



**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, 2019**

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**Nonnewaug Regional School District #14**  
**Towns of Bethlehem and Woodbury**  
**June 30, 2019**

TABLE OF CONTENTS

PAGE

Independent Auditors' Report	1-3
Management's Discussion and Analysis	4-9
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	10
Statement of Activities	11
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	12
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	13
Statement of Revenues, Expenditures and Changes in Fund Balances	14
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	15
Fiduciary Funds:	
Statement of Fiduciary Net Position	16
Statement of Changes in Fiduciary Net Position	17
Notes to Financial Statements	18-48
Required Supplementary Information:	
Schedule of Revenues, Expenditures and Changes in Fund Balances – General Fund - Budget and Actual (Non GAAP Budgetary Basis)	49
Schedule of Changes in Net Pension Liability and Related Ratios – Last Six Fiscal Years	50
Schedule of Employer Contributions – Last Ten Fiscal Years	51
Schedule of Investment Returns – Last Six Fiscal Years	52
Schedule of District's Proportionate Share of the Net Pension Liability – Teachers' Retirement Plan	53
Schedule of the District's Proportionate Share of the Net OPEB Liability	54
Schedule of Changes in Net OPEB Liability and Related Ratios	55
Special Revenue Funds:	
Combining Balance Sheet – Non Major Governmental Funds	56
Combining Statement of Revenue, Expenditures and Changes in Fund Balance – Non Major Governmental Funds	57
Fiduciary Funds:	
Detail Statement of Scholarship Net Position – Private Purpose Trust Funds	58
Detail Statement of Changes in Scholarship Net Position – Private Purpose Trust Funds	59
Agency Funds:	
Statement of Changes in Assets and Liabilities	60

**Nonnewaug Regional School District #14**  
**Towns of Bethlehem and Woodbury**  
**June 30, 2019**

TABLE OF CONTENTS (continued)

	PAGE
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	61-62
AUDIT OF STATE FINANCIAL ASSISTANCE PROGRAMS:	
Report on Compliance for Each Major 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	63-64
Schedule of State Financial Assistance	65
Notes to the Schedule of Expenditures of State Financial Assistance	66
Schedule of Findings and Questioned Costs	67



Charles Heaven & Co.  
Certified Public Accountants  
Waterbury, Connecticut

## 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, 2019, 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, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on Pages 4 through 9 the budgetary comparison schedule on page 49, and supplementary pension information on pages 50 through 53 and supplementary OPEB information on Pages 54 and 55, 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, supplemental schedules and schedule of expenditures of state financial assistance (as required by the State Single Audit Act), 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, supplemental schedules and schedule of expenditures of state financial assistance (as required by the State Single Audit Act), 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 February 13, 2020, 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.

A handwritten signature in blue ink, appearing to read "Charles H. Hume" followed by a stylized flourish.

February 13, 2020

**Nonnewaug Regional School District #14**  
**Management's Discussion and Analysis (MD&A)**  
**June 30, 2019**

**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, 2019. 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, 2019 fiscal year.

- Total net position is \$19,179,462. This is an increase of \$9,943,989 over the prior year net position of \$9,235,473.
- Overall net expenditures of \$20,471,574 were less than gross revenue of \$30,415,563 by \$9,943,989.
- Long-term debt obligations as of June 30, 2019 were \$42,567,741, which compares to the June 30, 2018 debt obligations of \$32,259,174; an increase of \$10,308,567 primarily due to a Bond Anticipation Note directly related to the Nonnewaug High School Renovation Project.
- Pension Plan fiduciary net position as a percentage of the total pension liability was 85.45% as of June 30, 2019, this is the same as prior year.
- Capital Assets increased \$29,081,249 due in large part to the high school building renovation in progress.
- The District's compliance with GASB 75, Post Retirement Benefit Obligations, is \$9,686,693 at June 30<sup>th</sup>. Although no actual cash payments will be needed for meeting the actuarial computed value of the post retirement benefit, this calculation is based upon certified teachers who retire under the State Teacher Retirement system but are able to purchase medical insurance through the District's group medical plan. All premiums are paid by the retiree with no cost to the District.

**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.

**Nonnewaug Regional School District #14**  
**Management's Discussion and Analysis (MD&A)**  
**June 30, 2019**

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.

**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.



**Nonnewaug Regional School District #14**  
**Management's Discussion and Analysis (MD&A)**  
**June 30, 2019**

- 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.

**Financial Analysis of the Entity as a Whole**

Net Assets

The District's combined net position was \$19,179,462 at June 30, 2019.

	<u>Total Governmental Activities</u>	
	<u>Balance June 30, 2019</u>	<u>Balance June 30, 2018</u>
<u>Assets</u>		
Cash and cash equivalents	\$ 3,507,096	\$ 16,606,005
Receivable - miscellaneous fees	99,341	123,304
Inventory	4,393	3,580
Due from State of Connecticut	1,558,709	440,061
Capital Assets, Net of Accumulated Depreciation	<u>58,248,635</u>	<u>29,167,386</u>
<u>Total Assets</u>	<u>\$ 63,418,174</u>	<u>\$ 46,340,336</u>
<u>Total Deferred Outflows of Resources</u>	<u>\$ 2,321,035</u>	<u>\$ 94,849</u>
<u>Liabilities</u>		
Accounts Payable & Accrued Expenses	\$ 2,320,918	\$ 3,721,038
Accrued interest	996,527	537,854
Unearned Revenue	182,394	80,445
Long-Term Debt	<u>42,567,741</u>	<u>32,259,174</u>
<u>Total Liabilities</u>	<u>\$ 45,656,034</u>	<u>\$ 36,598,511</u>
<u>Total Deferred Inflows of Resources</u>	<u>\$ 492,167</u>	<u>\$ 601,201</u>
<u>Net Position</u>		
Invested in Capital Assets, Net of Related Debt	\$ 28,248,635	\$ 28,464,244
Restricted	2,106,212	5,228,392
Unrestricted	<u>(11,175,385)</u>	<u>(24,457,163)</u>
<u>Total Net Position</u>	<u>\$ 19,179,462</u>	<u>\$ 9,235,473</u>

**Nonnewaug Regional School District #14**  
**Management's Discussion and Analysis (MD&A)**  
**June 30, 2019**

**Changes in Net Position**

The District's total revenues were \$54,410,040. 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 \$44,466,051. The District's expenses are predominately related to educating and caring for students and were \$29,439,670 or 66.83% 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.

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, 2019</u>	<u>June 30, 2018</u>
<u>Revenues</u>		
Program Revenues:		
Charges for Services	\$ 2,427,452	\$ 2,511,438
Operating Grants & Contributions	11,256,300	8,184,533
Capital Grants & Contributions	10,310,725	260,571
General Revenues		
Participating towns	30,260,637	30,407,851
Local Revenues	154,926	71,600
<u>Total Revenues</u>	<u>\$ 54,410,040</u>	<u>\$ 41,435,993</u>
<u>Program Expenses</u>		
Instruction	\$ 18,005,150	\$ 17,806,143
Instruction – Supporting Services	1,757,163	1,385,313
General Administration	2,610,610	2,707,239
Plant Services	2,799,494	2,847,452
Transportation	1,986,793	1,965,414
School Lunch Services	761,775	721,992
Debt Service	984,890	391,603
Depreciation - unallocated	410,643	942,843
Capital Outlay - unallocated	845,902	297,604
Employee benefits - unallocated	14,303,631	11,560,549
<u>Total Expenses</u>	<u>\$ 44,466,051</u>	<u>\$ 40,626,152</u>
Increase/(Decrease) in Net Assets	\$ 9,943,989	\$ 809,941
Net Position – Beginning of Year	\$ 9,235,473	\$ 8,425,632
Net Position – End of Year	\$ 19,179,462	\$ 9,235,473

**Nonnewaug Regional School District #14**  
**Management's Discussion and Analysis (MD&A)**  
**June 30, 2019**

**Governmental Activities**

The net cost of all governmental activities this year was \$20,471,574.

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

	<u>Net Cost of Services</u>	
	<u>2019</u>	<u>2018</u>
Instructional services	\$ 13,253,657	\$ 13,668,323
Instruction – supporting services	1,757,163	1,385,313
General Administration	2,610,610	2,707,239
Plant Services	2,799,494	2,847,452
Transportation	1,986,793	1,965,414
School Lunch Services	23,394	( 4,129)
Debt Service	984,890	391,603
Depreciation	410,643	942,843
Capital outlay	( 9,245,791)	297,604
Employee benefits	<u>5,890,721</u>	<u>5,467,948</u>
<u>Total</u>	<u>\$ 20,471,574</u>	<u>\$ 29,669,610</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 \$2,666,227 which compares to last year's ending fund balance of \$13,031,392. This was a decrease in the fund balance of \$10,365,165.

**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, 2019 totaled \$33,639,342 and was \$349,287 less than the approved budget.

Variance include the following key items:

Salaries – certified – Favorable to budget by \$708,385

Supplies and Materials – Favorable to budget by \$107,342.

Employee Benefits - Favorable to budget by \$34,048.

Purchased Services – Unfavorable to the budget by \$44,539

Capital Outlay – Unfavorable to the budget by \$118,509. Building Improvements

**Nonnewaug Regional School District #14**  
**Management's Discussion and Analysis (MD&A)**  
**June 30, 2019**

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 \$319,659 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 \$1,407,017. Transfer to the Renovation project was to cover interest due on short term financing.

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	\$ ---	\$ 1,064,229
Capital Reserve Fund	319,659	---
High School Renovation Fund	725,722	---
Food Service	18,848	---
	<u>\$ 1,064,229</u>	<u>\$ 1,064,229</u>

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

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

- 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 uncertainty of state funding may well have an impact on the financial operations of the District. The State of Connecticut is again reviewing changes to their biennial budget that which may impact funding to local schools and towns.

**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, 2019**

	<b>Governmental Activities</b>
<b>Assets:</b>	\$
Cash and cash equivalents	3,507,096
Receivable - miscellaneous fees	99,341
Inventory	4,393
Due from State of Connecticut	1,558,709
Non Current Assets:	
Capital assets - net	58,248,635
<b>Total Assets</b>	<b>63,418,174</b>
 <b>Deferred Outflows of Resources:</b>	
Deferred pension/OPEB related items	<b>2,321,035</b>
 <b>Liabilities:</b>	
Accounts payable	2,226,677
Accrued expenses	94,241
Accrued interest	996,527
Unearned revenue	182,394
Non Current Liabilities:	
Due within one year	18,815,772
Due in more than one year	23,751,969
<b>Total Liabilities</b>	<b>46,067,580</b>
 <b>Deferred Inflows of Resources:</b>	
Deferred pension/OPEB related items	<b>492,167</b>
 <b>Net Position:</b>	
Investment in capital assets, net of related debt	28,248,635
Restricted for:	
Special accounts	124,890
Food service	7,487
Nonnewaug H.S. renovation	(890,190)
Debt service	38,143
Other post-employment benefits	1,418,865
Reserve for Specific Capital Improvements	1,407,017
Unrestricted	(11,175,385)
<b>Total Net Position</b>	<b>\$ 19,179,462</b>

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, 2019**

Functions	Program Revenues				Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities
<b>Governmental activities:</b>					
Instructional services	\$ 18,005,150	\$ 1,886,768	\$ 2,645,693	\$ 219,032	\$ (13,253,657)
Supporting services:					
Instructional staff	1,757,163	-	-	-	(1,757,163)
Administrative	2,610,610	-	-	-	(2,610,610)
Operation and maintenance of facilities	2,799,494	-	-	-	(2,799,494)
Transportation	1,986,793	-	-	-	(1,986,793)
School lunch services	761,775	540,684	197,697	-	(23,394)
Interest expense - unallocated	984,890	-	-	-	(984,890)
Depreciation - unallocated	410,643	-	-	-	(410,643)
Capital outlay - unallocated	845,902	-	-	10,091,693	9,245,791
Employee benefits - unallocated	14,303,631	-	8,412,910	-	(5,890,721)
<b>Total school district</b>	<b>\$ 44,466,051</b>	<b>\$ 2,427,452</b>	<b>\$ 11,256,300</b>	<b>\$ 10,310,725</b>	<b>(20,471,574)</b>
<b>General revenues:</b>					
Participating towns:					
Town of Woodbury					22,929,033
Town of Bethlehem					7,331,604
Unrestricted earnings on investments					27,052
Miscellaneous					127,874
Total general revenues					<u>30,415,563</u>
Change in net position					9,943,989
<b>Net position - beginning</b>					<u>9,235,473</u>
<b>Net position - ending</b>					<u>\$ 19,179,462</u>

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

Nonnewaug Regional School District #14  
Towns of Bethlehem and Woodbury

Governmental Funds June 30, 2019	Major Funds					Total Governmental Funds
	General	Capital Project High School Renovation	Reserve for Specific Capital Improvements	Other Governmental Funds		
<b>Assets:</b>	\$	\$	\$	\$	\$	
Cash and cash equivalents	3,421,921	---	---	85,175		3,507,096
Inventory	---	---	---	4,393		4,393
Due from other funds	---	318,425	1,407,017	152,624		1,878,066
Due from St. of Connecticut	311,000	733,840	---	513,869		1,558,709
Accounts receivable	60,919	---	---	38,422		99,341
<b>Total Assets</b>	<b>3,793,840</b>	<b>1,052,265</b>	<b>1,407,017</b>	<b>794,483</b>		<b>7,047,605</b>
	\$	\$	\$	\$	\$	
<b>Liabilities:</b>	\$	\$	\$	\$	\$	
Accounts payable	183,694	1,942,455	---	100,528		2,226,677
Employment termination benefits	94,241	---	---	---		94,241
Accrued interest	---	---	---	---		---
Due to other funds	1,537,025	---	---	341,041		1,878,066
Accrued payroll	---	---	---	---		---
Unearned revenue	---	---	---	182,394		182,394
<b>Total Liabilities</b>	<b>1,814,960</b>	<b>1,942,455</b>	---	<b>623,963</b>		<b>4,381,378</b>
<b>Fund Balances:</b>						
Nonspendable:						
Inventories	---	---	---	4,893		4,893
Restricted for:						
Capital and nonrecurring	---	---	1,407,017	---		1,407,017
Member towns	---	---	---	---		---
Committed for:						
Other post-retirement benefits	1,418,865	---	---	---		1,418,865
Debt service	---	---	---	38,143		38,143
Special activities	---	---	---	124,890		124,890
Unassigned	560,015	(890,190)	---	2,594		(327,581)
<b>Total Fund Balances</b>	<b>1,978,880</b>	<b>(890,190)</b>	<b>1,407,017</b>	<b>170,520</b>		<b>2,666,227</b>
<b>Total Liabilities and Fund Balances</b>	<b>3,793,840</b>	<b>1,052,265</b>	<b>1,407,017</b>	<b>794,483</b>		<b>7,047,605</b>

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, 2019**

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<b>Total fund balances for governmental funds</b>	<b>\$ 2,666,227</b>
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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 \$17,257,524 accumulated depreciation	58,248,635
--	------------

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/outflows related to pension/OPEB	1,828,868
---	-----------

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	\$ (879,032)	
Bond Anticipation Note payable	(30,000,000)	
Accrued interest payable	(996,527)	
Net OPEB Liability	(9,686,963)	
Leases payable	(805,099)	
Early retirement payable and other compensated absences	<u>(1,196,647)</u>	<u>(43,564,268)</u>

<b>Total net position of governmental activities</b>	<b>\$ <u>19,179,462</u></b>
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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 Revenue, Expenditures and Changes in Fund Balances

Governmental Funds  
Year Ended June 30, 2019

	General	Major Funds Capital Project High School Renovation	Reserve for Specific Capital Improvements	Other Governmental Funds	Total Governmental Funds
<b>Revenue:</b>					
Participating towns	\$ 30,260,637	\$ ---	---	---	\$ 30,260,637
Federal & state grants	9,664,475	10,782,806	---	1,119,744	21,567,025
Investment income	5,801	21,181	---	70	27,052
Sales of lunches , milk , and other		---	---	540,684	540,684
Tuition	1,886,768	---	---	---	1,886,768
Other fees and contributions	3,540	---	---	124,334	127,874
<b>Total Revenues</b>	<b>41,821,221</b>	<b>10,803,987</b>	<b>---</b>	<b>1,784,832</b>	<b>54,410,040</b>
<b>Expenditures:</b>					
Salaries - certified	15,635,763	---	---	416,901	16,052,664
Salaries - classified	3,775,946	---	---	404,778	4,180,724
Employee benefits	13,850,743	---	---	8,478	13,859,221
Purchased services	6,333,197	---	---	137,958	6,471,155
Supplies and materials	832,502	---	---	206,119	1,038,621
Liability and property insurance	164,470	---	---	---	164,470
Dues and fees	64,637	---	---	---	64,637
Cost of food purchased	---	---	---	308,695	308,695
Capital outlay	994,142	29,145,404	193,324	228,074	30,560,944
Principal payments on bonds	---	22,300,000	---	---	22,300,000
Interest	---	573,344	---	---	573,344
<b>Total Expenditures</b>	<b>41,651,400</b>	<b>52,018,748</b>	<b>193,324</b>	<b>1,711,003</b>	<b>95,574,475</b>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<b>169,821</b>	<b>(41,214,761)</b>	<b>(193,324)</b>	<b>73,829</b>	<b>(41,164,435)</b>
<b>Other Financing Sources (Uses):</b>					
Capital lease proceeds	412,068	---	---	---	412,068
Proceeds from Bond Anticipation Note	---	18,000,000	---	---	18,000,000
Proceeds from General Obligation Bonds	---	12,000,000	---	---	12,000,000
Proceeds from Bond Issuance Premiums	---	387,202	---	---	387,202
Operating transfers in (out)	(1,064,229)	725,722	319,659	18,848	---
<b>Total Other Financing Sources (Uses)</b>	<b>(652,161)</b>	<b>31,112,924</b>	<b>319,659</b>	<b>18,848</b>	<b>30,799,270</b>
<b>Net Change in Fund Balances</b>	<b>(482,340)</b>	<b>(10,101,837)</b>	<b>126,335</b>	<b>92,677</b>	<b>(10,365,165)</b>
<b>Fund Balance - beginning of year</b>	<b>2,461,220</b>	<b>9,211,647</b>	<b>1,280,682</b>	<b>77,843</b>	<b>13,031,392</b>
<b>Fund Balance - end of year</b>	<b>\$ 1,978,880</b>	<b>\$ (890,190)</b>	<b>\$ 1,407,017</b>	<b>\$ 170,520</b>	<b>\$ 2,666,227</b>

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, 2019**

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<b>Net change in fund balances-total governmental funds</b>	<b>\$ (10,365,165)</b>
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Amounts reported for governmental activities in the statement of activities are different because:

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	29,491,892	
Depreciation expense	<u>(410,643)</u>	
		29,081,249

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:

Bond proceeds	(30,387,202)	
Repayment of bonds and capital leases	22,509,108	
Interest expense - Bond anticipation note, leases	(411,546)	
Capital lease proceeds	<u>(412,068)</u>	
		(8,701,708)

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	374,023
Net OPEB Liability	(738,499)
Net pension liability	<u>294,089</u>

<b>Change in net position of governmental activities</b>	<b>\$ <u>9,943,989</u></b>
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**Nonnewaug Regional School District #14**  
**Towns of Bethlehem and Woodbury**  
**Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
**June 30, 2019**

	<b>Pension Trust Fund</b>	<b>Private Purpose Trust Fund</b>	<b>Agency Fund</b>
<b>Assets</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Cash and cash equivalents	---	464,384	279,515
Investments	5,164,313	---	---
<b>Total Assets</b>	<b>\$ 5,164,313</b>	<b>\$ 464,384</b>	<b>\$ 279,515</b>
 <b>Liabilities and Net Position:</b>			
<b>Liabilities:</b>			
Due to student groups	\$ ---	\$ ---	\$ 279,515
 <b>Net Position:</b>			
Held in trust for pension benefits and scholarships	<u><u>\$ 5,164,313</u></u>	<u><u>\$ 464,384</u></u>	<u><u>\$ ---</u></u>

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, 2019**

	<b>Pension Trust Fund</b>	<b>Private Purpose Trust Fund</b>
<b>Additions:</b>	<b>\$</b>	<b>\$</b>
Contributions	---	70,043
Investment income	163,794	5,025
Appreciation in market value	170,248	---
Employer contributions	350,000	---
<b>Total additions</b>	<b>684,042</b>	<b>75,068</b>
<b>Deductions:</b>		
Pension benefits	263,167	---
Administrative costs	29,053	---
Scholarships	---	53,150
<b>Total deductions</b>	<b>292,220</b>	<b>53,150</b>
<b>Net change</b>	<b>391,822</b>	<b>21,918</b>
<b>Net Position held in Trust for Pension Benefits and Scholarships:</b>		
<b>Beginning of Year</b>	<b>4,772,491</b>	<b>442,466</b>
<b>End of Year</b>	<b>\$ 5,164,313</b>	<b>\$ 464,384</b>

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

**Nonnewaug Regional School District #14**  
**Towns of Bethlehem and Woodbury**  
**Notes to 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, 68 and 73, and the OPEB Plan presents additional schedules as required by GASB 75.

**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 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 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 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.



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

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

- Nonspendable 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.

**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.

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

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

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
Construction in Progress	not depreciated
Land improvements	20 years
Buildings & Improvements	20 – 50 years
Furniture and Equipment	5 – 10 years

**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.

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

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

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. 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.

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 of 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.

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

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

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.

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.

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

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

A reconciliation of general fund expenditures and fund balance between the accounting treatment for encumbrances as required by GAAP and legal requirements follows:

	<b>General Fund</b>		
		<u>Expenditures and Other Financing Uses</u>	<u>Fund Balance</u>
Budgetary Statement - June 30, 2019	\$33,639,342	\$33,639,342	\$ ---
Encumbrances - June 30, 2018	---	224,552	---
Encumbrances - June 30, 2019	---	(560,015)	560,015
Fund balance returned to participating towns is a decrease of revenue for GAAP purposes	(149,960)	---	---
Payments made on the District's behalf as described in notes "11" and "15"	8,412,910	8,412,910	---
Revenue budgeted as an offset to expenditure: State of Connecticut ECS grant	(81,071)	311,000	---
Employment termination benefits payable treated as liability and expense	---	186,377	---
Consolidation of OPEB activity into the General Fund	---	89,395	1,418,865
Balance (GAAP) Balance Sheet and Statement of Revenue and Expenditures - June 30, 2019	<u>\$41,821,221</u>	<u>\$42,303,561</u>	<u>\$1,978,880</u>

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

No formal budget is adopted.

**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, 2019:

Governmental Funds	
Demand Accounts	\$ 3,507,096
Fiduciary Fund - Demand Accounts	<u>743,899</u>
Total Cash and Cash Equivalents	<u>\$ 4,250,995</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.

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

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

**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, 2019, \$5,570,994 of the District's bank balance of \$5,936,446 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 4,988,895
Uninsured and collateralized held by pledging Bank's trust department not in the District's name	<u>582,099</u>
Total amount subject to custodial credit risk	<u>\$ 5,570,994</u>

**C. Investments**

At June 30, 2019, 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 **	\$ 122,627	AAA	N/A
Equity mutual funds **	3,362,058	unrated	N/A
Fixed income mutual funds **	<u>1,679,628</u>	unrated	N/A
Total Fiduciary Funds	<u>\$ 5,164,313</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.

**D. Fair Value Measurement**

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.

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

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

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, 2019, 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, 2019 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, 2019 consisted of various fees, interest and intergovernmental grants and entitlements. All receivables are considered collectible in full based on prior years of experience and the stable condition of State programs.

**Note "6" - Interfund Accounts Due to/from Other Funds:**

At June 30, 2019 the amounts due to and from other funds were as follows:

	<u>Due from</u> <u>Other Funds</u>	<u>Due to</u> <u>Other Funds</u>
Major Governmental Funds:		
General Fund	\$ ---	\$ 1,537,025
Capital Project – High School Renovation	318,425	---
Reserve for Specific Capital Improvement	1,407,017	---
Non-Major Governmental Funds:		
Food Service	18,848	51,449
Special Accounts	95,000	4,076
State and Federal Grant Fund	---	285,516
E-rate Program	32,577	---
Debt Service	6,199	---
Total	<u>\$ 1,878,066</u>	<u>\$ 1,878,066</u>

**Note "7" – Employment Termination Benefits:**

In 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 four years. 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. Payments began in the 2017/2018 budget year.

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

**Note "8" - Long-Term Debt:**

The following is a summary of activity for the year ended June 30, 2019.

	<u>Balance</u> <u>July 1, 2018</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2019</u>	<u>Amounts Due</u> <u>in One Year</u>
<u>General Obligation Bond</u> Issued July 2018 maturing in 2043. Average interest 3.388%	\$ ---	\$12,000,000	\$ ---	\$ 12,000,000	\$ 480,000
<u>Bond Anticipation Notes</u> Issued July 25, 2018 and maturing on July 24, 2019, Interest due at maturity is \$538,500.	22,300,000	18,000,000	22,300,000	18,000,000	18,000,000
<u>Compensated Absences</u>	1,570,670	620,000	994,023	1,196,647	---
<u>Net Pension Liability</u>	812,910	1,013,331	947,209	879,032	---
<u>Net OPEB Liability</u>	6,973,455	3,002,084	288,576	9,686,963	---
<u>Technology Leases</u>	602,139	412,068	209,108	805,099	335,772
<u>Totals</u>	<u>\$ 32,259,174</u>	<u>\$ 35,047,483</u>	<u>\$24,738,916</u>	<u>\$ 42,567,741</u>	<u>\$ 18,815,772</u>

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

**General Obligation Bonds and Anticipation Notes:**

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 18,480,000	\$1,196,260	\$ 19,676,260
2021	480,000	405,600	885,600
2022	480,000	381,600	861,600
2023	480,000	357,600	837,600
2024	480,000	333,600	813,600
Thereafter	9,600,000	3,156,000	12,756,000
	<u>\$ 30,000,000</u>	<u>\$ 5,830,660</u>	<u>\$ 35,830,660</u>



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

Note "8" - Long-Term Debt(continued):

Technology Leases:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 335,772	\$ 32,132	\$ 367,904
2021	337,328	18,846	356,174
2022	48,752	4,885	53,637
2023	50,107	3,774	53,881
2024	33,140	---	33,140
	<u>\$ 805,099</u>	<u>\$ 59,637</u>	<u>\$ 864,736</u>

**Note "9" – Capital Assets:**

Capital asset activity for the year ended June 30, 2019 was as follows:

	<u>Balance</u> <u>July 1, 2018</u>	<u>Increases</u>	<u>Deletions and</u> <u>Reclasses</u>	<u>Balance</u> <u>June 30, 2019</u>
Governmental activities	\$	\$	\$	\$
Capital assets, not being depreciated				
Land	494,814	---	---	494,814
Building in Progress	14,289,870	29,540,162	---	43,830,032
Capital assets, being depreciated:				
Buildings and improvements	28,332,996	---	---	28,332,996
Furniture and equipment	2,896,587	107,130	(155,400)	2,848,317
Total capital assets, being depreciated	31,229,583	107,130	(155,400)	31,181,313
Accumulated depreciation for:				
Buildings and improvements	14,908,456	507,446	---	15,415,902
Furniture and equipment	1,938,425	57,465	(154,268)	1,841,622
Total accumulated depreciation	16,846,881	564,911	(154,268)	17,257,524
Total capital assets, being depreciated, net	14,382,702	( 457,781)	(1,132)	13,923,789
Governmental activities capital assets, net	<u>\$ 29,167,386</u>	<u>\$ 29,082,381</u>	<u>\$ (1,132)</u>	<u>\$ 58,248,635</u>

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

**Note "10" - 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, 2018, the date of the last actuarial valuation, the plan's membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	2
Inactive plan members entitled to benefits but not yet receiving them	25
Active plan members	<u>44</u>
Total plan members	<u>71</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, 2018 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 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 5	0%
5	50%
6	60%
7	70%
8	80%
9	90%
10 or more	100%

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

Note "10" - Employees Retirement System, Non-certified Employee Plan (continued)

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, 2019 represented 13.32% 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, 2019:

<u>Asset Class</u>	<u>Target Allocation</u>
Cash	5.00%
US Govt/Credit Fixed Income	25.50%
High Yield Bonds	4.50%
US Large and Mid-Cap	51.00%
US Small Cap	4.50%
Int'l Equity- Developed	6.00%
Int'l Equity – Emerging	3.50%
	<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, 2019, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 7.03%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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

Note "10" - Employees Retirement System, Non-certified Employee Plan (continued)

D: Net Pension Liability of the District

The components of the net pension liability of the District at June 30, 2019, were as follows:

Total pension liability	\$ 6,043,345
Plan fiduciary net position	<u>5,164,313</u>
Net Pension Liability	<u>\$ 879,032</u>
Plan fiduciary net position as a percentage of the total pension liability	85.45%

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of July 1, 2018, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60%
Salary increases	3.35%
Investment rate of return	7.25%

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, 2019 (see the discussion of the pension plan's investment policy) are summarized in the following table:

<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	25.50%	3.25%
High Yield Bonds	4.50%	5.25%
US Large and Mid Cap	51.00%	6.25%
US Small Cap	4.50%	7.00%
Int'l Equity- Developed	6.00%	6.75%
Int'l Equity- Emerging	3.50%	9.25%

Discount Rate: The discount rate used to measure the total pension liability was 7.25%. 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.

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

Note "10" - Employees Retirement System, Non-certified Employee Plan (continued):

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, 2018	\$ 5,585,401	\$ 4,772,491	\$ 812,910
Changes for the Year:			
Service cost	214,921	---	214,921
Interest on total pension liability	411,151	---	411,151
Changes of assumptions	1,728	---	1,728
Differences between expected and actual experience	93,311	---	93,311
Employer contributions	---	350,000	( 350,000)
Net investment income	---	334,042	( 334,042)
Administrative expense	---	( 29,053)	29,053
Benefit payments	( 263,167)	( 263,167)	---
Net changes	<u>457,944</u>	<u>391,822</u>	<u>66,122</u>
Balances as of June 30, 2019	\$ <u>6,043,345</u>	\$ <u>5,164,313</u>	\$ <u>879,032</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 7.25%, 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 (6.25%) or 1 percentage point higher (8.25%) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Total Net Pension Liability	\$ 1,443,461	\$ 879,032	\$ 389,216

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

Note "10" - 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, 2019, the District recognized pension expense of \$283,701. At June 30, 2019, 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	\$ 81,749	\$( 182,963)
Changes of assumptions	66,070	---
Net difference between projected and actual earnings of plan investments	---	( 110,997)
	<u>\$ 147,819</u>	<u>\$( 293,960)</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,	
2020	\$( 42,318)
2021	( 73,698)
2022	( 34,133)
2023	( 1,371)
2024	<u>5,379</u>
	<u>\$( 146,141)</u>

**Note "11" – 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](http://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.

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

Note "11" - State of Connecticut Teachers' Retirement System (continued)

**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.

*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 6% 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 pensionable salary for the pension benefit. Effective January 1, 2018, the required contribution increased to 7% of pensionable salary.

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

At June 30, 2019, 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.

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

Note "11" - State of Connecticut Teachers' Retirement System (continued)

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>47,093,885</u>
Total	\$ <u>47,093,885</u>

The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation date of June 30, 2018. At June 30, 2019, the District has no proportionate share of the net pension liability.

For the year ended June 30, 2019, the District recognized pension expense and revenue of \$5,285,456 for on-behalf amounts for the benefits provided by the State.

F. Actuarial Assumptions

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

Inflation	2.75%
Salary increases	3.25-6.50%, including inflation
Investment rate of return	8.0%, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2010 – June 30, 2015.

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



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

Note "11" - State of Connecticut Teachers' Retirement System (continued)

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>	

G. Discount Rate

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

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

**Note "12" – 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.

**Note "13" - 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.

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 collectability of any related receivable at June 30, 2019 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 "14" – Post Retirement Benefits Plan**

A. General Information about the Post Retirement Plan

Nonnewaug Regional School District #14 has a single-employer defined benefit plan that provides post-retirement benefits, including medical and life insurance benefits, to eligible retirees and their spouses. The post-retirement plan does not issue stand-alone financial statements

The District currently pays for postemployment health care benefits on a pay-as-you-go basis. As of June 30, 2019, the District has not established a trust fund to irrevocably segregate assets to fund liability associated with the postemployment benefits, which would require the reporting of a trust fund in accordance with GASB guidelines.

The membership of the plan consisted of the following at July 1, 2018, the date of the latest actuarial valuation:

Actives	209
Retirees	13
Beneficiaries	0
Spouses & Retirees	<u>6</u>
Total	<u>228</u>

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

Note "14" – Post Retirement Benefits Plan (continued)

**B. Authority and Funding Policy:**

The Board of Education has established the benefit provisions and contribution to the plan. 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 Entry Age Normal Method. The Board is also authorized to make changes to the plan provisions through the budgetary process.

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. Although a trust fund may not be established in the future to exclusively control the funding and reporting of post-employment benefits, the District anticipates a commitment to fund normal costs as well as long-term approach for the amortization of the actuarial accrued liability. The goal is to absorb, within the budgetary process, the annual OPEB cost of benefits and to segregate the needed resources.

**C. Net Other Post Employment Benefit (OPEB) Liability of the District**

The components of the net OPEB liability at June 30, 2019, were as follows:

Total OPEB liability	\$ 9,686,963
Plan fiduciary net position	---
Net OPEB liability	<u>\$ 9,686,963</u>

Plan fiduciary net position as a percentage of the total OPEB liability	0 %
---	-----

**D. Actuarial Assumptions**

The total OPEB liability was determined by an actuarial valuation as of July 1, 2018, using the following actuarial assumptions, applied to all periods included in the measurement:

Measurement Date:	June 30, 2019
Actuarial Cost Method:	Entry Age Normal
Inflation:	2.70%
Salary Increases:	Graded by Service for Teachers and Administrators; 3.5% for all others
Medical Trend Rate:	5.50% - 4.60% over 56 years
Mortality Rate:	1994 GAR

The plan does not have credible data on which to perform an experience study. As a result, a full actuarial experience study is not applicable.

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

Note "14" – Post Retirement Benefits Plan (continued)

**E. Sensitivity of the OPEB Liability to Changes in the Discount Rate and Trend Rate**

The following presents the net OPEB liability of the District, calculated using the discount rate of 3.50%, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.50%) or 1 percentage point higher (4.50%) than the current rate:

	<u>1% Decrease</u> <u>2.50%</u>	<u>Current Discount Rate</u> <u>3.50%</u>	<u>1% Increase</u> <u>4.50%</u>
Total OPEB Liability	\$ 11,158,470	\$ 9,686,963	\$ 8,472,890
Plan Fiduciary Net Position	\$ ---	\$ ---	\$ ---
Net OPEB Liability	\$ 11,158,470	\$ 9,686,963	\$ 8,472,890

The following presents the net OPEB liability of the District, calculated using the current healthcare costs trend rate, as well as what the District's net OPEB liability would be if it were calculated using a trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 8,216,632	\$ 9,686,963	\$ 11,529,160
Plan Fiduciary Net Position	\$ ---	\$ ---	\$ ---
Net OPEB Liability	\$ 8,216,632	\$ 9,686,963	\$ 11,529,160

**F. Changes in the Net OPEB Liability**

	Total OPEB Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net OPEB Liability (a)-(b)
Balances as of June 30, 2018	\$ 6,973,455	\$ ---	\$ 6,973,455
Changes for the Year:			
Service cost	320,914	---	320,914
Interest cost	276,761	---	276,761
Effect of economic/demographic gains or (losses)	1,928,412	---	1,928,412
Benefits paid	( 288,576)	---	( 288,576)
Changes of assumptions	475,997	---	475,997
Net changes	<u>2,713,508</u>	<u>---</u>	<u>2,713,508</u>
Balances as of June 30, 2019	\$ <u>9,686,963</u>	\$ <u>---</u>	\$ <u>9,686,963</u>

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

Note "14" – Post Retirement Benefits Plan (continued)

G. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2019, the District recognized OPEB expense of \$799,285. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experiences	\$ 1,742,988	\$ ---
Changes of assumptions	<u>430,228</u>	<u>( 198,207)</u>
	<u>\$ 2,173,216</u>	<u>\$ ( 198,207)</u>

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

Year Ending June 30,	
2020	\$ 201,610
2021	201,610
2022	201,610
2023	201,610
2024	201,610
Thereafter	<u>966,959</u>
	<u>\$ 1,975,009</u>

**Note "15" - State of Connecticut Teachers' Retirement System: Other Postemployment Benefits**

A. General Information about the Other Postemployment Benefits (OPEB) Plan

Teachers, principals, superintendents or supervisors engaged in service of public schools are provided with benefits, including retiree health insurance, through the Connecticut Teachers' Retirement System (TRS) – a cost sharing multiemployer defined benefit pension plan administered by the TRB. Chapter 167a of the State Statutes grants authority to establish and amend the benefit terms to the Teachers Retirement Board (TRB). The TRB issues a publicly available financial report that can be obtained at [www.ct.gov](http://www.ct.gov).

B. Summary of Significant Accounting Policies

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the TRS 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.

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

Note "15" - State of Connecticut Teachers' Retirement System: OPEB (continued):

**C. Benefit Provision**

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

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

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

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

Any member who is currently receiving a retirement or disability benefit is eligible to participate in the plan.

*Normal Retirement:* 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.

*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.

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

Note "15" - State of Connecticut Teachers' Retirement System: OPEB (continued):

**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 are amended and certified by the TRB and appropriated by the General Assembly. The State contributions are not currently actuarially funded. The State appropriates for one third of plan costs through an annual appropriation in the General Fund. Administrative costs of the Plan are financed by the State. Based upon Chapter 167a, Subsection D of Section 10-183t of the Connecticut statutes, it is assumed the State will pay for any long-term shortfall arising from insufficient active member contributions.

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

*Employees/Retirees:* Each member is required to contribute 1.25% of their pensionable salaries.

**E. OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

At June 30, 2019, the District reports no amounts for its proportionate share of the net OPEB liability, and related deferred outflows and inflows, due to the statutory requirement that the State pay 100% of the required contribution.

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

District's proportionate share of the net OPEB liability	\$	---
State's proportionate share of the net OPEB liability associated with the District		<u>9,414,387</u>
Total		<u>\$ 9,414,387</u>

The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation date of June 30, 2018. At June 30, 2019, the District has no proportionate share of the net OPEB liability. For the year ended June 30, 2019, the District recognized OPEB expense and revenue of \$3,127,454 for on-behalf amounts for the benefits provided by the State.

**F. Actuarial Assumptions**

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

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

Note "15" - State of Connecticut Teachers' Retirement System: OPEB (continued):

Inflation	2.75%
Real wage growth	0.50%
Wage inflation	3.25%
Salary increases	3.25-6.50%, including inflation
Long-term investment rate of return	3.00%, net of OPEB plan investment expense, including inflation
<u>Municipal bond index rate:</u>	
Measurement date	3.87%
Prior measurement date	3.56%
<u>Single equivalent interest rate:</u>	
Measurement date	3.87%, net of OPEB plan investment expense, including price inflation
Prior measurement date	3.56%, net of OPEB plan investment expense, including price inflation
<u>Healthcare cost trend rates:</u>	
Pre-Medicare	5.95% for 2018 decreasing to an ultimate rate of 4.75% by 2025
Medicare	5.00% for 2018 decreasing to an ultimate rate of 4.75% by 2025

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

The discount rate was increased from 3.01% to 3.56% to reflect the change in the Municipal Bond Index rate. Changes were also made to the assumed initial per capita healthcare costs, rates of healthcare inflation used to project the per capital costs, and the rates of Plan participation based upon recent experience and current expectations. In addition, the payroll growth rate assumption was decreased from 3.75% to 3.25% to reflect the decrease in the rate of inflation and the decrease in the rate of real wage increase. Lastly, the salary growth assumption, the payroll growth rate, the rates of withdrawal, the rates of retirement, the rates of mortality, and the rates of disability incidence were adjusted based upon the experience study's findings and their adoption by the TRB.

The long-term expected rate of return on plan assets is reviewed as part of the GASB 75 valuation process. Several factors are considered in evaluating the long-term rate of return assumption, including the Plan's current asset allocations and a log-normal distribution analysis using the best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) for each major asset class.



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

Note "15" - State of Connecticut Teachers' Retirement System: OPEB (continued):

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Expected 10-Year Geometric Real Rate of Return</u>	<u>Standard Deviation</u>
U.S. Treasuries (Cash Equivalents)	100.0%	0.04%	2.79%

G. Discount Rate

The discount rate used to measure the total OPEB liability was 3.87%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 75. The projection's basis was an actuarial valuation performed as of June 30, 2018.

In addition to the actuarial methods and assumptions of the June 30, 2018 actuarial valuation, the following actuarial methods and assumptions were used in the projection of cash flows:

- Total payroll for the initial projection year consists of the payroll of the active membership present on the valuation date. In subsequent projection years, total payroll was assumed to increase annual at a rate of 3.25%
- Employee contributions were assumed to be made at the current member contribution rate. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- No future employer contributions were assumed to be made.
- For future plan members, contribution inflows were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.

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

H. Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate and the Discount Rate

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

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

Note "15" - State of Connecticut Teachers' Retirement System: OPEB (continued):

**I. Plan Fiduciary Net Position**

Detailed information about the plan's fiduciary net position is available in the separately issued financial statements available at [www.ct.gov](http://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 "16" – Subsequent Events:**

In connection with the preparation of the financial statements of Nonnewaug Regional School District #14, subsequent events were evaluated through February 13, 2020, which is the date the financial statements were available to be issued.

**Note "17" – Interfund Account - Transfers:**

Interfund transfers during the year ended June 30, 2019 were as follows:

	<u>Amount</u>
Transfers from the General Fund to:	\$
Reserve for Specific Capital Improvement	319,659
Food Service	18,848
High School Renovation Fund	<u>725,722</u>
Total	<u>\$ 1,064,229</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**  
**Towns of Bethlehem and Woodbury**  
**Notes to Financial Statements**

**Note "18" - Operating Deficiencies and Fund Deficits:**

At June 30, 2019 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>
General Fund	\$ 482,340	\$ ---
Food Service	\$ 4,546	\$ ---
Capital Projects-Renovation	\$10,101,837	\$ 890,190

**Note "19" – Recently Issued Accounting Standards:**

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

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

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability to Information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements of this Statement should be applied prospectively.

**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)**

<b>General Fund</b>	<b>Original and Final Budget</b>	<b>Actual</b>	<b>Variance Over (Under)</b>
<b>Year Ended June 30, 2019</b>			
<b>Revenue:</b>			
Participating towns	\$	\$	\$
Town of Bethlehem	7,331,604	7,331,604	---
Town of Woodbury	22,929,033	22,929,033	---
Prior year surplus	149,960	149,960	---
State of Connecticut			
Adult education grant	5,374	5,697	323
Agri-Science/tech grant	1,234,430	934,868	(299,562)
Excess Cost Grant	387,823	392,071	4,248
Other			
Investment income	6,000	5,801	(199)
Tuition income	1,943,405	1,886,768	(56,637)
Other income	1,000	3,540	2,540
<b>Total Revenues</b>	<b>33,988,629</b>	<b>33,639,342</b>	<b>(349,287)</b>
<b>Expenditures:</b>			
Current			
Salaries - certified	16,344,148	15,635,763	708,385
Salaries - classified	3,705,031	3,708,427	(3,396)
Employee benefits	5,575,169	5,541,121	34,048
Purchased services	5,981,858	6,026,397	(44,539)
Supplies and materials	1,002,671	895,329	107,342
Liability and property insurance	166,950	164,470	2,480
Dues and fees	66,520	64,637	1,883
Capital outlay	420,460	538,969	(118,509)
<b>Total Expenditures</b>	<b>33,262,807</b>	<b>32,575,113</b>	<b>687,694</b>
<b>Operating Transfers out:</b>			
Reserve for Specific Capital Improvements	100	319,659	(319,559)
Capital Project - High School Renovation	513,722	725,722	(212,000)
Food Service	---	18,848	(18,848)
Debt Service	212,000	---	212,000
<b>Total Expenditures and         Operating Transfers Out</b>	<b>33,988,629</b>	<b>33,639,342</b>	<b>349,287</b>
<b>Excess of Revenue Over Expenditures and Transfers</b>	<b>---</b>	<b>---</b>	<b>---</b>
<b>Fund Balance - beginning of year</b>	<b>149,960</b>	<b>149,960</b>	<b>---</b>
<b>Prior year surplus returned as budgeted revenue</b>	<b>(149,960)</b>	<b>(149,960)</b>	<b>---</b>
<b>Fund Balance - end of year</b>	<b>\$ ---</b>	<b>\$ ---</b>	<b>\$ ---</b>

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

	2019	2018	2017	2016	2015	2014
Total pension liability:						
Service Cost	\$ 214,921	\$ 217,067	\$ 208,741	\$ 235,893	\$ 223,630	\$ 216,068
Interest	411,151	406,261	375,388	363,266	340,255	313,875
Differences between expected and actual experience	93,311	(241,887)	13,928	(90,824)	27,648	-
Changes of assumptions	1,728	61,883	56,455	-	-	-
Benefit payments, including refunds of member contributions	(263,167)	(257,135)	(234,551)	(397,294)	(192,023)	(170,419)
Net change in total pension liability	457,944	186,189	419,961	111,041	399,510	359,524
Total pension liability - beginning	5,585,401	5,399,212	4,979,251	4,868,210	4,468,700	4,109,176
Total pension liability - ending	6,043,345	5,585,401	5,399,212	4,979,251	4,868,210	4,468,700
Plan fiduciary net position:						
Contributions - employer	350,000	315,000	315,000	597,600	311,452	318,806
Net Investment Income	334,042	454,736	466,694	68,222	150,722	479,234
Benefit payments, including refunds of member contributions	(263,167)	(257,135)	(234,551)	(397,294)	(192,023)	(170,419)
Administrative expenses	(29,053)	(27,414)	(24,804)	(22,030)	(21,386)	(18,968)
Net change in plan fiduciary net position	391,822	485,187	522,339	246,498	248,765	608,653
Plan fiduciary net position - beginning	4,772,491	4,287,304	3,764,965	3,518,467	3,269,702	2,661,049
Plan fiduciary net position - ending	5,164,313	4,772,491	4,287,304	3,764,965	3,518,467	3,269,702
Net Pension Liability - Ending	\$ 879,032	\$ 812,910	\$ 1,111,908	\$ 1,214,286	\$ 1,349,743	\$ 1,198,998
Plan fiduciary net position as a percentage of the total pension liability	85.45%	85.45%	79.41%	75.61%	72.27%	73.17%
Covered employee payroll	\$ 2,627,003	\$ 2,534,857	\$ 2,662,340	\$ 2,498,132	\$ 2,504,616	\$ 2,400,883
Net pension liability as a percentage of covered employee payroll	33.46%	32.07%	41.76%	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**

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Actuarially determined contribution	\$ 336,963	\$ 369,039	\$ 332,247	\$ 315,120	\$ 307,332	\$ 311,452	\$ 318,806	\$ 308,833	\$ 333,574	\$ 349,679
Contributions in relation to the actuarially determined contribution	350,000	315,000	315,000	597,600	311,452	318,806	308,833	308,833	350,000	281,975
Contribution Deficiency (Excess)	\$ (13,047)	\$ 54,039	\$ 17,247	\$ (282,480)	\$ (4,120)	\$ (7,354)	\$ 9,973	\$ -	\$ (16,426)	\$ 67,704
Covered employee payroll	\$ 2,627,003	\$ 2,534,857	\$ 2,662,340	\$ 2,498,132	\$ 2,504,616	\$ 2,400,883	\$ 2,229,091	\$ 2,404,920	\$ 2,414,691	\$ 2,278,949
Contributions as a percentage of covered employee payroll	13.32%	12.43%	11.83%	23.92%	12.44%	13.28%	13.85%	12.84%	14.49%	12.37%

**Notes to Schedule**

Valuation date:

July 1, 2018

Measurement date:

June 30, 2018

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 2.60%  
Salary increases 3.35%  
Investment rate of return 7.25%  
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

Since the July 1, 2016 valuation the investment rate of return decreased to 7.25% from 7.4%, the rate of compensation decreased to 3.35% from 3.5% and the inflation rate decreased to 2.6% from 2.75%.

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

	2019	2018	2017	2016	2015	2014
Annual money-weighted rate of return, net of investment expense	7.03%	10.61%	12.02%	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 Five Fiscal Years**

	2019	2018	2017	2016	2015
District's proportion of the net pension liability	0.00%	0.00%	0.00%	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	47,093.885	47,747.856	50,374.354	39,553.506	36,559.289
Total	<u>\$ 47,093.885</u>	<u>\$ 47,747.856</u>	<u>\$ 50,374.354</u>	<u>\$ 39,553.506</u>	<u>\$ 36,559.289</u>
District's covered-employee payroll	\$ N/A	\$ N/A	\$ N/A	\$ 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%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	57.69%	55.93%	52.26%	59.50%	61.51%

**Notes to Schedule**

Actuarial cost method	Entry age
Amortization method	Level percent of salary, closed
Remaining amortization method	17.6 years
Asset valuation method	4-year smoothed market
Investment rate of return	8%, net of investment related expense
Changes in benefit terms	Beginning January 1, 2018 member contribution increased from 6% to 7% of salary
Changes of assumptions	During 2016, 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, 2015.
District's covered-employee payroll	Not applicable since 0% proportionate share of the net pension liability



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

	<u>2019</u>	<u>2018</u>
District's proportion of the net OPEB liability	0.00%	0.00%
District's proportionate share of the net OPEB liability	\$ -	\$ -
State's proportionate share of the net OPEB liability associated with the District	9,414,387	12,289,755
Total	<u>\$ 9,414,387</u>	<u>\$ 12,289,755</u>
District's covered-employee payroll	N/A	N/A
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	0.00%	0.00%
Plan fiduciary net position as a percentage of the total OPEB liability	1.49%	1.79%

**Notes to Schedule**

Actuarial cost method	Entry age
Amortization method	Level percent of payroll
Remaining amortization method	30 years
Asset valuation method	Market value of assets
Investment rate of return	4.25%, net of investment-related expense including price inflation
Changes in benefit terms	Effective July 1, 2018, Medicare advantage plan was added to available options and changed the base plan to the Medicare Advantage Plan for the purposes of determining retiree subsidies and/or cost sharing amounts. Introduced a two-year waiting period for reenrollment in a system sponsored plan for those who cancel their coverage or chose not to enroll.
Changes of assumptions	The expected rate of return changed from 2.75% to 3.00% to better reflect the anticipated returns on fixed income investments. The discount rate was increased from 3.56% to 3.87% to reflect the change in the Municipal Bond Index rate. Changes were also made effective July 1, 2018 to the assumed initial per capita healthcare costs, rates of healthcare inflation used to project the per capita costs and the rates of plan participation based upon recent experience and current expectations. The post-disability mortality table was updated to extend the period of projected mortality improvements from 2017-2020.

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

**Nonnewaug Regional School District #14**  
**Schedule of Changes in Net OPEB Liability and Related Ratios**  
**Other Post Employment Benefits (OPEB)**  
**Last Fiscal Two Year**

	<u>2019</u>	<u>2018</u>
Total OPEB liability:		
Service Cost	\$ 320,914	\$ 267,655
Interest Cost	276,761	253,613
Benefit payments	(288,576)	(212,020)
Economic/ Demographic Gains or (Losses)	1,928,412	-
Changes of assumptions	475,997	(257,373)
Net change in total OPEB liability	2,713,508	51,875
Total OPEB liability - beginning	6,973,455	6,921,580
Total OPEB liability - ending	<u>9,686,963</u>	<u>6,973,455</u>
Plan fiduciary net position:		
Plan fiduciary net position at end of the year	<u>-</u>	<u>-</u>
Net OPEB Liability	<u>\$ 9,686,963</u>	<u>\$ 6,973,455</u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>0.00%</u>	<u>0.00%</u>
Covered employee payroll	<u>N/A</u>	<u>N/A</u>
Net OPEB liability as a percentage of covered employee payroll	<u>N/A</u>	<u>N/A</u>

Nonnewaug Regional School District #14  
Towns of Bethlehem and Woodbury  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2019

Nonmajor Governmental Funds June 30, 2019	Special Revenue Funds					Total Nonmajor Governmental Funds
	Food Service	Special Accounts	E-Rate Program	State, Federal and other Grants	Debt Service	
Assets:	\$	\$	\$	\$	\$	
Cash and cash equivalents	19,098	34,133	---	---	31,944	85,175
Inventory	4,393	---	---	---	---	4,393
Due from other funds	18,848	95,000	32,577	---	6,199	152,624
Due from St. of Connecticut	33,994	---	---	479,875	---	513,869
Accounts receivable	---	---	38,422	---	---	38,422
Total Assets	\$ 76,333	\$ 129,133	\$ 70,999	\$ 479,875	\$ 38,143	\$ 794,483
Liabilities:	\$	\$	\$	\$	\$	
Accounts payable	---	167	---	100,361	---	100,528
Due to other funds	51,449	4,076	---	285,516	---	341,041
Unearned revenue	17,397	---	70,999	93,998	---	182,394
Total Liabilities	68,846	4,243	70,999	479,875	---	623,963
Fund Balances:						
Nonspendable:						
Inventories	4,893	---	---	---	---	4,893
Committed for:						
Debt service	---	---	---	---	38,143	38,143
Special activities	---	124,890	---	---	---	124,890
Unassigned	2,594	---	---	---	---	2,594
Total Fund Balances	7,487	124,890	---	---	38,143	170,520
Total Liabilities and Fund Balances	\$ 76,333	\$ 129,133	\$ 70,999	\$ 479,875	\$ 38,143	\$ 794,483

Nonnewaug 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, 2019

Nonmajor Governmental Funds Year Ended June 30, 2019	Special Revenue Funds					Total Nonmajor Governmental Funds
	Food Service	Special Accounts	E-Rate Program	State, Federal and other Grants	Debt Service	
Revenue:						
Federal , state and other grants	\$ 197,697	\$ ---	\$ 5,000	\$ 917,047	\$ ---	\$ 1,119,744
Investment income	---	70	---	---	---	70
Sales of lunches, milk, and other	540,684	---	---	---	---	540,684
Miscellaneous fees and contributions	---	124,334	---	---	---	124,334
Total Revenues	738,381	124,404	5,000	917,047	---	1,784,832
Expenditures:						
Salaries - certified	---	---	---	416,901	---	416,901
Salaries - classified	404,778	---	---	---	---	404,778
Employee benefits	---	---	---	8,478	---	8,478
Purchased services	---	---	5,000	132,958	---	137,958
Supplies and materials	34,260	27,181	---	144,678	---	206,119
Cost of food purchased	308,695	---	---	---	---	308,695
Capital outlay	14,042	---	---	214,032	---	228,074
Total Expenditures	761,775	27,181	5,000	917,047	---	1,711,003
Other Financing Sources (Uses)						
Operating transfers in (out)	18,848	---	---	---	---	18,848
Total Expenditures and Operating Transfers In	742,927	27,181	5,000	917,047	---	1,692,155
Excess of Revenues over Expenditures	(4,546)	97,223	---	---	---	92,677
Fund Balance - beginning of year	12,033	27,667	---	---	38,143	77,843
Fund Balance - end of year	\$ 7,487	\$ 124,890	\$ ---	\$ ---	\$ 38,143	\$ 170,520

Nonnewaug Regional School District #14  
Towns of Bethlehem and Woodbury  
Detail Statement of Scholarship Net Position  
Private Purpose Trust Funds  
June 30, 2019

	<u>ASSETS</u>		<u>LIABILITIES</u>		<u>NET ASSETS</u>		
	Cash		Accounts Payable	Reserved for Endowment	Designated for Scholarships	Unreserved and Undesignated	Total Net Position
	\$	\$	\$	\$	\$	\$	\$
<b>Non-Expendable Funds</b>							
Blechner	54,643		---	54,643	---	---	54,643
Sanford	45,396		---	45,396	---	---	45,396
<b>Expendable Funds</b>							
Albert	2,893		---	---	---	2,893	2,893
Bailey	1,106		---	---	---	1,106	1,106
Besancon	6,242		---	---	---	6,243	6,243
Blinstrubas	3,602		---	---	---	3,601	3,601
Bloss	282,168		---	---	128,075	154,093	282,168
Burger	99		---	---	---	99	99
Cummings	20,982		---	---	---	20,982	20,982
Gagne	1,677		---	---	---	1,677	1,677
Lovett	5,625		---	---	---	5,625	5,625
Meeker	1,182		---	---	---	1,182	1,182
Mirfield	10,628		---	---	---	10,628	10,628
Oxbury 4-H	5,298		---	---	---	5,298	5,298
Pierpoint	3,316		---	---	---	3,316	3,316
Pomperaug Grange	1,339		---	---	---	1,339	1,339
Ruggiero	3,474		---	---	---	3,474	3,474
Sprano	1,627		---	---	---	1,627	1,627
Tateo	3,349		---	---	---	3,349	3,349
Vaszauskas	4,101		---	---	---	4,101	4,101
Zane	5,637		---	---	---	5,637	5,637
	<b>\$ 464,384</b>	<b>\$</b>	<b>---</b>	<b>\$ 100,039</b>	<b>\$ 128,075</b>	<b>\$ 236,270</b>	<b>\$ 464,384</b>

**Nonnewaug Regional School District #14  
Towns of Bethlehem and Woodbury  
Detail Statement of Changes in Scholarship  
Private Purpose Trust Funds  
Year Ended June 30, 2019**

	Additions			Deductions			
	Contributions	Interest	Total	Scholarship Payments	Net Increase (Decrease)	Net Position June 30, 2018	Net Position June 30, 2019
	\$	\$	\$	\$	\$	\$	\$
<b>Non-Expendable Funds</b>							
Blechner	---	608	608	---	608	54,035	54,643
Sanford	---	505	505	---	505	44,891	45,396
<b>Total Non - Expendable</b>	<b>---</b>	<b>1,113</b>	<b>1,113</b>	<b>---</b>	<b>1,113</b>	<b>98,926</b>	<b>100,039</b>
<b>Expendable Funds</b>							
Albert	---	32	32	---	32	2,861	2,893
Bailey	---	12	12	---	12	1,094	1,106
Besanson	---	69	69	---	69	6,173	6,242
Blinstrubas	---	40	40	---	40	3,562	3,602
Bloss	54,968	3,126	58,094	53,150	4,944	277,224	282,168
Burger	---	1	1	---	1	98	99
Cummings	15,075	106	15,181	---	15,181	5,801	20,982
Gagne	---	19	19	---	19	1,658	1,677
Lovett	---	63	63	---	63	5,562	5,625
Meeker	---	13	13	---	13	1,169	1,182
Mirfield	---	118	118	---	118	10,510	10,628
Oxbury 4-H	---	59	59	---	59	5,239	5,298
Pierpoint	---	37	37	---	37	3,279	3,316
Pomperaug Grange	---	15	15	---	15	1,324	1,339
Ruggiero	---	38	38	---	38	3,436	3,474
Sprano	---	18	18	---	18	1,609	1,627
Tateo	---	37	37	---	37	3,312	3,349
Vaszauskas	---	46	46	---	46	4,055	4,101
Zane	---	63	63	---	63	5,574	5,637
<b>Total Expendable</b>	<b>70,043</b>	<b>3,912</b>	<b>73,955</b>	<b>53,150</b>	<b>20,805</b>	<b>343,540</b>	<b>364,345</b>

**Nonnewaug Regional School District #14**  
**Towns of Bethlehem and Woodbury**  
**Agency Funds**  
**Statement of Changes in Assets and Liabilities**  
**Year Ended June 30, 2019**

	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019
<b>School Activity Funds</b>				
<b>Assets:</b>				
Cash and investments	\$ 225,953	\$ 515,764	\$ 462,030	\$ 279,687
<b>Liabilities:</b>				
Due to student groups	\$ 225,953	\$ 515,764	\$ 462,030	\$ 279,687



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, 2019, 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 February 13, 2020.

**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, appearing to read "Charles H. Hume", followed by a stylized flourish or initials.

February 13, 2020

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 ASSISTENCE 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, 2019. 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, 2019.

## **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, 2019, and have issued our report thereon dated February 13, 2020, 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 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.

A handwritten signature in blue ink, appearing to read "Charles H. [unclear]", with a stylized flourish at the end.

February 13, 2020

**Nonnewaug Regional School District #14**  
**Towns of Bethlehem and Woodbury**  
**Schedule of Expenditures of State Financial Assistance**  
**Year Ended June 30, 2019**

	<b>State Grant Program Core-CT Number</b>	<b>Expenditures</b>
<b>State Department of Education:</b>		
Vocational Agriculture	11000-SDE64370-17017	\$ 1,298,517
Child Nutrition Program ( School Lunch State Match)	11000-SDE64370-16211	5,716
Health Foods Initiative	11000-SDE64370-16212	10,890
School Breakfast Program	11000-SDE64370-17046	5,796
TEAM Mentoring	11000-SDE64000-12552	3,182
Adult Education	11000-SDE64370-17030	<u>5,697</u>
<b>Total Department of Education</b>		<u>1,329,798</u>
<b>Total State Financial Assistance before Exempt Programs</b>		<u>1,329,798</u>
<b>EXEMPT PROGRAMS</b>		
<b>State Department of Education:</b>		
Special Education - Excess Cost - student based	11000-SDE64370-17047	15,809
<b>Department of Administrative Services:</b>		
School Construction	13010-DAS27000-40901	<u>10,091,693</u>
<b>Total Exempt Programs</b>		<u>10,107,502</u>
<b>Total State Financial Assistance</b>		<u><u>\$ 11,437,300</u></u>

See the accompanying notes to this schedule

**Nonnewaug Regional School District #14**  
**Notes to Schedule of Expenditures of State Financial Assistance**  
**Year Ended June 30, 2019**

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, 2019**

**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, 2019 and issued our unmodified report thereon dated February 13, 2020

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 unmodified 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:

<b>State Grantor and Program</b>	<b>State Grant Program Identification Number</b>	<b>Expenditures</b>
CT Department of Education		
Vocational Agriculture	11000-SDE-64370-17017	\$ <u>1,298,517</u>
Dollar Threshold used to distinguish Type A and Type B Programs		\$ <u>200,000</u>

**II. FINANCIAL STATEMENT FINDINGS**

No matters were reported.

**III. FINDINGS AND QUESTIONED COSTS FOR STATE FINANCIAL ASSISTANCE**

No matters were reported in the current year or prior year.