

REGIONAL SCHOOL DISTRICT NO. 16  
FINANCIAL STATEMENTS, SUPPLEMENTARY  
INFORMATION AND AUDIT OF FEDERAL  
FINANCIAL ASSISTANCE PROGRAMS  
FOR THE YEAR ENDED JUNE 30, 2016

REGIONAL SCHOOL DISTRICT NO. 16

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REGIONAL SCHOOL DISTRICT NO. 16

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Education  
Regional School District No. 16

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Regional School District No. 16 as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

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

#### ***Auditor's Responsibility***

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Regional School District No. 16 as of June 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information and pension disclosure schedule on pages 4-16 and 53-55 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.

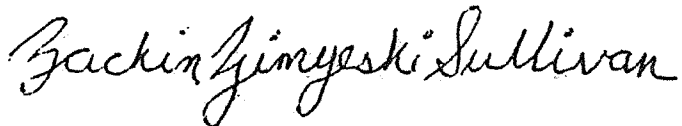
#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Regional School District No. 16's basic financial statements. The statement of changes in assets and liabilities-student activities agency fund, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The statement of changes in assets and liabilities-student activities agency fund and the schedule of expenditures of federal awards 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 statement of changes in assets and liabilities-student activities agency fund and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2016, on our consideration of the Regional School District No. 16's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Regional School District No. 16's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Zackin Zimyeski Sullivan".

ZACKIN ZIMYESKI SULLIVAN  
Certified Public Accountants, LLC  
Waterbury, Connecticut

December 23, 2016

## **Management's Discussion and Analysis**

### **Introduction**

This Annual Financial Report includes the financial reporting requirements of the Government Accounting Standards Board (GASB) Statement 34. GASB Statement 34 requires that we, as managers of Regional School District No. 16, focus on our most important, or “major” funds, including the general fund.

Fund statements measure and report the “operating results” of many funds by measuring cash on hand and other assets that can easily be converted to cash. These statements show the short-term performance of individual funds using the same measures the school district uses when financing current operations. On the other hand, if we charge a fee to users for services, fund information will continue to be based on accrual accounting. Showing budgetary compliance has always been an important part of the school district’s accountability. Our financial statements include the original budget and the final actual results.

Our hope is to provide you, the reader, with an objective and readable analysis of our financial performance for the year. Taken together, the following statements should enable you to assess whether Regional School District No. 16’s financial position has improved or deteriorated as a result of the year’s operations. The annual report includes district-wide financial statements prepared on the accrual basis for all of your school district’s activities. Accrual accounting measures not just current assets and current liabilities, but long-term assets and liabilities as well. It also reports all revenues and all costs of providing services each year, not just those received or paid in the current fiscal year (or shortly thereafter).

In summary, the school district-wide financial statements will help you:

- Assess the finances of Regional School District No. 16 in its entirety, including the year’s operating results;
- Determine whether our overall financial position improved or deteriorated;
- Evaluate whether our current-year revenues were sufficient to pay for current-year services;
- See the costs of providing you the services you have requested of us;
- See how we finance the programs you have asked for – through user fees, grants, other program revenues, and member town assessments;
- Understand the extent to which your school district has invested in capital assets, including school buildings, machinery, and equipment;
- Make better comparisons between school districts.

The Annual Financial Report includes the following information and financial statements as defined by GASB Statement 34:

- ✱ **Management’s Discussion and Analysis (MD&A)** – An introduction to the basic financial statements and an analytical overview of the school district’s financial activities. The MD&A provides an objective and easily readable analysis of the District’s financial activities based on currently known facts, decisions, or conditions. The MD&A:

- ❑ Includes comparisons of the current year to the prior year based on school district-wide information;
- ❑ Provides an analysis of our overall financial position and the results of operations to assist you in assessing whether our financial position has improved or deteriorated as a result of the year's activities;
- ❑ Analyzes significant changes in fund and major budget variances;
- ❑ Describes capital asset and long-term debt activity during the year;
- ❑ Concludes with a description of currently known facts, decisions, or conditions that are expected to have a significant effect on our financial position or the results of our operations.



## **Basic Financial Statements**

- ***School District-Wide Financial Statements*** are designed to provide readers with a broad overview of Region 16's finances in a manner similar to private-sector business.
  - They include a *statement of net position* which presents information on all of the school district's assets and liabilities with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the district is improving or deteriorating. The *statement of activities* presents information showing how the district's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave). The statement of activities is prepared using the economic resources measurement focus and the accrual basis of accounting. These statements report all assets, liabilities, revenues, expenses, and gains and losses of the school district. Both of the district-wide financial statements distinguish functions of the district that are principally supported by member town assessments and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The district-wide statements of Regional School District No. 16 include all programs connected with the administration of a regional educational facility. The district operates one business-type activity, food services. The district-wide financial statements include only the district itself (known as the *primary government*). There are no legally separate units of government for which the school district is financially accountable;
  - Fiduciary activities whose resources are not available to finance our school district programs are excluded from these statements.



Capital assets are replaced by depreciation expense in the statement of activities. Net position is reported as capital assets net of related debt, restricted, and unrestricted. Permanent endowments or permanent fund principal amounts included in restricted net position are shown as either expendable or nonexpendable.

Expenses are presented reduced by program revenues, resulting in a measurement of “net (expense) revenue” for each of the school district’s functions. Program expenses include all direct expenses. General revenues and special and extraordinary items are reported separately, ultimately arriving at the change in net position for the period. Special items are significant transactions or other events that are either unusual or infrequent and are within the control of management.

**Fund Financial Statements** are a grouping of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. Regional School District No. 16, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the district can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

- ❑ *Governmental fund* financial statements include financial data for the general fund, special revenue funds (Other Governmental Funds), and capital projects funds and are prepared using the current financial resources measurement focus and the modified accrual basis of accounting. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the district-wide financial statements. However, unlike the district-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources* as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a school district’s near-term financing requirements. Because the focus of governmental funds is narrower than that of the district-wide financial statements, it is useful to compare the information presented for *governmental funds* in the district-wide financial statements with similar information presented for *governmental activities* in the long-term impact of the district-wide financial statements. By doing so, readers may better understand the long-term impact of the regional school district’s near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*. The district maintains several individual governmental funds and a separate capital projects fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund which is considered to be a major fund. Data from the other governmental funds are combined into a single, aggregated presentation. Regional School District No. 16 adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.
- ❑ *Proprietary fund* financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. The district maintains only one type of proprietary fund, the Food Services Fund. Proprietary funds provide the same type of information as the district-wide financial statements, only in more detail.

- ❑ *Fiduciary fund* financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Fiduciary funds are used to account for resources held for the benefit of parties outside the regional district. Fiduciary funds are *not* reflected in the district-wide financial statement because the resources of those funds are *not* available to support the district's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Fund financial statements are presented for primary government and proprietary funds. Governmental fund statements include a balance sheet and a statement of revenues, expenditures, and changes in fund balances. Proprietary fund statements are comprised of a statement of net position, a statement of revenues, expenses, and changes in net fund assets, and a statement of cash flows. A summary reconciliation of the fund and district-wide statements accompanies the fund financial statements.

Separate columns are shown for the general fund, for other major governmental and enterprise funds, and the capital projects fund. Major funds are funds whose revenues, expenditures/expenses, assets, or liabilities (excluding extraordinary items) are at least 10 percent of corresponding totals for all governmental or enterprise funds and at least 5 percent of the aggregate amount for all governmental and enterprise funds. Other funds that we believe are particularly important to you are also reported as a major fund. Non-major funds are reported in the aggregate in a separate column.

Governmental fund balances are segregated into reserved and unreserved categories.

Proprietary fund net position is reported in the same categories required for district-wide financial statements. Proprietary fund statements of net position distinguish between current and non-current assets and liabilities and display restricted assets.

The statements distinguish between operating and non-operating revenues and expenses in proprietary fund statements of revenues, expenses, and changes in net fund assets. At the bottom of these statements, we reflect capital contributions, contributions to permanent and term endowments, special and extraordinary items, and transfers in arriving at the all-inclusive change in fund net position.

We present separate fiduciary fund statements used to report assets held in a trustee or agency capacity for others and which cannot be used for our own programs. We must show a statement of fiduciary net position and a statement of changes in fiduciary net position. Fiduciary fund statements also disclose inter-fund loans, inter-fund services provided and used, and inter-fund transfers.

#### Notes to Basic Financial Statements

- Consist of notes that provide information essential to your understanding of the data provided in the district-wide and fund financial statements.

#### Required Supplementary Information (RSI)

- Consists of MD&A and budgetary comparison schedules;
- Schedule of Revenues, expenditures, and Changes in Fund Balances – Budget and Actual (Non-GAAP Basis) – General Fund;
- Schedule of the District's Proportionate Share of the Net Pension Liability

As management of Regional School District No. 16, we offer readers of the district's financial statements this narrative overview and analysis of the financial activities of the district for the fiscal year ended June 30, 2016.

### **Financial Highlights**

- The governmental activities net position of the regional school district exceeded its liabilities at the close of the most recent fiscal year by \$57,619,427 (net position). Of this amount, \$1,373,687 (unrestricted net position) may be used to meet the school district's ongoing obligations to citizens, students, and creditors. Business-type net position amounted to \$245,067 with \$244,414 of that amount unrestricted. Net position increased \$2,888,677 for governmental activities and \$2,884,579 for the district as a whole.
- As of the close of the current fiscal year, Regional School District No. 16's governmental funds reported combining ending fund balances of \$6,035,781, a \$3,687,024 (157.0%) increase in comparison with the prior year. Approximately 22.8% of total fund balance, \$1,373,687, is unassigned but designated. It should be noted that the majority of this amount has been designated as a credit to the member towns in the following year's budget calculations.
- At the end of the current fiscal year, unassigned governmental fund balance for the general fund, \$1,373,687, representing the unassigned fund balance for all governmental funds, amounted to 3.2% of total general fund expenditures of \$43,095,610.
- During the current fiscal year, the regional school district made principal reductions of \$2,725,000 on bonded debt. We issued \$25,500,000 of bond anticipation notes for the ongoing building project which will be retired by a 20-year bond issue at project completion.

### **School District-Wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a school district's financial position. In the case of Regional School District No. 16, assets exceeded liabilities by \$57,864,494 for all activities at the close of the most recent fiscal year.

A significant portion of the district's net position (82.2%) is invested in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that are still outstanding. Region No. 16 uses these capital assets to provide services to students and citizens; consequently, these assets are *not* available for future spending. Although the school district's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**Table 1.  
Net position**

	June 30, 2016			June 30, 2015		
	Governmental Activities	Business-Type Activities	Total Primary Government	Governmental Activities	Business-Type Activities	Total Primary Government
Current and Other Assets .....	\$ 7,399,024	\$268,254	\$ 7,607,278	\$ 6,321,353	\$265,423	\$6,586,776
Noncurrent Assets (net of depreciation).....	89,319,973	653	89,320,626	85,258,741	4,569	85,263,310
Total Assets.....	96,658,997	268,907	96,927,904	91,580,094	269,992	91,850,086
Noncurrent Liabilities.....	33,804,522	--	33,804,522	25,558,561	--	25,558,561
Other Liabilities.....	5,235,048	23,840	5,258,888	11,290,783	20,827	11,311,610
Total Liabilities.....	39,039,570	23,840	39,063,410	36,849,344	20,827	36,870,171
Net position:						
Invested in Capital Assets, net of debt.....	47,548,421	653	47,549,074	46,842,714	4,569	46,847,283
Restricted – Capital and Debt Service.....	8,697,329	--	8,697,329	5,946,755	--	5,946,755
Unrestricted .....	1,373,687	244,414	1,618,101	1,941,281	244,596	2,185,877
Total Net position.....	\$57,619,427	\$245,067	\$57,864,494	\$54,730,750	\$249,165	\$54,979,915

Roughly 15.3% of the district's governmental net position (\$8,697,329) represents resources that are subject to restrictions on how they may be used. State monies, debt service, and amounts reserved for capital projects constitute the restricted category. The remaining balance of *unrestricted governmental net position*, \$1,373,687, may be used to meet the school district's ongoing obligations to students, citizens, and creditors. At the end of the current fiscal year, Region No. 16 is able to report positive or no balances in all three categories of net position, both for the school district as a whole, as well as for its separate governmental and business-type activities. The same held true for the prior fiscal year.

The district's food service activities reported a decrease of \$4,098 in net position over the preceding fiscal year. Operating revenues of \$962,828 consisting of \$704,262 in charges for services and intergovernmental contributions of \$258,566 were exceeded by expenses of \$966,926 producing the modest decline in net position for the year, for a closing business-type activity net position of \$245,067.

The school district's governmental activity net position increased by \$2,888,677 during the current fiscal year to \$57,619,427 as earlier presented. There were a few reasons for the change. The main driver of increased net position was a net \$5,468,745 increase in our capital outlay for the elementary schools and district office building projects (\$8,041,210) over depreciation expense (\$2,572,465). Offsetting this increase in net position was a decline of \$1,770,819 in the school building grant receivable for principal on outstanding bond issues.

### **Governmental Activities**

Governmental activities increased the district's net position by a net \$2,888,677 as previously discussed. Operations of the food service program decreased total net position by a net \$4,098, decreasing the overall Total Primary Governmental net increase in net position to \$2,884,579. Key elements of the growth in net position are as detailed below:

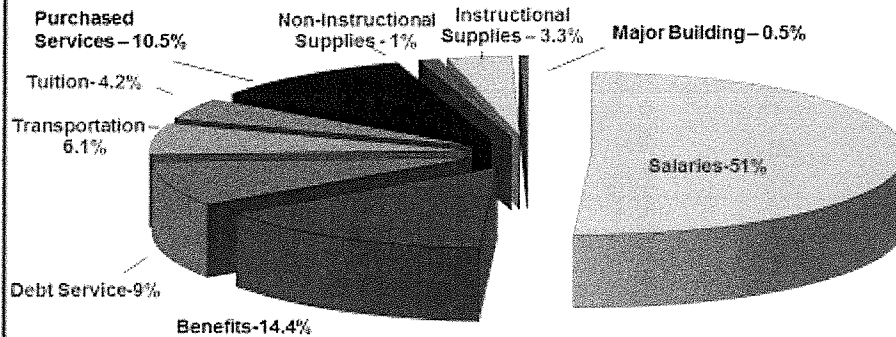
**Table 2.**  
**Changes in Net Position – Governmental Funds**

	June 30, 2016			June 30, 2015		
	Governmental Activities	Business-Type Activities	Total Primary Government	Governmental Activities	Business-Type Activities	Total Primary Government
Revenues:						
Program Revenues:						
Charges for Services .....	--	\$704,262	\$ 704,262	--	\$703,590	\$703,590
Operating Grants and Contributions.....	\$9,219,206	258,566	9,477,772	\$20,536,726	280,963	20,817,689
Capital Grants and Contributions.....	--	--	--	--	--	--
General Revenues:						
Member Town Assessments	36,287,964	--	36,287,964	36,554,268	--	36,554,268
Grants and Contributions not Restricted to Specific Purpose.....	--	--	--	--	--	--
Unrestricted Investment Earnings .....	13,639	--	13,639	10,822	--	10,822
Other General Revenues ..	327,011	--	327,011	186,480	--	186,480
Total Revenues.....	<u>45,847,820</u>	<u>962,828</u>	<u>46,810,648</u>	<u>57,288,296</u>	<u>984,553</u>	<u>58,272,849</u>
Program Expenses:						
Regular Program.....	26,423,120	--	26,423,120	25,253,434	--	25,253,434
Special Programs .....	288,392	--	288,392	313,441	--	313,441
Principal Services .....	1,834,762	--	1,834,762	1,826,169	--	1,826,169
Operation of Plant.....	3,124,186	--	3,124,186	3,370,779	--	3,370,779
Student Transportation ...	2,483,849	--	2,483,849	1,959,572	--	1,959,572
Interest/Amortization.....	998,349	--	998,349	927,972	--	927,972
Tuition .....	1,377,804	--	1,377,804	1,355,736	--	1,355,736
All Other.....	3,644,873	--	3,644,873	3,147,892	--	3,147,892
Depreciation .....	2,269,225	--	2,269,225	1,913,481	--	1,913,481
Food Service/Enterprise .	514,583	966,926	1,481,509	528,717	1,019,544	1,548,261
Total Program Expenses .....	<u>42,959,143</u>	<u>966,926</u>	<u>43,926,069</u>	<u>40,597,193</u>	<u>1,019,544</u>	<u>41,616,737</u>
Increase (Decrease) in Net Position .....	2,888,677	(4,098)	2,884,579	16,691,103	(34,991)	16,656,112
Beginning Net Position .....	<u>54,730,750</u>	<u>249,165</u>	<u>54,979,915</u>	<u>38,039,647</u>	<u>284,156</u>	<u>38,323,803</u>
Ending Net position: .....	<u>\$57,619,427</u>	<u>\$245,067</u>	<u>\$57,864,494</u>	<u>\$54,730,750</u>	<u>\$249,165</u>	<u>\$54,979,915</u>

Chart 1 depicts the District's major expenditures for the 2015-2016 fiscal year.

Chart 2 presents the various sources of district revenue and the net cost to member towns after various grants and contributions.

**REGIONAL SCHOOL DISTRICT 16  
EXPENDITURE BY CATEGORY  
TOTAL PROPOSED BUDGET FOR 2015-2016  
\$40,532,348**



Salaries 51%	Benefits 14.4%
Debt Service 9%	Transportation 6.1%
Tuition 4.2%	Purchased Services 10.5%
Non-Instructional Supplies 1%	Instructional Supplies 3.3%
Major Building Improvements 0.5%	

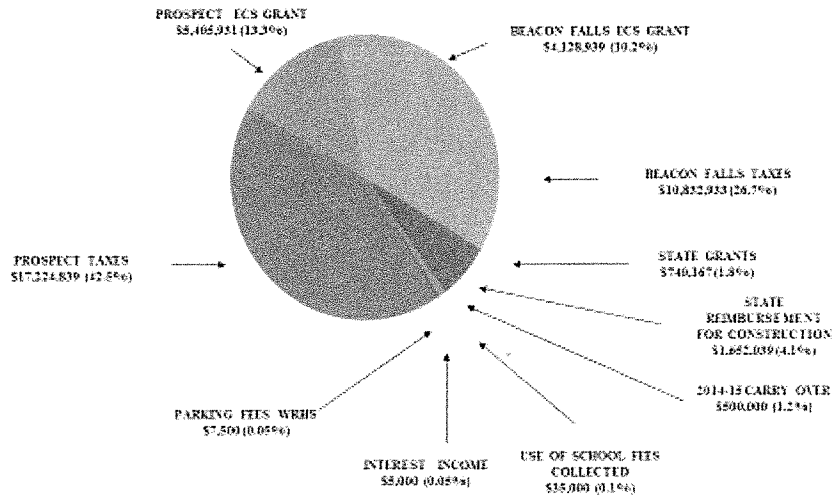
**SOURCES OF  
OPERATING  
REVENUE**

**TOTAL:  
\$40,532,348**

*Region 16's revenues come from three sources:*

- State grants that come directly to Region 16.
- Various funds received from sources such as interest earned, carry over funds from the previous year, and use of building fees collected.
- Town tax revenues from the Towns of Prospect and Beacon Falls and the State ECS grant funds received by both towns.

The following graph shows the distribution of these funds:



Our governmental activities revenues for the 2016 fiscal year decreased by approximately \$11.3 million compared to 2015 due primarily to decreased state grants. Our expenditures were \$2.36 million more this year reflecting \$1.17 million increased costs of regular program and \$1.19 million across our other many programs and activities.

### **Business-type activities**

Business-type activities in the food service fund decreased the business-type activities net position by \$4,098. Key elements affecting this decrease were charges for food services of \$704,262, coupled with operating grants and contributions of \$258,566, being insufficient to generate revenue to cover the \$966,926 operating cost of the enterprise.

### **Financial Analysis of the School District's Funds**

As noted earlier, Regional School District No. 16 uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

#### **Governmental funds**

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

As of the end of the 2015-2016 fiscal year, Regional School District No. 16's governmental funds reported combined ending fund balances of \$6,035,781, an increase of \$3,687,024 in comparison with the prior year's fund balance of \$2,348,757. About 22.8%, or \$1,373,687, of the total governmental fund balance constitutes *unassigned fund balance* which is available for spending at the school district's discretion. A portion of that amount has been *designated* for return to the member towns as a credit against future assessments. The remainder of the fund balance, \$4,662,094, is *reserved* to indicate that it is not available for new spending because it has already been committed for capital projects and retirement of long-term debt.

The general fund is the chief operating fund of the district. At the end of the current fiscal year, the unassigned fund balance of the general fund was the same as for all governmental funds, \$1,373,687, while total general fund balance also amounted to \$2,990,054. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned general fund balance represents 3.2% of total general fund expenditures of \$43,095,610 while total general fund balance is 6.9%.

The district realized a general fund operating surplus of \$231,254 with revenues exceeding expenditures by that amount for a closing general fund balance of \$2,990,054 as noted earlier.

At year end, the capital projects fund ended with a \$4,063,923 operating deficit with \$7,140,175 expended for our ongoing project versus revenues (federal and state grants) of \$3,076,252. However, debt proceeds of \$25,500,000 improved our position to \$2,362,497, which brought the capital projects account to a net fund balance of \$1,944,716. The Other Governmental Funds fund balance reflects a net fund balance of \$1,101,011 mostly as a result of timing variances between open encumbrances at June 30, 2016.

## Proprietary Fund

Regional School District No. 16's proprietary fund provides the same type of information found in the school district-wide financial statements, but in more detail.

Unrestricted net position of the food service account at the end of the year amounted to \$244,414, and those invested in capital assets (net of related debt) equaled \$653. The total decrease in net position was \$4,098.

**Table 3.**  
**Change in Net Position – Proprietary Fund**

	Proprietary Fund 2016	Proprietary Fund 2015
<u>Operating Revenue</u>		
Food Service .....	\$704,262	\$703,590
<u>Operating Expenses</u>		
Salaries and Wages .....	484,376	511,269
Supplies and Materials .....	446,680	476,511
Purchased Services .....	7,500	8,800
Other Operating Costs .....	24,454	19,048
Depreciation .....	3,916	3,916
Total Operating Costs .....	966,926	1,019,544
Operating Gain (Loss) .....	(262,664)	(315,954)
<u>Non-operating Revenues</u>		
Intergovernmental .....	258,566	270,963
Transfer from General Fund .....	-	10,000
Total Non-operating Revenues .....	258,566	280,963
Change in Net position .....	(4,098)	(34,991)
Net position – Beginning of Year .....	249,165	284,156
Net position – End of Year .....	\$245,067	\$249,165

## General Fund Budgetary Highlights

The original budget passed by the member Towns of Beacon Falls and Prospect remained the final budget with revenues and expenditures at \$40,532,348 and included a deficit general fund prior year carryover of \$500,000. There were no line item revenue changes but there were a few expenditure item revisions during the fiscal year. Our revenues came in \$165,370 more than expected due to other miscellaneous income. However, this amount was offset by the \$43,379 credit to our member towns to adjust for loss revenue to the towns from the unexpected State Educational Cost Sharing grant reductions. Our expenditures were \$1,370,562 under budget as a result of savings in the following areas: \$253,268 in tuitions, \$238,685 in regular programs, \$218,930 in operation and maintenance of buildings, and \$122,485 in special programs.



## Capital Asset and Debt Administration

### Capital Assets

Regional School District No. 16's investment in capital assets includes land, buildings and systems, improvements, and machinery and equipment. During the 2016 fiscal year, we made \$7,898,260 of land and building improvements for the new school, the high school, Laurel Ledge, and District office and added \$142,950 of new furniture and equipment.

**Table 4.**  
**Capital Assets at Year-end (net of depreciation)**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2016	2015	2016	2015	2016	2015
Land	\$ 8,991,231	\$ 8,991,231	\$ --	\$ --	\$ 8,991,231	\$ 8,991,231
Buildings and Land Improvement	101,438,376	94,385,025	--	--	101,438,376	94,385,025
Furniture and Equipment	5,999,397	5,856,447	653	4,569	6,000,050	5,861,016
Totals	\$116,429,004	\$109,232,703	\$653	\$4,569	\$116,429,657	\$109,237,272

### Long-term Debt

At the end of the current fiscal year, Regional School District No. 16 had \$33,275,000 of long-term bonded debt outstanding after paying \$2,725,000 in scheduled amortization of bond principal. We also have a BAN for \$3,500,000 outstanding as well. We issued an \$11,000,000 bond in fiscal 2016. One hundred percent of the district's debt is general obligation indebtedness backed by the full faith and credit of the district and its member towns of Beacon Falls and Prospect. Because Beacon Falls and Prospect are the member towns, their outstanding indebtedness represents underlying debt to the District. As of June 30, 2016, Beacon Falls had outstanding indebtedness of \$10,962,015 and Prospect, \$2,133,000. The member towns' obligation for the district's net debt is based on the average daily membership (ADM) of each town's students attending the regional facility on October 1 of the preceding year. For the fiscal year 2016, Beacon Falls' ADM percentage was calculated to be 39.236% and Prospect, 60.764%. The State reimburses the District for principal and interest on its long-term debt at about 73% for bonds authorized prior to 1996. The District expects to receive about \$4,592,202 in bond principal reimbursement over the remaining life of its outstanding bonds.

**Table 5.**  
**Long-Term Debt**

<u>Bonds &amp; Notes</u>					
Year Issued	Purpose	Rate %	Original Issue	Debt Outstanding	Fiscal Year Maturity
2003	School	2.00 – 5.00	\$17,295,000	\$ 360,000	2017
2010	School-Refunding	3.25 – 4.75	3,585,000	3,585,000	2020
2010	School-Refunding	2.00 - 4.00	8,155,000	3,475,000	2020
2012	School	2.00 – 3.00	8,055,000	6,855,000	2033
2014	School	3.00 – 4.00	8,000,000	8,000,000	2034
2016	School	2.00 - 4.00	11,000,000	11,000,000	2036
	Total Debt		\$56,090,000	\$33,275,000	

Regional School District No. 16 maintains an underlying "AA-" rating from Standard & Poor's Corporation for its general obligation debt. Outstanding bonded indebtedness has been insured variously by FGIC, Assured Guaranty Municipal (FSA), and MBIA. The ratings for many bond insurers have recently been lowered from triple-A in light of the sub-prime mortgage crisis, and the current ratings for the relevant insurers are listed below. The District's underlying rating remains unchanged.

<u>Insurer</u>	<u>Moody's</u>	<u>S&amp;P</u>	<u>FitchRatings</u>
FGIC	N/R	N/R	N/R
Assured Guaranty Municipal (FSA)	A2	AA	N/R
National Public Financial Guarantee (MBIA)	A3	AA-	N/R

The Connecticut General Statutes provide that the aggregate indebtedness of a regional school district shall not exceed: (1) for a district empowered to provide for the member towns a full K - 12 program, 4.5 times and (2) for a district providing less than a K - 12 program, 2.25 times the "annual receipts from taxation" of its member towns for the prior fiscal year. A regional school district may issue additional bonds, notes, or other obligations in an amount not to exceed 3.5 its member towns' annual receipts from taxation less the member towns' aggregate indebtedness. In computing the aggregate indebtedness of a regional school district, excluded is debt issued in anticipation of the receipt of: (1) State or member town payments for the operation of the district's schools, (2) State or federal grant proceeds for which the district has received a written commitment or for which an allocation has been approved by the State Bond Commission, and (3) the proceeds from contracts with the State, a State agency, or another municipality providing for the reimbursement of capital costs, but only to the extent such debt can be paid from such proceeds.

Additional information on Region 16's long-term debt can be found in Note 8, Capital Assets and Note 9, General Long-Term Debt, of this document.

### **Economic Factors and Next Year's Budget**

We have the option of either holding a Regional Meeting to vote on the budget or the Board can send it directly to a referendum. The citizens registered to vote can send it to referendum by submitting a petition with two hundred signatures. This year, the Board chose to hold a Regional Meeting, and the budget was approved by majority vote on May 2, 2016. Our budget is approved based on the principal of one man one vote where the collective votes of both member towns either for or against the budget are compiled and tallied. The result is based on the majority count regardless of town.

The gross expenditure budget for fiscal year 2016-2017 reflected a zero percent increase and remained at \$40,532,348. We included a \$700,000 carry-over from fiscal 2016 as part of our revenue. Net of anticipated revenues from state and federal grants paid directly to the District, the budget as allocated to the member towns was \$37,771,887. The net charge to the member towns after deducting the state ECS grant paid directly to the towns amounted to \$28,614,564 with Beacon Falls' ADM set at 39.236% and Prospect at 60.764% for fiscal year 2017. The most significant budget drivers, amounting to \$1,076,214, are detailed below:

❖ Certified and Non-Certified Wages - \$413,480

Contractual increases for certified and non-certified employees that have been significantly offset by personnel changes and position reductions in non-certified employees.

❖ Health Insurance Benefits - \$473,673

Health insurance renewal for the District was approximately 10%.

❖ Transportation - \$89,871

The same number of buses were budgeted at a contractual price increase of 3.5%.

❖ Utilities - \$99,190

The increase in utility costs are due to a number of factors including rate increases and increases in square footage of our buildings, and the new district office.

These increases have been offset by a reduction in purchased services, instructional supplies and unemployment compensation, along with saving in fuel oil and gasoline costs.

All of these factors were considered in preparing Regional School District No. 16's budget for the 2017 fiscal year.

Depending on the year's operating results, the District has historically credited a portion of the unreserved general fund balance back to the member towns using a formula based on the average daily membership (ADM) from each town.

### **Requests for Information**

This financial report is designed to provide a general overview of how Regional School District No. 16 managed its resources and obligations for all those with an interest in the school district's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Director of Finance and Business Operations, 30 Coer Road, Prospect, CT 06712.

REGIONAL SCHOOL DISTRICT NO. 16  
STATEMENT OF NET POSITION  
JUNE 30, 2016

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 7,339,024	\$ 210,825	\$ 7,549,849
Due from State of Connecticut	-	48,566	48,566
Inventories	-	8,863	8,863
Noncurrent Assets:			
School Construction Bond Principal			
Subsidy Grant Receivable	4,592,202	-	4,592,202
Capital Assets-net	84,323,421	653	84,324,074
Bond Issue Costs-net	404,350	-	404,350
Total Assets	<u>96,658,997</u>	<u>268,907</u>	<u>96,927,904</u>
<b>LIABILITIES</b>			
Accounts Payable	1,221,045	-	1,221,045
Deferred Revenues	82,198	23,840	106,038
Accrued Interest	431,805	-	431,805
Short Term Debt	3,500,000	-	3,500,000
Noncurrent Liabilities:			
Due Within One Year	3,285,000	-	3,285,000
Due in More than One Year	30,519,522	-	30,519,522
Total Liabilities	<u>39,039,570</u>	<u>23,840</u>	<u>39,063,410</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	47,548,421	653	47,549,074
Restricted for Capital Projects and Debt Service	8,697,319	-	8,697,319
Unrestricted	<u>1,373,687</u>	<u>244,414</u>	<u>1,618,101</u>
<b>TOTAL NET POSITION</b>	<u>\$ 57,619,427</u>	<u>\$ 245,067</u>	<u>\$ 57,864,494</u>

See accompanying notes to the financial statements

REGIONAL SCHOOL DISTRICT NO. 16  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2016

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
Program and Related Services	\$ 26,423,120	\$ -	\$ 8,902,349	\$ -	\$ (17,520,771)	\$ -	\$ (17,520,771)
Board of Education Services	787,399	-	-	-	(787,399)	-	(787,399)
Office of Superintendent Services	541,049	-	-	-	(541,049)	-	(541,049)
Special Services Administration	288,392	-	-	-	(288,392)	-	(288,392)
Office of Principal Services	1,834,762	-	-	-	(1,834,762)	-	(1,834,762)
Fiscal Services	832,764	-	-	-	(832,764)	-	(832,764)
Printing/Publishing/Duplicating	51,941	-	-	-	(51,941)	-	(51,941)
Operation and Maintenance of Buildings and Care and Upkeep of Grounds	3,124,186	-	-	-	(3,124,186)	-	(3,124,186)
Vehicle Operation and Maintenance	46,448	-	-	-	(46,448)	-	(46,448)
Security Services	241,281	-	-	-	(241,281)	-	(241,281)
Student Transportation	2,483,849	-	94,265	-	(2,389,584)	-	(2,389,584)
Supervision Transportation Services	6,480	-	-	-	(6,480)	-	(6,480)
Food Service	33,218	-	-	-	(33,218)	-	(33,218)
Other Enterprise Operations	514,583	-	-	-	(514,583)	-	(514,583)
Building Acquisition, Construction and Improvements	351,835	-	-	-	(351,835)	-	(351,835)
Instruction and Instruction Related	688,489	-	-	-	(688,489)	-	(688,489)
Interest	998,349	-	222,592	-	(775,757)	-	(775,757)
Tuition	1,377,804	-	-	-	(1,377,804)	-	(1,377,804)
Unallocated Depreciation (excludes program direct depreciaton expense)	2,269,225	-	-	-	(2,269,225)	-	(2,269,225)
Amortization	63,969	-	-	-	(63,969)	-	(63,969)
	<u>42,959,143</u>	<u>-</u>	<u>9,219,206</u>	<u>-</u>	<u>(33,739,937)</u>	<u>-</u>	<u>(33,739,937)</u>
Business-Type Activities							
Food Service	966,926	704,262	258,566	-	-	(4,098)	(4,098)
Total Primary Government	<u>\$ 43,926,069</u>	<u>\$ 704,262</u>	<u>\$ 9,477,772</u>	<u>\$ -</u>	<u>(33,739,937)</u>	<u>(4,098)</u>	<u>(33,744,035)</u>

REGIONAL SCHOOL DISTRICT NO. 16  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2016

Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
General Revenues:						
Participating Towns						
Town of Beacon Falls				\$ 14,442,774	\$ -	\$ 14,442,774
Town of Prospect				21,845,190	-	21,845,190
Unrestricted Earnings on Investments				13,639	-	13,639
Other				327,011	-	327,011
Total General Revenues				36,628,614	-	36,628,614
Change in Net Position				2,888,677	(4,098)	2,884,579
Net Position - Beginning of Year				54,730,750	249,165	54,979,915
Net Position - End of Year				\$ 57,619,427	\$ 245,067	\$ 57,864,494

See accompanying notes to the financial statements

REGIONAL SCHOOL DISTRICT NO. 16  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2016

	Major Funds			Total Governmental Funds
	General	Other Governmental Funds	Capital Projects	
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 5,902,624	\$ 1,166,477	\$ 269,923	\$ 7,339,024
Due from State of Connecticut	4,592,202	-	-	4,592,202
Due from Other Fund	108,819	122,617	1,709,003	1,940,439
Total Assets	<u>\$ 10,603,645</u>	<u>\$ 1,289,094</u>	<u>\$ 1,978,926</u>	<u>\$ 13,871,665</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts Payable	\$ 1,186,835	\$ -	\$ 34,210	\$ 1,221,045
Deferred Revenue	4,595,136	79,264	-	4,674,400
Due to Other Fund	1,831,620	108,819	-	1,940,439
Total Liabilities	<u>7,613,591</u>	<u>188,083</u>	<u>34,210</u>	<u>7,835,884</u>
<b>Fund Balances:</b>				
Reserved for:				
Capital Projects and				
Retirement of Long-Term Debt, Net	979,332	1,101,011	1,944,716	4,025,059
Nonrecurring Capital Projects	637,035	-	-	637,035
Unassigned:				
Designated	1,373,687	-	-	1,373,687
Undesignated	-	-	-	-
Total Fund Balances	<u>2,990,054</u>	<u>1,101,011</u>	<u>1,944,716</u>	<u>6,035,781</u>
Total Liabilities and Fund Balances	<u>\$ 10,603,645</u>	<u>\$ 1,289,094</u>	<u>\$ 1,978,926</u>	<u>\$ 13,871,665</u>

See accompanying notes to the financial statements

REGIONAL SCHOOL DISTRICT NO. 16  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2016

Total fund balances-governmental funds		\$	6,035,781
Total net assets reported for governmental activities in the statement of net assets are different because:			
Other long-term assets, (School Construction Bond Principal Subsidy Grant Recievable) are not available to pay current-period expenditures and, therefore, are deferred in the funds.			4,592,202
Capital assets used in governmental funds are not financial resources and therefore are not reported in the funds. Capital assets of \$116,429,004, net of \$32,105,583 accumulated depreciation.			84,323,421
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when paid.			(431,805)
Bond issuance costs are reported as expenditures in the governmental funds. The cost of \$696,141, net of \$291,791 accumulated amortization.			404,350
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 positions. Balances at year-end are:			
Bonds payable	\$	33,275,000	
Notes Payable		3,500,000	
Early retirement payable and other compensated absences		<u>529,522</u>	
			<u>(37,304,522)</u>
Total net position-governmental activities		\$	<u><u>57,619,427</u></u>

See accompanying notes to the financial statements



REGIONAL SCHOOL DISTRICT NO. 16  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2016

	General	Other Governmental Funds	Capital Projects	Total Governmental Funds
<b>REVENUES</b>				
Participating Towns	\$ 36,287,964	\$ -	\$ -	\$ 36,287,964
Federal and State Grants	6,159,430	849,043	2,930,699	9,939,172
Earnings on Investments	10,806	58	2,775	13,639
Other Miscellaneous Income	150,337	33,896	142,778	327,011
<b>Total Revenues</b>	<b>42,608,537</b>	<b>882,997</b>	<b>3,076,252</b>	<b>46,567,786</b>
<b>EXPENDITURES</b>				
Regular Programs	14,581,101	-	-	14,581,101
Special Programs	3,771,873	-	-	3,771,873
Teachers Retirement Contribution	3,715,497	-	-	3,715,497
Social Work Services	261,275	-	-	261,275
Guidance Services	885,910	-	-	885,910
Health Services	407,390	-	-	407,390
Psychological Services	294,417	-	-	294,417
Speech/Audio Services	293,482	-	-	293,482
Improvement of Instructions	482,574	-	-	482,574
Instructional Staff Training Services	12,522	-	-	12,522
Education Media Services	1,453,829	-	-	1,453,829
Instruction Related Technology	71,053	-	-	71,053
Board of Education Services	787,399	-	-	787,399
Office of Superintendent Services	447,083	-	-	447,083
Special Services Administration	288,392	-	-	288,392
Office of Principal Services	1,834,762	-	-	1,834,762
Fiscal Services	832,764	-	-	832,764
Printing/Publishing/Duplicating	51,941	-	-	51,941
Operation and Maintenance of Buildings	2,905,216	-	-	2,905,216
Care and Upkeep of Grounds	230,932	-	-	230,932
Vehicle Operation and Maintenance	46,448	-	-	46,448
Security Services	241,281	-	-	241,281
Student Transportation	2,483,849	-	-	2,483,849
Supervision Transportation Services	6,480	-	-	6,480
Food Service	33,218	-	-	33,218
Other Enterprise Operations	514,583	-	-	514,583
Building Acquisition and Construction	51,242	-	-	51,242
Building Improvements	1,109,277	-	-	1,109,277
Debt Service	3,622,016	-	-	3,622,016
Tuition	1,377,804	-	-	1,377,804
Instruction and Instruction Related	-	688,489	-	688,489
Capital Outlay	-	92,351	7,140,175	7,232,526
<b>Total Expenditures</b>	<b>43,095,610</b>	<b>780,840</b>	<b>7,140,175</b>	<b>51,016,625</b>

REGIONAL SCHOOL DISTRICT NO. 16  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2016

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
Total (Deficit) of Revenues over Expenditures	(487,073)	102,157	(4,063,923)	(4,448,839)
OTHER FINANCING SOURCES (USES)				
Debt Issuance	-	-	25,500,000	25,500,000
Debt Premium	-	-	848,187	848,187
Debt Issuance Costs	(1,000)	(18,119)	(193,205)	(212,324)
Debt Repayments	(1,000,000)	-	(17,000,000)	(18,000,000)
Fund Transfers	<u>1,711,589</u>	<u>1,016,973</u>	<u>(2,728,562)</u>	<u>-</u>
Net Other Financing Sources (Uses)	<u>710,589</u>	<u>998,854</u>	<u>6,426,420</u>	<u>8,135,863</u>
Net Changes in Fund Balances	223,516	1,101,011	2,362,497	3,687,024
Fund Balance at Beginning of Year	<u>2,766,538</u>	<u>-</u>	<u>(417,781)</u>	<u>2,348,757</u>
Fund Balance at End of Year	<u>\$ 2,990,054</u>	<u>\$ 1,101,011</u>	<u>\$ 1,944,716</u>	<u>\$ 6,035,781</u>

See accompanying notes to the financial statements

REGIONAL SCHOOL DISTRICT NO. 16  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF  
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2016

Total change in fund balances-total governmental funds \$ 3,687,024

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

Revenues in the statement of activities do not include revenue from the School Construction Bond Subsidy Grant since this revenue was recognized when the the related receivable was recorded and not deferred as it was in the fund statements. (1,770,819)

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays \$8,041,210 exceeds depreciation expense \$2,572,465 in the period. 5,468,745

The governmental funds report bond proceeds as financing sources, while repayment of bond principal is reported as an expenditure. In the statement of net assets 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 when it is due. The net effect of these differences in the treatment of general obligation bonds and related items are as follows:

Repayment of bond principal	\$ 2,725,000	
Note proceeds	(25,500,000)	
Repayments of notes	18,000,000	
Payments on capital lease	11,962	
Interest expense-general obligation bonds	101,333	
Debt issuance costs	212,324	
Amortization of bond issuance costs	<u>(63,969)</u>	
		(4,513,350)

In the statement of activities, certain operating expenses - compensated absences (vested vacation and sick days) and special termination benefits (early retirement)- 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	<u>17,077</u>
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Change in net position of governmental activities	<u><u>\$ 2,888,677</u></u>
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See accompanying notes to the financial statements

REGIONAL SCHOOL DISTRICT NO. 16  
STATEMENT OF NET POSITION -  
PROPRIETARY FUND  
JUNE 30, 2016

	<u>Food Service</u>
ASSETS	
Current Assets	
Cash	\$ 210,825
Receivable-State of Connecticut	48,566
Inventories, at Cost Plus Value of U.S.D.A. Donated Food	8,863
Noncurrent Assets	
Capital Assets, Net	<u>653</u>
Total Assets	<u>268,907</u>
LIABILITY	
Deferred Revenue	<u>23,840</u>
NET POSITION	
Net Investment in Capital Assets	653
Unrestricted	<u>244,414</u>
TOTAL NET POSITION	<u><u>\$ 245,067</u></u>

See accompanying notes to the financial statements

REGIONAL SCHOOL DISTRICT NO. 16  
STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN NET POSITION -  
PROPRIETARY FUND  
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Food Service</u>
OPERATING REVENUES	
Food Service	\$ 704,262
OPERATING EXPENSES	
Salaries, Wages and Benefits	484,376
Supplies and Materials	446,680
Purchased Services	7,500
Other Operating Costs	24,454
Depreciation	<u>3,916</u>
Total Operating Expenses	<u>966,926</u>
Operating (Loss)	(262,664)
NON-OPERATING REVENUES	
Intergovernmental	<u>258,566</u>
Change in Net Position	(4,098)
Net Position - Beginning of Year	<u>249,165</u>
Net Position - End of Year	<u><u>\$ 245,067</u></u>

See accompanying notes to the financial statements

REGIONAL SCHOOL DISTRICT NO. 16  
STATEMENT OF CASH FLOWS -  
PROPRIETARY FUND  
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Food Service</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Customers	\$ 707,275
Cash Payments to Employees for Services	(484,376)
Cash Payments to Suppliers	<u>(478,487)</u>
NET CASH (USED IN) OPERATING ACTIVITIES	(255,588)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Non-Operating Grants Received	<u>247,466</u>
NET DECREASE IN CASH	(8,122)
CASH, BEGINNING OF YEAR	<u>218,947</u>
CASH, END OF YEAR	<u><u>\$ 210,825</u></u>
RECONCILIATION OF OPERATING (LOSS) TO NET CASH (USED IN) OPERATING ACTIVITIES	
Operating (Loss)	\$ (262,664)
Adjustments	
Depreciation	3,916
Decrease in Assets and Increase in Liabilities	
Inventories	147
Deferred Revenue	<u>3,013</u>
Total Adjustments	<u>7,076</u>
NET CASH (USED IN) OPERATING ACTIVITIES	<u><u>\$ (255,588)</u></u>

See accompanying notes to the financial statements

REGIONAL SCHOOL DISTRICT NO. 16  
STATEMENT OF FIDUCIARY NET POSITION -  
FIDUCIARY FUND  
JUNE 30, 2016

ASSETS

Cash and Cash Equivalents

\$ 127,513

LIABILITY

Due to Students

\$ 127,513

See accompanying notes to the financial statements

REGIONAL SCHOOL DISTRICT NO. 16  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2016

Regional School District No. 16 (the District) was organized on November 20, 1969 under provisions of the Connecticut General Statutes. The District operates four schools located in the member towns of Beacon Falls and Prospect, which serve prekindergarten through high school students. Total enrollment for prekindergarten through eighth grade was approximately 1,600 students with the average class size at under twenty-five students, and approximately 700 students were enrolled in high school for the year ended June 30, 2016.

The School District is administered by an eight person Board of Education (the Board) elected by the voters of each town. The Board is comprised of four individuals from each of the two member towns. The Board is charged with determining curriculum, setting school policy, and determining personnel matters within its jurisdiction. The Board meets twice a month, alternating the location of the meeting between the two member towns. The Superintendent of Schools is appointed by the Board of Education.

The District's operating expenses are paid by the member towns in proportion to the number of pupils attending school from each town.

Based on input from teachers, administrators, Board members, and residents, the budget is formulated in the spring for the upcoming school year. The budget is voted on by the residents of both towns on the first Monday in May.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of Regional School District No. 16 is presented to assist in understanding the District's financial statements. The financial statements and notes are representations of the District's management, who is responsible for their integrity and objectivity. These accounting policies have been consistently applied in the preparation of the financial statements.

a. Basis of Presentation

The accompanying financial statements have been prepared in accordance 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.

GASB has established a reporting model for governments which includes the following segments:

*Management's Discussion & Analysis (MD&A)* – 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 (agency funds). Capital assets and long-term obligations (general obligation bonds, compensated absences, etc.) are included along with current assets and liabilities.



REGIONAL SCHOOL DISTRICT NO. 16  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

a. Basis of Presentation (continued)

*Fund Financial Statements* – provide information about the district’s governmental, proprietary and fiduciary funds. These statements emphasize major fund activity and, depending on the fund type, utilize a 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. Proprietary funds focus on determination of operating income, changes in net position, financial position, and cash flows, and therefore, use the accrual basis of accounting. Fiduciary funds focus on net position and changes in net position, and include assets held in agency funds (Student Activities Agency Funds) and utilize the accrual basis of accounting.

*Required Supplementary Information* – in addition to the MD&A, required supplementary information includes budgetary comparison and net pension liability schedules. 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).

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.

For financial reporting purposes, the District’s financial statements include all funds over which the District exercises oversight responsibility in accordance with the criteria set forth by GASB. Oversight responsibility is 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, Regional School District No. 16 has no component units.

c. Government-Wide 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.

REGIONAL SCHOOL DISTRICT NO. 16  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c. Government-Wide Financial Statements (continued)

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. The District does not allocate indirect expenses to programs or functions. 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.

Other Governmental Funds:

These funds include special revenue funds, which account for revenue that is restricted as to its use under specific provisions of law. State and Federal Grant Fund, a special revenue fund, accounts for state and federal grant programs which are governed by various rules and regulations of the grantor agencies. These funds also include other programs, which are miscellaneous amounts not received under federal or state grant programs.

Capital Projects Funds:

These funds account for financial resources to be used for the acquisition or construction of major capital facilities, which are not financed by proprietary or trust funds.

**Fiduciary Funds:**

Trust and Agency Funds:

These funds account for assets held for the District in a trustee or custodial capacity. Student activity funds are agency funds that are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The district has no trust funds.

**Proprietary Funds:**

Food Service Fund

This fund accounts for financial resources to be used for the production and distribution of school lunches to students.

REGIONAL SCHOOL DISTRICT NO. 16  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

d. Measurement Focus and Basis of Accounting

**Measurement Focus:**

*Government-Wide Financial Statements*

The government-wide financial statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of proprietary fund financial statements, which 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 financial statements and the financial 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.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations of these funds are included on the statement of financial position. Proprietary funds operating statements present increases (revenues) and decreases (expenses) in net total assets. Operating activities in the operating statements include all items related to food service. All grant funds received and non-food service related revenues or expenses are reported as non-operating.

**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.

*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. The available period of the District is sixty days after year end.

REGIONAL SCHOOL DISTRICT NO. 16  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

d. Measurement Focus and Basis of Accounting (continued)

**Basis of Accounting:** (continued)

*Revenues, Exchange and Non-Exchange Transactions* (continued)

Non-exchange 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, tuitions, 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. Deposits and Investments

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

State statutes authorize the District to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements and other investments. Investments are carried at fair value.

f. 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 and supplies for the Food Service Fund.

g. Capital Assets and Depreciation

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets are reported in the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by proprietary funds are reported on both statements.

REGIONAL SCHOOL DISTRICT NO. 16  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

g. Capital Assets and Depreciation (continued)

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market value as of the date received. The District follows the policy of capitalizing assets with a cost of \$15,000 or more and a useful life of more than 1 year for furniture and equipment. For buildings, building improvements and land improvements the District has not set a capitalization floor and therefore all expenditures are capitalized.

Certain improvements to and replacements of property and equipment have not been capitalized in accordance with the above accounting policies but have been charged to expense in the accompanying financial statements. Also, certain expenditures, as authorized by management, have been capitalized. When items of property and equipment are sold or retired, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is included in the appropriate statement of activities.

All reported capital assets, with the exception of land, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Amortization of assets purchased through capital leases is included in depreciation. Depreciation and amortization expense is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Useful Life</u>
Land Improvements	20
Buildings & Improvements	17 - 50
Furniture and Equipment	5 - 15

h. 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 non-operating 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 position.

i. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employee's right to receive compensation is attributable to services already rendered and it is probable that the employer will compensate the employee 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.

REGIONAL SCHOOL DISTRICT NO. 16  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

i. Compensated Absences (continued)

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.

j. Accrued Liabilities and Long-Term Debt

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

For governmental fund financial statements, the accrued liabilities are generally reported as a governmental fund liability if they are 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.

k. Governmental Fund Balance Reserves

The District records reservations for portions of governmental fund balances which are legally segregated for specific future use or which do not represent available spendable resources and, therefore, are not available for appropriation. Unassigned fund balance indicates the portion of the fund balance which is available for appropriation in future periods. Assignments of fund balances are established for encumbrances, supplies inventory, and member towns.

l. Restricted Resources

The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

m. Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results may differ from those estimates.

n. Fair Value of Financial Instruments

The carrying value of cash, receivables, inventories, accounts payable and accrued liabilities approximated their fair values due to the short maturity of these instruments. The District's bond obligations carrying value approximates fair value.

REGIONAL SCHOOL DISTRICT NO. 16  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2016

2. DATE OF MANAGEMENT’S REVIEW

Management has evaluated subsequent events for potential recognition or disclosure in the financial statements through December 23, 2016, the date upon which the financial statements were available to be issued.

3. BUDGETARY COMPLIANCE – THE GENERAL FUND

On or before the end of December of each year all cost centers submit requests for appropriations to the District’s Central Office administration so that the general fund budget may be prepared. Before the end of February the proposed budget is presented to the Board for review. By the end of April the proposed budget will be reviewed and adopted by the Board to be presented at the annual public budget meeting.

Not less than two weeks before the annual meeting held pursuant to Connecticut General Statutes (CGS) 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 CGS Section 7-6 may accept or reject the proposed budget. The Board 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 and 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 revenues, expenditures and changes in fund balances (GAAP basis). Encumbrances on a GAAP basis are not expenditures but a reserve of fund balance. A reconciliation of general fund expenditures and fund balances between the accounting treatment for encumbrances as required by GAAP and legal requirements follows:

REGIONAL SCHOOL DISTRICT NO. 16  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2016

3. BUDGETARY COMPLIANCE – THE GENERAL FUND (continued)

	GENERAL FUND		
	Revenues	Expenditures and Other Financing Uses	Fund Balances
Beginning Fund Balances, June 30, 2015			\$ 2,766,538
Budgetary/GAAP Reporting Reconciliation:			
Budgetary Statement - June 30, 2016	\$ 38,893,040	\$ 39,161,786	(268,746)
Encumbrances - June 30, 2015	-	-	-
Encumbrances - June 30, 2016	-	-	-
Other Financing (Uses)	-	-	710,589
Expenditures from Reserved Fund Balances	-	218,327	(218,327)
Payments made on the Districts' behalf described in Note "12"	3,715,497	3,715,497	-
Balance (GAAP) Balance Sheet and Statement of Revenue and Expenditures - June 30, 2016	<u>\$ 42,608,537</u>	<u>\$ 43,095,610</u>	<u>\$ 2,990,054</u>

4. BUDGETARY COMPLIANCE – OTHER GOVERNMENTAL FUNDS & CAPITAL PROJECTS FUND

No formal budget is adopted.

5. CASH, CASH EQUIVALENTS, AND INVESTMENTS

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

The CGS authorize the investment of funds in the obligations of the United States, or funds 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 CGS regarding the investments of municipal pension funds do not specify permitted investments. Therefore, investments of such funds are generally controlled by the laws applicable to fiduciaries and the provisions of the applicable pension plan.

*A. Cash and Cash Equivalents*

Total deposits of \$7,677,362 represent cash and cash equivalents of \$7,549,849 as reported on the statement of net position and \$127,513 as reported on the statement of fiduciary net assets.



REGIONAL SCHOOL DISTRICT NO. 16  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2016

5. CASH, CASH EQUIVALENTS, AND INVESTMENTS (continued)

*B. Deposits*

At June 30, 2016 the carrying amount of the District's deposits was \$7,677,362 and the bank balance was \$9,706,256. Of the bank balance \$259,639 was covered by Federal Depository Insurance. Section 36-386 of the CGS requires that each depository maintain segregated collateral in an amount equal to a defined percentage of its public deposits based upon the bank's risk based capital ratio. A minimum of \$970,626, based on June 30, 2016 deposits were collateralized at risk Category 3. Risk Category 3 is defined as collateral held by the pledging financial institution, or by its trust department or agent, but not in the District's name. The balance of \$8,475,991 is uncollateralized and uninsured.

6. RECEIVABLES AND DUE FROM STATE OF CONNECTICUT

Receivables and amounts due from State of Connecticut (State) at June 30, 2016 consisted of intergovernmental grants and entitlements. All receivables are considered collectible in full based on prior years experience and the stable condition of State programs, therefore no allowance for doubtful accounts has been established as of June 30, 2016.

7. INTERFUND ACCOUNTS

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Special Revenue Fund	\$ 108,819
Capital Projects Fund	General Fund	1,709,003
Special Revenue Fund	General Fund	122,617
		<u>\$ 1,940,439</u>

The interfund balance between the general fund and special revenues fund is the result of excess disbursements for grants. The interfund balance between the special revenues fund and the general fund is the result of state Medicaid payments. These are expected to be paid within one year of the date of the financial statements.

The interfund balance between the capital projects fund and the general fund is the result of grant receipts for construction. These are expected to be paid within one year of the date of the financial statements.

The capital projects fund transferred \$900,000 during the year ended June 30, 2016 to the special revenue fund to cover expenditures for capital improvements that are expected to be reimbursed by the state.

REGIONAL SCHOOL DISTRICT NO. 16  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2016

8. CAPITAL ASSETS

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

	<u>Balance</u> <u>June 30, 2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2016</u>
<b>Governmental Activities</b>				
Capital Assets, not being depreciated:				
Land	\$ 8,991,231	\$ -	\$ -	\$ 8,991,231
Capital Assets, depreciable:				
Buildings and Improvements and Land Improvements, Currently being Depreciated	54,283,533	47,999,752	(844,909)	101,438,376
Capital Assets in Process, not Currently being Depreciated	40,101,492	-	(40,101,492)	-
Furniture and Equipment	5,856,447	142,950	-	5,999,397
Total Capital Assets, Depreciable	<u>100,241,472</u>	<u>48,142,702</u>	<u>(40,946,401)</u>	<u>107,437,773</u>
Accumulated Depreciation for:				
Buildings and Improvements and Land Improvements	(26,184,240)	(2,288,578)	844,909	(27,627,909)
Furniture and Equipment	(4,193,787)	(283,887)	-	(4,477,674)
Total Accumulated Depreciation	<u>(30,378,027)</u>	<u>(2,572,465)</u>	<u>844,909</u>	<u>(32,105,583)</u>
Total Capital Assets, Depreciable, Net	<u>69,863,445</u>	<u>45,570,237</u>	<u>(40,101,492)</u>	<u>75,332,190</u>
Governmental Activities Capital Assets, Net	<u>\$ 78,854,676</u>	<u>\$ 45,570,237</u>	<u>\$ (40,101,492)</u>	<u>\$ 84,323,421</u>
<b>Business-Type Activities</b>				
Other Capital Assets - Equipment	\$ 87,808	\$ -	\$ -	\$ 87,808
Less: Accumulated Depreciation	(83,239)	(3,916)	-	(87,155)
Capital Assets, Net	<u>\$ 4,569</u>	<u>\$ (3,916)</u>	<u>\$ -</u>	<u>\$ 653</u>

REGIONAL SCHOOL DISTRICT NO. 16  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2016

8. CAPITAL ASSETS (continued)

Depreciation and amortization expense for the year ended June 30, 2016 was charged to functions of the District as follows:

**Governmental Activities**

Supporting Services:

Instructional Services	\$ 209,274
District Administration	93,966
Unallocated	<u>2,269,225</u>
Total Depreciation Expense, Governmental Activities	<u>\$ 2,572,465</u>

**Business-Type Activities**

Food Service	<u>\$ 3,916</u>
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9. OPERATING LEASES

The District is leasing copiers through October 2018 with monthly payments of \$968 and additional copiers under a separate lease through August 2019 with monthly payments of \$2,566. The District is leasing technology equipment through June 2018 with quarterly payments of \$41,250. The District's administrative office was leased through June 2016 for \$55,900 annually. Lease expense for the year ended June 30, 2016 totaled \$258,173.

Future minimum lease payments are as follows:

2017	\$ 207,405
2018	207,405
2019	34,662
2020	<u>5,132</u>
Total	<u>\$ 454,604</u>

10. CAPITAL NON-RECURRING PROJECT RESERVE

The following is a summary of the activity in the capital non-recurring project reserve during the year ended June 30, 2016:

Beginning Balance	\$ 611,803
Transfer from General Fund	179,982
Expenditures	(155,643)
Interest Income	<u>893</u>
	<u>\$ 637,035</u>

REGIONAL SCHOOL DISTRICT NO. 16  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2016

11. SHORT-TERM DEBT AND LONG-TERM LIABILITIES

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

Long Term Liabilities	Range of Maturity Dates	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016	Amount Due In One Year
<b>2003 General Obligation</b>						
Refunding Bonds, Original						
Issue \$17,295,000,						
Interest Rates as						
Follows:						
5.000%	3/15/2016	\$ 1,430,000	\$ -	\$ (1,430,000)	\$ -	-
3.500%	3/15/2017	360,000	-	-	360,000	360,000
<b>2010 General Obligation</b>						
Refunding Bonds, Original						
Issue \$3,585,000,						
Interest Rates as						
Follows:						
3.250%	2/1/2017	145,000	-	-	145,000	145,000
4.750%	2/1/2017	500,000	-	-	500,000	500,000
3.250%	2/1/2018	1,000,000	-	-	1,000,000	-
4.250%	2/1/2019	975,000	-	-	975,000	-
4.500%	2/1/2020	965,000	-	-	965,000	-
<b>2014 General Obligation</b>						
Refunding Bonds, Original						
Issue \$8,000,000,						
Interest Rates as						
Follows:						
3.000%	2/15/2017	445,000	-	-	445,000	445,000
3.000%	2/15/2018	445,000	-	-	445,000	-
3.000%	2/15/2019	445,000	-	-	445,000	-
3.000%	2/15/2020	445,000	-	-	445,000	-
3.000%	2/15/2021	445,000	-	-	445,000	-
3.000%	2/15/2022	445,000	-	-	445,000	-
3.000%	2/15/2023	445,000	-	-	445,000	-
3.000%	2/15/2024	445,000	-	-	445,000	-
3.000%	2/15/2025	445,000	-	-	445,000	-
3.125%	2/15/2026	445,000	-	-	445,000	-
3.250%	2/15/2027	445,000	-	-	445,000	-
3.375%	2/15/2028	445,000	-	-	445,000	-
3.500%	2/15/2029	445,000	-	-	445,000	-
3.625%	2/15/2030	445,000	-	-	445,000	-
3.750%	2/15/2031	445,000	-	-	445,000	-
3.750%	2/15/2032	445,000	-	-	445,000	-
4.000%	2/15/2033	445,000	-	-	445,000	-
4.000%	2/15/2034	435,000	-	-	435,000	-

REGIONAL SCHOOL DISTRICT NO. 16  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2016

11. SHORT-TERM DEBT AND LONG-TERM LIABILITIES (continued)

Long Term Liabilities	Range of Maturity Dates	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016	Amount Due In One Year
<b>2012 General Obligation</b>						
Bond, Original Issue						
\$8,055,000, Interest						
Rates as Follows:						
3.000%	9/1/2015	\$ 400,000	\$ -	\$ (400,000)	\$ -	-
3.000%	9/1/2016	400,000	-	-	400,000	400,000
3.000%	9/1/2017	400,000	-	-	400,000	-
3.000%	9/1/2018	400,000	-	-	400,000	-
3.000%	9/1/2019	400,000	-	-	400,000	-
3.000%	9/1/2020	430,000	-	-	430,000	-
3.000%	9/1/2021	425,000	-	-	425,000	-
3.000%	9/1/2022	400,000	-	-	400,000	-
2.000%	9/1/2023	400,000	-	-	400,000	-
2.000%	9/1/2024	400,000	-	-	400,000	-
2.000%	9/1/2025	400,000	-	-	400,000	-
2.100%	9/1/2026	400,000	-	-	400,000	-
2.125%	9/1/2027	400,000	-	-	400,000	-
2.250%	9/1/2028	400,000	-	-	400,000	-
2.350%	9/1/2029	400,000	-	-	400,000	-
2.600%	9/1/2030	400,000	-	-	400,000	-
2.650%	9/1/2031	400,000	-	-	400,000	-
2.700%	9/1/2032	400,000	-	-	400,000	-
<b>2010 General Obligation</b>						
Refunding Bonds, Original						
Issue \$8,155,000,						
Interest Rates as						
Follows:						
3.000%	2/1/2016	600,000	-	(600,000)	-	-
4.000%	2/1/2016	295,000	-	(295,000)	-	-
4.000%	2/1/2017	885,000	-	-	885,000	885,000
4.000%	2/1/2018	875,000	-	-	875,000	-
3.000%	2/1/2019	150,000	-	-	150,000	-
4.000%	2/1/2019	715,000	-	-	715,000	-
3.000%	2/1/2020	50,000	-	-	50,000	-
4.000%	2/1/2020	800,000	-	-	800,000	-

REGIONAL SCHOOL DISTRICT NO. 16  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2016

11. SHORT-TERM DEBT AND LONG-TERM LIABILITIES (continued)

Long Term Liabilities	Range of Maturity Dates	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016	Amount Due In One Year
<b>2016 General Obligation</b>						
<b>Bonds, Original Issue</b>						
<b>\$11,000,000. Interest</b>						
<b>Rates as Follows:</b>						
4.000%	1/15/2017	\$ -	\$ 550,000	\$ -	\$ 550,000	\$ 550,000
4.000%	1/15/2018	-	550,000	-	550,000	-
4.000%	1/15/2019	-	550,000	-	550,000	-
4.000%	1/15/2020	-	550,000	-	550,000	-
4.000%	1/15/2021	-	550,000	-	550,000	-
4.000%	1/15/2022	-	550,000	-	550,000	-
4.000%	1/15/2023	-	550,000	-	550,000	-
4.000%	1/15/2024	-	550,000	-	550,000	-
4.000%	1/15/2025	-	550,000	-	550,000	-
4.000%	1/15/2026	-	550,000	-	550,000	-
2.000%	1/15/2027	-	550,000	-	550,000	-
2.250%	1/15/2028	-	550,000	-	550,000	-
3.000%	1/15/2029	-	550,000	-	550,000	-
3.000%	1/15/2030	-	550,000	-	550,000	-
3.000%	1/15/2031	-	550,000	-	550,000	-
3.000%	1/15/2032	-	550,000	-	550,000	-
3.000%	1/15/2033	-	550,000	-	550,000	-
3.000%	1/15/2034	-	550,000	-	550,000	-
3.000%	1/15/2035	-	550,000	-	550,000	-
3.000%	1/15/2036	-	550,000	-	550,000	-
<b>Municipal Leasing Credit Corporation:</b>						
<b>Capitalized lease obligation dated</b>						
<b>September 27, 2013 for truck,</b>						
<b>payable in 3 annual payments of</b>						
<b>\$13,354, including interest at</b>						
<b>3.69%.</b>						
	10/1/2015	11,962	-	(11,962)	-	-
<b>Compensated Absences &amp; Other</b>						
<b>Leave Benefits Vested and</b>						
<b>Accumulated Severance and</b>						
<b>Sick Leave that is expected to</b>						
<b>be liquidated, with expendable</b>						
<b>available financial resources is</b>						
<b>reported as an expenditure of the</b>						
<b>General Fund. Amounts of Vested</b>						
<b>or Accumulated Severance and</b>						
<b>Sick Leave that are not expected</b>						
<b>to be liquidated with expendable</b>						
<b>available financial resources are</b>						
<b>reported as Noncurrent Liabilities</b>						
<b>in the government-wide financial</b>						
<b>statements.</b>						
	n/a	546,599	293,682	(310,759)	529,522	-
<b>TOTAL LONG TERM LIABILITIES</b>		<b>\$ 25,558,561</b>	<b>\$ 11,293,682</b>	<b>\$ (3,047,721)</b>	<b>\$ 33,804,522</b>	<b>\$ 3,285,000</b>

REGIONAL SCHOOL DISTRICT NO. 16  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2016

11. SHORT-TERM DEBT AND LONG-TERM LIABILITIES (continued)

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

Year Ended June 30,	Principal	Interest	Total
2017	\$ 3,285,000	\$ 1,091,814	\$ 4,376,814
2018	3,270,000	981,557	4,251,557
2019	3,235,000	866,707	4,101,707
2020	3,210,000	744,819	3,954,819
2021-2025	7,030,000	2,632,193	9,662,193
2026-2030	6,975,000	1,568,993	8,543,993
2031-2035	5,720,000	551,163	6,271,163
2036-2039	550,000	16,500	566,500
	<u>\$ 33,275,000</u>	<u>\$ 8,453,746</u>	<u>\$ 41,728,746</u>

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

Notes and Bonds	Range of Maturity Dates	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016	Amount Due In One Year
Simsbury Bank & Trust Company:						
2014 General Obligation Bond Anticipation Note Original Issue \$1,000,000, Payable in 1 annual payment of \$1,000,000 and 1.00% interest.	7/30/2015	\$ 1,000,000	\$ -	\$ (1,000,000)	\$ -	-
2014 General Obligation Bond Anticipation Note Original Issue \$6,000,000. Interest Rate as Follows: 1%	10/7/2015	6,000,000	-	(6,000,000)	-	-
2015 General Obligation Bond Anticipation Note Original Issue \$5,000,000. Interest Rate as Follows: 1%	1/28/2016	-	5,000,000	(5,000,000)	-	-
2015 General Obligation Bond Anticipation Note Original Issue \$6,000,000. Interest Rate as Follows: 1%	1/28/2016	-	6,000,000	(6,000,000)	-	-
2015 General Obligation Bond Anticipation Note Original Issue \$3,500,000. Interest Rate as Follows: 1%	8/10/2016	-	3,500,000	(3,500,000)	-	3,500,000
TOTAL NOTES		<u>\$ 7,000,000</u>	<u>\$ 14,500,000</u>	<u>\$ (21,500,000)</u>	<u>\$ -</u>	<u>\$ 3,500,000</u>

REGIONAL SCHOOL DISTRICT NO. 16  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2016

11. SHORT-TERM DEBT AND LONG-TERM LIABILITIES (continued)

Notes payable of \$3,500,000 at June 30, 2016 are due during the year ended June 30, 2017 and were paid subsequent to the financial statement date.

*Defeasance of Debt*

During the year ended June 30, 2016, Regional School District No. 16 defeased no general obligation bonds. The trust account assets and the liability for bonds defeased in prior years are not included in the District's financial statements. At June 30, 2016, \$7,700,000 of bonds outstanding are considered defeased.

12. STATE OF CONNECTICUT TEACHERS' RETIREMENT SYSTEM, CERTIFIED EMPLOYEE PLAN

All of Regional School District No. 16 teachers and administrators participate in the State of Connecticut Teachers' Retirement System (CTRS), a cost sharing multi-employer defined benefit public employee retirement system with the state acting as a nonemployer contributor, administered under the provisions of Connecticut Statute Title Ten, Chapter 167a of the CGS. The Connecticut Teachers' Retirement System provides retirement, disability, survivorship and health insurance benefits. State statutes establish benefit terms. A member is eligible to receive a normal retirement benefit if the person has attained age sixty and has accumulated twenty years of credited service in the public schools of Connecticut, or 35 years credited service including at least 25 years of service in Connecticut.

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

In accordance with CGS, annual actuarial valuations determine contribution requirements, in an amount that, when combined with employee contributions and investment earnings, is expected to finance the costs of the benefits earned by employees during the year, with any additional amount to finance any unfunded accrued liability. Members are required to contribute 7.25% of their annual salary. For the year ended June 30, 2016, covered members contributed \$1,101,119 to the plan and covered payroll for the year was \$15,404,216. The District does not contribute to the CTRS nor do they have any legal obligation to pay benefits. A copy of the stand alone financial report of the plan, that includes its financial statements and supplementary information, is available on its website at [www.ct.gov/trb](http://www.ct.gov/trb).



REGIONAL SCHOOL DISTRICT NO. 16  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2016

12. STATE OF CONNECTICUT TEACHERS' RETIREMENT SYSTEM, CERTIFIED  
EMPLOYEE PLAN (continued)

During the year ended June 30, 2015, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. This statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources and expenses/expenditures. The Statement also requires enhanced note disclosure and schedules of required supplementary information.

At June 30, 2016, the District reports no amounts for its proportionate share of the net pension liability, and related deferred outflows and inflows, due to the statutory requirement that the State pay 100% of the required contribution. The amount recognized by the 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:

Town's Proportionate Share of the Net Pension	
Liability	\$ -
State's Proportionate Share of the Net Pension	
Liability Associated with the District	<u>41,424,835</u>
Total	<u>\$ 41,424,835</u>

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

For the year ended June 30, 2016, the District recognized pension expense and revenue of \$3,715,497 for on-behalf amounts for the benefits provided by the State.

Actuarial assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2015, using the following actuarial assumptions, applied to all periods included in the measurement:

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

Mortality rates were based on the RP-2000 Combined Mortality Table RP-2000 projected 19 years using scale AA, with a two year setback for males and females for the period after service retirement and for dependent beneficiaries. The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2005 – June 30, 2010.

REGIONAL SCHOOL DISTRICT NO. 16  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2016

12. STATE OF CONNECTICUT TEACHERS' RETIREMENT SYSTEM, CERTIFIED EMPLOYEE PLAN (continued)

Future Cost-of-Living increases for members who retire on or after September 1, 1992 are assumed to receive an annual cost-of-living adjustment of 2%. For teachers who were members of the Teachers' Retirement System before July 1, 2007, and retire on or after September 1, 1992, pension benefit adjustments are made that are consistent with those provided for Social Security benefits on January 1 of the year granted, with a maximum of 6% per annum. If the return on assets in the previous year was less than 8.5%, the maximum increase is 1.5%. For teachers who were members of the Teachers' Retirement System after July 1, 2007, pension benefit adjustments are made that are consistent with those provided for Social Security benefits on January 1 of the year granted, with a maximum of 5% per annum. If the return on assets in the previous year was less than 11.5%, the maximum increase is 3%, and if the return on the assets in the previous year was less than 8.5%, the maximum increase is 1.0%.

Long-term rate of return

The long-term expected rate of return on pension plan investments was determined using a 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 as of June 30, 2015 are summarized in the following table.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Mutual Equity	25.0%	7.3%
Developed Markets ISF	20.0%	7.5%
Emerging Markets ISF	9.0%	8.6%
Core Fixed Income	13.0%	1.7%
Emerging Market Debt	4.0%	4.8%
High Yield	2.0%	3.7%
Inflation Linked Bonds	6.0%	1.3%
Liquidity Fund	6.0%	0.7%
Real Estate	5.0%	5.9%
Private Investment	10.0%	10.9%
Total	100.0%	

Discount rate

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

REGIONAL SCHOOL DISTRICT NO. 16  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2016

12. STATE OF CONNECTICUT TEACHERS' RETIREMENT SYSTEM, CERTIFIED  
EMPLOYEE PLAN (continued)

Sensitivity of the net pension liability to changes in the discount rate

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

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).

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.

13. EMPLOYEES RETIREMENT PLAN – OTHER EMPLOYEES

The District entered into a contract, originally effective for the fiscal year ended June 30, 1995, with the union for school secretaries, paraprofessionals, nurses, and custodians. The contract required that the District provide the equivalent of 3.5% of the aforementioned employees' wages toward the initial implementation of the Service Employee's National Industry Pension Plan (the Fund). A modification was made to the contract to include food service employees effective July 1, 1995. With the supplementation requirement, the District contributes \$1.05 an hour per union employee. The District completely withdrew from the Fund in December 2011. The Fund calculated the final gross withdrawal liability at \$2,071,949, which calculates to an amortization period of 290 months. By law, the amortization period can only be 240 months, therefore, the district will repay \$3,491,256 total over the 240 months with monthly payments of \$14,547. This will result in a total principal repayment of \$1,851,062 and interest repayment of \$1,640,194.

In January 2012 the District implemented a 403(b) Retirement Plan, with the union for school secretaries, paraprofessionals, nurses, custodians and food service employees. Union employees are subject to mandatory participation. 107 employees were covered at June 30, 2016. Contributions to the plan totaled \$115,584 for the year ended June 30, 2016. Payroll of employees covered under the plan for the year ended June 30, 2016 was \$3,126,286.

14. OTHER POST-EMPLOYMENT BENEFITS PLAN

*a. Plan Description*

The District administers one single-employer, post retirement healthcare plan for the District's Other Post Employment Benefits (OPEB). The plan provides medical, prescription drug and dental benefits for eligible retirees and their spouses. The plan does not issue stand alone financial reports.

REGIONAL SCHOOL DISTRICT NO. 16  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2016

14. OTHER POST-EMPLOYMENT BENEFITS PLAN (continued)

*b. Benefit Provisions*

*i. Benefit Provisions*

The plan provides for medical, prescription drug and dental benefits for all eligible retirees and their spouses. Benefits and contributions are established and may be amended by the Board of Education.

*ii. Employer Contributions*

The District's contributions are actuarially determined on an annual basis using the projected unit credit method. The District's total plan contribution was \$-0- for the year ended June 30, 2016. The plan is funded on a pay-as-you-go basis.

*iii. Employee Contributions*

Retiree contributions to the plan are based on employment level and benefits provided. Contributions are subsidized by the Teachers' Retirement Board by \$110 per year if single and \$220 per year if married.

*c. Funded Status and Funding Progress*

The funded status of the plan as of July 1, 2008 was as follows:

ACTUARIAL VALUATION DATE	(A) ACTUARIAL VALUE OF ASSETS	(B)	(A-B) OVER/ (UNDER) FUNDED AAL	(A/B) FUNDED AAL RATIO	( C ) COVERED PAYROLL	[(A-B)/C] OVER (UNDER) FUNDED AAL AS A PERCENTAGE OF COVERED PAYROLL	
		ACTUARIALLY					
		ACCRUED					
		LIABILITY					
UNIT CREDIT	(AAL)	PROJECTED					
JULY 1, 2008	\$ -	\$	\$	-	%	N/A	N/A

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of the occurrence of events far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress, immediately following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

REGIONAL SCHOOL DISTRICT NO. 16  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2016

14. OTHER POST-EMPLOYMENT BENEFITS PLAN (continued)

*d. Actuarial Methods and Assumptions*

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

The data presented in the schedules of funding progress and schedules of contributions were determined as part of the actuarial valuation at the date indicated. Additional information for all plans as of the latest valuation date is as follows:

VALUATION DATE	December 31, 2008
ACTUARIAL COST METHOD	Projected Unit Credit
AMORTIZATION METHOD	Payments increasing at 4% per year
REMAINING AMORTIZATION PERIOD:	30 years as of July 1, 2009
ASSET VALUATION METHOD	Market Value

ACTUARIAL ASSUMPTIONS:

Investment rate of return – Prefunding	8.5%
Investment rate of return – Pay-as-you-go	4.5%
Healthcare inflation rate:	
Initial	9%
Ultimate	5%

*e. Annual OPEB Cost and Net OPEB Obligation (NOO)*

There were no changes in the NOO from the year ended June 30, 2016.

*f. One Year Trend Information*

YEAR ENDING JUNE 30	ANNUAL OPEB COST (AOC)	PERCENTAGE OF AOC CONTRIBUTED	NET OPEB OBLIGATION
2016	\$ -	\$ 100%	\$ -

REGIONAL SCHOOL DISTRICT NO. 16  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2016

15. 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 insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the last three fiscal years.

16. COMMITMENTS AND CONTINGENCIES

The District participates in numerous state and federal grant and bond programs, which are governed by various rules and regulations of the grantor and bonding agencies. Costs charged to the respective grant or bond programs are subject to audit and adjustment by the grantor or bonding 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, 2016 may be impaired. Similarly, to the extent that the District has not complied with the rules and regulations governing the bonds, rebate payments may be required. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants or bonds; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

17. SUBSEQUENT EVENT

On July 8, 2016, the District sold property previously known as Community School to the town of Prospect for \$873,000.

## REQUIRED SUPPLEMENTARY INFORMATION

REGIONAL SCHOOL DISTRICT NO. 16  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL (NON-GAAP BASIS) -  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2016

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Assessment from Participating Towns	\$ 28,057,772	\$ 28,057,772	\$ 26,796,473	\$ (1,261,299)
Participating Towns ECS Grant	9,534,870	9,534,870	9,491,491	(43,379)
State and Federal Aid	2,392,206	2,392,206	2,443,933	51,727
Earnings on Investments	5,000	5,000	10,806	5,806
Other Miscellaneous Income	42,500	42,500	150,337	107,837
<b>Total Revenues</b>	<b>40,032,348</b>	<b>40,032,348</b>	<b>38,893,040</b>	<b>(1,139,308)</b>
<b>EXPENDITURES</b>				
Regular Programs	15,315,855	14,819,786	14,581,101	238,685
Special Programs	4,035,799	3,894,358	3,771,873	122,485
Social Work Services	341,467	333,113	261,275	71,838
Guidance Services	986,298	986,298	885,910	100,388
Health Services	439,925	439,925	407,390	32,535
Psychological Services	289,315	289,315	294,417	(5,102)
Speech/Audio Services	310,548	310,548	293,482	17,066
Improvement of Instructions	659,837	546,172	482,574	63,598
Instructional Staff Training Services	18,500	18,500	12,522	5,978
Educational Media Services	1,200,221	1,392,846	1,453,829	(60,983)
Instruction Related Technology	70,360	70,360	71,053	(693)
Board of Education Services	860,109	825,554	787,399	38,155
Office of Superintendent Services	530,055	510,055	447,083	62,972
Special Services Administration	371,871	371,871	288,392	83,479
Office of Principal Services	1,843,857	1,843,857	1,834,762	9,095
Fiscal Services	780,529	780,529	832,764	(52,235)
Printing/Publishing/Duplicating	59,000	59,000	51,941	7,059
Operation and Maintenance of Buildings	3,172,091	3,124,146	2,905,216	218,930
Care and Upkeep of Grounds	217,468	217,468	230,932	(13,464)
Vehicle Operation and Maintenance	36,055	36,055	46,448	(10,393)
Security Services	227,286	227,286	241,281	(13,995)



REGIONAL SCHOOL DISTRICT NO. 16  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL (NON-GAAP BASIS) -  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2016

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Student Transportation	\$ 2,550,272	\$ 2,550,272	\$ 2,483,849	\$ 66,423
Supervision Transportation Services	6,387	6,387	6,480	(93)
Food Service	44,905	44,905	33,218	11,687
Other Enterprise Operations	567,280	567,280	514,583	52,697
Building Acquisition and Construction	62,000	62,000	51,242	10,758
Building Improvements	175,859	955,263	953,634	1,629
Debt Service	3,638,127	3,618,127	3,559,332	58,795
Tuition	1,721,072	1,631,072	1,377,804	253,268
Total Expenditures	40,532,348	40,532,348	39,161,786	1,370,562
Excess (Deficiency) of Revenues over Expenditures	(500,000) *	(500,000) *	(268,746)	231,254
Other Transfers	-	-	710,589	-
Expenditures from Reserved Fund Balances	-	-	(218,327)	-
Fund Balance, Beginning of Year	2,766,538	2,766,538	2,766,538	-
Fund Balance, End of Year	\$ 2,266,538	\$ 2,266,538	\$ 2,990,054	\$ 231,254

\* This represents the use of general fund prior year carryovers

REGIONAL SCHOOL DISTRICT NO. 16  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
JUNE 30, 2016

District's Proportion of the Net Pension Liability	0.00%
District's Proportionate Share of the Net Pension Liability	\$ -
State's Proportionate Share of the Net Pension Liability Associated with the District	<u>41,424,835</u>
Total	<u>\$ 41,424,835</u>
District's Covered-Employee Payroll	\$
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	0.00%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	61.51%

NOTES TO SCHEDULE

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

## OTHER SUPPLEMENTARY INFORMATION

REGIONAL SCHOOL DISTRICT NO. 16  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -  
STUDENT ACTIVITIES AGENCY FUND  
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Deductions</u>	<u>Transfers</u>	<u>Balance</u> <u>June 30, 2016</u>
<b>ASSETS</b>					
Cash	\$ 137,243	\$ 504,458	\$ (514,188)	\$ -	\$ 127,513
<b>LIABILITIES</b>					
Algonquin Elementary School Activities	\$ 10,469	\$ 862	\$ (4,018)	\$ (7,313)	\$ -
Community Elementary School Activities	696	226	-	(922)	-
Laurel Ledge Elementary School Activities	8,723	15,200	(18,941)	-	4,982
Long River Middle School Activities	45,927	229,523	(242,144)	-	33,306
Woodland Region High School Activities	64,752	214,385	(202,962)	-	76,175
Prospect Elementary School Activities	-	29,553	(29,528)	8,235	8,260
Athletic Fund	<u>6,676</u>	<u>14,709</u>	<u>(16,595)</u>	<u>-</u>	<u>4,790</u>
Total Liabilities	\$ <u>137,243</u>	\$ <u>504,458</u>	\$ <u>(514,188)</u>	\$ <u>-</u>	\$ <u>127,513</u>

AUDIT OF FEDERAL FINANCIAL ASSISTANCE PROGRAMS

Zackin

Zimyeski

Sullivan

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

To the Board of Education  
Regional School District No. 16

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Regional School District No. 16 as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Regional School District No. 16's basic financial statements, and have issued our report thereon dated December 23, 2016.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Regional School District No. 16's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Regional School Districts No. 16's internal control. Accordingly, we do not express an opinion on the effectiveness of the Regional School District No. 16'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.

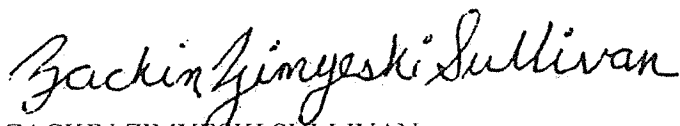
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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 the Regional School District No. 16'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 Regional School District No. 16'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 Regional School District No. 16's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



ZACKIN ZIMYESKI SULLIVAN  
Certified Public Accountants, LLC  
Waterbury, Connecticut

December 23, 2016

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR  
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Education  
Regional School District No. 16

**Report on Compliance for Each Major Federal Program**

We have audited the Regional School District No. 16's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Regional School District No. 16's major federal programs for the year ended June 30, 2016. Regional School District No. 16's major federal 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the Regional School District No. 16's major federal 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 audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and Uniform Guidance 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 federal program occurred. An audit includes examining, on a test basis, evidence about the Regional School District No. 16'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 federal program. However, our audit does not provide a legal determination of the Regional School District No. 16's compliance.



***Opinion on Each Major Federal Program***

In our opinion, the Regional School District No. 16, 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 federal programs for the year ended June 30, 2016.

**Report on Internal Control over Compliance**

Management of the Regional School District No. 16 is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Regional School District No. 16's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Regional School District No. 16'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 federal 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 federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal 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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



ZACKIN ZIMYESKI SULLIVAN  
Certified Public Accountants, LLC  
Waterbury, Connecticut

December 23, 2016

REGIONAL SCHOOL DISTRICT NO. 16  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2016

Federal Grantor/SubGrantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures	Non-Cash Expenditures
U.S. Department of Education (Passed through the Connecticut Department of Education)				
Title 1 Grants to Local Education Agencies	84.01	12060-20679-82070-2016-170002	\$ 107,727	
Title 1 Grants to Local Education Agencies		12060-20679-82070-2015-170002	88,757	
Total Title 1 Grants to Local Education Agencies			196,484	
Improving Teacher Quality State Grants	84.367	12060-20858-84131-2016-170002	1,600	
Improving Teacher Quality State Grants	84.367	12060-20858-84131-2015-170002	28,095	
Total Improving Teacher Quality State Grants			29,695	
Special Education Cluster (IDEA):				
Special Education - Preschool Grants (IDEA Preschool)	84.173	12060-20977-82032-2016-170002	373,919	
Special Education - Preschool Grants (IDEA Preschool)	84.173	12060-20977-82032-2015-170002	7,079	
Total Special Education - Preschool Grants (IDEA Preschool)			380,998	
Special Education - Grants to States (IDEA, Part B)	84.027	12060-20983-82032-2016-170002	10,509	
Special Education - Grants to States (IDEA, Part B)	84.027	12060-20983-82032-2015-170002	3,234	
Total Special Education - Grants to States (IDEA, Part B)			13,743	
Total Special Education Cluster (IDEA)			394,741	
Total U.S. Department of Education			620,920	

REGIONAL SCHOOL DISTRICT NO. 16  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2016

Federal Grantor/SubGrantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures	Non-Cash Expenditures
U.S. Department of Agriculture (Passed through the Connecticut Department of Education)				
Child Nutrition Cluster:				
National School Lunch Program	10.555	12060-20560-82079-2016-170005	\$ 120,684	
National School Lunch Program	10.555	12060-20560-82079-2015-170005	55,255	
Total National School Lunch Program			175,939	
Special Milk Program	10.556	12060-20500-82079-2016-170005	1,059	
Special Milk Program	10.556	12060-20500-82079-2015-170005	1,848	
Total Special Milk Program			2,907	
School Breakfast Program	10.553	12060-20508-82079-2016-170005	7,134	
School Breakfast Program	10.553	12060-20508-82079-2015-170005	3,555	
Total School Breakfast Program			10,689	
Food Distribution-USDA Commodities	10.555		-	\$ 41,058
Total U.S. Department of Agriculture-Child Nutrition Cluster			189,535	41,058
Totals			\$ 810,455	\$ 41,058

REGIONAL SCHOOL DISTRICT NO. 16  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2016

**NOTE A – BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant activity of Regional School District No. 16 under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of Regional School District No. 16, it is not intended to and does not present the financial position, changes in net assets or cash flows of Regional School District No. 16.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Expenditures of Federal Awards has been prepared on a basis of cash receipts and disbursements. Consequently, revenues are recognized when received rather than when earned, and expenditures are recognized when paid rather than when the obligation is incurred. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**NOTE C – REIMBURSEMENT GRANTS**

The District received reimbursement type grants for which expenditures are realized when revenue is received. These grants are the National School Lunch Program, Special Milk Program, and School Breakfast Program.

**NOTE D – FOOD DISTRIBUTION PROGRAM**

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule of Expenditures of Federal Awards at the fair market value of the commodities received and consumed. At June 30, 2016, the District had no food commodities in inventory.

REGIONAL SCHOOL DISTRICT NO.16  
SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133  
FOR THE YEAR ENDED JUNE 30, 2016

**1. SUMMARY OF AUDITOR'S REPORTS**

*Financial Statements*

Type of auditor's report issued:	Unmodified	
Internal control over financial reporting:		
• Material weakness(es) identified?	_____yes	_____x_____no
• Significant deficiency(ies) identified?	_____yes	_____x_____none reported
Noncompliance material to financial statements noted ?	_____yes	_____x_____no

*Federal Awards*

Internal control over major federal programs:		
• Material weakness(es) identified?	_____yes	_____x_____no
• Significant deficiency(ies) identified?	_____yes	_____x_____none reported

Type of auditor's report issued on compliance for major federal programs:	Unmodified
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Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	_____yes	_____x_____no
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Identification of major federal programs: CFDA Number(s):	Name of Federal Program or Cluster:
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CFDA #84.010	Title 1 Grants to Local
CFDA #84.173 & #84.027	Education Agencies
CFDA #10.555, #10.556 & #10.553	Special Education Cluster
	Child Nutrition Cluster

Dollar threshold used to distinguish between type A and type B programs:	\$500,000
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Auditee qualified as low-risk auditee?	Yes
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REGIONAL SCHOOL DISTRICT NO.16  
SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133  
FOR THE YEAR ENDED JUNE 30, 2016

**2. FINANCIAL STATEMENT FINDINGS**

- We issued reports, dated December 23, 2016, 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*.
- Our report on compliance indicated no reportable instances of noncompliance.
- Our report on internal control over financial reporting indicated no significant deficiencies.

**3. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS**

No findings or questioned costs are reported relating to Federal Award Programs.