



Charles Heaven & Co.
Certified Public Accountants

**NONNEWAUG REGIONAL SCHOOL DISTRICT #14
TOWNS OF BETHLEHEM AND WOODBURY**

**AUDITED FINANCIAL STATEMENTS
AND
SUPPLEMENTAL FINANCIAL DATA**

JUNE 30, 2016

Nonnewaug Regional School District #14
Towns of Bethlehem and Woodbury
June 30, 2016

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**Nonnewaug Regional School District #14
Towns of Bethlehem and Woodbury
June 30, 2016**

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Charles Heaven & Co.
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INDEPENDENT AUDITORS' REPORT

Board of Education
Nonnewaug Regional School District #14
Bethlehem and Woodbury, Connecticut

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Nonnewaug Regional School District #14, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Nonnewaug Regional School District #14's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Nonnewaug Regional School District #14, as of June 30, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on Pages 4 through 9 the budgetary comparison schedule on page 41, and supplementary pension information on Pages 42 through 45 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Nonnewaug Regional School District #14's basic financial statements. The combining and individual nonmajor fund financial statements, and supplemental schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, and supplemental schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, and supplemental 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 28, 2016, on our consideration of Nonnewaug Regional School District #14'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 Nonnewaug Regional School District #14's internal control over financial reporting and compliance.

Charles Heane & Co

December 28, 2016

**Nonnewaug Regional School District #14
Management's Discussion and Analysis (MD&A)
June 30, 2016**

Introduction

Our discussion and analysis of Nonnewaug Regional School District #14 (District) financial performance provides the reader an overall narrative review of the School District's financial activities for the year ended June 30, 2016. The intent of this discussion and analysis is to look at the district performance as a whole; however, readers should also review the notes to the financial statements to enhance their understanding of the district's performance. Information contained in this section is explained by the more detailed information contained elsewhere in the financial statements, notes to the financial statements and accompanying material.

The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments, issued June 1999; the GASB Statement No. 37, Basic Financial Statement – and Management Discussion and Analysis – for State and Local Governments: Omnibus, an amendment to GASB Statement No. 21 and No. 34, issued in June 2001. Certain comparative information between the current and the prior year is required to be presented.

Financial Highlights

The following are some of the financial highlights for the June 30, 2016 fiscal year.

- Total net position is \$12,077,742. This is an increase of \$431,020 over the prior year net position \$11,646,722.
- Overall revenues were \$37,759,752, which were more than expenditures of \$37,328,732 by \$431,020.
- Long-term debt obligations as of June 30, 2016 were \$6,053,124, which compares to the June 30, 2015 debt obligations of \$5,974,466; an increase of \$78,658 primarily due to increases in the pension and other post retirement benefit obligations.
- The District has created a new High School Renovation Fund for expenses directly allocated to the Nonnewaug High School Renovation Project.

Overview of Financial Statements

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The three sections together provide a comprehensive overview of the District. The basic financial statements are comprised of two kinds of statements that present financial information from different perspectives:

- **Government-wide financial statements**, which comprise the first two statements, provide both short-term and long-term information about the entity's overall financial position.
- **Fund financial statements** focus on reporting the individual parts of the District operations in more detail. The fund financial statements comprise the remaining statements.
 - o **Governmental funds** statements tell how general government services were financed in the short term as well as what remains for future spending.
 - o **Fiduciary fund** statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others, to whom the resources belong.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The basic financial statements are followed by a section of required supplementary information that further explains and supports the financial statements.

Nonnewaug Regional School District #14
Management's Discussion and Analysis (MD&A)
June 30, 2016

Government-Wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District's net assets and how they have changed. Net assets, the difference between the assets and liabilities, is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the District, one needs to consider additional non-financial factors such as changes in enrollment, changes in program funding by the Federal and State governments, and condition of facilities.

The government-wide financial statements of the District include government activities. Most of the District's basic services are included here, such as regular education, food service, maintenance and general administration. Local revenue funding and federal and state grants finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant funds, not the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular programs. Some funds are required to be established by state law and by bond covenants. The Board of Education establishes other funds to control and manage money for particular purposes or to show that the District is meeting legal responsibilities for using certain revenues. The District has two kinds of funds:

- **Governmental funds** – Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the General Fund balance left at year-end that are available for distribution to the member towns to offset future property tax increases. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the government funds statements that explains the relationship (or differences) between them.
- **Fiduciary funds** – The District is the trustee, or fiduciary, for assets that belong to others; for the District, the student body activities fund is an agency fund. The District is responsible for ensuring the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the District's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. We exclude these activities from the district-wide financial statements because the District cannot use the assets to finance its operations.

Nonnewaug Regional School District #14
Management's Discussion and Analysis (MD&A)
June 30, 2016

Financial Analysis of the Entity as a Whole

Net Assets

The District's combined net position were \$12,077,742 at June 30, 2016.

	<u>Total Governmental Activities</u>	
	<u>Balance June 30, 2016</u>	<u>Balance June 30, 2015</u>
<u>Assets</u>		
Cash and cash equivalents	\$ 2,979,366	\$ 1,667,741
Receivable - miscellaneous fees	143,913	107,869
Inventory	14,227	2,139
Due from State of Connecticut	415,926	436,389
Capital Assets, Net of Accumulated Depreciation	<u>15,715,921</u>	<u>16,275,129</u>
<u>Total Assets</u>	<u>\$19,269,353</u>	<u>\$18,489,267</u>
<u>Liabilities</u>		
Accounts Payable & Accrued Expenses	\$ 864,856	\$ 508,458
Accrued interest	—	3,500
Net Pension Obligation	1,214,286	1,349,743
Other Post Retirement Benefit Obligation	2,316,722	1,905,601
Unearned Revenue	215,697	144,420
Long-Term Debt	<u>2,522,116</u>	<u>2,719,122</u>
<u>Total Liabilities</u>	<u>\$ 7,133,677</u>	<u>\$ 6,630,844</u>
<u>Deferred Inflows of Resources</u>		
Difference between projected and actual earnings on pension plan investments	<u>\$ 57,934</u>	<u>\$ 211,701</u>
<u>Net Assets</u>		
Invested in Capital Assets, Net of Related Debt	\$15,112,771	\$ 15,390,039
Restricted	2,027,016	1,075,404
Unrestricted	<u>(5,062,045)</u>	<u>(4,818,721)</u>
<u>Total Net Assets</u>	<u>\$12,077,742</u>	<u>\$ 11,646,722</u>

Changes in Net Position

The District's total revenues were \$37,759,752. A summary of the changes in net assets follows. Other General Fund Revenues were more or less than expected as follows:

The total cost of all programs and services was \$37,328,732. The District's expenses are predominately related to educating and caring for students and were \$21,607,205 or 58% of the total. Operations and maintenance of the facilities (plant services), general administrative, debt service, ancillary services and unallocated items accounted for the remaining expenses.

Nonnewaug Regional School District #14
Management's Discussion and Analysis (MD&A)
June 30, 2016

The following is a summary of the net increase/(decrease) in the assets of the District.

	<u>Changes in Net Assets</u> <u>For the Year Ended</u> <u>Governmental Activities</u>	
	<u>June 30, 2016</u>	<u>June 30, 2015</u>
<u>Revenues</u>		
Program Revenues:		
Charges for Services	\$ 2,459,867	\$ 2,341,842
Operating Grants & Contributions	5,492,598	5,087,159
Capital Grants & Contributions	98,115	263,901
General Revenues		
Participating towns	29,666,900	28,967,564
Local Revenues	<u>42,272</u>	<u>53,016</u>
<u>Total Revenues</u>	<u>\$ 37,759,752</u>	<u>\$ 36,713,482</u>
<u>Program Expenses</u>		
Instruction	\$ 16,480,199	\$ 18,217,840
Instruction – Supporting Services	2,717,025	2,762,274
General Administration	2,857,472	2,092,944
Plant Services	2,104,555	1,835,101
Transportation	1,711,481	1,899,548
School Lunch Services	698,500	748,648
Debt Service	12,725	20,387
Depreciation - unallocated	743,373	741,541
Capital Outlay - unallocated	1,350,512	164,706
Employee benefits - unallocated	<u>8,652,890</u>	<u>8,595,735</u>
<u>Total Expenses</u>	<u>\$ 37,328,732</u>	<u>\$ 37,078,724</u>
Increase/(Decrease) in Net Assets	\$ 431,020	\$ (365,242)
Net Assets – Beginning of Year	<u>\$ 11,646,722</u>	<u>\$ 12,011,964</u>
Net Assets – End of Year	<u>\$ 12,077,742</u>	<u>\$ 11,646,722</u>

Nonnewaug Regional School District #14
Management's Discussion and Analysis (MD&A)
June 30, 2016

Governmental Activities

The net cost of all governmental activities this year was \$29,278,152.

The following is a summary of the net cost of governmental activities.

	<u>Net Cost of Services</u>	
	<u>2016</u>	<u>2015</u>
Instruction	\$ 12,494,969	\$ 14,308,457
Instruction – supporting services	2,717,025	2,762,274
General Administration	2,857,472	2,092,944
Plant Services	2,104,555	1,800,308
Transportation	1,630,471	1,825,004
School Lunch Services	(18,493)	46,566
Debt Service	12,725	20,387
Depreciation	743,373	741,541
Capital outlay	1,252,397	(64,402)
Employee benefits	5,483,658	5,852,743
<u>Total</u>	<u>\$ 29,278,152</u>	<u>\$ 29,385,822</u>

Financial Analysis of the District's Funds

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported a combined fund balance of \$2,472,879 which compares to last year's ending fund balance of \$1,463,145. This was an increase in the fund balance of \$1,009,734.

General Fund Budgetary Expenditure Highlights

A schedule of the District's original and final budget amounts compared with actual revenues and expenses are provided in the supplemental section of the audited financial report. General fund expenditures for the fiscal year ended June 30, 2016 totaled \$32,736,726 and was equal to the approved budgeted expenditures.

Variance include the following key items:

Salaries – certified – Favorable to budget by \$102,161

Salaries – classified – Unfavorable to budget by \$198,551

Employee Benefits - Favorable to budget by \$379,684.

Purchased Services – Unfavorable to the budget by \$596,970.

Transfers to other funds – The state legislature established the ability to transfer to a capital reserve fund up to 1% of its approved appropriation. The Board of education again voted to transfer to this fund \$325,755 for future capital or non-recurring expenditures. This fund can be carried forward each year and is subject to Board of Education approval for expenditures made from it and the balance at the end of the year is \$1,024,712.

Nonnewaug Regional School District #14
Management's Discussion and Analysis (MD&A)
June 30, 2016

A summary of interfund transfers follows:

<u>Major Funds:</u>	<u>Transfers Received From Other Funds</u>	<u>Transfers To Other Funds</u>
General Fund	\$ —	\$ 655,821
Debt Service Fund	283,500	—
Capital Reserve Fund	325,755	—
Food Service Fund	46,566	—
	<u>\$ 655,821</u>	<u>\$ 655,821</u>

Economic Factors and Next Year's Budgets and Rates

At the time these financial statements were prepared and audited, the District5 contemplated the following factors that could affect its financial planning process in the future.

- The uncertainty of federal and state funding will have an impact on the financial operations of the District. The State of Connecticut is again anticipating reductions to their budget which will impact funding to local schools and towns. This includes the support the State provides to the funding of special needs students whose costs significantly exceeds the average per pupil cost in the District. The estimated revenue loss to Region 14 for the 2017-2018 Excess Cost Grant proposed elimination is \$415,390.
- The Towns of Woodbury and Bethlehem continue to be concerned with the effect the current economic climate may have on their ability to generate revenue while holding taxes steady. The First Selectman from each town has raised concerns about increases in town budgets and the likely decreases in state funding and possible exposure to fund a significant portion of the annual contribution to the CT Teachers Retirement System formerly funded by CT State Government.
- The District has sought to reduce staffing levels as student enrollment drops by offering early retirement packages to teachers willing to retire at the end of the June 30, 2016 fiscal year. The effort to reduce staffing has resulted in a 5% overall reduction in staff throughout the District.
- The District has continued to subsidize the Food Service Fund with cumulative transfers from the General Fund totaling \$140,316 since the fiscal year ending June 30, 2012. However, for the year ending June 30, 2016 the Food Service Fund realized a positive change in fund balance excluding the current year transfer of last year fund deficit of \$46,566. At June 30, 2016, the Food Service Fund had a fund balance 18,493.

Contacting the District's Financial Management

This financial report is designated to provide our citizens, taxpayers, parents, participants, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report, or need additional financial information, contact the business office of Nonnewaug Regional School District #14.

Nonnewaug Regional School District #14
Towns of Bethlehem and Woodbury
Statement of Net Position
June 30, 2016

	Governmental Activities
Assets:	\$
Cash and cash equivalents	2,979,366
Receivable - miscellaneous fees	143,913
Inventory	14,227
Due from State of Connecticut	415,926
Non Current Assets:	
Capital assets - net	15,715,921
Total Assets	19,269,353
 Liabilities:	
Accounts payable	864,856
Net Pension Liability	1,214,286
Other Post Retirement Benefit Obligation	2,316,722
Unearned revenue	215,697
Non Current Liabilities:	
Due within one year	177,678
Due in more than one year	2,344,438
Total Liabilities	7,133,677
 Deferred Inflows of Resources:	
Difference between projected and actual earnings on pension plan investments	57,934
 Net Position:	
Investment in capital assets, net of related debt	15,112,771
Restricted for:	
Member towns	95,620
Special accounts	34,245
Food service	18,493
Preschool program	8,597
Debt service	38,143
Other post-employment benefits	807,206
Reserve for Specific Capital Improvements	1,024,712
Unrestricted	(5,062,045)
Total Net Position	\$ 12,077,742

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

Nonnewaug Regional School District #14
Towns of Bethlehem and Woodbury
Statement of Activities
Year Ended June 30, 2016

Functions	Program Revenues				Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Instructional services	\$ 16,480,199	\$ 1,890,120	\$ 2,095,110	\$	\$ (12,494,969)
Supporting services:					
Instructional staff	2,717,025				(2,717,025)
Administrative	2,857,472				(2,857,472)
Operation and maintenance of facilities	2,104,555		81,010		(2,104,555)
Transportation	1,711,481		147,246		(1,630,471)
School lunch services	698,500	569,747			18,493
Interest on long-term liabilities	12,725				(12,725)
Depreciation - unallocated	743,373			98,115	(743,373)
Capital outlay - unallocated	1,350,512				(1,252,397)
Employee benefits - unallocated	8,652,890		3,169,232		(5,483,658)
Total school district	\$ 37,328,732	\$ 2,459,867	\$ 5,492,598	\$ 98,115	\$ (29,278,152)
General revenues:					
Participating towns:					
Town of Woodbury					22,479,871
Town of Bethlehem					7,187,029
Unrestricted earnings on investments					5,522
Miscellaneous					36,750
Total general revenues					29,709,172
Change in net position					431,020
Net position - beginning					11,646,722
Net position - ending					\$ 12,077,742

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

Nonnewaug Regional School District #14
Towns of Bethlehem and Woodbury

Balance Sheet Governmental Funds June 30, 2016	Major Funds					Total Governmental Funds
	General	Capital Project High School Renovation	Reserve for Specific Capital Improvements	Debt Service	Other Governmental Funds	
Assets:	\$	\$	\$	\$	\$	\$
Cash and cash equivalents	2,497,125	--	--	421,944	60,297	2,979,366
Inventory	--	--	--	--	14,227	14,227
Due from other funds	564,826	--	1,024,712	--	46,566	1,636,104
Due from St. of Connecticut	242,314	--	--	--	173,612	415,926
Accounts receivable	94,643	--	--	--	49,270	143,913
Total Assets	\$ 3,398,908	\$ --	\$ 1,024,712	\$ 421,944	\$ 343,972	\$ 5,189,536
Liabilities:	\$	\$	\$	\$	\$	\$
Accounts payable	332,941	--	--	--	--	332,941
Employment termination benefits	94,501	--	--	--	--	94,501
Due to other funds	1,071,278	114,085	--	383,801	66,940	1,636,104
Due to pension trust	255,000	--	--	--	--	255,000
Accrued payroll	182,414	--	--	--	215,697	182,414
Unearned revenue	--	--	--	--	--	215,697
Total Liabilities	\$ 1,936,134	\$ 114,085	\$ --	\$ 383,801	\$ 282,637	\$ 2,716,657
Fund Balances:						
Nonspendable:						
Inventories	--	--	--	--	14,227	14,227
Restricted for:						
Capital and nonrecurring	--	--	1,024,712	--	--	1,024,712
Member towns	95,620	--	--	--	--	95,620
Committed for:						
Other post-retirement benefits	807,206	--	--	--	--	807,206
Debt service	--	--	--	38,143	--	38,143
Special activities	--	--	--	--	42,842	42,842
Nonnewaug HS Renovation	--	(114,085)	--	--	--	(114,085)
Unassigned	559,948	--	--	--	4,266	564,214
Total Fund Balances	\$ 1,462,774	\$ (114,085)	\$ 1,024,712	\$ 38,143	\$ 61,335	\$ 2,472,879
Total Liabilities and Fund Balances	\$ 3,398,908	\$ --	\$ 1,024,712	\$ 421,944	\$ 343,972	\$ 5,189,536

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

Nonnewaug Regional School District #14
Towns of Bethlehem and Woodbury
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
June 30, 2016

Total fund balances for governmental funds	\$	2,472,879
Total net position reported for governmental activities in the statement of net position is different because:		
Capital assets used in governmental funds are not financial resources and therefore are not reported in the funds.		
Capital assets, net of \$15,047,742 accumulated depreciation		15,715,921
Other long-term assets and deferred outflows of resources are not available to pay for current period expenditures, and therefore, are unavailable in the funds:		
Deferred inflows related to pensions		(57,934)
Long-term liabilities that pertain to governmental funds, including bonds payable, are not due and payable in the current period and therefore are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the statement of net position. Balances at year-end are:		
Net pension liability	\$	(1,214,286)
Other post retirement benefit obligation		(2,316,722)
Leases payable		(603,150)
Termination benefits payable		(187,495)
Early retirement payable and other compensated absences		<u>(1,731,471)</u>
		<u>(6,053,124)</u>
Total net position of governmental activities	\$	<u>12,077,742</u>

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

Nonnewaug Regional School District #14
Towns of Bethlehem and Woodbury
Statement of Revenue, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2016

	Major Funds					
	General	Capital Project High School Renovation	Reserve for Specific Capital Improvements	Debt Service	Other Governmental Funds	Total Governmental Funds
Revenue:						
Participating towns	\$ 29,666,900	\$ ---	\$ ---	\$ ---	\$ ---	\$ 29,666,900
Federal & state grants	4,923,281	---	---	---	765,547	5,688,828
Investment income	5,479	---	---	---	42	5,521
Sales of lunches , milk , and other	1,816,998	---	---	---	569,747	569,747
Tuition	1,250	---	---	---	73,122	1,890,120
Other fees and contributions	---	---	---	---	35,500	36,750
Total Revenues	36,413,908	---	---	---	1,443,958	37,857,866
Expenditures:						
Salaries - certified	15,474,460	---	---	---	448,657	15,923,117
Salaries - classified	3,818,769	---	---	---	449,117	4,267,886
Employee benefits	8,525,731	---	---	---	5,262	8,530,993
Purchased services	4,697,842	---	---	---	22,460	4,720,302
Supplies and materials	890,530	---	---	---	177,084	1,067,614
Liability and property insurance	150,616	---	---	---	---	150,616
Dues and fees	71,238	---	---	---	---	71,238
Cost of food purchased	---	---	---	---	265,964	265,964
Capital outlay	1,543,154	114,085	---	---	54,563	1,711,802
Debt Service:						
Principal	---	---	---	280,000	---	280,000
Interest	---	---	---	3,500	---	3,500
Total Expenditures	35,172,340	114,085	---	283,500	1,423,107	36,993,032
Other Financing Sources (Uses):						
Capital lease proceeds	144,900	---	---	---	---	144,900
Operating transfers in (out)	(655,821)	---	325,755	283,500	46,566	---
Total Expenditures and Other Financing Sources (Uses)	35,683,261	114,085	(325,755)	---	1,376,541	36,848,132
Excess (Deficiency) of Revenues and Other Sources over Expenditures and Other Uses	730,647	(114,085)	325,755	---	67,417	1,009,734
Fund Balance - beginning of year	732,127	---	698,957	38,143	(6,082)	1,463,145
Fund Balance - end of year	\$ 1,462,774	\$ (114,085)	\$ 1,024,712	\$ 38,143	\$ 61,335	\$ 2,472,879

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

**Nonnewaug Regional School District #14
Towns of Bethlehem and Woodbury
Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balances of Government Funds to the Statement of Activities
Year End June 30, 2016**

Net change in fund balances-total governmental funds	\$ 1,009,734
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Amounts reported for governmental activities in the statement of activities are different because:

Revenues in the statement of activities do not include revenue from the School Construction Bond Subsidy Grant since this revenue was recognized when the receivable was recorded and not deferred as it was in the fund statements. (98,114)

Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with an initial, individual cost of more than \$5,000 are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlays	184,165	
Depreciation expense	<u>(743,373)</u>	(559,208)

The governmental funds report bond proceeds as financing sources, while repayment of bond principal is reported as an expenditure. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities and repayment of principal reduces the liability. Also, governmental funds report the effect of issuance costs and premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities, however, interest expense is recognized as it accrues, regardless of when it is due. The net effect of these differences in the treatment of general obligation bonds and related items is as follows:

Repayment of bond principal	280,000	
Repayment of capital leases	146,839	
Interest expense - general obligation bonds	3,500	
Capital lease proceeds	<u>(144,900)</u>	285,439

In the statement of activities, certain operating expenses - compensated absences (vested days) , special termination benefits (early retirement) and pension liability - are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). During this year the net difference is as follows:

Compensated absences and termination benefits	(84,934)
Post retirement benefit obligation	(411,121)
Net pension liability	135,457
Change in deferred inflows related to pensions	<u>153,767</u>

Change in net position of governmental activities	\$ <u>431,020</u>
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The accompanying notes are an integral part of these financial statements.

Nonnewaug Regional School District #14
Towns of Bethlehem and Woodbury
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2016

	Pension Trust Fund	Private Purpose Trust Fund	Agency Fund
Assets	\$	\$	\$
Cash and cash equivalents	—	437,094	243,137
Accounts receivable	255,000		
Investments	3,509,965	—	—
Total Assets	\$ 3,764,965	\$ 437,094	\$ 243,137
Liabilities and Net Position:			
Liabilities:			
Due to student groups	\$ —	\$ —	\$ 243,137
Net Position:			
Held in trust for pension benefits and scholarships	\$ 3,764,965	\$ 437,094	\$ —

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

Nonnewaug Regional School District #14
Towns of Bethlehem and Woodbury
Statement of Changes in Fiduciary Net Position
Year Ended June 30, 2016

	Pension Trust Fund	Private Purpose Trust Fund
Additions:	\$	\$
Contributions	---	61,251
Investment income	58,509	1,128
Appreciation in market value	9,713	---
Employer contributions	597,600	---
Total additions	665,822	62,379
Deductions:		
Pension benefits	397,294	---
Administrative costs	22,030	---
Scholarships	---	50,075
Total deductions	419,324	50,075
Net change	246,498	12,304
Net Position held in Trust for Pension Benefits and Scholarships:		
Beginning of Year	3,518,467	424,790
End of Year	\$ 3,764,965	\$ 437,094

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

Nonnewaug Regional School District #14
Towns of Bethlehem and Woodbury
Notes to General-Purpose Financial Statements

Note "1" - Summary of Significant Accounting Policies:

A. Basis of Presentation:

The accompanying financial statements 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.

Management's Discussion & Analysis – provides introductory information on basic financial statements and an analytical overview of the district's financial activities.

Government-wide financial statements – consist of a statement of net position and a statement of activities, which are prepared on the accrual basis of accounting. These statements distinguish between governmental activities and business-type activities and exclude fiduciary (employee retirement system and agency funds). Capital assets and long-term obligations (general obligation bonds, compensated absences, etc.) are included along with current assets and liabilities.

Fund Financial statements – provide information about the district's governmental, and fiduciary funds. These statements emphasize major fund activity and, depending on the fund type, utilize different basis of accounting. Governmental funds focus on sources, uses, and balances of current financial resources and often have budgetary orientation, and therefore use a modified accrual basis of accounting utilizing encumbrance accounting. Fiduciary funds focus on net position and changes in net position, and include assets held in a trustee (Pension Trust Fund and Private Purpose Trust Funds) or agency (Student Activity Funds) and utilize the accrual basis of accounting.

Required supplementary information – in addition to the MD&A, budgetary comparison schedules are presented for the General Fund, which is the only fund with a legally adopted budget. The original budget for revenues and expenditures and the final adjusted budget are presented in comparison with the actual final budgetary revenues and expenditures (including encumbrances). The Pension Trust Fund presents additional schedules as required by GASB 67.

B. Reporting Entity:

The school system constitutes an on-going entity established by an act of the state legislature that designated the school board of education as the governing authority. Members of the school board of education are elected by the public and have responsibilities over all activities related to public elementary and secondary school education. The board of education receives local, state, and federal funding, and must therefore comply with various requirements of these funding source entities. However, the board is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Standards, since the board of education members are elected by the public and have governing authority. Governing authority includes the power to designate management, the responsibility to significantly influence operations, and primary accountability for fiscal matters.

**Nonnewaug Regional School District #14
Towns of Bethlehem and Woodbury
Notes to General-Purpose Financial Statements**

Note "1" - Summary of Significant Accounting Policies (continued):

For financial reporting purposes, the District's financial statements include all funds and account groups over which the District exercises oversight responsibility in accordance with the criteria set forth in Governmental Accounting Standards Board (GASB) Statement No. 14. Oversight responsibility was determined on the basis of financial independence, selection of governing authority, designation of management, ability to significantly influence operations, accountability for fiscal matters and scope of public services. Based on the aforementioned criteria Nonnewaug Regional School District #14 has no component units.

C. Government-wide and Fund Financial Statements

Government-wide Financial Statements – The statement of net position and the statement of activities display information about the school district as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the district. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. All revenues not classified as program revenues are presented as general revenues of the district.

Fund Financial Statements

Fund financial statements report detailed information about the District. Their focus is on major funds rather than reporting funds by type. Each major governmental fund is presented in a separate column, and all nonmajor funds are aggregated into one column. Fiduciary funds are reported by fund type. A description of the various fund financial statements follows:

Governmental-Funds:

General Fund:

This fund is the general operating fund of the District and provides the accounting for budgeted revenue and expenditures applicable to the direct operation of the school system.

Special Revenue Funds:

These funds account for revenue that is restricted as to its use under specific provisions of law, or donor's intentions. State and Federal Grant Fund, a special revenue fund, accounts for state and federal grants programs which are governed by various rules and regulations of the grantor agencies.

**Nonnewaug Regional School District #14
Towns of Bethlehem and Woodbury
Notes to General-Purpose Financial Statements**

Note "1" - Summary of Significant Accounting Policies: (continued)

Capital Projects Fund:

Capital Projects Funds account for financial resources to be used for the acquisition or construction of major capital facilities, which are not financed by Proprietary and Trust Funds.

Debt Service Fund:

The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Fiduciary Funds:

Trust and Agency Funds:

Accounts for assets held for the District in a trustee or custodial capacity. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Pension Trust Funds:

Accounts for the activities of the District's single-employer public employee retirement system (PERS).

Private Purpose Trust Funds:

Accounts for scholarship funds held in trust for the benefit of individuals.

D. Measurement Focus and Basis of Accounting:

Measurement Focus:

Government-wide Statements

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Fund Financial Statements

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

**Nonnewaug Regional School District #14
Towns of Bethlehem and Woodbury
Notes to General-Purpose Financial Statements**

Note "1" - Summary of Significant Accounting Policies: (continued)

Basis of Accounting:

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. The Fund financial statements are prepared using either modified accrual for governmental funds or accrual basis for fiduciary funds.

Revenues, Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recognized in the accounting period when they become both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current fiscal year.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include contributions by member towns, grants, entitlements and donations. On an accrual basis, revenue from member towns is recognized in the fiscal year for which the amounts are due. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been met. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: contributions by member towns, investment earnings, tuition, grants and student fees.

Expenditures/Expenses

On the accrual basis of accounting, expenses are recorded at the time they are incurred. The measurement focus of governmental fund accounting is on flow of current financial resources. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred except for (1) principal and interest on general long-term debt, which is recorded when due, and (2) the costs of accumulated unpaid vacation and sick leave, which are reported as fund liabilities in the period in which they will be liquidated with available financial resources rather than in the period earned by employees.

E. Fund Equity and Net Assets – Governmental Funds:

Beginning with fiscal year 2011, the District implemented GASB Statement 54 "Fund Balance Reporting and Governmental Fund Type Definitions". This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used.

- Non spendable fund balance – amounts that are not in a spendable form (such as inventory) or are required to be maintained intact, legally or contractually.
- Restricted fund balance – amounts constrained to specific purposes by external parties, constitutional provisions or enabling legislation.
- Committed fund balance – amounts constrained to specific purposes by the government itself, using its highest level of decision-making authority, the Board of Education.
- Assigned fund balance – amounts the government intends to use for a specific purpose, but are neither restricted nor committed, as authorized by the Board of Education.
- Unassigned fund balance – amounts that are available for any purpose.

**Nonnewaug Regional School District #14
Towns of Bethlehem and Woodbury
Notes to General-Purpose Financial Statements**

Note "1" - Summary of Significant Accounting Policies: (continued)

F. Deposits and Investments:

The deposit of public funds is controlled by the Connecticut General Statutes (Section 7-402). Deposits may be placed with any "qualified public depository" as defined by statute, which has its main place of business in the State of Connecticut.

The District's cash and cash equivalents are comprised of cash on hand, demand deposits, and all other highly liquid, short-term investments with original maturities of three months or less.

The Connecticut General Statutes authorize the investment of funds in the obligations of the United States, or may be invested in any state or other tax exempt political subdivision under certain conditions. Funds may also be deposited in the State Treasurer's Short-Term Investment Fund (STIF). The provisions of the statutes regarding the investments of municipal pension funds does not specify permitted investments. Therefore investments of such funds is generally controlled by the laws applicable to fiduciaries and the provisions of the applicable pension plan.

District Investments are reported at fair value.

G. Inventories:

Inventories are valued at cost using the first-in/first-out (FIFO) method, except for USDA donated commodities, which are valued at market value. The cost of governmental fund type inventories, are recorded as expenditures when consumed rather than when purchased. Inventories are comprised of food products for the School Cafeteria Fund.

H. Prepayments:

Certain payments to vendors provide benefits in future accounting periods and therefore are recorded as prepayments on both government-wide and fund financial statements.

I. Capital Assets and Depreciation

General capital assets are reported in the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District follows the policy of not capitalizing assets with a cost of less than \$5,000 and a useful life of less than 1 year. The District does not possess any infrastructure.

All reported capital assets, with the exception of land, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Useful Life</u>
Land	not depreciated
Land improvements	15 – 20
Buildings & Improvements	20 – 50
Furniture and Equipment	5 – 15

**Nonnewaug Regional School District #14
Towns of Bethlehem and Woodbury
Notes to General-Purpose Financial Statements**

Note "1" - Summary of Significant Accounting Policies: (continued)

J. Interfund Activity

Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds.

On fund financial statements, short-term interfund loans are classified as interfund "due from/to other funds". These amounts are eliminated in the statement of net assets.

K. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employee's right to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability is based on the sick leave accumulated at June 30 by those employees who are currently eligible to receive termination payments and those employees for whom it is probable they will become eligible to receive termination benefits in the future. The criteria for determining the vacation and sick leave liability is derived from Board policy, negotiated agreements, and state laws.

The entire compensated absence liability is reported on the government-wide financial statements. For governmental fund financial statements, the amount of accumulated vacation and sick leave of employees has been recorded as a current liability to the extent that the amounts are expected to be paid using expendable available financial resources. The balance of the liability is not recorded.

L. Accrued Liabilities and Long-term Debt

All accrued liabilities and long-term debt are reported in the government-wide financial statements.

For governmental fund financial statements, the accrued liabilities are generally reported as a governmental fund liability if due for payment as of the balance sheet date regardless of whether they will be liquidated with current financial resources. However, claims and judgments and compensated absences paid from governmental funds are reported as a liability in the fund financial statements only for the portion expected to be financed from expendable available financial resources. Long-term debt paid from governmental funds is not recognized as a liability in the fund financial statements until due.

M. Use of Restricted Resources

When an expense is incurred that can be paid using either restricted or unrestricted resources (net assets), the District's policy is to first apply the expense toward restricted resources and then toward unrestricted resources. In governmental funds, the District's policy is to first apply the expenditure toward restricted fund balance and then to other, less-restrictive classifications – committed and then assigned fund balances before using unassigned balances.

N. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**Nonnewaug Regional School District #14
Towns of Bethlehem and Woodbury
Notes to General-Purpose Financial Statements**

Note "1" - Summary of Significant Accounting Policies: (continued)

O. Deferred Outflows and Deferred Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period or periods and so will not be recognized as an outflow of resources (expense/expenditures) until then.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period or periods and so will not be recognized as an inflow of resources (revenue) until that time. The District reports a deferred inflow of resources related to projected and actual earnings of the pension plan.

P. Unearned Revenues

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

Q. Net Pension Liability

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

Note "2" – Stewardship, Compliance, and Accountability:

On or before the last Wednesday in January of each year all cost centers submit requests for appropriations to the Regional School Board Central Office administration so that the general fund budget may be prepared.

Before March 31, the proposed budget is presented to the finance committee for review. By the end of April the proposed budget will be reviewed and adopted by the Regional Board of Education to be presented at the annual public budget meeting.

Nonnewaug Regional School District #14
Towns of Bethlehem and Woodbury
Notes to General-Purpose Financial Statements

Note "2" - Stewardship, Compliance, and Accountability (continued):

Not less than two weeks before the annual meeting held pursuant to C.G.S. Section 10-47, the board shall hold a public district meeting to present a proposed budget for the next fiscal year. Any person may recommend the inclusion or deletion of expenditures at such time. After the public hearing, the board prepares an annual budget for the next fiscal year. At the annual meeting on the first Monday in May, the board presents a budget which includes a statement of (1) estimated receipts and expenditures for the next fiscal year, (2) estimated receipts and expenditures for the current fiscal year, (3) estimated surplus or deficit in operating funds at the end of the current year, (4) bonded or other debt, (5) estimated per pupil expenditure for the current and for the next fiscal year and (6) such other information as is necessary in the opinion of the board. Persons present and eligible to vote under section 7-6 may accept or reject the proposed budget. The regional board of education may, in the call to the meeting, designate that the vote on the motion to adopt a budget shall be by paper ballots at the district meeting held on the budget or by a "yes" or "no" vote on the voting machines in each of the member towns on the day following the district meetings. After budget approval, the board shall estimate the net expenses to be paid by each member town.

The budget for the general fund has substantially been prepared on the modified accrual basis. Encumbrances, commitments related to unperformed contracts for goods or services, 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 reflected in the budgetary reports as expenditures in the current year. Actual expenditures in the budgetary statement include current encumbrances as described above. This method of accounting, for encumbrances, is different from that utilized in the balance sheet and statement of revenue and expenditures (GAAP basis). Encumbrances on a GAAP basis are not expenditures but are included in Unassigned Fund Balance. A reconciliation of general fund expenditures and fund balance between the accounting treatment for encumbrances as required by GAAP and legal requirements follows:

	<u>General Fund</u>		
		<u>Expenditures and Other Financing Uses</u>	<u>Fund Balance</u>
	<u>Revenue</u>		
<u>Budgetary/GAAP Reporting Reconciliation:</u>			
Budgetary statement – June 30, 2016	\$ 32,762,187	\$ 32,736,726	\$ 95,620
Encumbrances – June 30, 2016	—	(372,453)	372,453
Encumbrances – June 30, 2015	---	434,307	---
Payments made on the Districts' behalf described in Note "11"	3,169,232	3,169,232	---
Consolidation of the other post-employment benefit fund into the general fund		(579,545)	807,206
Employment termination benefits payable not treated as liability and expense on general fund		(187,495)	187,495
Revenue budgeted as an offset to expenditures:			
State of Connecticut special education grant	482,489	482,489	---
<u>Balance (GAAP) Balance Sheet and Statement of Revenue and Expenditures – June 30, 2016</u>	<u>\$ 36,413,908</u>	<u>\$ 35,683,261</u>	<u>\$ 1,462,774</u>

Note "3" - Budgetary Compliance - Special Revenue Fund:

No formal budget is adopted.

**Nonnewaug Regional School District #14
Towns of Bethlehem and Woodbury
Notes to General-Purpose Financial Statements**

Note "4" – Cash and Cash Equivalents, Deposits and Investments:

A. Cash and Cash Equivalents

The following is a summary of cash and cash equivalents at June 30, 2016:

Governmental Funds	
Demand Accounts	\$ 2,978,866
Cash on hand	500
Fiduciary Fund - Demand Accounts	<u>680,231</u>
Total Cash and Cash Equivalents	<u>\$ 3,659,597</u>

* Cash equivalents include short-term, highly liquid investments that are both readily convertible to known amounts of cash with a maturity of 60 days.

B. Deposits

Deposits - Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of June 30, 2016, \$3,705,388 of the District's bank balance of \$4,063,822 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 3,309,849
Uninsured and collateralized held by pledging Bank's trust department not in the District's name	<u>395,539</u>
Total amount subject to custodial credit risk	<u>\$ 3,705,388</u>

C. Investments

At June 30, 2016, the District's investments consisted of the following:

<u>Types of Investments</u>	<u>Fair Value</u>	<u>Average Credit Rating</u>	<u>Investment Maturity</u>
Fiduciary Fund			
Money market funds **	\$ 150,807	AAA	N/A
Equity mutual funds **	2,359,216	unrated	N/A
Fixed income mutual funds **	<u>999,942</u>	unrated	N/A
Total Fiduciary Funds	<u>\$ 3,509,965</u>		

** These securities are uninsured and unregistered held by counterparties, but not in the District's name.

- Ratings by Standard & Poor's are provided where applicable to indicate the associated credit risk. N/A indicates not applicable.
- Interest rate risk - The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.
- Credit risk - The District has no investment policy that would limit its investment choices due to credit risk other than State Statutes governing investments in obligations or any State or political subdivision or in obligations of the State of Connecticut or political subdivision.

**Nonnewaug Regional School District #14
Towns of Bethlehem and Woodbury
Notes to General-Purpose Financial Statements**

Note "4" – Cash and Cash Equivalents, Deposits and Investments (continued):

D. Investments

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair values of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

The District's investments that are classified in Level 1 are measured on a recurring basis, using market quotations for investments that have quoted prices in active markets. Investments that are classified in Level 2 are measured using matrix pricing techniques using various pricing vendors. Matrix pricing is used to value securities based on their relationship to benchmark quoted prices. Fair value is defined as the quoted market value on the last trading day of the period. These prices are obtained from various pricing sources by the custodian bank.

As of June 30, 2016, the District's investments are measured on a recurring basis using Level 1 information (market quotations for investments that have quoted prices in active markets). The District does not hold any investments on June 30, 2016 whose fair value was determined using Level 2 or Level 3 inputs.

Note "5" – Receivables and Due from State of Connecticut:

Receivables and amounts due from State of Connecticut at June 30, 2016 consisted of various fees, interest and intergovernmental grants and entitlements. All receivables are considered collectible in full based on prior years experience and the stable condition of State programs.

Note "6" - Interfund Accounts:

At June 30, 2016 the amounts due to and from other funds were as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	State and Federal Grants	\$ 8,590
Reserve for Specific Capital Improvement	General Fund	1,024,712
General Fund	High School Renovation	114,085
General Fund	Debt Service	383,801
Preschool Program	General Fund	46,566
General Fund	Food Service	24,564
General Fund	E-Rate Program	33,786
<u>Total</u>		<u>\$1,636,104</u>

Note "7" – Employment Termination Benefits:

For the year ended June 30, 2016, the District offered early retirement incentive plan to all teachers limited to the first five teachers choosing to accept the plan. The District will pay the teachers' health insurance and health insurance deductibles for the next four years after termination. In addition, the teachers' will receive sick pay payouts over a three-year period. In addition, four additional non-teacher employees chose to retire at the end of June 2016 and are eligible for vacation and sick time payout under the district's current policy.

Nonnewaug Regional School District #14
Towns of Bethlehem and Woodbury
Notes to General-Purpose Financial Statements

Note "7" - Long-Term Debt:

The following is a summary of activity for the year ended June 30, 2016.

	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2016</u>	<u>Amounts Due</u> <u>in One Year</u>
<u>General Obligation Refunding</u> <u>Bond</u>					
Issued dated November 23, 2010, payable in a final installment of \$280,000 in 2016. The interest rate for the issued range from 2% to 3%	\$ 280,000	---	280,000	---	---
<u>Compensated Absences & Other</u> <u>Leave Benefits</u>					
Vested or accumulated severance and sick leave.	1,834,032	366,778	281,844	1,918,966	---
<u>Technology Leases</u>	<u>605,090</u>	<u>144,900</u>	<u>146,840</u>	<u>603,150</u>	<u>177,678</u>
<u>Totals</u>	<u>\$ 2,719,122</u>	<u>\$ 511,678</u>	<u>\$708,684</u>	<u>\$2,522,116</u>	<u>\$ 271,425</u>

The following is a summary of the District's future annual debt service requirements to maturity for:

Technology Leases:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 177,678	\$ 12,763	\$ 190,441
2018	181,417	9,024	190,441
2019	132,089	5,205	137,294
2020	81,739	2,407	84,146
2021	30,227	650	30,877
	<u>\$ 603,150</u>	<u>\$ 30,049</u>	<u>\$ 633,199</u>

Nonnewaug Regional School District #14
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Note "8" – Capital Assets:

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

	<u>Balance</u> <u>July 1, 2015</u>	<u>Increases</u>	<u>Deletions and</u> <u>Reclasses</u>	<u>Balance</u> <u>June 30, 2016</u>
	\$	\$	\$	\$
Governmental activities				
Capital assets, not being depreciated				
Land	494,814	--	--	494,814
Capital assets, being depreciated:				
Buildings and improvements	28,332,996	--	--	28,332,996
Furniture and equipment	<u>1,895,752</u>	<u>184,165</u>	<u>(144,064)</u>	<u>1,935,853</u>
Total capital assets, being depreciated	30,228,748	184,165	(144,064)	30,268,849
Accumulated depreciation for:				
Buildings and improvements	13,383,215	509,451	--	13,892,666
Furniture and equipment	<u>1,065,218</u>	<u>233,922</u>	<u>(144,064)</u>	<u>1,155,076</u>
Total accumulated depreciation	<u>14,448,433</u>	<u>743,373</u>	<u>(144,064)</u>	<u>15,047,742</u>
Total capital assets, being depreciated, net	<u>15,780,315</u>	<u>(559,208)</u>	<u>--</u>	<u>15,221,107</u>
Governmental activities capital assets, net	<u>\$ 16,275,129</u>	<u>\$(559,208)</u>	<u>\$ --</u>	<u>\$15,715,921</u>

Note "9" - Employees Retirement System, Non-certified Employee Plan

A: Plan Description and Benefits Provided

Nonnewaug Regional School District #14's is the administrator of a single-employer public employee retirement system (PERS) established and administered by the Board of Education for its non-certified employees. The PERS is considered to be a part of the District's reporting entity and is included in the District's financial reports as a pension trust fund.

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

Retirees, disabled and beneficiaries currently receiving benefits	21
Terminated employees entitled to benefits but not yet receiving them	6
Current plan members	<u>45</u>
Total	<u>72</u>

The plan is a contributory single employer, defined benefit plan and covers substantially all full-time non-certified employees. In order to be eligible for the plan, the employee must complete 1 year of service and attain a minimum age of 21. Under the plan, all 10 months salaried employees or full-time hourly employees at least 25 years of age and having completed one year of service are eligible. There were no major plan changes for the July 1, 2015 actuarial valuation.

Normal Retirement Date is the first of the month coincident with or next following the later of age 65 and 10 years of plan participation. The monthly benefit at Normal Retirement is equal to 30% of Average Compensation, reduced proportionately for less than 15 Years of Service. The plan contains a provision for early retirement upon the attainment of age 55 and the completion of 10 Years of Participation. The amount

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Notes to General-Purpose Financial Statements**

Note "9" - Employees Retirement System, Non-certified Employee Plan (continued)

of the benefit is based on the employee's Vested Accrued Benefit as of his Early Retirement Date. The benefit is payable in full at Normal Retirement Date, or in an actuarially reduced amount if the benefits commence prior to Normal Retirement Date. The death benefit for the plan is the present value of accrued benefits.

Participants are entitled to a percentage of accrued pension payable at their normal retirement dated based upon the following schedule:

Full Years of Credited Services	Vested Percentage of Accrued Benefit
Less than 4	0%
4	40%
5	50%
6	60%
7	70%
8	80%
9	90%
10 or more	100%

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.

Method Used to Value Investments

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

B: Contributions and Funding Policy:

Contribution requirements of the plan members and the District are established and may be amended by the Board of Education. Plan members are required to contribute 5% of their earnings to the plan. The District is required to contribute at an actuarially determined rate. The District's contribution for the year ended June 30, 2016 represented 23.92% of covered payroll. Administrative costs of the plan are financed through investment earnings of the plan's assets.

C: Investments

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

**Nonnewaug Regional School District #14
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Notes to General-Purpose Financial Statements**

Note "9" - Employees Retirement System, Non-certified Employee Plan (continued)

<u>Asset Class</u>	<u>Target Allocation</u>
Cash	5.00%
US Govt/Credit Fixed Income	28.00%
High Yield Bonds	2.00%
US Large and Mid Cap	54.00%
US Small Cap	6.00%
Int'l Equity- Developed	5.00%
	<u>100.00%</u>

There were no investments that represented more than 5% of the plan's fiduciary net position.

Rate of Return: For the year ended June 30, 2016, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 1.95%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

D: Net Pension Liability of the District

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

Total pension liability	\$ 4,979,251
Plan fiduciary net position	<u>3,764,965</u>
Net Pension Liability	<u>\$ 1,214,286</u>
Plan fiduciary net position as a percentage of the total pension liability	75.61%

Actuarial Assumptions

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

Inflation	3.00%
Salary increases	3.50%
Investment rate of return	7.40%

Mortality rates were based on the RP-2000 Mortality Table with separate males and female rates, with Total Dataset adjustment, separate tables for non-annuitants and annuitants, projected to the valuation date with Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2016 (see the discussion of the pension plan's investment policy) are summarized in the following table:

Nonnewaug Regional School District #14
Towns of Bethlehem and Woodbury
Notes to General-Purpose Financial Statements

Note "9" - Employees Retirement System, Non-certified Employee Plan (continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	2.00%
US Govt/Credit Fixed Income	28.00%	3.00%
High Yield Bonds	2.00%	6.00%
US Large and Mid Cap	54.00%	7.00%
US Small Cap	6.00%	7.25%
Int'l Equity- Developed	5.00%	8.00%

Discount Rate: The discount rate used to measure the total pension liability was 7.40%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that District contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payment to determine the local pension liability.

E: Net Pension Liability of the District

	Total Pension Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances as of June 30, 2015	\$ 4,868,210	\$ 3,518,467	\$ 1,349,743
Changes for the Year:			
Service cost	235,893	—	235,893
Interest on total pension liability	363,266	—	363,266
Differences between expected and actual experience	(90,824)	—	(90,824)
Employer contributions	—	597,600	(597,600)
Net investment income	—	68,222	(68,222)
Administrative expense	—	(22,030)	22,030
Benefit payments	(397,294)	(397,294)	—
Net changes	<u>111,041</u>	<u>246,498</u>	<u>(135,457)</u>
Balances as of June 30, 2016	\$ <u>4,979,251</u>	\$ <u>3,764,965</u>	\$ <u>1,214,286</u>

Sensitivity of the Net Pension Liability to Changes in the Discount Rate: The following presents the net pension liability of the District, calculated using the discount rate of 7.40%, as well as what the District's pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.40%) or 1 percentage point higher (8.40%) than the current rate:

	1% Decrease (6.40%)	Current Discount Rate (7.40%)	1% Increase (8.40%)
Total Net Pension Liability	\$ 1,678,513	\$ 1,214,286	\$ 810,194

**Nonnewaug Regional School District #14
Towns of Bethlehem and Woodbury
Notes to General-Purpose Financial Statements**

Note "9" - Employees Retirement System, Non-certified Employee Plan (continued):

F: Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2016, the District recognized pension expense of \$308,376. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experiences	\$ —	\$ (74,605)
Net difference between projected and actual earnings of plan investments	16,671	—
	<u>\$ 16,671</u>	<u>\$ (74,605)</u>

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

Year Ending June 30,	
2017	\$ (55,235)
2018	(55,234)
2019	40,611
2020	21,653
2021	<u>(9,729)</u>
	<u>\$ (57,934)</u>

Note "10" – State of Connecticut Teachers' Retirement System

A. General Information about the Pension Plan

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

B. Summary of Significant Accounting Policies

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pension, and pension expense, information about the fiduciary net position of the Teachers Retirement System have been determined on the same basis as they are reported by the Connecticut Teachers Retirement System. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

C. Benefit Provision

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

**Nonnewaug Regional School District #14
Towns of Bethlehem and Woodbury
Notes to General-Purpose Financial Statements**

Note "10" - State of Connecticut Teachers' Retirement System (continued)

Normal Retirement: Retirement benefits for the employees are calculated as 2% of the average annual salary times the years of credited service (maximum benefit is 75% of average annual salary during the 3 years of highest salary). In addition, amounts derived from the accumulation of 1% contributions made prior to July 1, 1989 and voluntary contributions are payable.

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

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

D. Contributions

State of Connecticut: Per Connecticut General Statutes Section 10-183z (which reflects Public Act 79-436 as amended), contribution requirements of active employees and the State of Connecticut is amended and certified by the State Teachers' Retirement Board and appropriated by the General Assembly. The contributions are actuarially determined as an amount that, when combined with employee contributions and investment earnings, is expected to finance the costs of the benefits earned by employees during that year, with any additional amount to finance unfunded accrued liability.

Employer (School District): School district employers are not required to make contributions to the plan.

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

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

At June 30, 2016, the District reports no amounts for its proportionate share of the net pension liability, deferred outflows of resources, and deferred inflows of resources, due to the statutory requirement that the State of Connecticut pay 100 percent of the required contribution.

The amount recognized by the District as its proportionate share of the net pension liability, the related state support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the net pension liability	\$	---
State's proportionate share of the net pension liability associated with the District		<u>39,553,506</u>
Total		<u>\$ 39,553,506</u>

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

**Nonnewaug Regional School District #14
Towns of Bethlehem and Woodbury
Notes to General-Purpose Financial Statements**

Note "10" - State of Connecticut Teachers' Retirement System (continued)

For the year ended June 30, 2016, the District recognized pension expense and revenue of \$3,169,232 for on-behalf amounts for the benefits provided by the State.

F. Actuarial Assumptions

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

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

Mortality rates were based on the RP-2000 Combined Mortality Table RP-2000 projected 19 years using scale AA, with a two year setback for males and females for the period after service retirement and for dependent beneficiaries.

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

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Large cap U.S. equities	21.0%	5.8%
Developed non-U.S. equities	18.0%	6.6%
Emerging markets (non-U.S.)	9.0%	8.3%
Core fixed income	7.0%	1.3%
Inflation linked bond fund	3.0%	1.0%
Emerging market bond	5.0%	3.7%
High yield bonds	5.0%	3.9%
Real estate	7.0%	5.1%
Private equity	11.0%	7.6%
Alternative investments	8.0%	4.1%
Cash	6.0%	0.4%
Total	<u>100.0%</u>	

**Nonnewaug Regional School District #14
Towns of Bethlehem and Woodbury
Notes to General-Purpose Financial Statements**

Note "10" - State of Connecticut Teachers' Retirement System (continued)

G. Discount Rate

The discount rate used to measure the total pension liability was 8.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and the State contributions will be made at the actuarially determined contribution rates in the future years. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

I. Pension Plan Fiduciary Net Position

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

J. Other Information

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

Note "11" – Risk Management and Unpaid Claims Liabilities:

The District is exposed to various risks of loss related to torts; theft of, damage to, and distribution of assets; errors and omissions; injuries to employees; and natural disasters.

The District maintains commercial insurance coverage for all risks of loss, including workers' compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the last three fiscal years.

Note "12" - Commitments and Contingencies:

Litigation:

It is the opinion of the school district officials that there are no material or substantial claims against the district, which will be finally determined so as to result in a judgment or judgments against the district, which would materially effect its financial position.

**Nonnewaug Regional School District #14
Towns of Bethlehem and Woodbury
Notes to General-Purpose Financial Statements**

Note "12" - Commitments and Contingencies (continued):

Grant Programs:

The District participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable at June 30, 2015 may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

Note "13" – Post Retirement Benefits

From an accrual accounting perspective, the cost of postemployment healthcare benefits, like the cost of pension benefits, generally should be associated with the periods in which the cost occurs, rather than in the future year when it will be paid. In adopting the requirements of GASB Statement No. 45 during the year ended June 30, 2009, the District recognizes the cost of postemployment healthcare in the year when the employee services are received, reports the accumulated liability from prior years, and provides information useful in assessing potential demand on the District's future cash flows. Recognition of the liability accumulated from prior years will be phased in over 30 years, commencing with the 2009 liability.

A. Plan Description

The District provides post-retirement benefits for certain employees for current and future health and life insurance benefit expenses through a single-employer defined benefit plan. A bi-annual actuarial valuation is made to determine whether the contributions are sufficient to meet the plan obligations. The latest actuarial valuation was made July 1, 2014. The post-retirement plan does not issue stand-alone financial reports.

The contribution requirements of plan members and the district are established and may be amended by the District. The District determines the required contribution using the Projected Unit Credit Method. Membership in the plan consisted of the following at July 1, 2014, the date of the last actuarial valuation.

Retirees and beneficiaries receiving benefits	32
Active plan members	<u>224</u>
Total	<u>256</u>

B. Funding Policy

The District has not established a trust fund to irrevocably segregate assets to fund the liability associated with post-employment benefits in accordance with GASB guidelines.

Nonnewaug Regional School District #14
Towns of Bethlehem and Woodbury
Notes to General-Purpose Financial Statements

Note "13" – Post Retirement Benefits (continued)

C. Annual OPEB Cost and OPEB Obligations

The District's annual other post-employment benefit (OPEB) cost (expense) is calculated on the basis of annual required contribution of the employer (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 past service cost) over a period not to exceed thirty years.

OPEB Obligation

Annual required contribution	\$ 566,281
Interest on net pension obligation	60,562
Adjustment to annual required contribution	(69,309)
Annual OPEB cost	557,534
Contributions made	146,413
Increase in net OPEB liability	411,121
Net OPEB obligation, beginning of year	1,905,601
Net OPEB obligation, end of year	<u>\$2,316,722</u>

The actuarial accrued liability as of July 1, 2014 is \$4,820,545. As of June 30, 2016 there are 32 retirees receiving benefits under this plan.

<u>Actuarial</u> <u>Valuation</u> <u>Date</u>	<u>Actuarial</u> <u>Value of</u> <u>Assets</u>	<u>Actuarial</u> <u>Accrued</u> <u>Liability</u>	<u>Unfunded</u> <u>AAL</u>	<u>Funded</u> <u>Ratio</u>	<u>Covered</u> <u>Payroll</u> <u>(Total)</u>	<u>UAAL as a</u> <u>Percentage</u> <u>of Payroll</u>
7/1/14	\$ ---	\$ 4,820,545	\$ 4,820,545	0.0%	\$ N/A	N/A
7/1/12	\$ ---	\$ 4,946,701	\$ 4,946,701	0.0%	\$ N/A	N/A
7/1/10	\$ ---	\$ 5,436,000	\$ 5,436,000	0.0%	\$ N/A	N/A

The District's annual OPEB cost and the percentage of annual OPEB cost contributed to the plan was as follows:

Schedule of Employer Contributions

<u>Fiscal Year Ending</u>	<u>Annual OPEB</u> <u>Cost</u>	<u>Employer</u> <u>Contributions</u>	<u>Percentage of</u> <u>Annual OPEB</u> <u>Cost</u> <u>Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
6/30/16	\$ 557,534	\$ 146,413	26.26%	\$2,316,722
6/30/15	\$ 557,673	\$ 166,111	29.79%	\$1,905,601
6/30/14	\$ 525,517	\$ 187,514	35.68%	\$1,514,039

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts of assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

**Nonnewaug Regional School District #14
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Notes to General-Purpose Financial Statements**

Note "13" – Post Retirement Benefits (continued)

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

D. Actuarial Assumptions

The information presented was determined as part of the actuarial valuation. Additional information as of the last actuarial valuations follows:

Valuation Date:	July 1, 2014
Actuarial Cost Method:	Projected Unit Credit
Asset Valuation Method:	Market Value
Amortization Method:	Level Percent of Pay
Remaining Amortization Period	30 Years
Actuarial Assumptions:	
Investment rate of return	4.00%
Medical Inflation rate	3.5%

Note "14" - Transfers:

Government interfund transfers during the year ended June 30, 2016 were as follows:

	<u>Transfers In (Out)</u>
General Fund	\$ (655,821)
Debt Service	283,500
Reserve for Specific Capital Improvement	325,755
Food Service	46,566
	<u>\$ ---</u>

Eliminations

Interfund receivables, payables, and transfers are reported in the governmental fund financial statements. In the entity-wide statements, interfund receivables, payables and transfers are eliminated within the governmental activities column.

Purpose of Transfers

Transfers are used to move unrestricted revenues to finance various programs in accordance with budgetary authorizations and to service debt.

**Nonnewaug Regional School District #14
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Notes to General-Purpose Financial Statements**

Note "15" - Operating Deficiencies and Fund Deficits:

At June 30, 2016 the following individual funds had deficiencies of revenue over expenditures and/or fund deficits for the year then ended:

	<u>Operating Deficiency</u>	<u>Fund Deficit</u>
<u>High School Renovation</u>	\$ <u>114,085</u>	\$ <u>114,085</u>

Note "16" – Subsequent Events:

In connection with the preparation of the financial statements of Nonnewaug Regional School District #14, subsequent events were evaluated through February 22, 2017, which is the date the financial statements were available to be issued.

Note "17" - Implementation of Current GASB Pronouncements

In fiscal year 2016, the District adopted two new statements of financial accounting standard issued by the Governmental Accounting Standards Board (GASB). The new statements include: Statement No. 72, *Fair Value Measurement and Application* and Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*.

Note "18" - Implementation of Future GASB Pronouncements

The GASB has issued several pronouncements that have effective dates that may impact the June 30, 2017 financial statements. Management has not currently determined what, if any, impact implementation of the following statements may have on the financial statements:

Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*.

Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*.

Statement No. 77, *Tax Abatement Disclosures*.

Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*.

Statement No. 79, *Certain External Investment Pools and Pool Participants*.

Statement No. 80, *Blending Requirements for Certain Component Units - an amendment of GASB Statement No. 14*

Statement No. 82, *Pension Issues - an amendment of GASB Statements No 67, No. 68, and No. 73*.

Nonnewaug Regional School District #14

Towns of Bethlehem and Woodbury

Schedule of Revenue, Expenditures and Changes in Fund Balances

Budget and Actual (NON-GAAP BUDGETARY BASIS)

General Fund

Year Ended June 30, 2016

Revenue:

	Original and Final Budget	Actual	Variance Over (Under)
Participating towns	\$	\$	\$
Town of Bethlehem	7,203,854	7,187,029	(16,825)
Town of Woodbury	22,533,205	22,479,871	(53,334)
State of Connecticut			
Transportation grant	82,613	83,278	665
Adult education grant	5,704	6,668	964
Building projects grants	98,115	98,115	---
Agri-Science/tech grant	1,091,200	1,083,499	(7,701)
Other			
Investment income	3,000	5,479	2,479
Tuition income	1,718,035	1,816,998	98,963
Other income	1,000	1,250	250
Total Revenues	32,736,726	32,762,187	25,461

Expenditures:

Current

Salaries - certified	15,220,066	15,117,905	102,161
Salaries - classified	3,681,779	3,880,330	(198,551)
Employee benefits	5,736,183	5,356,499	379,684
Purchased services	5,480,560	4,883,590	596,970
Supplies and materials	1,055,054	1,045,335	9,719
Liability and property insurance	144,825	150,616	(5,791)
Dues and fees	77,580	71,238	6,342
Capital outlay	667,079	995,847	(328,768)
Total Expenditures	32,063,126	31,501,360	561,766

Operating Transfers out:

Reserve for Specific Capital Improvements	100	325,755	(325,655)
OPEB fund	---	579,545	(579,545)
Food service	---	46,566	(46,566)
Debt Service fund	673,500	283,500	390,000
Total Expenditures and Operating Transfers Out	32,736,726	32,736,726	---

Excess of Revenue

Over Expenditures and Transfers	---	25,461	25,461
---------------------------------	-----	--------	--------

Fund Balance - beginning of year

Fund Balance - end of year

---	70,159	70,159
\$ ---	\$ 95,620	\$ 95,620

Nonnewaug Regional School District #14
Employee Retirement System, Non-certified Employee Plan
Schedule of Changes in Net Pension Liability and Related Ratios
Last Three Fiscal Years

	2016	2015	2014
Total pension liability:			
Service Cost	\$ 235,893	\$ 223,630	\$ 216,068
Interest	363,266	340,255	313,875
Differences between expected and actual experience	(90,824)	27,648	-
Benefit payments, including refunds of member contributions	(397,294)	(192,023)	(170,419)
Net change in total pension liability	111,041	399,510	359,524
Total pension liability - beginning	4,868,210	4,468,700	4,109,176
Total pension liability - ending	4,979,251	4,868,210	4,468,700
Plan fiduciary net position:			
Contributions - employer	597,600	311,452	318,806
Net investment income	68,222	150,722	479,234
Benefit payments, including refunds of member contributions	(397,294)	(192,023)	(170,419)
Administrative expenses	(22,030)	(21,386)	(18,968)
Net change in plan fiduciary net position	246,498	248,765	608,653
Plan fiduciary net position - beginning	3,518,467	3,269,702	2,661,049
Plan fiduciary net position - ending	3,764,965	3,518,467	3,269,702
Net Pension Liability - Ending	\$ 1,214,286	\$ 1,349,743	\$ 1,198,998
 Plan fiduciary net position as a percentage of the total pension liability	 75.61%	 72.27%	 73.17%
 Covered employee payroll	 \$ 2,498,132	 \$ 2,504,616	 \$ 2,400,883
 Net pension liability as a percentage of covered employee payroll	 48.61%	 53.89%	 49.94%

Nonnewaug Regional School District #14
Employee Retirement System, Non-certified Employee Plan
Schedule of Employer Contributions
Last Ten Fiscal Years

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Actuarially determined contribution	\$ 315,120	\$ 307,332	\$ 311,452	\$ 318,806	\$ 308,833	\$ 333,574	\$ 349,679	\$ 281,975	\$ 236,653	\$ 122,117
Contributions in relation to the actuarially determined contribution	597,600	311,452	318,806	308,833	308,833	350,000	281,975	213,000	154,350	132,000
Contribution Deficiency (Excess)	\$ (282,480)	\$ (4,120)	\$ (7,354)	\$ 9,973	\$ -	\$ (16,426)	\$ 67,704	\$ 68,975	\$ 82,303	\$ (9,883)
Covered employee payroll	\$ 2,498,132	\$ 2,504,616	\$ 2,400,883	\$ 2,229,091	\$ 2,404,920	\$ 2,414,691	\$ 2,278,949	\$ 1,943,588	\$ 1,525,677	\$ 1,339,424
Contributions as a percentage of covered employee payroll	23.92%	12.44%	13.28%	13.85%	12.84%	14.49%	12.37%	10.96%	10.12%	9.85%

Notes to Schedule

Valuation date:

July 1, 2015

June 30, 2016

Measurement date:

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

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level dollar: closed period
Remaining amortization period	15 years from July 1, 1998.
Asset valuation method	Assets are carried at fair value
Inflation	3.00%
Salary increases	3.50%
Investment rate of return	7.40%
Retirement age	65 years
Mortality	RP-2000 Mortality Table with separate male and female rates, with Total Dataset adjustment, separate tables for non-annuitants and annuitants, projected to the valuation date with Scale AA.

Other:

Change of benefit terms	None
Changes of assumptions	None

Nonnewaug Regional School District #14
Employee Retirement System, Non-certified Employee Plan
Schedule of Investment Return
Last Three Fiscal Years

	2016	2015	2014
Annual money-weighted rate of return, net of investment expense	1.95%	4.43%	16.55%

Nonnewaug Regional School District #14
Schedule of the District's Proportionate Share of the Net Pension Liability
State of Connecticut Teachers' Retirement System
Last Two Fiscal Years

	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability	0.00%	0.00%
District's proportionate share of the net pension liability	\$ -	\$ -
State's proportionate share of the net pension liability associated with the District	39,553,506	36,559,289
Total	<u>\$ 39,553,506</u>	<u>\$ 36,559,289</u>
District's covered-employee payroll	\$ N/A	\$ N/A
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	59.50%	61.51%

Notes to Schedule

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

District's covered-employee payroll Not applicable since 0% proportionate share of the net pension liability

Nonnewaug Regional School District #14
Towns of Bethlehem and Woodbury
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2016

	Special Revenue Funds					Total Nonmajor Governmental Funds
	Food Service	Special Accounts	E-Rate Program	State, Federal and other Grants	Preschool Program	
Assets:	\$	\$	\$	\$	\$	\$
Cash and cash equivalents	26,052	34,245	---	---	---	60,297
Inventory	14,227	---	---	---	---	14,227
Due from other funds	---	---	---	---	46,566	46,566
Due from St. of Connecticut	19,362	---	---	154,250	---	173,612
Accounts receivable	---	---	49,270	---	---	49,270
Total Assets	\$ 59,641	\$ 34,245	\$ 49,270	\$ 154,250	\$ 46,566	\$ 343,972
Liabilities:	\$	\$	\$	\$	\$	\$
Due to other funds	24,564	---	33,786	8,590	---	66,940
Unearned revenue	16,584	---	15,484	145,660	37,969	215,697
Total Liabilities	41,148	---	49,270	154,250	37,969	282,637
Fund Balances:						
Nonspendable:						
Inventories	14,227	---	---	---	---	14,227
Committed for:						
Special activities	---	34,245	---	---	8,597	42,842
Unassigned	4,266	---	---	---	---	4,266
Total Fund Balances	18,493	34,245	---	---	8,597	61,335
Total Liabilities and Fund Balances	\$ 59,641	\$ 34,245	\$ 49,270	\$ 154,250	\$ 46,566	\$ 343,972

Nonnewang Regional School District #14
Towns of Bethlehem and Woodbury

Combining Statement of Revenue, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds

Year Ended June 30, 2016

	Special Revenue Funds					Total	
	Food Service	Special Accounts	E-Rate Program	State, Federal and other Grants	Preschool Program	Nonmajor Governmental Funds	
Revenue:							
Federal , state and other grants	\$ 147,246	\$ --	\$ 45,459	\$ 572,842	\$ --	\$ 765,547	
Investment income	--	42	--	--	--	42	
Sales of lunches, milk, and other	569,747	--	--	--	--	569,747	
Tuition	--	--	--	--	73,122	73,122	
Miscellaneous fees and contributions	--	35,500	--	--	--	35,500	
Total Revenues	716,993	35,542	45,459	572,842	73,122	1,443,958	
Expenditures:							
Salaries - certified	--	--	--	448,657	--	448,657	
Salaries -classified	375,995	--	--	--	73,122	449,117	
Employee benefits	--	--	--	5,262	--	5,262	
Purchased services	--	--	--	22,460	--	22,460	
Supplies and materials	38,981	33,184	45,459	59,460	--	177,084	
Cost of food purchased	265,964	--	--	--	--	265,964	
Capital outlay	17,560	--	--	37,003	--	54,563	
Total Expenditures	698,500	33,184	45,459	572,842	73,122	1,423,107	
Other Financing Sources (Uses)							
Operating transfers in	46,566	--	--	--	--	46,566	
Total Expenditures and Operating Transfers In	651,934	33,184	45,459	572,842	73,122	1,376,541	
Excess of Revenues over Expenditures	65,059	2,358	--	--	--	67,417	
Fund Balance - beginning of year	(46,566)	31,887	--	--	8,597	(6,082)	
Fund Balance - end of year	\$ 18,493	\$ 34,245	\$ --	\$ --	\$ 8,597	\$ 61,335	

Nonnewaug Regional School District #14
Towns of Bethlehem and Woodbury
Detail Statement of Scholarship Net Position
Private Purpose Trust Funds
June 30, 2016

	<u>ASSETS</u>		<u>LIABILITIES</u>		<u>NET ASSETS</u>		
	Cash	Invested Cash and Receivables	Accounts Payable	Reserved for Endowment	Designated for Scholarships	Unreserved and Undesignated	Total Net Position
	\$	\$	\$	\$	\$	\$	\$
Non-Expendable Funds							
Blechner	54,761		—	54,761	—	—	54,761
Sanford	44,261		—	44,261	—	—	44,261
Expendable Funds							
Albert	2,821		—	—	—	2,821	2,821
Bailey	1,079		—	—	—	1,079	1,079
Besancon	6,087		—	—	—	6,087	6,087
Blinstrubas	2,004		—	—	—	2,004	2,004
Bloss	276,145		—	—	129,700	146,445	276,145
Burger	96		—	—	—	96	96
Cummings	6,577		—	—	—	6,577	6,577
Gagne	1,635		—	—	—	1,635	1,635
Lovett	5,484		—	—	—	5,484	5,484
Meeker	1,152		—	—	—	1,152	1,152
Mirfield	10,363		—	—	—	10,363	10,363
Oxbury 4-H	5,165		—	—	—	5,165	5,165
Pierpoint	3,233		—	—	—	3,233	3,233
Pomperaug Grange	1,306		—	—	—	1,306	1,306
Ruggiero	3,388		—	—	—	3,388	3,388
Sprano	2,033		—	—	—	2,033	2,033
Tateo	4,008		—	—	—	4,008	4,008
Zane	5,496		—	—	—	5,496	5,496
	<u>\$ 437,094</u>		<u>\$ —</u>	<u>\$ 99,022</u>	<u>\$ 129,700</u>	<u>\$ 208,372</u>	<u>\$ 437,094</u>

Nonnewaug Regional School District #14
Towns of Bethlehem and Woodbury
Detail Statement of Changes in Scholarship Net Position
Private Purpose Trust Funds
Year Ended June 30, 2016

	<u>A d d i t i o n s</u>			<u>D e d u c t i o n s</u>			Net Increase (Decrease)	Net Position June 30, 2015	Net Position June 30, 2016
	Contributions	Interest	Total	Scholarship Payments					
	\$	\$	\$	\$	\$	\$			\$
Non-Expendable Funds									
Blechner	--	134	134	1,000		(866)	55,627	54,761	
Sanford	--	109	109	--		109	44,152	44,261	
Total Non - Expendable	---	243	243	1,000		(757)	99,779	99,022	
Expendable Funds									
Albert	--	6	6	--	\$	6	2,815	2,821	
Bailey	--	2	2	--		2	1,077	1,079	
Besanson	--	15	15	--		15	6,072	6,087	
Blinstrubas	--	4	4	500		(496)	2,500	2,004	
Bloss	60,966	731	61,697	47,275		14,422	261,723	276,145	
Burger	--	1	1	--		1	95	96	
Cummings	35	17	52	500		(448)	7,025	6,577	
Gagne	--	8	8	--		8	1,627	1,635	
Lovett	--	13	13	--		13	5,471	5,484	
Mecker	--	1	1	--		1	1,151	1,152	
Mirfield	--	24	24	--		24	10,339	10,363	
Oxbury 4-H	--	13	13	--		13	5,152	5,165	
Pierpoint	--	7	7	--		7	3,226	3,233	
Pomperaug Grange	--	3	3	--		3	1,303	1,306	
Ruggiero	--	8	8	--		8	3,380	3,388	
Sprano	--	6	6	300		(294)	2,327	2,033	
Tateo	250	11	261	500		(239)	4,247	4,008	
Zane	--	15	15	--		15	5,481	5,496	
Total Expendable	\$ 61,251	\$ 885	\$ 62,136	\$ 49,075		\$ 13,061	\$ 325,011	\$ 338,072	

Nonnewaug Regional School District #14
Towns of Bethlehem and Woodbury
Agency Funds
Statement of Changes in Assets and Liabilities
Year Ended June 30, 2016

	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016
School Activity Funds				
Assets:				
Cash and investments	\$ 230,529	\$ 505,154	\$ 492,546	\$ 243,137
Liabilities:				
Due to student groups	\$ 230,529	\$ 505,154	\$ 492,546	\$ 243,137



Charles Heaven & Co.
Certified Public Accountants
Waterbury, Connecticut

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

Board of Education
Nonnewaug Regional School District #14
Bethlehem and Woodbury Connecticut

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Nonnewaug Regional School District #14, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Nonnewaug Regional School District #14's basic financial statements, and have issued our report thereon dated December 28, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Nonnewaug Regional School District #14's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Nonnewaug Regional School District #14's internal control. Accordingly, we do not express an opinion on the effectiveness of Nonnewaug Regional School District #14's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Nonnewaug Regional School District #14's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

A handwritten signature in blue ink that reads "Charles Hearn & Co". The signature is written in a cursive, flowing style.

December 28, 2016

**NONNEWAUG REGIONAL SCHOOL DISTRICT #14
TOWNS OF BETHLEHEM AND WOODBURY CONNECTICUT**

STATE SINGLE AUDIT SECTION



Charles Heaven & Co.
Certified Public Accountants
Waterbury, Connecticut

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF
EXPENDITURES OF STATE FINANCIAL ASSISTANCE REQUIRED BY THE STATE SINGLE AUDIT
ACT**

Board of Education

Nonnewaug Regional School District No. 14
Bethlehem and Woodbury Connecticut

Report on Compliance for Each Major State Program

We have audited Nonnewaug Regional School District #14's compliance with the types of compliance requirements described in the *Office of Policy and Management Compliance Supplement* that could have a direct and material effect on each of Nonnewaug Regional School District #14's major state programs for the year ended June 30, 2016. Nonnewaug Regional School District #14's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Nonnewaug Regional School District #14's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State Single Audit Act (C.G.S. Sections 4-230 to 4-236). Those standards and the State Single Audit Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about Nonnewaug Regional School District #14's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination of Nonnewaug Regional School District #14's compliance.

Opinion on Each Major State Program

In our opinion, Nonnewaug Regional School District #14 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2016.

Report on Internal Control over Compliance

Management of Nonnewaug Regional School District #14 is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Nonnewaug Regional School District #14's internal control over compliance with types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the State Single Audit Act, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Nonnewaug Regional School District #14's internal control over compliance.

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

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

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

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

We have audited the financial statements of Nonnewaug Regional School District #14 as of and for the year ended June 30, 2016, and have issued our report thereon dated December 28, 2016, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of state financial assistance is presented for purposes of additional analysis as required by the State Single Audit Act and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing

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

standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of State Financial Assistance is fairly stated in all material respects in relation to the financial statements as a whole.

Charles Heame & Co

December 28, 2016

Nonnewaug Regional School District #14
Towns of Bethlehem and Woodbury
Schedule of Expenditures of State Financial Assistance
Year Ended June 30, 2016

	State Grant Program Core-CT Number	Expenditures
Department of Education:		
Vocational Agriculture	11000-SDE-64370-17017	\$ 1,083,499
Child Nutrition Program (School Lunch State Match)	11000-SDE-64370-16211	6,048
School Breakfast Program	11000-SDE-64370-17046	7,824
Adult Education	11000-SDE-64370-17030	6,668
Total Department of Education		<u>1,104,039</u>
Total State Financial Assistance before Exempt Programs		<u>1,104,039</u>
EXEMPT PROGRAMS		
Department of Education:		
Transportation of School Children	11000-SDE-64370-17027	81,010
Excess Costs Student Based and Equity	11000-SDE64370-17047	<u>484,757</u>
Total Department of Education		<u>565,767</u>
Department of Administrative Services:		
Commitments for School Construction		
School construction projects - principal	13010-DAS-27636-40901	<u>98,114</u>
Total Department of Administrative Services		<u>98,114</u>
Total Exempt Programs		<u>663,881</u>
Total State Financial Assistance		<u><u>\$ 1,767,920</u></u>

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

Nonnewaug Regional School District #14
Notes to Schedule of Expenditures of State Financial Assistance
Year Ended June 30, 2016

The State of Connecticut Department of Education has provided financial assistance to Nonnewaug Regional School District #14 through grants and other authorizations in accordance with the General Statutes of the State of Connecticut. These financial assistance programs fund children's education, transportation, school lunch and school building renovations and construction.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Nonnewaug Regional School District #14 conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant policies relating to the aforementioned grant programs.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. The Fund financial statements are prepared using either modified accrual for governmental funds or accrual basis for proprietary and fiduciary funds.

The modified accrual basis of accounting is used by all governmental funds. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for General Obligation bond principal and interest which are reported as expenditures in the year due.

Under the accrual basis of accounting revenue is recorded when earned, and expenses are recorded when the liability is incurred.

The Schedule of Expenditures of State Financial Assistance, contained in this report, is prepared based on regulations established by the State of Connecticut Office of Policy and Management. In accordance with these regulations (Section 4-236-5), certain grants are not dependent on expenditure activity, and accordingly, are considered to be expended in the fiscal year of receipt. These grant program receipts are reflected in the expenditures column of the Schedule of Expenditures of State Financial Assistance.

Nonnewaug Regional School District #14
Audit Results of Expenditures of State Financial Assistance
Year Ended June 30, 2016

I. SUMMARY OF AUDIT RESULTS

Financial Statements

We audited the basic financial statements of Nonnewaug Regional School District #14 as of and for the year ended June 30, 2016 and issued our unqualified report thereon dated December 28, 2016.

Internal control over financial reporting:

Material weaknesses identified? _____ yes X no

Significant deficiency identified that are not considered to be material weaknesses? _____ yes X no

Noncompliance material to financial statements noted? _____ yes X no

State Financial Assistance

Internal control over major programs:

Material weaknesses identified? _____ yes X no

Significant deficiency identified that are not considered to be material weaknesses? _____ yes X none reported

We have issued an unqualified opinion relating to compliance for major State programs.

Any audit findings disclosed that are required

To be reported in accordance with Section 4-236-24 of the Regulations to the State Single Audit Act? _____ yes X no

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

State Grantor and Program	State Grant Program Identification Number	Expenditures
Department of Education		
Vocational Agriculture	11000-SDE-64370-17017	\$ <u>1,083,499</u>
Dollar Threshold used to distinguish Type A and Type B Programs		\$ <u>100,000</u>

II. FINANCIAL STATEMENT FINDINGS

No matters were reported.

III. FINDINGS AND QUESTIONED COSTS FOR STATE FINANCIAL ASSISTANCE

No matters were reported.