Being Depreciated</b>				
Land	\$ 1,841,268	\$ -	\$ -	\$ 1,841,268
<b>Capital Assets Being Depreciated</b>				
Buildings	48,066,512	2,699,477	-	50,765,989
Machinery and Equipment	1,893,519	16,155	-	1,909,674
<b>Total capital assets being depreciated</b>	<b>49,960,031</b>	<b>2,715,632</b>	<b>-</b>	<b>52,675,663</b>
Less accumulated depreciation for:				
Buildings	(13,315,217)	(684,446)	-	(13,999,663)
Machinery and equipment	(674,025)	(161,236)	-	(835,261)
<b>Total accumulated depreciation</b>	<b>(13,989,242)</b>	<b>(845,682)</b>	<b>-</b>	<b>(14,834,924)</b>
<b>Total capital assets being depreciated, net</b>	<b>35,970,789</b>	<b>1,869,950</b>	<b>-</b>	<b>37,840,739</b>
<b>Governmental Activities Capital Assets, net</b>	<b>\$ 37,812,057</b>	<b>\$ 1,869,950</b>	<b>\$ -</b>	<b>\$ 39,682,007</b>

**Note 4. Capital Assets**

Depreciation expense was charged to functions/programs of the Region as follows:

Governmental Activities	
General instruction	\$ 845,682
<b>Total depreciation expense - governmental activities</b>	<b>\$ 845,682</b>

**Note 5. Interfund Accounts**

Interfund Payables and Receivables: A summary of interfund balances at June 30, 2014 is as follows:

Receivables Fund	Payable Fund	Amount
Capital Nonrecurring Fund	General Fund	\$ 72,095
Capital Nonrecurring Fund	Capital Projects Fund	113,811
General Fund	Capital Projects Fund	4,400
Internal Service Fund	General Fund	109,337
<b>Total</b>		<b>\$ 299,643</b>

All internal balances resulted from the time lag between the dates payments occurred between funds for short-term internal financing.

Regional School District No. 9

Notes to Financial Statements

Note 5. Interfund Accounts (Continued)

Internal Transfers: A summary of interfund transfers as of June 30, 2014 is as follows:

	Capital Nonrecurring Fund
Transfers Out	
General Fund	\$ 83,121

Transfers are used to account for the financing by the General Fund of various programs and activities in other funds.

Note 6. Long-Term Debt

Long-term liability activity for the year ended June 30, 2014 was as follows:

	Original Amount	Date of Issue	Date of Maturity	Interest Rate	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds/Notes									
Schools:									
Improvement bond	\$10,000,000	5/15/2003	5/15/2023	3-4%	\$ 525,000	\$ -	\$ 525,000	\$ -	\$ -
Improvement bond	9,125,000	8/1/2005	8/1/2025	3.5-5.5%	990,000	-	495,000	495,000	495,000
Improvement bond	1,580,000	7/15/2010	7/15/2020	2.0-3.0%	1,320,000	-	165,000	1,155,000	165,000
Refunding bonds	5,430,000	3/3/2010	3/15/2022	3-4%	4,860,000	-	565,000	4,295,000	550,000
Refunding bonds	9,720,000	11/15/2011	11/15/2026	3-5%	9,720,000	-	-	9,720,000	490,000
<b>Total bonds payable</b>					17,415,000	-	1,750,000	15,665,000	1,700,000
Net pension obligation					402,483	-	36,549	365,934	-
OPEB obligations					1,013,228	182,253	-	1,195,481	-
Capital lease					1,107,255	120,342	324,007	903,590	296,905
Compensated absences					179,050	101,730	-	280,780	-
<b>Total governmental activities, long-term liabilities</b>	<b>\$ -</b>				<b>\$ 20,117,016</b>	<b>\$ 404,325</b>	<b>\$ 2,110,556</b>	<b>\$ 18,410,785</b>	<b>\$ 1,996,905</b>

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

The following is a summary of amounts to be provided for bonded debt principal and interest maturities:

Year Ending June 30,	Principal	Interest	Total
2015	\$ 1,700,000	\$ 594,101	\$ 2,294,101
2016	1,675,000	533,488	2,208,488
2017	1,675,000	469,581	2,144,581
2018	1,670,000	400,438	2,070,438
2019	1,680,000	325,800	2,005,800
2020-2024	6,315,000	662,275	6,977,275
2025-2026	950,000	28,350	978,350
<b>Total</b>	<b>\$ 15,665,000</b>	<b>\$ 3,014,033</b>	<b>\$ 18,679,033</b>

Regional School District No. 9

Notes to Financial Statements

**Note 6. Long-Term Debt (Continued)**

Prior Year Defeasance of Debt: In prior years, the Region had defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Region's financial statements. At June 30, 2014, \$10,125,000 in bonds outstanding was considered defeased and outstanding. The Region has recorded an amount of \$46,018, for the loss on refunding in the government wide financial statements. The Region reports as a deferred outflow of resources for all the losses incurred as a result on refunding of debt in the amount of \$46,018.

Capital Leases: The Region has entered into several lease-purchase agreements. These leases are for the purchase of school busses, a voice mail system, computer equipment and other technology for use in the classrooms.

These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of future minimum lease payments as of the date of inception. The following is a schedule of the minimum lease payments under the leases and the present value of the future minimum lease payments reflected at June 30, 2014:

Year Ending June 30,	Amount
2015	\$ 296,905
2016	257,366
2017	389,436
2018	1,058
Less amount representing interest	(41,175)
<b>Present value of future minimum lease payment</b>	<b><u>\$ 903,590</u></b>

Statutory Debt Limitations: The Region's indebtedness does not exceed the legal debt limitations as required by Connecticut General Statutes. The statutes allow for debt up to 2.25 times the annual receipts of taxation from the member towns. The Region's debt limitation is as follows:

Category	Debt Limit	Net Indebtedness	Balance
Schools	\$ 193,114,514	\$ 19,866,099	\$ 173,248,415

The indebtedness reflected above includes bonds outstanding in addition to the amount of bonds authorized and unissued against which bond anticipation notes are issued and outstanding. School building grants receivable for bond principal are not reflected as deductions in the computation of net indebtedness since they are returned to the member towns.

Authorized/Unissued Bonds: At June 30, 2014, there were bonds authorized but unissued of \$4,201,099 for school purposes.

Regional School District No. 9

Notes to Financial Statements

Note 7. Fund Balances

The components of fund balance for the governmental funds at June 30, 2014 are as follows:

	Major Capital Projects Funds						Total
	General Fund	Capital Recurring	Capital Projects Fund	Capital Maintenance Fund	Stadium Improvement Fund	Nonmajor Governmental Funds	
<b>Fund Balances</b>							
Nonspendable:							
Inventory	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,587	\$ 13,587
Restricted for:							
Grants	-	-	-	-	-	137,520	137,520
Assigned to:							
Capital projects	-	150,159	59,804	-	-	-	209,963
Unassigned	4,255	-	-	-	(2,802,489)	-	(2,798,234)
<b>Total fund balances</b>	<b>\$ 4,255</b>	<b>\$ 150,159</b>	<b>\$ 59,804</b>	<b>\$ -</b>	<b>\$ (2,802,489)</b>	<b>\$ 151,107</b>	<b>\$ (2,437,164)</b>

Note 8. Risk Management

The Region is exposed to various risks of loss related to public officials; Board of Education liability; torts; theft of, damage to or destruction of assets; errors or omissions; injuries to employees or natural disasters. Except for medical insurance, the Region purchases commercial insurance for all risks of loss. The Region established an internal service fund, the medical insurance fund, to account for and finance the retained risk of loss for its medical benefits claims. Settled claims have not exceeded commercial coverage in any of the past three fiscal years. There have been no significant reductions in insurance coverage from coverage in the prior year.

The Region participates in a medical self-insurance plan that accounts for health benefits provided to participants and their families. Recommended monthly deposits are calculated by a third party, acting as plan administrator and claims processor.

The medical claims fund is substantially funded by the Region's general fund based upon estimates for the number of employees and type of coverage (single or family) and trends in the insurance claims and estimates for administration. The Region does not have aggregate stop-loss coverage but has individual stop-loss coverage of \$150,000. The claims liability is based on the requirements of GASB Statements No. 10 and 30, which require that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is possible that a liability has been incurred at the date of the financial statements and the amount of the possible loss can be reasonably estimated.

An analysis of the activity in the claims liability for the medical insurance fund is as follows:

	Accrued Liability Beginning of Fiscal Year	Current Year Claims and Changes in Estimates	Accrued Liability Claim Payments	Accrued Liability End of Fiscal Year
2012-13	\$ 156,574	\$ 2,243,415	\$ 2,243,641	\$ 156,348
2013-14	156,348	2,379,370	2,400,718	135,000

Regional School District No. 9

Notes to Financial Statements

**Note 9. Pension Plans**

Plan Description: The Region has a noncontributory pension plan covering substantially all noncertified employees. The certified faculty and professional personnel of the Region participate in a contributory retirement plan administered by the State Teachers' Retirement Board. The Region does not contribute to this plan.

The Region is the administrator of the Region No. 9 Retirement Plan, a single employer defined benefit pension plan established and maintained by the Region to provide pension benefits for its full-time employees other than teachers. The Region has appointed a retirement plan committee to administer the plan. The plan does not issue separate, stand-alone financial reports.

Summary of Significant Accounting Policies and Plan Asset Matters:

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

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

Classes of Employees Covered: As of the July 1, 2013 actuarial valuation, the plan's membership consisted of the following:

Retirees, disabled and beneficiaries currently receiving benefits	48
Terminated or inactive employees entitled to benefits but not yet receiving them	9
Current plan members	62
<b>Total</b>	<b>119</b>

The Region No. 9 Retirement Plan provides retirement benefits as well as death and disability benefits. Benefits vest after five years of service. Members may retire on the later of age 65 or five years of service. Members are entitled to an annual retirement benefit, payable for life, for an amount determined by formula for each year of service. Administration costs are paid from the general fund and pension fund.

Contributions: Members are not required to make contributions. The contribution requirements of the Region are established and may be amended by the Region's Board of Education. The Region's contributions are actuarially determined on an annual basis using the aggregate cost method.

Schedule of Employer Contributions and Net Pension Obligation:

Year Ended	Annual Contribution	Annual Required Contribution (ARC)	Percentage of ARC Contributed	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
7/1/13	\$ 442,000	\$ 429,021	103.0%	\$ 405,451	109.0%	\$ 365,934
7/1/12	\$ 438,000	\$ 374,151	117.1%	\$ 350,727	125.9%	\$ 395,235
7/1/11	\$ 433,798	\$ 363,775	119.2%	\$ 339,318	127.8%	\$ 482,508

Regional School District No. 9

Notes to Financial Statements

Note 9. Pension Plans (Continued)

Actuarial Assumptions (GASB 27): The data presented in the schedule of employer contributions was determined as part of the actuarial valuation at the date indicated. Additional information as of the actuarial valuation within the current year is as follows:

Actuarial valuation date	July 1, 2013
Actuarial cost method	Aggregate
Amortization method	N/A
Remaining amortization period	N/A
Asset valuation method	5-year smoothing
Actuarial assumptions	
Investment rate of return	7.25%
Projected salary increases	5.00%

Annual Pension Cost and Net Pension Obligation (GASB 27): The Region's annual pension cost and net pension obligation for the current year were as follows:

Annual required contribution	\$	429,021
Adjustment to annual required contribution		29,180
Interest on net pension asset		(52,750)
Annual pension cost		<u>405,451</u>
Contributions made		442,000
Decrease in net pension asset		<u>(36,549)</u>
Net pension asset, July 1, 2013		402,483
Net pension asset, June 30, 2014	\$	<u><u>365,934</u></u>

Pension Plan:

*Schedule of Funding Progress\**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Funded(Unfunded) AAL (UAAL) (a-b)	Percentage Funded (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((a-b)/c)
7/1/2014	\$ 4,350,332	\$ 5,543,902	\$ (1,193,570)	78.5%	\$ 2,558,941	46.64%

Schedule was prepared using the Entry Age Normal Cost Method as the Aggregate Cost Method does not allow for the calculation

Historical Trend Information – The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to AALs for benefits.

Actuarial Assumptions (GASB 67): The total pension liability was determined by an actuarial valuation as of July 1, 2013, calculated based on the discount rate and actuarial assumptions below and then was projected forward to the measurement date June 30, 2014. There have been no significant changes between the valuation date and the fiscal year-end.

Regional School District No. 9

Notes to Financial Statements

---

**Note 9. Pension Plans (Continued)**

Discount Rate (GASB 67):

Discount rate	7.25%
Long-term expected rate of return, net of investment expense	7.25%
Municipal bond rate	N/A

Other Key Actuarial Assumptions (GASB 67): The Plan has not had a formal actuarial experience study performed.

Valuation date	July 1, 2013
Measurement date	June 30, 2014
Inflation	2.4%
Salary projection	5.0%
Mortality	Prescribed IRS Static Mortality Schedule
Actuarial cost method	Entry Age Normal
Asset valuation method	Fair value

Discount Rate: The discount rate used to measure the total pension liability was 7.25%. The pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity Analysis: The following table presents the net pension liability of the Region, calculated using the discount rate of 7.25%, as well as what the Region's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.25%) or 1 percentage point higher (8.25%) than the current rate.

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
Net pension liability	\$ 1,532,221	\$ 907,381	\$ 372,915

Regional School District No. 9

Notes to Financial Statements

Note 9. Pension Plans (Continued)

Investment policy: The Pension plan's policy in regard to the allocation of invested assets is established. It is the policy of the Board to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The pension plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The following was the Board's adopted asset allocation policy as of June 30, 2014:

Asset Class	Target Allocation
Large Value	6.00%
Large Blend	2.00%
Large Growth	6.00%
Mid Value	4.00%
Mid Growth	4.00%
Small Value	2.50%
Small Growth	2.50%
Foreign Large Value	3.00%
Foreign Large Growth	3.00%
Foreign Smid	2.00%
Diversified Emerging Mkts	2.00%
3D Assets	18.00%
World Allocation	5.00%
Emerging Markets Debt	2.00%
World Bond	4.00%
High Yield Bond	3.00%
Intermediate Term Bond	4.00%
Inflation Protected Bond	3.00%
Multisector Bond	4.00%
Ultrashort Bond	4.00%
Bank Loan	4.00%
Long Term Bond	2.00%
Natural Resources	3.00%
Global Real Estate	4.00%
Convertibles	3.00%
<b>Total</b>	<b>100.00%</b>

Rate of Return: For the year ended June 30, 2014, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 16.55 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability of the Region: The components of the net pension liability of the Region at June 30, 2014 were as follows:

Net Pension Liability	June 30, 2014
Total pension liability	\$ 5,543,902
Fiduciary net position	4,636,521
Net pension liability	907,381
Fiduciary net position as a percentage of total pension liability	83.7%
Covered payroll	2,643,761
Net pension liability as a percentage of covered payroll	34.3%

Regional School District No. 9

Notes to Financial Statements

---

**Note 9. Pension Plans (Continued)**

Teachers' Retirement: All teachers participate in the State of Connecticut Teachers' Retirement System under Section 10.183 of the General Statutes of the State of Connecticut. A teacher is eligible to receive a normal retirement benefit if he or she has: 1) attained age 60 and has accumulated 20 years of credited service in the public schools of Connecticut, or 2) attained any age and has accumulated 35 years of credited service, at least 25 years of which are serviced in the public schools of Connecticut.

The Region withholds 7.25% of all teachers' annual salaries and transmits the funds to the State Teachers' Retirement Board. Teacher payroll subject to retirement amounted to \$8,894,414 or 77% of the total Board of Education payroll of \$11,525,778.

The retirement system for teachers is funded by the State based upon the recommendation of the Teachers' Retirement Board. Such contribution includes amortization of the actuarially computed unfunded liability. These obligations are established under the authority of the Connecticut General Statutes. The Region has recorded, in the General Fund, intergovernmental revenue and education expenditures in the amount of \$2,274,000 as payments made by the State of Connecticut on-behalf of the Region. The Region does not have any liability for teacher pensions.

The State of Connecticut Teacher Retirement System is considered to be a part of the State of Connecticut financial reporting entity and is included in the State's financial reports as a pension trust fund. Those reports may be obtained by writing to the State of Connecticut, Office of the State Comptroller, 55 Elm Street, Hartford, Connecticut 06106.

**Note 10. Other Post-Employment Benefits**

Plan Description and Benefits Provided: In addition to the pension benefits, certain employees retiring under the Region's Retiree Medical Program are provided post-employment benefits. The level of these benefits provided is as follows:

Plan Types: Medical plans offered through Blue Cross Blue Shield: Century PPO and the Lumenos HSA plan. Dental insurance is included in each of the above plans.

Eligibility: Administrators, teachers and other Board of Education employees receive subsidized benefits after 20 years of service: Assumed age 55 and 20 years of service.

For retirees who are eligible for Medicare, coverage ends at age 65. Otherwise coverage lasts for the life of the employee.

Benefit/Cost Sharing: All retirees pay 100% of the annual premium, less the TRB subsidy payment.

Spouse and Surviving Spouse Benefit: Same cost sharing provisions apply as for retiree.

Annual Premiums: Premium rates were not provided by each plan and are assumed to include dental premiums.

Membership: Membership in the plan consisted of the following at July 1, 2011:

	Retiree Medical Program
Number of retirees, eligible surviving spouses and children	\$ 16
Number of active participants	151
<b>Total</b>	<b>\$ 167</b>

Regional School District No. 9

Notes to Financial Statements

Note 10. Other Post-Employment Benefits (Continued)

Description of Actuarial Assumptions and Methods: The following is a summary of certain significant actuarial assumptions and other PERS information:

Actuarial valuation date	July 1, 2011
Actuarial cost method	Entry Age Normal
Amortization method	Level dollar
Remaining amortization period	25 years
Actuarial assumptions	
Investment rate of return	4.0%/annum
Projected salary increases	2.5%/annum

Annual OPEB Cost and Net OPEB Obligations: The Region's OPEB cost and net OPEB obligation for the current year were as follows:

	Retiree Medical Program
Annual required contribution (ARC)	\$ 246,167
Interest on net pension obligation	40,529
Adjustment to ARC	(50,477)
Annual OPEB cost	236,219
Contributions made	53,966
Increase in net OPEB liability	182,253
Net OPEB obligation, beginning of year	1,013,228
Net OPEB obligation, end of year	<u>\$ 1,195,481</u>

The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation (asset) is presented below:

Fiscal Year Ending	Annual OPEB Cost	Employer Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/12	\$ 214,704	\$ 39,338	18.4%	\$ 832,799
6/30/13	225,436	45,007	20.0%	1,013,228
6/30/14	236,219	53,966	22.8%	1,195,481

Regional School District No. 9

Notes to Financial Statements

**Note 10. Other Post-Employment Benefits (Continued)**

Schedule of Funding Progress: The annual other post employment benefit (OPEB) cost is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the annual OPEB cost, the amount actually contributed to the plan, and changes in the Region's net OPEB obligation:

Schedule of Funding Progress - OPEB							UAAL as a
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Underfunded AAL	Funded Ratio	Covered Payroll (Total)	Percentage of Payroll Covered	
7/1/2011	\$ -	\$ 3,673,529	\$ 3,673,529	0.00%	\$ 10,121,699	36.3%	

**Note 11. Contingent Liabilities**

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

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

**Note 12. Subsequent Event**

In July of 2014, the District issued \$2,865,000 of bond anticipation notes with a maturity date of April 2015.

In August of 2014, the District issued \$1,455,000 of bond anticipation notes with a maturity date of April 2015.

**Note 13. Pronouncements Issued, Not Yet Effective**

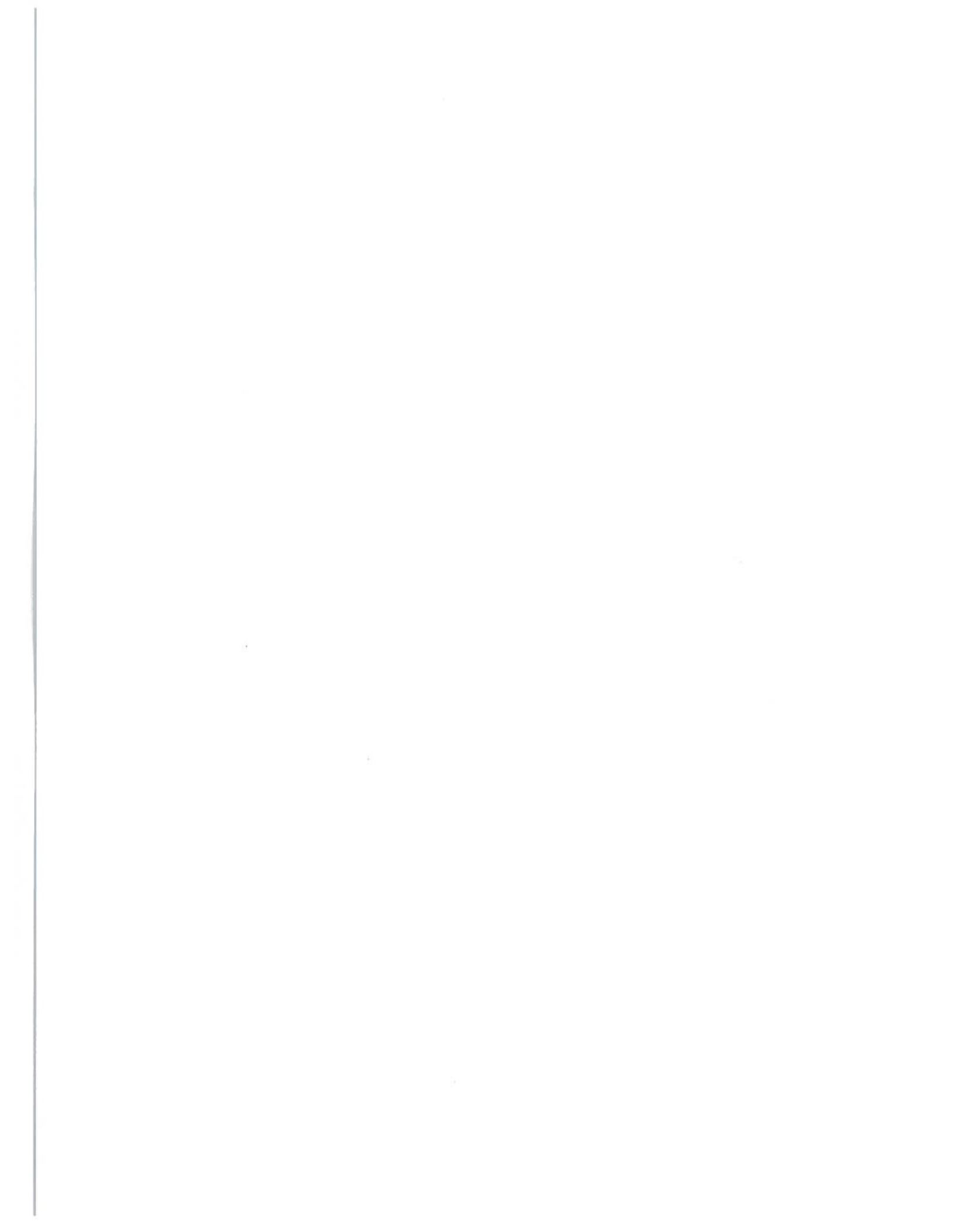
The Governmental Accounting Standards Board (GASB) has issued several pronouncements that have effective dates that may impact future financial presentations.

*GASB Statement No. 68, Accounting and Financial Reporting for Pensions*, and its amendment, *GASB Statement No. 71*, will be effective on July 1, 2014. This statement revises and establishes new financial reporting requirements for most governments that provide their employees with pension benefits. Among other requirements, Statement No. 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time and calls for immediate recognition of more pension expense than is currently required.

*GASB Statement No. 69, Government Combinations and Disposals of Government Operations*, will be effective on July 1, 2014. This statement provides guidance for determining whether a specific government combination is a government merger, acquisition, or a transfer of operations, which will improve accounting for mergers and acquisitions among state and local governments.

Management has not yet determined the effect that the above GASB statements will have on the financial statements, but GASB 68 will have a material impact.

**Required Supplementary Information**



Schedule of Revenues and Other Financing Sources - Budgetary Basis - Budget and Actual - General Fund  
 Required Supplementary Information - unaudited  
 For the Year Ended June 30, 2014

	Budgeted Amounts		Actual Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>Assessments from District Member Towns</b>				
Town of Redding	\$ 12,324,443	\$ 12,324,443	\$ 12,324,443	\$ -
Town of Easton	10,132,633	10,132,633	10,132,633	-
<b>Total assessments from district         member towns</b>	<b>22,457,076</b>	<b>22,457,076</b>	<b>22,457,076</b>	<b>-</b>
Interest Income	-	-	15	15
<b>Total revenues</b>	<b>\$ 22,457,076</b>	<b>\$ 22,457,076</b>	<b>22,457,091</b>	<b>\$ 15</b>

Budgetary revenues are different than GAAP revenues because:

State of Connecticut on-behalf payments to the Connecticut  
 State Teachers' Retirement System for Town teachers are not  
 budgeted

2,274,000

Total Revenues and Other Financing Sources as Reported on the  
 Statement of Revenues, Expenditures and Changes in Fund Balances-  
 Governmental Funds-Exhibit E

\$ 24,731,091

See Note to Schedule.

Schedule of Expenditures and Other Financing Uses - Budget and Actual - General Fund  
(Non-GAAP Budgetary Basis)  
Required Supplementary Information - unaudited  
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>General Instruction</b>				
General instruction	\$ 9,889,064	\$ 9,888,003	\$ 9,803,965	\$ 84,038
Humanities	129,790	130,378	116,163	14,215
Integrated language arts	28,209	29,021	27,400	1,621
Curriculum	37,196	37,196	31,563	5,633
Industrial technology	81,319	48,819	46,897	1,922
Science/mathematics technology	95,904	95,904	81,837	14,067
PE/health	47,766	38,016	18,039	19,977
Student activity athletics	1,054,691	1,062,625	1,072,321	(9,696)
Student activity co-curriculum	196,285	196,285	182,899	13,386
Special services	56,386	56,547	77,828	(21,281)
<b>Total general instruction</b>	<b>11,616,610</b>	<b>11,582,794</b>	<b>11,458,912</b>	<b>123,882</b>
<b>Special Education</b>				
Special education	874,286	874,725	858,869	15,856
Special education intensive	2,368,715	2,378,115	2,286,271	91,844
Psychological services	13,130	8,130	3,204	4,926
Speech services	129,372	114,372	109,369	5,003
<b>Total special education</b>	<b>3,385,503</b>	<b>3,375,342</b>	<b>3,257,713</b>	<b>117,629</b>
<b>Student Services</b>				
Guidance	33,578	31,778	19,359	12,419
Health services	3,698	3,698	2,909	789
Education media services	45,820	45,813	38,437	7,376
Technology plan	392,915	398,222	408,459	(10,237)
<b>Total student services</b>	<b>476,011</b>	<b>479,511</b>	<b>469,164</b>	<b>10,347</b>
<b>Administration</b>				
Board of Education	70,390	70,390	175,754	(105,364)
Central administration	547,163	547,163	547,163	-
School administration	1,128,843	1,118,932	1,105,532	13,400
<b>Total administration</b>	<b>1,746,396</b>	<b>1,736,485</b>	<b>1,828,449</b>	<b>(91,964)</b>
<b>Buildings</b>				
Operation/maintenance	2,034,241	2,084,629	2,150,148	(65,519)
<b>Total buildings</b>	<b>2,034,241</b>	<b>2,084,629</b>	<b>2,150,148</b>	<b>(65,519)</b>
<b>Transportation</b>				
Student transportation	779,889	779,889	802,169	(22,280)
<b>Total transportation</b>	<b>779,889</b>	<b>779,889</b>	<b>802,169</b>	<b>(22,280)</b>
<b>Debt Service</b>	<b>2,407,400</b>	<b>2,407,400</b>	<b>2,407,400</b>	<b>-</b>
<b>Other Financing Sources</b>				
Operating transfers out	11,026	11,026	83,121	(72,095)
<b>Total expenditures</b>	<b>\$ 22,457,076</b>	<b>\$ 22,457,076</b>	<b>22,457,076</b>	<b>\$ -</b>

Budgetary expenditures are different than GAAP expenditures because:

State of Connecticut on-behalf payments to the Connecticut

State Teachers' Retirement System for Town teachers are not budgeted

2,274,000

Total Expenditures and Other Financing Uses as Reported on the  
Statement of Revenues, Expenditures and Changes in Fund Balances-  
Governmental Funds-Exhibit E

\$ 24,731,076

See Note to Schedule.

**Notes to Schedule of Expenditures and Other Financing Uses - Budget and Actual – General Fund  
(Non-GAAP Budgetary Basis)  
Required Supplementary Information – unaudited  
For the Year Ended June 30, 2014**

---

**Note 1. Budgetary Information**

The Region adheres to the following procedures in establishing the budgetary data reported in the financial statements:

- The Region legally adopts an annual budget for the General Fund pursuant to Connecticut General Statutes Section 10-51. Formal budgetary integration is employed by the Region as a management control device during the year for the General Fund.
- Prior to January, 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.
- Annually, prior to the annual meeting of the Board, a public budget meeting is held for the purpose of presenting and voting upon a regional school budget.
- After the budget is approved, the Board estimates the share of the net expenditures to be paid by each member town in accordance with Connecticut General Statutes Section 10-51, and notify the respective member Town's 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 program level. Transfers from one budget line to another may be made by the Director of Finance and Operations with the approval of the Superintendent, Financial Advisory Committee and Board of Education.
- The Board does not have the authority to expend beyond the total budget appropriation without District Board of Education and member town approval.
- Encumbrances are recognized as a valid and proper charge against a budget appropriation in the year in which the purchase order, contract or other commitment is issued and, accordingly, encumbrances outstanding at year-end are reported in budgetary reports as expenditures in the current year. Generally, all unencumbered appropriations lapse at year-end, except those for Capital Funds. Appropriations for capital projects are continued until completion of applicable projects, even when projects extend more than one fiscal year.

No additional appropriations were authorized during the year ended June 30, 2014.

Schedule of Funding Progress - Pension Plan  
 Required Supplementary Information - unaudited  
 For the Year Ended June 30, 2014

## Schedule of Funding Progress\*

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Funded (Unfunded) AAL (UAAL) (a-b)	Percentage Funded (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((a-b)/c)
6/30/2008	\$ 1,977,435	\$ 3,101,601	\$ (1,124,166)	63.8%	\$ 2,281,475	42.27%
6/30/2009	1,895,595	3,390,315	(1,494,720)	55.9%	2,316,225	64.53%
6/30/2010	2,441,537	3,720,011	(1,278,474)	65.6%	2,455,341	52.07%
6/30/2011	2,903,841	4,052,447	(1,148,606)	71.7%	2,432,982	47.21%
6/30/2012	3,274,669	4,600,517	(1,325,848)	71.2%	2,652,704	49.98%
6/30/2013	3,683,999	5,123,565	(1,439,566)	71.9%	2,643,761	54.45%

## Regional School District No. 9

Schedule of Funding Progress - OPEB  
 Required Supplementary Information - unaudited  
 For the Year Ended June 30, 2014

## Schedule of Funding Progress - OPEB

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Underfunded AAL	Funded Ratio	Covered Payroll (Total)	UAAL as a Percentage of Payroll Covered
7/1/2008	\$ -	\$ 4,788,856	\$ 4,788,856	0.00%	\$ 9,686,065	49.4%
7/1/2011	\$ -	\$ 3,673,529	\$ 3,673,529	0.00%	\$ 10,121,699	36.3%

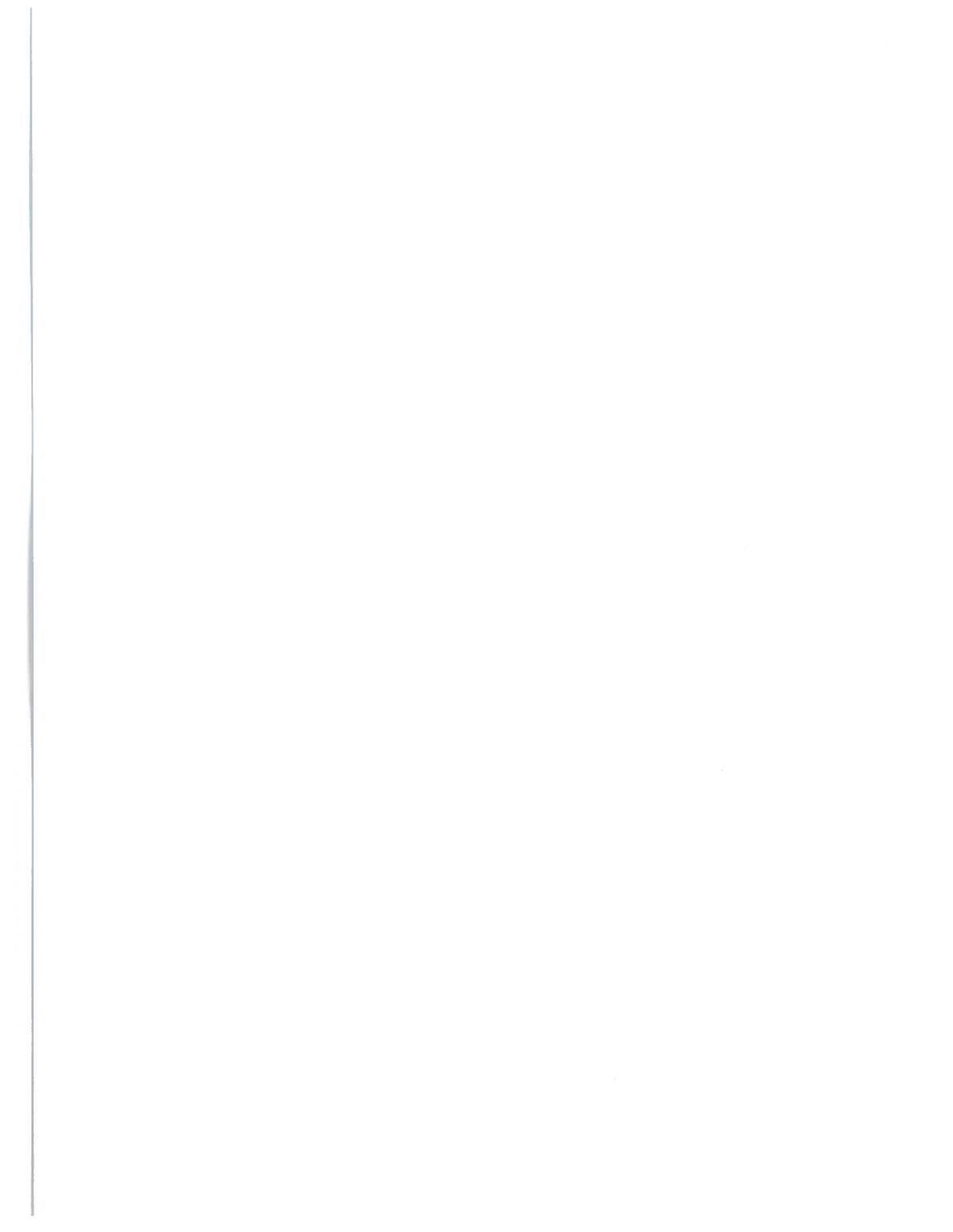
**Schedule of Employer Contributions - Pension Plan and OPEB  
 Schedule of Changes in Net Pension Liability and Related Ratios  
 Required Supplementary Information - unaudited  
 For the Year Ended June 30, 2014**

Year Ended	Pension Plan			OPEB	
	Annual Required Contribution (ARC)	Percentage of ARC Contributed		Annual Required Contribution (ARC)	Percentage of ARC Contributed
2009	\$ 301,061	82.6%	2009	\$ -	0.0%
2010	370,015	101.0%	2010	-	0.0%
2011	363,775	119.2%	2011	298,034	24.6%
2012	374,151	117.1%	2012	219,504	17.9%
2013	420,262	93.0%	2013	232,548	19.4%
2014	429,021	103.0%	2014	246,167	21.9%

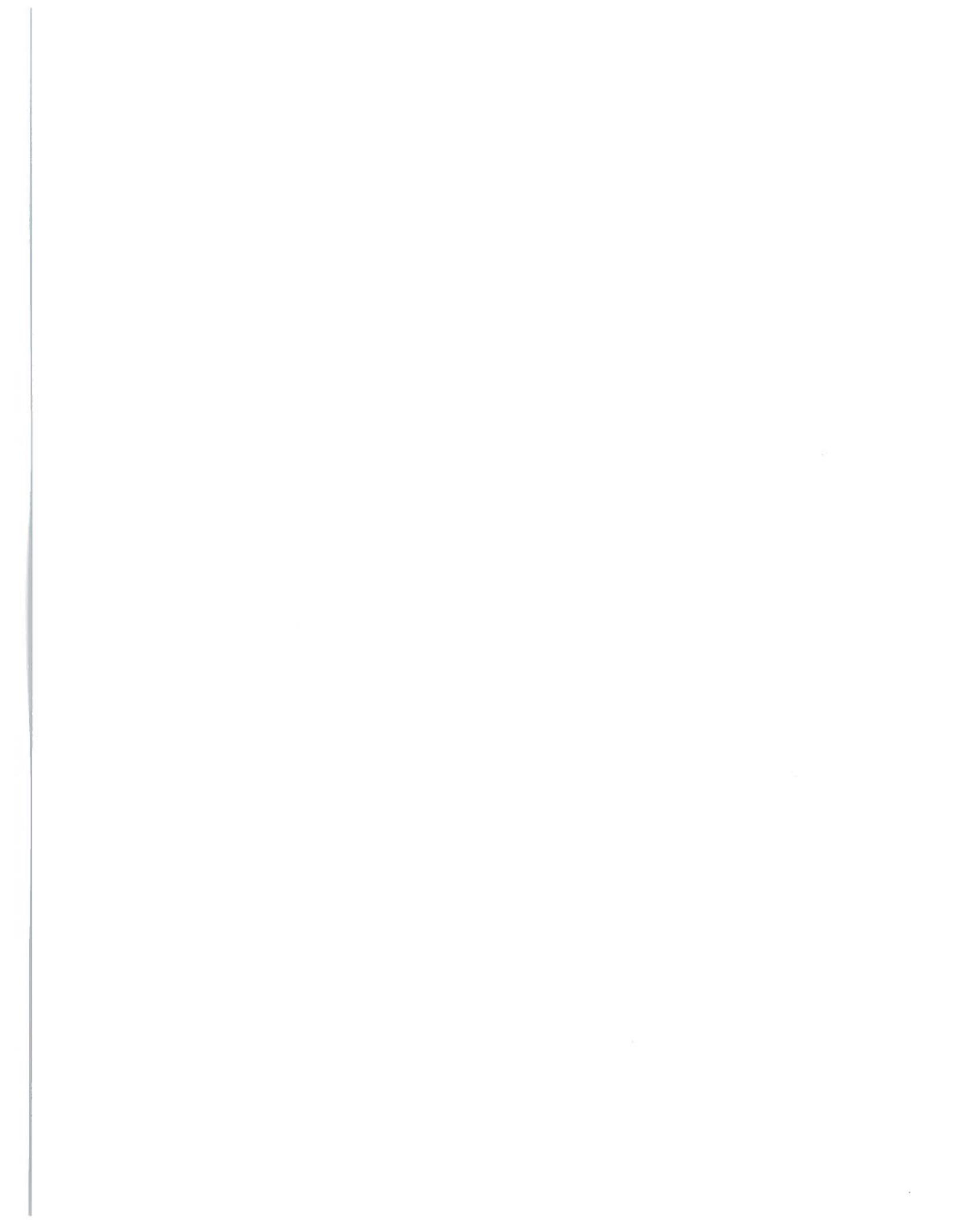
	2014
<b>Total Pension Liability</b>	
Service cost	\$ 263,087
Interest on total pension liability	364,093
Benefit payments	(206,843)
<b>Net change in total pension liability</b>	<u>420,337</u>
Total Pension Liability, Beginning	<u>5,123,565</u>
<b>Total pension liability, ending (a)</b>	<u>5,543,902</u>
<b>Fiduciary Net Position</b>	
Employer contributions	\$ 416,875
Member contributions	
Investment income net of investment expenses	654,263
Benefit payments	(206,843)
Administrative expenses	(4,706)
<b>Net change in plan fiduciary net position</b>	<u>859,589</u>
Fiduciary Net Position, Beginning	<u>3,776,932</u>
<b>Fiduciary net position, ending (b)</b>	<u>4,636,521</u>
<b>Net pension liability, ending = (a) - (b)</b>	<u><u>907,381</u></u>
Fiduciary Net Position as a % of Total Pension Liability	83.63%
Covered Payroll	\$ 2,643,761
Net Pension Liability as a % of Covered Payroll	34.32%

**This page intentionally left blank.**

**Supplemental Combining and Individual  
Fund Financial Statements and Other Schedules**



**General Fund**

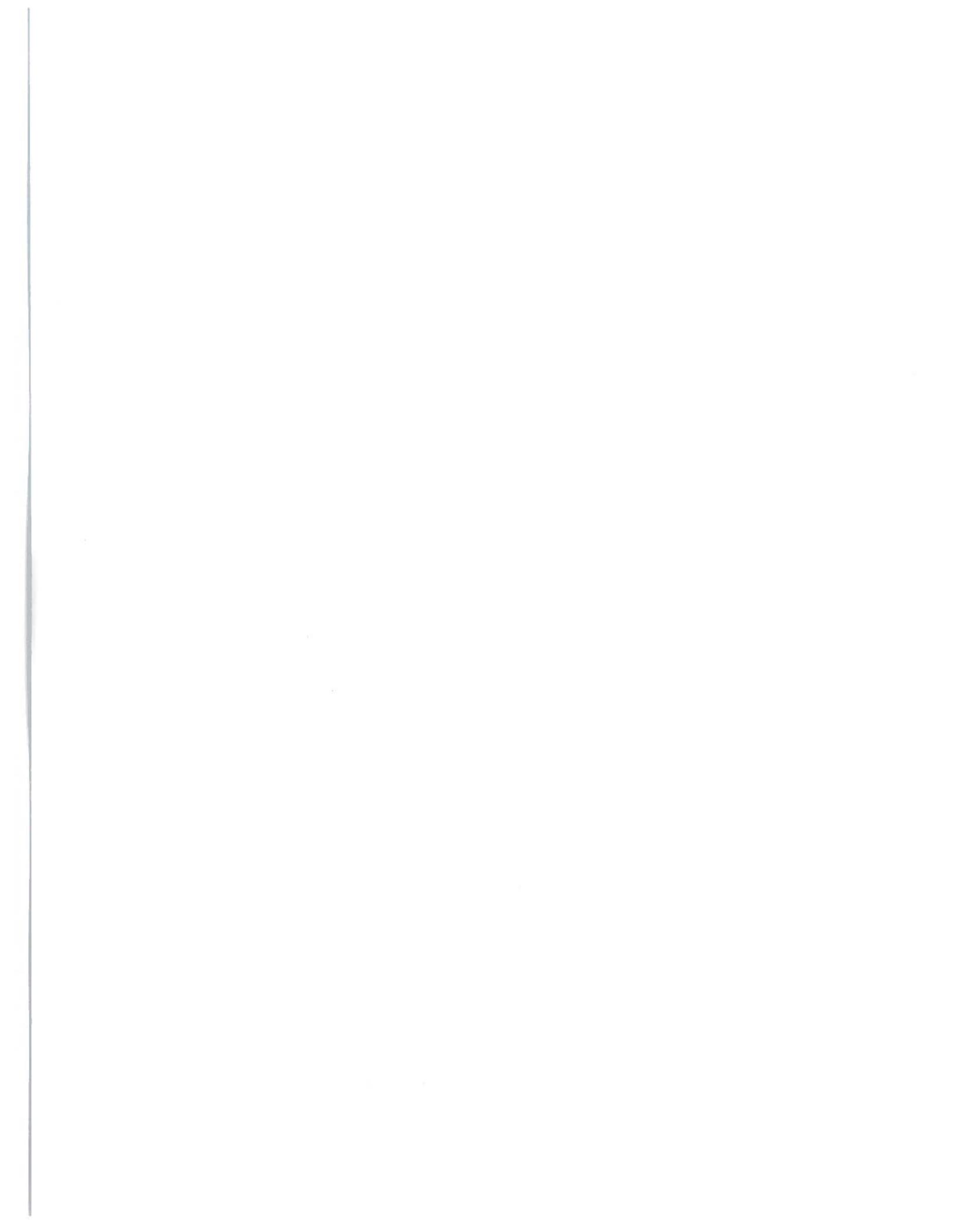


**General Fund  
Balance Sheet  
June 30, 2014**

	<b>2014</b>
<b>Assets</b>	
Cash	\$ 104,349
Receivables	
Due from Town of Redding	799,323
Due from Town of Easton	666,521
Due from other funds	<u>4,400</u>
<b>Total assets</b>	<b>\$ <u>1,574,593</u></b>
<b>Liabilities and Fund Balance</b>	
<b>Liabilities</b>	
Accounts payable and accrued liabilities	\$ 1,388,905
Due to other funds	<u>181,433</u>
<b>Total liabilities</b>	<b><u>1,570,338</u></b>
<b>Fund Balance</b>	
Unassigned	<u>4,255</u>
<b>Total liabilities and fund balance</b>	<b>\$ <u>1,574,593</u></b>

**This page intentionally left blank.**

**Nonmajor Governmental Funds**



Combining Balance Sheet  
 Nonmajor Governmental Funds  
 June 30, 2014

	Special Revenue Funds		Total Nonmajor Governmental Funds
	Education Grants	Cafeteria Fund	
<b>Assets</b>			
Cash	\$ 17,390	\$ 210,002	\$ 227,392
Intergovernmental Receivable	9,000	21,222	30,222
Inventory	-	13,587	13,587
<b>Total assets</b>	<b>\$ 26,390</b>	<b>\$ 244,811</b>	<b>\$ 271,201</b>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Accounts payable and accrued liabilities	\$ 24,687	\$ 65,699	\$ 90,386
Unearned revenue	-	29,708	29,708
<b>Total liabilities</b>	<b>24,687</b>	<b>95,407</b>	<b>120,094</b>
<b>Fund Balances</b>			
Nonspendable	-	13,587	13,587
Restricted	1,703	135,817	137,520
<b>Total fund balances</b>	<b>1,703</b>	<b>149,404</b>	<b>151,107</b>
<b>Total liabilities and fund balances</b>	<b>\$ 26,390</b>	<b>\$ 244,811</b>	<b>\$ 271,201</b>

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
Nonmajor Governmental Funds  
For the Year Ended June 30, 2014**

	Special Revenue Funds		
	Education Grants	Cafeteria Fund	Total Nonmajor Governmental Funds
<b>Revenues</b>			
Charges for services	\$ -	\$ 1,058,131	\$ 1,058,131
Intergovernmental	197,468	176,070	373,538
<b>Total revenues</b>	<b>197,468</b>	<b>1,234,201</b>	<b>1,431,669</b>
<b>Expenditures</b>			
Current:			
General instruction	111,807	-	111,807
Student services	-	1,163,296	1,163,296
Special education	89,172	-	89,172
<b>Total expenditures</b>	<b>200,979</b>	<b>1,163,296</b>	<b>1,364,275</b>
<b>Net change in fund balances</b>	<b>(3,511)</b>	<b>70,905</b>	<b>67,394</b>
Fund Balances, Beginning of Year	5,214	78,499	83,713
Fund Balances, End of Year	<b>\$ 1,703</b>	<b>\$ 149,404</b>	<b>\$ 151,107</b>

**Fiduciary Funds**



Combining Balance Sheet  
Agency Funds  
June 30, 2014

	Student Activity Fund	Flex Plan	Total
<b>Assets</b>			
Cash and Cash Equivalents	\$ 474,842	\$ 46,012	\$ 520,854
<b>Total assets</b>	<b>\$ 474,842</b>	<b>\$ 46,012</b>	<b>\$ 520,854</b>
<b>Liabilities</b>			
Due to Others	\$ 474,842	\$ 46,012	\$ 520,854
<b>Total liabilities</b>	<b>\$ 474,842</b>	<b>\$ 46,012</b>	<b>\$ 520,854</b>

Combining Statement of Changes in Assets and Liabilities - Agency Funds  
For the Fiscal Year Ended June 30, 2014

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
<b>Student Activity Fund</b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 450,058	\$ 767,231	\$ 742,447	\$ 474,842
<b>Liabilities</b>				
Accounts payable	\$ 450,058	\$ 767,231	\$ 742,447	\$ 474,842
<b>Flex Plan</b>				
<b>Assets</b>				
Cash	\$ 41,262	\$ 186,150	\$ 181,400	\$ 46,012
<b>Liabilities</b>				
Accounts payable	\$ 41,262	\$ 186,150	\$ 181,400	\$ 46,012
<b>Total All Funds</b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 491,320	\$ 953,381	\$ 923,847	\$ 520,854
<b>Total</b>	\$ 491,320	\$ 953,381	\$ 923,847	\$ 520,854
<b>Liabilities</b>				
Accounts payable	491,320	953,381	923,847	520,854
<b>Total</b>	\$ 491,320	\$ 953,381	\$ 923,847	\$ 520,854

Schedule of Debt Limitation - The District  
June 30, 2014

	Town of Easton	Town of Redding	Total
Total tax collections (including interest and lien fees)	\$ 38,614,717	\$ 45,516,984	\$ 84,131,701
Fire District tax and interest collections	-	1,696,972	1,696,972
<b>Base</b>	<b>\$ 38,614,717</b>	<b>\$ 47,213,956</b>	<b>\$ 85,828,673</b>
<b>Debt Limitation</b>			
Limit for School Building Purposes (2.25 times base)			\$193,114,514
<b>Indebtedness</b>			
Bond outstanding			15,665,000
Bonds authorized and unissued			4,201,099
<b>Total indebtedness</b>			<u>19,866,099</u>
<b>Debt Limitation in Excess of Net Indebtedness</b>			<u>\$173,248,415</u>

**This page intentionally left blank.**