

AGENDA
FINANCE & AUDIT COMMITTEE
CREC COUNCIL
Wednesday, September 13, 2017
11:30 – 1:00 pm
147 CHARTER OAK AVE.
HARTFORD, CT. 06106

Call to order

New Business:

Discussion re: September 20 Council Meeting

- Review Council Exhibits

Adjournment

Lunch will be served.

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Attachment A

Webster Line of Credit: 2017-2018

CREC has a \$10 million line of credit with Webster Bank, with whom we have done business for many years. This line of credit is for our general business needs, primarily intended to be used in the event of unforeseen payment delays. We have not needed to use the line because our efforts to manage our cash flow have been sufficient to date.

In addition to this line of credit, we established, under previous and separate Council approval, an additional \$15 million revolving line of credit specifically to bridge anticipated payment delays associated with our *Sheff* school construction program.

RECOMMENDED ACTION:

RESOLVED,

1. That the Capitol Region Education Council ("CREC") enter into a secured revolving credit facility with Webster Bank or other financial institution for a term, including renewals and extensions thereof, not in excess of three years, which will permit CREC to borrow up to TEN MILLION DOLLARS (\$10,000,000), which may be in the form of a letter of credit, from time to time to satisfy short-term working capital needs (the "Credit Facility").

2. The Credit Facility shall be entered into pursuant to Section 10-66c of the Connecticut General Statutes. The obligations of CREC under the Credit Facility may be evidenced by one or more promissory notes and may be secured by a pledge, lien, mortgage or other security interest in any or all of the income, proceeds, revenues and property, real or personal, of CREC's projects, assets, programs or other functions, including the proceeds of grants, loans, advances, guarantees or contributions from the federal government, state or any other source.

3. The Executive Director and the Deputy Executive Director, on behalf of CREC, are hereby authorized to execute and deliver the Credit Facility and any promissory notes in evidence thereof, and any other agreements, including, without limitation, security agreements related thereto. The Credit Facility may contain those pledges, covenants and agreements on behalf of CREC as the Executive Director and the Deputy Executive Director determine to be necessary and proper.

4. The Executive Director and the Deputy Executive Director, on behalf of CREC, shall execute and deliver such other documents and take such other actions that either determines to be necessary and proper in order to carry out the transactions contemplated by the Credit Facility, which other documents and other actions are hereby approved.

5. It is in the public interest that interest payable by CREC under any such credit facility and any promissory notes issued thereunder is includable in the gross income of the recipients thereof for Federal income tax purposes.

FURTHER RESOLVED,

1. That the appropriation of \$175,450,000 for the design and construction of the following four magnet schools: (1) the CREC Medical Professions and Teacher Preparation Academy of approximately 128,685 square feet, serving grades 6 through 12; (2) CREC Public Safety Academy of approximately 144,095 square feet, serving grades 6 through 12; (3) the International Magnet School for Global Citizenship of approximately 63,032 square feet, serving grades pre-k through 5; and (4) the Reggio Magnet School of approximately 63,032 square feet, serving grades pre-k through 5, and the authorization of the issue of bonds, notes, temporary notes and other obligations in the same amount to defray said appropriation approved by CREC April 20, 2011, is hereby ratified.

2. That the appropriation of \$131,329,000 for the design and construction of the following magnet schools: (1) the Discovery Academy of approximately 64,000 square feet, serving grades pre-k through 5; (2) Academy of Aerospace and Engineering of approximately 147,000 square feet, serving grades 6 through 12; and (3) the Museum Academy of approximately 64,000 square feet, serving grades pre-k through 5, and the authorization of the issue of bonds, notes, temporary notes and other obligations in the amount of \$40,000,000 to defray, in part, said appropriation approved by CREC March 31, 2012, is hereby ratified.

3. That CREC enter into a secured revolving credit facility with Webster Bank or other financial institution for a term, including renewals and extensions thereof, not in excess of three years, which will permit CREC to borrow up to FIFTEEN MILLION DOLLARS (\$15,000,000), which may be in the form of a letter of credit, from time to time to finance in part the appropriations referenced above (the "Magnet School Credit Facility").

4. The Magnet School Credit Facility shall be entered into pursuant to Section 10-66c of the Connecticut General Statutes. The obligations of CREC under the Credit Facility may be evidenced by one or more promissory notes and may be secured by a pledge, lien, mortgage or other security interest in any or all of the income, proceeds, revenues and property, real or personal, of CREC's projects, assets, programs or other functions, including the proceeds of grants, loans, advances, guarantees or contributions from the federal government, state or any other source.

5. The Executive Director and the Deputy Executive Director, on behalf of CREC, are hereby authorized to execute and deliver the Magnet School Credit Facility and any promissory notes in evidence thereof, and any other agreements, including, without limitation, security agreements related thereto. The Magnet School Credit Facility may contain those pledges, covenants and agreements on behalf of CREC as the Executive Director and the Deputy Executive Director determine to be necessary and proper.

6. The Executive Director and the Deputy Executive Director, on behalf of CREC, shall execute and deliver such other documents and take such other actions that either determines

to be necessary and proper in order to carry out the transactions contemplated by the Magnet School Credit Facility, which other documents and other actions are hereby approved.

7. The Executive Director and the Deputy Executive Director, on behalf of CREC, are hereby authorized to determine whether it is in the public interest that interest payable by CREC under any such credit facility and any promissory notes issued thereunder is includable in the gross income of the recipients thereof for Federal income tax purposes.

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Attachment B

Entitlement Grants : 2016-2017 (Revision)
Special Revenue Fund and General Fund
Division of Choice Programs

CREC has been awarded the following federal entitlement grants through the State Department of Education:

- Title I, Regular Part A *Improving Basic Programs Operated By Local Educational Agencies*
- Title II, Part A *Teachers and Principal Training & Recruitment*
- Title III, Part A *English Language Acquisition and Language Enhancement*

Title I – Part A funds are used, primarily, to provide supplemental instruction in literacy, math and science to students who are failing or at risk of failing. Funds are used for teacher professional development and for scientifically-based research intervention strategies and materials, computer-based literacy and math programs.

Title II – Part A funds are used for facilitators and mentors working with magnet school teachers in the Teaching Evaluation and Mentoring Program (TEAM) and workshops for teachers to create individualized plans for struggling students.

Title III – Part A funds are used to provide direct services to students and consultation services to staff in CREC magnet schools and other school districts. This is a consortium grant managed by CREC. Districts awarded less than \$10,000 must enter a consortium.

This revision of \$122,000 is due to an increase in professional consultant costs.

Revenue:

SDE Grants	Title I	\$2,463,775
	Title II-A	52,575
	Title III	<u>194,718</u>
		\$2,711,068

Staffing:

No action necessary

RECOMMENDED ACTION: Adopt a revised 2016 – 2017 Entitlement Grants budget of \$2,711,068 with additional revenue as set forth above.

(Budget on Reverse)

Entitlement Grants: 2016-2017 (Revision)
Special Revenue Funds and General Funds
Division of Choice Programs

	<u>11/11/2016</u>	<u>Inc./ (Dec.)</u>	<u>9/20/2017</u>
<u>Salaries</u>			
102 Certified (3.70)	\$273,104	\$1,374,138	\$273,104
123 Support Staff (32.00)	862,146		862,146
129 Other Non-Certified (1.60)	129,846		129,846
139 Other Temporary	109,042		109,042
<u>Benefits</u>		561,115	561,115
210 Health Insurance	390,610		390,610
220 FICA	99,566		99,566
250 Unemployment Comp.	10,432		10,432
260 Workers' Comp.	20,783		20,783
270 Retirement Benefits	39,724		39,724
<u>Professional/Tech Services</u>		195,907	317,907
311 CREC Supervision	38,006		38,006
312 CREC Support	38,006		38,006
320 Professional Education Consultant	115,895	\$122,000	237,895
322 External Staff Development	4,000		4,000
<u>Other Services</u>		67,635	67,635
519 Pupil Transportation	8,690		8,690
59101 Parent Workshop	47,895		47,895
592 Other Purchased Services	11,050		11,050
<u>Supplies</u>		276,853	276,853
611 Instructional Supplies	276,853		276,853
<u>Equipment</u>		102,650	102,650
735 Equipment <\$1,000	102,650		102,650
<u>Other Objects</u>		10,770	10,770
810 Dues and Fees	6,555		6,555
890 Miscellaneous	4,215		4,215
Total	\$2,589,068	\$122,000	\$2,711,068

<u>Distribution by Fund</u>				
152 Montessori	\$68,799	166	Reggio	104,682
153 Glastonbury-East Hartford	82,188	167	MPTP	163,593
154 Aerospace High/Middle	199,304	168	Discovery	58,088
155 Museum	103,075	169	Ana Grace Elem	79,510
156 Metropolitan	161,280	170	GHAA Middle	105,753
157 GHAA High	114,322	171	Two Rivers High	162,522
159 University of Hartford	117,535	172	Aerospace Elem	60,230
161 Public Safety	161,451	317	Title IIA	52,575
162 Two Rivers Middle Magnet	115,928	318	Central Title I	512,616
165 International	92,899	317	Title III	194,718
				\$2,711,068

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Attachment C

21st Century Community Learning Centers Before-and-After School Programs:
2016-2017 (Revision)
Special Revenue Fund
Division of Choice

The Capitol Region Education Council (CREC) is the recipient of a federal grant through the Connecticut State Department of Education for before and after-school programs. The Ana Grace Academy of the Arts, Reggio Magnet School of the Arts, and Greater Hartford Middle School of the Arts, will share in a grant to help improve academic achievement while providing enrichment opportunities to students.

The before-and-after school programs help students meet state and local standards in core academic subjects, offer students a broad array of enrichment activities, and offer literacy and other educational services to the families of participating children. Centers provide a range of high-quality services to support student learning and development, including tutoring and mentoring, homework help, academic enrichment, community service opportunities, as well as music, arts, sports, health and cultural activities. The centers also help working parents by providing a safe environment for students when school is not in session.

This revision of \$45,000 is due to an increase in temporary staffing.

Revenue:
SDE \$317,197

Staffing:
No action necessary

RECOMMENDED ACTIONS: Adopt a revised 2016-2017 21st Century Community Learning Centers Before-and-After-School Programs budget of \$317,197 with additional revenue as set forth above.

(Budget on Reverse)

21st Century Community Learning Centers Before-and-After School Programs: 2016-2017 (Revision)
Special Revenue Fund #308
Division of Choice

	<u>6/15/2016</u>	<u>Inc./ (Dec.)</u>	<u>9/20/2017</u>
<u>Salaries</u>	\$148,623		\$190,623
123 Support Staff (2.27)	\$38,706		\$38,706
129 Other Non-Certified (0.28)	33,902		33,902
139 Other Temporary	76,015	\$42,000	118,015
<u>Benefits</u>	27,954		30,954
210 Health Insurance	11,000		11,000
220 FICA	11,370	3,000	14,370
250 Unemployment Comp.	966		966
260 Workers' Comp.	1,932		1,932
270 Retirement Benefits	2,686		2,686
<u>Professional/Tech Services</u>	36,120		36,120
333 Other Professional Consultants	36,120		36,120
<u>Other Services</u>	34,680		34,680
519 Transportation	10,000		10,000
522 Liability Insurance	680		680
591 Workshop Expenses	4,000		4,000
59101 Parent Workshops	10,000		10,000
592 Other Purchased Services	10,000		10,000
<u>Supplies</u>	24,820		24,820
611 Instructional Supplies	14,420		14,420
614 Other Materials and Supplies	10,400		10,400
Total	\$272,197	\$45,000	\$317,197

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Attachment D

CREC Montessori Magnet School: 2016-2017 (Revision)
General Fund
Division of Choice

Magnet Theme:	Montessori
Grade Span:	PreK3 – Grade 6
Grades Served 2016-17:	PreK3 – Grade 6
Enrollment 2015-16/2016-17:	351 / 348
Location:	The Learning Corridor, Hartford
Partner Districts:	None
Highest Enrolling Towns 2015-16:	Hartford, New Britain, East Hartford, West Hartford

The CREC Montessori Magnet School offers a traditional public Montessori education based on the instructional philosophy of Dr. Maria Montessori, an Italian physician and educator. With its well-recognized early childhood and elementary program, the school's practice of individualized instruction for all children attracts students from throughout Greater Hartford. The school is accredited by the Association Montessori Internationale (AMI). All classroom teachers either have or are in the process of obtaining an AMI diploma.

This revision of \$160,000 is due to higher than anticipated facility costs.

<u>Revenue:</u>	
SDE Grant	\$3,505,850
Local Districts	2,455,788
Provision of Services	<u>15,000</u>
	\$5,976,638

Staffing:
No action necessary

RECOMMENDED ACTION: Adopt a revised 2016-2017 CREC Montessori Magnet School program budget of \$5,976,638 with additional revenue as set forth above.

(Budget on Reverse)

CREC Montessori Magnet School: 2016-2017 (Revision)
General Fund #152
Division of Choice

	6/15/2016	Inc./ (Dec.)	9/20/2017
<u>Salaries</u>	\$3,473,220		\$3,473,220
101 Certified Administrative (2.24)	\$287,406		\$287,406
102 Other Certified (27.70)	1,961,153		1,961,153
122 Paraprofessionals (16.00)	402,202		402,202
123 Support Staff (15.40)	535,308		535,308
129 Other Non-Certified (2.40)	131,405		131,405
139 Other Temporary	155,746		155,746
<u>Benefits</u>	929,003		929,003
210 Health Insurance	701,165		701,165
220 FICA	124,106		124,106
250 Unemployment Comp.	21,505		21,505
260 Workers' Comp.	43,010		43,010
270 Retirement Benefits	39,217		39,217
<u>Professional/Tech Services</u>	712,357		712,357
311 CREC Supervision	98,159		98,159
312 CREC Support	98,159		98,159
314 Computer Services	86,159		86,159
315 Management Services	228,667		228,667
320 Professional Education Consultant	52,000		52,000
321 Special Education Consultant	68,795		68,795
322 External Staff Development	42,099		42,099
32210 CREC Staff Development	7,968		7,968
341 External Staffing	30,351		30,351
<u>Property Services</u>	574,664		734,664
430 Maintenance and Repair	9,749		9,749
441 Operating Facility/Rent	558,451	\$160,000	718,451
442 Equipment Rental	6,464		6,464
<u>Other Services</u>	28,101		28,101
51901 Field Trips	1,629		1,629
522 Liability Insurance	11,218		11,218
531 Postage	362		362
532 Telephone	570		570
550 Printing	4,269		4,269
551 Copying	1,622		1,622
581 Travel	1,703		1,703
591 Workshop Expenses	4,402		4,402
592 Other Purchased Services	2,326		2,326
<u>Supplies</u>	81,724		81,724
611 Instructional Supplies	60,974		60,974
613 Maintenance Supplies	584		584
615 Medical Supplies	1,000		1,000
616 Office Supplies	10,000		10,000
617 Pupil Incentives	1,000		1,000
641 Text/Workbooks	4,574		4,574
642 Library Books	1,402		1,402
643 Computer Software	2,190		2,190
<u>Equipment</u>	15,354		15,354
733 Equipment >\$1,000	3,890		3,890
735 Equipment <\$1,000	11,464		11,464
<u>Other Objects</u>	2,215		2,215
810 Dues & Fees	2,215		2,215
Total	\$5,816,638	\$160,000	\$5,976,638

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Attachment E

CREC Academy of Aerospace and Engineering and CREC Greater Hartford Academy of Math & Science Magnet School: 2016-2017 (Revision)

General Fund

Division of Choice

Magnet Theme: Science, Technology, Engineering and Mathematics (STEM)

CREC Academy of Aerospace and Engineering

Grade Span: Grade 6 – Grade 12

Grades Served 2016-17: Grade 6 – Grade 12

Enrollment 2015-16/2016-17: 702 / 729

Locations: 1101 Kennedy Road, Windsor

Partner Districts: None

Highest Enrolling Towns 2015-16: Hartford, East Hartford, New Britain, Windsor

CREC Greater Hartford Academy of Math & Science

Grade Span: Grade 11 – Grade 12

Grades Served 2016-17: Grade 11 – Grade 12

Enrollment 2015-16/2016-17: 79 / 40

Location: 1101 Kennedy Road, Windsor

Partner Districts: Avon, Bloomfield, Canton, Farmington, Granby, Hartford, Manchester, New Britain, Newington, Region 8, Rocky Hill, Simsbury, Southington, Suffield, Tolland, Wethersfield, and Windsor

Highest Enrolling Towns 2015-16: Rocky Hill, Southington, Suffield

The half-day program at the CREC Greater Hartford Academy of Math & Science (GHAMAS) and the full-day school at the CREC Academy of Aerospace and Engineering (AAE) both offer a highly competitive science and mathematics curriculum, taught through unique methods and the integration of state-of-the-art technology. Students gain skills and experiences that prepare them for college and high-demand professional careers in science, technology, engineering and mathematics (STEM). GHAMAS will be phased out over four years, beginning with grade 9 in 2015-16 and grade 10 in 2016-2017.

This revision of \$255,000 is primarily due to higher than anticipated facility costs.

Revenue:

SDE Grant	\$7,606,082
Local Districts	<u>5,182,977</u>
	\$12,789,059

Staffing:

No action necessary

RECOMMENDED ACTION: Adopt a revised 2016-2017 CREC Academy of Aerospace & Engineering and CREC Greater Hartford Academy of Math & Science program budget of \$12,789,059 with additional revenue as set forth above.

(Budget on Reverse)

CREC Academy of Aerospace & Engineering and Greater Hartford Academy of Math & Science
Magnet School: 2016-2017 (Revision)
General Fund #154
Division of Choice

	6/15/2016	Inc./ (Dec.)	9/20/2017
Salaries			
101 Certified Administrative (3.51)	\$478,591	\$8,005,481	\$478,591
102 Other Certified (79.42)	6,473,212		6,473,212
121 Non-Certified Administrative (0.62)	68,103		68,103
122 Paraprofessional (5.00)	128,147		128,147
123 Support Staff (12.60)	457,328		457,328
129 Other Non-Certified (2.10)	142,828		142,828
139 Other Temporary	257,272		257,272
Benefits		1,494,380	1,494,380
210 Health Insurance	1,135,669		1,135,669
220 FICA	178,154		178,154
250 Unemployment Comp.	50,363		50,363
260 Workers' Comp.	100,727		100,727
270 Retirement Benefits	29,467		29,467
Professional/Tech Services		1,543,287	1,543,287
311 CREC Supervision	211,520		211,520
312 CREC Support	211,520		211,520
314 Computer Services	269,859		269,859
315 Management Services	505,301		505,301
320 Professional Education Consultant	7,000		7,000
321 Special Education Consultant	125,694		125,694
322 External Staff Development	15,150		15,150
32210 CREC Staff Development	12,905		12,905
333 Other Consultants	100,338		100,338
34100 External Staffing	80,000		80,000
343 Auto Repair	4,000		4,000
Property Services		559,785	714,785
411 Safety & Security	99,840	\$75,000	174,840
423 Custodial Services	266,807	80,000	346,807
430 Maintenance & Repairs	40,629		40,629
441 Operating Facility/Rent	1,000		1,000
442 Equipment Rental	15,000		15,000
490 Other Property Services	136,509		136,509
Other Services		188,885	188,885
519 Pupil Transportation	31,770		31,770
51901 Field Trips	12,000		12,000
521 Property Insurance	33,231		33,231
522 Liability Insurance	24,174		24,174
523 Auto Insurance	5,839		5,839
531 Postage	6,000		6,000
532 Telephone	12,671		12,671
540 Advertising	5,000		5,000
550 Printing	4,000		4,000
581 Travel	12,000		12,000
591 Workshop Expenses	15,000		15,000
59101 Parent Workshops	2,000		2,000
592 Other Purchased Services	25,200		25,200
Supplies		623,081	723,081
611 Instructional Supplies	210,000		210,000
613 Maintenance Supplies	24,278		24,278
614 Other Materials & Supplies	8,500		8,500
615 Medical Supplies	1,600		1,600
616 Office Supplies	20,000		20,000
617 Pupil Incentives	3,900		3,900
620 Utilities/Energy	229,803	100,000	329,803
626 Transportation Supplies	5,000		5,000
641 Text/Workbooks	75,000		75,000
642 Library Books	10,000		10,000
643 Computer Software	35,000		35,000
Property		100,000	100,000
733 Equipment > \$1,000	50,000		50,000
735 Equipment < \$1,000	50,000		50,000
Other		19,160	19,160
810 Dues & Fees	19,160		19,160
Total	\$12,534,059	\$255,000	\$12,789,059

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Attachment F

CREC Public Safety Academy: 2016-2017 (Revision)

General Fund

Division of Choice

Magnet Theme:	Public Safety
Grade Span:	Grade 7 – Grade 12
Grades Served 2016-17:	Grade 7 – Grade 12
Enrollment 2015-16/2016-17:	455 / 480
Location:	1617 King Street, Enfield
Partner Districts:	None
Highest Enrolling Towns 2015-16:	Hartford, Enfield, New Britain, East Hartford

The CREC Public Safety Academy instills in students a commitment to serve the community in public safety careers. The school emphasizes character education and leadership development skills that will help students be successful in law, forensics and public service. The CREC Public Safety Academy is being phased into a high school only program, beginning with the elimination of grade 6 in 2016-17.

This revision of \$225,000 is primarily due to higher than anticipated facility and external staffing costs.

Revenue:

SDE Grant	\$5,005,655
Local Districts	4,616,859
Provision of services	<u>25,000</u>
	\$9,647,514

Staffing:

No action necessary

RECOMMENDED ACTION: Adopt a revised 2016-2017 CREC Public Safety Academy program budget of \$9,647,514 with additional revenue as set forth above.

(Budget on Reverse)

CREC Public Safety Academy: 2016-2017 (Revision)General Fund #161Division of Choice

	<u>6/15/2016</u>	<u>Inc./ (Dec.)</u>	<u>9/20/2017</u>	
<u>Salaries</u>				
101 Certified Administrative (4.51)	\$569,854	\$5,726,134	\$569,854	\$5,726,134
102 Other Certified (58.94)	4,161,460		4,161,460	
121 Non-Certified Administrative (1.00)	73,974		73,974	
122 Paraprofessional (7.00)	148,650		148,650	
123 Support Staff (10.50)	402,460		402,460	
129 Other Non-Certified (3.00)	161,231		161,231	
139 Other Temporary	208,505		208,505	
<u>Benefits</u>				
210 Health Insurance	934,470	1,214,776	934,470	1,214,776
220 FICA	143,618		143,618	
250 Unemployment Comp.	35,865		35,865	
260 Workers' Comp.	71,729		71,729	
270 Retirement Benefits	29,094		29,094	
<u>Professional/Tech Services</u>				
311 CREC Supervision	159,011	1,082,040	159,011	1,192,040
312 CREC Support	159,011		159,011	
314 Computer Services	193,916		193,916	
315 Management Services	315,403		315,403	
320 Professional Education Consultant	5,000		5,000	
321 Special Education Consultant	98,053		98,053	
322 External Staff Development	10,150		10,150	
32210 CREC Staff Development	10,619		10,619	
333 Other Consultants	99,088		99,088	
341 External Staffing	31,789	\$110,000	141,789	
<u>Property Services</u>				
411 Safety & Security	125,009	628,225	165,009	668,225
423 Custodial Services	247,694	40,000	247,694	
430 Maintenance & Repair	106,372		106,372	
441 Operating Facility/Rent	1,000		1,000	
442 Equipment Rental	14,199		14,199	
490 Other Property Services	133,951		133,951	
<u>Other Services</u>				
519 Pupil Transportation	21,770	116,605	21,770	116,605
51901 Field Trips	10,000		10,000	
521 Property Insurance	32,539		32,539	
522 Liability Insurance	18,173		18,173	
531 Postage	4,285		4,285	
532 Telephone	6,720		6,720	
540 Advertising	62		62	
550 Printing	3,433		3,433	
581 Travel	2,609		2,609	
591 Workshop Expenses	4,654		4,654	
592 Other Purchased Services	12,360		12,360	
<u>Supplies</u>				
611 Instructional Supplies	100,000	623,131	100,000	698,131
613 Maintenance Supplies	22,185		22,185	
614 Other Materials and Supplies	17,566		17,566	
615 Medical Supplies	1,100		1,100	
616 Office Supplies	18,902		18,902	
617 Pupil Incentives	5,400		5,400	
620 Utilities/Energy	209,657	75,000	284,657	
630 School Food Service	195,000		195,000	
641 Text/Workbooks	15,000		15,000	
642 Library Books	20,000		20,000	
643 Computer Software	18,321		18,321	
<u>Property</u>				
735 Equipment < \$1,000	19,598	19,598	19,598	19,598
<u>Other Objects</u>				
810 Dues & Fees	12,005	12,005	12,005	12,005
Total	\$9,422,514	\$225,000	\$9,647,514	

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Attachment G

CREC International Magnet School for Global Citizenship: 2016-2017
(Revision)

General Fund

Division of Choice

Magnet Theme:	International Baccalaureate
Grade Span:	PreK3 – Grade 5
Grades Served 2016-17:	PreK3 – Grade 5
Enrollment 2015-16/2016-17:	467 / 463
Locations:	625 Chapel Road, South Windsor
Partner Districts:	None
Highest Enrolling Towns 2015-16:	Hartford, South Windsor, East Hartford, Manchester

At the CREC International Magnet School for Global Citizenship (IMS), the interconnectedness of the world is studied through the arts, foreign language and multicultural education. The school's focus on the whole child prepares students to be successful 21st Century citizens. IMS is fully authorized as an International Baccalaureate (IB) School for the Primary Years.

This revision of \$175,000 is primarily due to higher than anticipated external staffing costs.

Revenue:

SDE Grant	\$4,829,392
Local Districts	1,723,181
Provision of Services	<u>297,650</u>
	\$6,850,223

Staffing:

No action necessary

RECOMMENDED ACTION: Adopt a revised 2016-2017 CREC International Magnet School for Global Citizenship program budget of \$6,850,223 with additional revenue as set forth above.

(Budget on Reverse)

CREC International Magnet School For Global Citizenship: 2016-2017 (Revision)

General Fund #165

Division of Choice

	<u>6/21/2017</u>	<u>Inc./ (Dec.)</u>	<u>9/20/2017</u>
<u>Salaries</u>	\$3,901,088		\$3,901,088
101 Certified Administrative (2.12)	\$266,691		266,691
102 Other Certified (38.30)	2,553,985		2,553,985
122 Paraprofessional (12.84)	318,006		318,006
123 Support Staff (16.19)	458,064		458,064
129 Other Non-Certified (1.20)	72,672		72,672
139 Other Temporary	231,670		231,670
<u>Benefits</u>	996,619		996,619
210 Health Insurance	777,259		777,259
220 FICA	120,543		120,543
250 Unemployment Comp.	23,375		23,375
260 Workers' Comp.	46,750		46,750
270 Retirement Benefits	28,692		28,692
<u>Professional/Tech Services</u>	774,616		949,616
311 CREC Supervision	110,832		110,832
312 CREC Support	110,832		110,832
314 Computer Services	134,374		134,374
315 Management Services	304,232		304,232
321 Special Education Consultant	64,466		64,466
322 External Staff Development	6,992		6,992
32210 CREC Staff Development	8,832		8,832
341 External Staffing	34,056	\$175,000	209,056
<u>Property Services</u>	441,276		441,276
411 Safety & Security	90,870		90,870
423 Custodial Services	162,693		162,693
430 Repairs and Maintenance	56,668		56,668
442 Equipment Rental	11,142		11,142
490 Other Property Services	119,903		119,903
<u>Other Services</u>	58,920		58,920
519 Pupil Transportation	2,078		2,078
51901 Field Trips	2,630		2,630
521 Property Insurance	16,471		16,471
522 Liability Insurance	12,666		12,666
531 Postage	1,525		1,525
532 Telephone	7,218		7,218
540 Advertising	2,363		2,363
550 Printing	3,278		3,278
581 Travel	6,690		6,690
591 Workshop Expenses	206		206
592 Other Purchased Services	3,795		3,795
<u>Supplies</u>	493,120		493,120
611 Instructional Supplies	114,876		114,876
612 Food-Instructional Supplies	1,881		1,881
613 Maintenance Supplies	22,296		22,296
614 Other Materials and Supplies	3,110		3,110
615 Medical Supplies	1,000		1,000
616 Office Supplies	8,667		8,667
617 Pupil Incentives	1,000		1,000
620 Utilities/Energy	134,822		134,822
630 School Food Services	175,000		175,000
641 Texts/Workbooks	17,423		17,423
642 Library Books	9,923		9,923
643 Computer Software	3,122		3,122
<u>Other Objects</u>	9,584		9,584
810 Dues & Fees	9,584		9,584
Total	\$6,675,223	\$175,000	\$6,850,223

CREC
Council Meeting
9/20/17

Attachment H

CREC Discovery Academy: 2016-2017 (Revision)

General Fund

Division of Choice

Magnet Theme:	Science, Technology, Engineering and Mathematics
Grade Span:	PreK3 – Grade 5
Grades Served 2016-17:	PreK3 – Grade 5
Enrollment 2015-16/2016-17:	405 / 481
Location:	176 Cumberland Ave., Wethersfield
Partner Districts:	None
Highest Enrolling Towns 2015-16:	Hartford, Newington, Wethersfield, East Hartford

CREC Discovery Academy focuses on developing strong foundational knowledge for students in four interrelated domains of STEM literacy: Science, Technology, Engineering and Mathematics. Students learn by conducting investigations, gathering and using information, and solving problems with scientific ways of thinking and technology as tools. Two grade 5 classes, one grade 4 class and a PreK class were added in 2016-17.

This revision of \$50,000 is due to increased expenditures for temporary staffing.

Revenue:

SDE Grant	\$4,845,729
Local Districts	1,424,036
Provision of Services	<u>287,650</u>
	\$6,557,415

Staffing:

No action necessary

RECOMMENDED ACTION: Adopt a revised 2016-2017 Discovery Academy program budget of \$6,557,415 with additional revenue as set forth above.

(Budget on Reverse)

CREC Discovery Academy: 2016-2017 (Revision)
General Fund #168
Division of Choice

	6/21/2017	Inc./Dec.	9/20/2017
<u>Salaries</u>	\$3,795,646		\$3,842,146
101 Certified Administrative (2.16)	\$270,654		\$270,654
102 Other Certified (36.25)	2,361,854		2,361,854
122 Paraprofessional (20.00)	444,425		444,425
123 Support Staff (13.86)	395,529		395,529
129 Other Non-Certified (1.30)	79,307		79,307
139 Other Temporary	243,877	\$46,500	290,377
<u>Benefits</u>	1,032,662		1,036,162
210 Health Insurance	809,265		809,265
220 FICA	124,180	3,500	127,680
250 Unemployment Comp.	22,620		22,620
260 Workers' Comp.	45,240		45,240
270 Retirement Benefits	31,357		31,357
<u>Professional/Tech Services</u>	786,272		786,272
311 CREC Supervision	107,818		107,818
312 CREC Support	107,818		107,818
314 Computer Services	126,042		126,042
315 Management Services	316,060		316,060
321 Special Education Consultant	71,178		71,178
322 External Staff Development	125		125
3210 CREC Staff Development	9,196		9,196
333 Other Consultants	1,022		1,022
341 External Staffing	47,013		47,013
<u>Property Services</u>	384,908		384,908
411 Safety & Security	117,442		117,442
423 Custodial Services	137,288		137,288
430 Maintenance & Repairs	19,241		19,241
442 Equipment Rental	9,600		9,600
490 Other Property Services	96,337		96,337
491 Real Estate Taxes	5,000		5,000
<u>Other Services</u>	60,432		60,432
51901 Field Trips	2,927		2,927
521 Property Insurance	16,141		16,141
522 Liability Insurance	12,322		12,322
531 Postage	1,077		1,077
532 Telephone	12,509		12,509
550 Printing	2,049		2,049
591 Workshop Expenses	1,827		1,827
592 Other Purchased Services	11,580		11,580
<u>Supplies</u>	404,284		404,284
611 Instructional Supplies	156,505		156,505
613 Maintenance Supplies	25,606		25,606
614 Other Materials and Supplies	896		896
615 Medical Supplies	1,000		1,000
616 Office Supplies	24,142		24,142
617 Pupil Incentives	2,000		2,000
620 Utilities/Energy	113,389		113,389
641 Text/Workbooks	38,316		38,316
642 Library Books	39,153		39,153
643 Computer Software	3,277		3,277
<u>Property</u>	40,000		40,000
733 Equipment >\$1,000	20,000		20,000
735 Equipment <\$1,000	20,000		20,000
<u>Other Objects</u>	3,211		3,211
810 Dues & Fees	3,211		3,211
Total	\$6,507,415	\$50,000	\$6,557,415

CREC
Council Meeting
9/20/17

Attachment I

CREC Two Rivers Magnet High School: 2016-2017 (Revision)

General Fund

Division of Choice

Magnet Theme: Environmental Science and Engineering
Grade Span: Grade 9 – Grade 12
Grades Served 2016-17: Grade 9 – Grade 12
Enrollment 2015-16/2016-17: 399 / 414
Location: 15 Van Dyke Street and 15 Vernon Street
Partner Districts: None
Highest Enrolling Towns 2015-16: Hartford, East Hartford, Manchester, New Britain

CREC Two Rivers Magnet High School combines traditional academics with a focus on environmental science and environmental engineering. Utilizing research-based teaching and learning practices in reading, mathematics, science, and technology, students make interdisciplinary connections; engage in project-based learning; and work with professionals in related environmental science and engineering fields as they develop and refine new skills.

This revision of \$1,100,000 is due to an increase in bond funds for renovations.

Revenue:

SDE Grant	\$5,545,369
Local Districts	3,759,705
Provision of Services	<u>70,000</u>
	\$9,375,074

Staffing:

No action necessary

RECOMMENDED ACTION: Adopt a revised 2016-2017 CREC Two Rivers Magnet High School program budget of \$9,375,074 with additional revenue as set forth above.

(Budget on Reverse)

CREC Two Rivers Magnet High School: 2016-2017 (Revision)General Fund #171Division of Choice

	<u>6/21/2017</u>	<u>Inc./ (Dec.)</u>	<u>9/20/2017</u>
<u>Salaries</u>			
101 Certified Administrative (3.41)	\$465,155		\$465,155
102 Other Certified (42.40)	3,187,364		3,187,364
122 Paraprofessional (4.00)	97,578		97,578
123 Support Staff (8.00)	295,854		295,854
129 Other Non-Certified (1.82)	97,043		97,043
139 Other Temporary	115,390		115,390
<u>Benefits</u>			
210 Health Insurance	655,985	853,643	655,985
220 FICA	98,722		98,722
250 Unemployment Comp.	26,929		26,929
260 Workers' Comp.	53,859		53,859
270 Retirement Insurance	18,148		18,148
<u>Professional/Tech Services</u>			
311 CREC Supervision	136,278	901,330	136,278
312 CREC Support	136,278		136,278
314 Computer Services	144,592		144,592
315 Management Services	272,035		272,035
320 Professional Education Consultant	10,000		10,000
321 Special Education Consultant	75,061		75,061
322 External Staff Development	7,650		7,650
32210 CREC Staff Development	7,454		7,454
333 Other Consultants	80,022		80,022
34100 External Staffing	31,960		31,960
<u>Property Services</u>			
411 Safety & Security	103,048	1,453,702	103,048
423 Custodial Services	95,099		95,099
430 Repairs and Maintenance	26,722		26,722
441 Operating Facility/Rent	1,000		1,000
44102 Operating Facility/Rent Internal	663,401		663,401
442 Equipment Rental	16,500		16,500
450 Remodel/Renovation	199,617	\$1,100,000	1,299,617
490 Other Property Services	127,000		127,000
491 Real Estate Taxes	221,315		221,315
<u>Other Services</u>			
519 Pupil Transportation	30,270	158,584	30,270
51901 Field Trips	65,000		65,000
521 Property Insurance	5,472		5,472
522 Liability Insurance	15,575		15,575
531 Postage	2,500		2,500
532 Telephone	6,967		6,967
550 Printing	3,000		3,000
551 Copying	100		100
581 Travel	2,500		2,500
591 Workshop Expenses	4,000		4,000
592 Other Purchased Services	23,200		23,200
<u>Supplies</u>			
611 Instructional Supplies	190,000	556,836	190,000
613 Maintenance Supplies	7,202		7,202
614 Other Materials and Supplies	58,000		58,000
615 Medical Supplies	2,100		2,100
616 Office Supplies	25,000		25,000
617 Pupil Incentives	5,300		5,300
620 Utilities/Energy	85,234		85,234
630 School Food Services	145,000		145,000
641 Text/Workbooks	30,000		30,000
643 Computer Software	9,000		9,000
<u>Property</u>			
733 Equipment > \$1,000	7,000	77,000	7,000
735 Equipment < \$1,000	70,000		70,000
<u>Other Objects</u>			
810 Dues & Fees	15,595	15,595	15,595
 Total	 \$8,275,074	 \$1,100,000	 \$9,375,074

CREC
Council Meeting
9/20/17

Attachment J

Transportation Services: 2017 – 2018 (Revision)

General Fund

Division of Choice Programs

This program serves districts by transporting students to their out-of-district school destinations. The program objectives are to increase service quality and reduce district costs. This is achieved by pairing up neighboring districts whose students go to the same out-of-district schools and by using CREC vehicles driven by well-trained CREC employees. In addition, students attending Regional School Choice Office/SDE programs are provided transportation.

This revision of \$2,349,953 relates to a new contract with the Town of Granby to transport their students for the 2017-2018 school year.

Revenue:

Provision of Services	\$4,622,169
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Staffing:

Create 25.00 support staff positions

Create 0.20 other professional staff position

RECOMMENDED ACTION:

- (1) Adopt a revised 2017-2018 Transportation Services program budget of \$4,622,169 with additional revenue as set forth above.
- (2) Create 25.00 support staff positions bringing the current roster to 52.5 ftes.
- (3) Create 0.20 other professional staff position bringing the current roster to 0.50 fte.

(Budget on Reverse)

Transportation Services: 2017 - 2018 (Revision)General Fund #151Division of Choice Programs

	<u>5/17/2017</u>	<u>Inc./ (Dec.)</u>	<u>9/20/2017</u>	
<u>Salaries</u>				
123 Support Staff (52.50)	\$634,362	\$1,007,625	\$687,400	\$1,321,762
129 Other Non-Certified (0.50)	23,263		30,000	53,263
139 Other Temporary	350,000		70,000	420,000
<u>Benefits</u>		245,840		638,950
210 Health Insurance	125,280		292,320	417,600
220 FICA	77,083		60,236	137,319
250 Unemployment Comp.	6,046		4,424	10,470
260 Workers' Comp.	13,099		9,586	22,685
270 Retirement Benefits	24,332		26,544	50,876
<u>Professional/Tech Services</u>		273,862		356,602
311 CREC Supervision	84,156		31,195	115,351
312 CREC Support	84,156		31,195	115,351
314 Computer Services	-		1,000	1,000
32200 External Staff Development	500			500
32210 CREC Staff Development	1,350		3,150	4,500
332 Medical Services	3,700		6,200	9,900
343 Auto Repair	100,000		10,000	110,000
<u>Property Services</u>		39,740		181,180
44110 Operating Facility/Rent	20,000		90,000	110,000
442 Equipment Rental	19,740		41,440	61,180
490 Other Property Services	-		10,000	10,000
<u>Purchased Services</u>		422,799		569,112
519 Pupil Transportation	320,500			320,500
51901 Field Trips	30,000			30,000
522 Liability Insurance	4,199		3,113	7,312
523 Auto Insurance	60,000		128,000	188,000
531 Postage	100			100
532 Telephone	5,000		4,200	9,200
540 Advertising	1,000		1,000	2,000
581 Travel	500			500
591 Workshop Expenses	1,000			1,000
592 Other Purchased Services	500		10,000	10,500
<u>Supplies</u>		180,350		216,300
613 Maintenance Supplies	250		1,200	1,450
616 Office Supplies	100		750	850
620 Utilities/Energy	-		24,000	24,000
626 Transportation Supplies	180,000		10,000	190,000
<u>Property</u>		100,000		850,000
732 Vehicles	100,000		750,000	850,000
733 Equipement > \$1,000	-		10,000	10,000
<u>Other Objects</u>		2,000		5,000
810 Dues & Fees	2,000		3,000	5,000
Totals	\$2,272,216	\$2,349,953	\$4,622,169	

CREC
Council Meeting
9/20/17

Attachment K

Personal Success Academy: 2017-2018
Special Revenue Fund
Division of Choice

CREC has been awarded a \$150,000 planning grant through the Barr Foundation's new initiative "Engage New England: Doing High School Differently". The grant will fund a program at the Public Safety Academy Magnet School to develop a plan over the next year for the "Personalized Success Academy", a school-within-a-school that would help disengaged students graduate and guide them toward a postsecondary education or employment. The "Personalized Success Academy" would offer individualized educational opportunities and address students' social, academic and emotional needs. The grant will be used to carry out key activities to prepare for the implementation of the academy including collecting and reviewing data, conducting research, refining the school model, recruiting staff and students, providing professional development and developing curriculum.

Revenue:

Barr Foundation \$150,000

Staffing:

Create 0.30 non-certified administrative position

RECOMMENDED ACTION:

- (1) Adopt a 2017-2018 Personal Success Academy program budget of \$150,000 and open an appropriate account with revenue as set forth above.
- (2) Create 0.30 non-certified administrative position bringing the current roster to 0.30 fte.

(Budget on Reverse)

Personal Success Academy: 2017 - 2018

Special Revenue Fund #32600

Division of Choice

	<u>2017-2018</u>	
<u>Salaries</u>		\$53,100
121 Non-Certified Administrative (.30)	\$30,000	
139 Other Temporary	23,100	
<u>Benefits</u>		9,659
21010 Health Insurance	3,480	
220 FICA	4,060	
250 Unemployment Comp	319	
260 Workers' Compensation	690	
270 Retirement Benefits	1,110	
<u>Professional/Tech Services</u>		60,968
311 CREC Supervision	6,715	
312 CREC Support	6,715	
320 Professional/Educ Consultant	47,500	
32210 Professional Development	38	
<u>Other Services</u>		20,673
522 Liability Insurance	273	
540 Marketing	15,000	
581 Travel	5,400	
<u>Supplies</u>		5,600
614 Other Materials & Supplies	5,000	
616 Office Supplies	600	
Total	<hr/>	\$150,000

MEMO - COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

To: Finance and Audit Committee, Capitol Region Education Council
From: Nikoleta McTigue, CPA, Audit Partner
Blum Shapiro & Company, P.C.
Date: July 19, 2017
Re: Auditing Standard No. 114, "The Auditor's Communication with Those Charged with Governance" regarding audit of Capitol Region Education Council

We are engaged to audit the financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the Capitol Region Education Council for the year ended June 30, 2017. Professional standards require that we provide you with the following information related to our audit. We would also appreciate the opportunity to meet with you to discuss this information further since a two-way dialogue can provide valuable information for the audit process.

Our responsibilities under Auditing Standards Generally Accepted in the United States of America, Government Auditing Standards, the Uniform Guidance and the Connecticut State Single Audit Act.

As stated in our engagement letter dated April 3, 2017, our responsibility, as described by professional standards, is to express opinions as to whether the financial statements, prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve those charged with governance or management of their responsibilities.

In planning and performing our audit, we will consider the Capitol Region Education Council's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We will also consider internal control over compliance with requirements that could have a direct and material effect on a major federal or state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance and the Connecticut State Single Audit Act.

As part of obtaining reasonable assurance about whether the Capitol Region Education Council's financial statements are free of material misstatement, we will perform tests of its compliance with certain provisions of laws, regulations, contracts, and grants. However, providing an opinion on compliance with those provisions is not an objective of our audit. Also in accordance with the Uniform Guidance, we will examine, on a test basis, evidence about the Capitol Region Education Council's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Compliance Supplement applicable to each of its major federal programs for the purpose of expressing an opinion on the Capitol Region Education Council's compliance with those requirements. While our audit will provide a reasonable basis for our opinion, it will not provide a legal determination on the Capitol Region Education Council's compliance with those requirements.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform an examination of all transactions, there is a risk that material misstatements or noncompliance may exist and not be detected by us, even though the audit is properly planned and performed in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*.

Planned Scope, Timing of the Audit and Other

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested.

Our audit will include obtaining an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Material misstatements may result from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity. We will generally communicate our significant findings at the conclusion of our audit. However, some matters could be communicated sooner, particularly if significant difficulties are encountered during the audit where assistance is needed to overcome the difficulties or if the difficulties may lead to a modified opinion. We will also communicate any internal control related matters that are required to be communicated under professional standards.

Other Attest Services

- Agreed Upon Procedures PSIS Data Elements for Interdistrict Magnet Schools and Form ED001R

Nonattest Services

In addition to above services, we will also assist in perform certain nonattest services. These services do not constitute an audit under Government Auditing Standards. The services are as follows:

- preparing a draft of the financial statements,
- preparing a draft of the schedule of expenditures of federal awards (SEFA),
- preparing a draft of the schedule of expenditures of state financial assistance (SESFA),
- preparing and submitting the federal data collection form

Management agrees to oversee the nonaudit services by designating an individual, preferably from senior management, with suitable skill, knowledge, or experience; evaluate the adequacy and results of those services; and accept responsibility for them.

Other Services

- CFS placements – temp, perm

Independence

There are no relationships between any of our representatives and the Capitol Region Education Council that in our professional judgment impair our independence.

Responsibilities under Auditing Standards Generally Accepted in the United States of America

Management's responsibilities include:

- The selection and application of accounting principles, the preparation and fair presentation of the financial statements, schedule of expenditures of federal awards, schedule of expenditures of state financial assistance, and all accompanying information
- Establishing and maintaining effective internal controls, including internal controls over compliance
- Making all financial records and related information available to us and for the accuracy and completeness of that information
- The design and implementation of programs and controls to prevent and detect fraud and for informing us about all known or suspected fraud affecting the government
- Identifying government award programs and understanding and complying with the compliance requirements

Auditor's responsibilities include:

- Express opinions on the financial statements based on our audit
- Plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement
- Performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements
- Consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control
- 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

Audit Areas of Focus

- Cash
- Investments
- Receivables and revenues
- Capital Assets
- Payables, accruals, expenditures
- Payroll expenditures
- Debt
- Insurance and Self Insurance
- Grants – Federal and State Single Audit

Engagement Timing

- Our initial planning for the year-end audit will be performed during July 2017. Our focus will be on documentation of the internal controls as required by auditing standards, fraud inquiry interviews with management and key personnel, preparation of certain confirmations some overall analytical procedures and audit fieldwork as applicable to the federal and state single audits.

- Audit Timing:

Commencement of Fieldwork	9/25/17
End of Fieldwork	10/20/17
Issuance of Draft Financial Statements	11/17/17
Client Approval of Draft Statements	11/24/17
Issuance of Financial Statements	12/8/17
Issuance of Management Letter, if applicable	12/8/17
Post Audit Meeting with Management	TBD

Engagement Team

An engagement team consisting of the following individuals will be responsible for audit, and other services, including contact information to reach us:

- Nikoleta McTigue, Audit Partner
Direct Line: 860-570-6377
Email: nmctigue@blumshapiro.com
- Vanessa Rossitto, Concurring Audit Partner
Direct Line: 860-561-6824
Email: vrossitto@blumshapiro.com
- Jessica Aniskoff, Audit Manager
Direct Line: 860-570-6451
Email: janiskoff@blumshapiro.com
- John Grelish, Audit Senior
Direct Line: 860-570-6341
Email: jgrelish@blumshapiro.com

Other Communications

At the completion of our audit we will communicate in writing the following information related to our audit:

- Management judgments and significant sensitive accounting estimates
- Significant accounting policies
- The adoption of new accounting principles or changes in accounting principles
- Significant audit adjustments (recorded and unrecorded)
- Disagreements with management about auditing, accounting or disclosure matters
- Difficulties encountered in performing the audit
- Irregularities and illegal acts
- Consultation by management with other auditors
- Matters affecting independence of auditors
- Material weaknesses, significant deficiencies and control deficiencies

Knowledge of Fraud

- If management or those charged with governance has any knowledge of fraud or potential fraud, this information needs to be communicated to us. As part of the audit process, we will be meeting with management to discuss fraud risks and any further issues.

Fraud Risk Assessment

- It is estimated that a typical organization, including municipalities, lose up to 5% of annual revenue to fraud. Municipalities are especially vulnerable due to the large amounts of cash collected in the tax collector's office, in addition to decentralized cash collection points such as transfer stations, golf courses, recreation programs, etc.
- The objectives of a Fraud Risk Assessment are to gather perceptions of fraud risk and to promote fraud awareness and prevention across the entity. The Fraud Risk Assessment process starts with the gathering of information on the population of fraud risks that may apply to the entity. This includes consideration of various types of possible fraud schemes, scenarios and opportunities to commit fraud. This information is then used to assess the relative likelihood and potential significance of identified fraud risk based on historical information, known fraud schemes and interviews with staff and management. A report is prepared documenting fraud risk within the entity and setting forth suggested policies and procedures to help prevent and detect fraud.

Cybersecurity Threats

The frequency, scale and cost of cybersecurity incidents has increased exponentially. Here are some recent trends, facts and stats that illustrate the current cybersecurity climate:

- Cybersecurity incidents have surged 38% since 2014
- 77% of organizations reported an increase in cybersecurity attacks in 2015
- 50% of organizations feel they lack the talent to combat today's cybersecurity threats
- Nearly every state has a data protection law, most include fines for data breaches
- Global cybersecurity spending came in at \$77 billion for 2015
- Ransomware and targeted attacks are on the rise
- Attackers have found ways to monetize many types of personal data, and aren't just targeting SSNs and credit cards
- 80% of board members say that cyber security is discussed at most or all board meetings
- Commonly affected industries include: government, financial services, healthcare, retail and manufacturing

BlumShapiro offers a range of services to assess your company's cybersecurity strategy and develop a plan to mitigate risk. It can start with a short educational session for employees. We also offer a portfolio of Implementation services to help mitigate overall risks.

Industry Developments - Current Year (June 30, 2017) Accounting Standards

- **GASB Statement 73 - Pensions Not Within the Scope of Statement 68 and Amendments to Statements 67 and 68** This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement 68 for pension plans and pensions that are within their respective scopes.
- **GASB Statement 74 - Financial Reporting by OPEB Plans (disclosure)** The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability.

This Statement requires the net OPEB liability to be measured as the total OPEB liability, less the amount of the OPEB plan's fiduciary net position. The total OPEB liability generally is required to be determined through an actuarial valuation. Actuarial valuations, or calculations using the specified alternative measurement method, of the total OPEB liability are required to be performed at least every two years, with more frequent valuations or calculations encouraged. Unless otherwise specified by this Statement, all assumptions underlying the determination of the total OPEB liability are required to be made in conformity with the guidance in Actuarial Standards of Practice issued by the Actuarial Standards Board.

- **GASB Statement 77 - Tax Abatement Disclosures** Financial statement users need information about certain limitations on a government's ability to raise resources. This includes limitations on revenue-raising capacity resulting from government programs that use tax abatements to induce behavior by individuals and entities that is beneficial to the government or its citizens. For financial reporting purposes, this Statement defines a tax abatement as resulting from an agreement between a government and an individual or entity in which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to economic development or otherwise benefits the government or its citizens.

This Statement requires governments that enter into tax abatement agreements to disclose the following information about the agreements:

- Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients
 - The gross dollar amount of taxes abated during the period
 - Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement.
- **GASB Statement 78 - Pensions Provided Through Certain Multiple-Employer DB Pension Plans** This Statement amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that 1) is not a state or local governmental pension plan, 2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and 3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above.
 - **GASB Statement 80 - Blending Requirements for Certain Component Units - an Amendment of GASB Statement No. 14** This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*.
 - **GASB Statement 82 – Pension Issues, an Amendment of GASB Statements 67, 68 and 73.** Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial

reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

Industry Developments - Future Accounting Standards - June 30, 2018

- **GASB Statement 75 - OPEB Accounting for Employers and Non-Employer Contributing Entities** The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.
- **GASB Statement 81 – Irrevocable Split-Interest Agreements** The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. Split-interest agreements are a type of giving agreement used by donors to provide resources to two or more beneficiaries, including governments. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement.
- **GASB Statement 85 – Omnibus** The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements.
 - Blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation
 - Reporting amounts previously reported as goodwill and “negative” goodwill
 - Measuring certain money market investments and participating interest-earning investment contracts at amortized cost
 - Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus
 - Recognizing on-behalf payments for pensions or OPEB in employer financial statements
 - Presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB
 - Classifying employer-paid member contributions for OPEB
 - Simplifying certain aspects of the alternative measurement method for OPEB
 - Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

Industry Developments - Future Accounting Standards - June 30, 2019

- **GASB Statement 83 – Certain Asset Retirement Obligations** This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.

Industry Developments - Future Accounting Standards - June 30, 2020

- **GASB Statement 84 – Fiduciary Activities** The objective of this statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

Areas of Concerns

- If you have any concerns that you would like to discuss with Blum Shapiro, we will make ourselves available either by phone or in person to discuss such concerns.