



**Charles Heaven & Co.**  
Certified Public Accountants

**SHEPAUG VALLEY REGIONAL SCHOOL DISTRICT #12  
TOWNS OF BRIDGEWATER, ROXBURY AND WASHINGTON**

**FINANCIAL STATEMENTS  
AND  
OTHER FINANCIAL INFORMATION**

**JUNE 30, 2015**

**Shepaug Valley Regional School District #12  
Towns of Bridgewater, Roxbury and Washington  
June 30, 2015**

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Charles Heaven & Co.  
Certified Public Accountants  
Waterbury, Connecticut

## INDEPENDENT AUDITORS' REPORT

### Board of Education

Shepaug Valley Regional School District #12  
Bridgewater, Roxbury and Washington, Connecticut

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Shepaug Valley Regional School District #12, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Shepaug Valley Regional School District #12's basic financial statements as listed in the table of contents.

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

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

### *Auditor's Responsibility*

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

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

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

## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Shepaug Valley Regional School District #12, as of June 30, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Change in Accounting Principle***

As discussed in Note 17 to the financial statements, during the fiscal year ended June 30, 2015, the District adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. The District's net position has been restated to recognize the net pension asset required in implementing GASB No. 68. Our opinion is not modified with respect to this matter.

## ***Other Matters***

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 11, budgetary comparison information on page 43, and supplementary pension information on pages 44 through 47 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 Shepaug Valley Regional School District #12's basic financial statements. The combining and individual nonmajor fund financial statements, and supplemental schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, and supplemental schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, and supplemental schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2015, on our consideration of Shepaug Valley Regional School District #12'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 Shepaug Valley Regional School District #12's internal control over financial reporting and compliance.

December 22, 2015



**Shepaug Valley Regional School District #12**  
**Management's Discussion and Analysis (MD&A)**  
**June 30, 2015**

**Introduction**

Our discussion and analysis of Shepaug Valley Regional School District #12 (District) financial performances provides the reader an overall narrative review of the School District's financial activities for the year ended June 30, 2015. The intent of this discussion and analysis is to look at the district performance as a whole; however, readers should also review the notes to the financial statements to enhance their understanding of the district's performance. Information contained in this section is explained by the more detailed information contained elsewhere in the financial statements, notes to the financial statements and accompanying material.

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

The District serves the towns of Bridgewater, Roxbury and Washington and operates three elementary schools: Burnham School located in Bridgewater, Booth Free School located in Roxbury and Washington Primary School located in Washington Depot, Shepaug Valley School located in Washington and an Early Childhood Education Center which is a pre-school program located within the Washington Primary School building. The student population served is stratified as follows: Elementary Schools (grades PK-5) 286 students, Middle School (grades 6-8) 194 students, High School (grades 9-12) 267 students (20 students from the Town of Sherman) for a total of 747 students enrolled this year. Overall enrollment continues to decline with 49 fewer students over the previous year total of 796 students.

**Financial Highlights**

Total net position was \$2,741,430 at June 30, 2015. This was an increase of \$777,764 (39.60%) over the prior year net position of \$1,963,666. Assets are being accounted for in conformance with GASB 34, with capitalization of depreciable assets at a \$5,000 threshold. In addition, the District continues to do a complete physical inventory annually for all the facilities and the results are incorporated in the accompanying financial statements.

- Overall revenue of \$21,499,493 exceeded expenditure of \$20,721,729 by \$777,764.
- Long-term debt obligations as of June 30, 2015 are \$2,672,410, which compares to the June 30, 2014 debt obligations of \$3,296,644, a decrease of \$624,234. The decrease in debt was a result of the district retiring debt totaling \$555,000, the decrease in the lease obligation for school busses in the amount of \$179,144 and a net increase in post-retirement benefits by \$109,910.
- The district's compliance with GASB 45, Post Retirement Benefit Obligations, is \$641,532 at June 30<sup>th</sup>. Although no actual cash payments will be needed for meeting the actuarial computed value of the post retirement benefit; this calculation is based upon certified teachers who retire under the State Teacher Retirement system but are able to purchase medical insurance through the district's group medical plan. All premiums are paid by the retiree with no cost to the district.

**Shepaug Valley Regional School District #12**  
**Management's Discussion and Analysis (MD&A)**  
**June 30, 2015**

**Overview of Financial Statements**

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

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

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

**Government-Wide Statements**

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

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

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

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

**Fund Financial Statements**

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

**Shepaug Valley Regional School District #12**  
**Management's Discussion and Analysis (MD&A)**  
**June 30, 2015**

The District has two kinds of funds:

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

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

**Net Position**

The District's combined net position was \$2,741,430 at June 30, 2015.

	<b><u>Total Governmental Activities</u></b>	
	<b><u>Balance</u></b>	<b><u>Balance</u></b>
	<b><u>June 30, 2015</u></b>	<b><u>June 30, 2014</u></b>
<b><u>Assets</u></b>		
Cash and investments	\$ 3,851,219	\$ 2,700,438
Accounts receivable	1,162	35,919
Inventories	9,680	13,177
Prepaid Expenses	45,938	232,579
Due from State of Connecticut	6,039	16,741
Capital Assets, Net of Accumulated Depreciation	<u>2,431,385</u>	<u>2,880,595</u>
<b><u>Total Assets</u></b>	<b><u>\$ 6,345,423</u></b>	<b><u>\$ 5,879,449</u></b>
Deferred Outflow of Resources	<u>\$ 226,889</u>	<u>---</u>
<b><u>Liabilities</u></b>		
Accounts Payable	\$ 924,611	\$ 587,514
Post Retirement Benefit Obligation (GASB 45)	641,532	538,727
Early Retirement and vacation payable	181,896	---
Unearned Revenue	51,965	31,625
Long-Term Debt	<u>2,030,878</u>	<u>2,757,917</u>
<b><u>Total Liabilities</u></b>	<b><u>\$ 3,830,882</u></b>	<b><u>\$ 3,915,783</u></b>
<b><u>Net Position</u></b>		
Net Investment in Capital Assets	\$ 2,301,385	\$ 2,441,451
Restricted	1,518,840	1,353,102
Unrestricted	<u>( 1,078,795)</u>	<u>( 1,830,887)</u>
<b><u>Total Net Position</u></b>	<b><u>\$ 2,741,430</u></b>	<b><u>\$ 1,963,666</u></b>

**Shepaug Valley Regional School District #12**  
**Management's Discussion and Analysis (MD&A)**  
**June 30, 2015**

**Changes in Net Position**

The District's total revenues were \$ 24,096,874. A summary of the changes in net position follows.

Other General Fund Revenues were higher than expected by \$114,840 as follows:

- Investment income was (\$2,014) lower than planned due to the decrease in investment interest rates.
- The District tuition income was higher resulting in \$25,025 higher tuition revenue.
- State Grants for student transportation and adult education were slightly higher than planned by approximately \$445 due to changes in the State grant calculations after the budget was passed.
- Miscellaneous income was \$91,384 due to a one time sale of stock and unexpended prior year accounts payable.

The total cost of all programs and services was \$23,319,110.

The District's expenses are predominately related to educating and caring for students and were \$17,841,524 or 76.5 % of the total. Debt service \$53,043, unallocated depreciation \$460,087 and employee benefits \$4,964,456 accounted for the remaining expenses.

The following is a summary of the changes in the net position of the district.

	<u>Changes in Net Position</u> <u>For the Year Ended</u> <u>Governmental Activities</u>	
	<u>June 30, 2015</u>	<u>June 30, 2014</u>
<u>Revenues</u>		
Program Revenues:		
Charges for Services	\$ 406,868	\$ 410,506
Operating Grants & Contributions	2,190,513	2,632,695
Capital Grants & Contributions	---	117,049
General Revenues		
Participating towns	21,346,558	21,143,908
Investment and miscellaneous Income	152,935	84,638
<u>Total Revenues</u>	<u>\$ 24,096,874</u>	<u>\$ 24,388,796</u>
<u>Program Expenses</u>		
Instruction	\$ 10,966,865	\$ 11,438,181
Instruction – Supporting Services	5,084,299	4,661,998
Employee Benefits - unallocated	4,964,456	5,349,133
Transportation	1,551,518	1,523,577
School Lunch Services	238,842	321,787
Debt Service	53,043	71,112
Depreciation – unallocated	460,087	511,931
<u>Total Expenses</u>	<u>\$ 23,319,110</u>	<u>\$ 23,877,719</u>
Change in Net Position	\$ 777,764	\$ 511,077
Net Position – Restated Beginning of Year	\$ 1,963,666	\$ 2,227,251
Restatement for Net Pension Assets	---	(774,662)
<u>Net Position – End of Year</u>	<u>\$ 2,741,430</u>	<u>\$ 1,963,666</u>

**Shepaug Valley Regional School District #12**  
**Management's Discussion and Analysis (MD&A)**  
**June 30, 2015**

**Governmental Activities**

The net cost of all governmental activities this year was \$ 20,721,729.

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

	<u>Net Cost of Services</u>	
	<u>2015</u>	<u>2014</u>
Instruction	\$ 10,509,473	\$ 10,928,509
Instruction – supporting services	4,914,556	4,371,800
Employee benefits	3,297,326	3,296,070
Transportation	1,508,646	1,476,782
School Lunch Services	(21,402)	61,265
Debt Service	53,043	71,112
Depreciation	460,087	511,931
<u>Total</u>	<u>\$ 20,721,729</u>	<u>\$ 20,717,469</u>

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$2,724,574 which compares to last year's ending fund balance of \$2,166,080. This was an increase in the fund balance of \$558,494. This is a result of a higher general fund balance, debt service fund, capital reserve fund and other government funds offset by lower fund balances in the elementary capital repair fund.

**General Fund Budgetary Expenditure Highlights**

A schedule of the District's original and final budget amounts compared with actual revenues and expenses are provided in the supplemental section of the audited financial report. General fund expenditures for the fiscal year ended June 30, 2015 totaled \$21,594,387 or 99.9% of budget, and was \$23,634 less than budgeted. This was in line with estimates and compares favorably with last year. This includes the transfer to the Reserve for Capital and Non-recurring fund of \$216,180 as well as the payment to the Elementary School Repair fund of \$100,000.

**Variance include the following key items**

**Salaries and Benefits** – Salaries for both certified and non certified staff along with corresponding benefits were \$747,732 under budget, due to lower than budgeted certified staff costs as staff turnover contributed to a lower salary for replacement staff as well as the reduction in staff members as a result of the declining enrollment. Classified personnel costs were lower than budget with staff turnover as well as a trimming of staff to match the declining enrollment. In addition, benefits were under budget after some modifications in plan design resulting in savings from budgeted levels. This makes up the overall favorable budget to actual results.

**Shepaug Valley Regional School District #12**  
**Management's Discussion and Analysis (MD&A)**  
**June 30, 2015**

**Instructional and Administrative Services** – The year ended with these accounts being over budget by \$259,544. Higher legal fees, along with the costs associated with architect and engineering services related to school projects were the major drivers in this area.

**Tuition** – The District placement for out of district special education children was less than anticipated by approximately \$12,879. This was a result of a change in placement for some students along with fewer outplaced days being incurred.

**Plant Operation & Maintenance** – The year ended with these accounts being under spent by \$46,696. Savings realized from consortium bids for electrical contracts as well as savings from heating fuel costs. The transitioning to green cleaning products has stabilized as well the higher trash hauling costs from the previous year. The Elementary Repair Project which was completed in the previous year has helped to reduce repair costs in those buildings. In addition the use of the capital reserves accounts has taken some of the pressure from the general operating fund.

**Pupil transportation** – The year ended under budget by \$23,394. This was related additional cooperative transportation as well as ongoing savings from economies in regular education transportation costs and a more favorable cost for fuel.

**Transfers to other funds** – The state legislature establish the ability to transfer to a capital reserve fund up to 1% of its approved appropriation. The Board of education again voted to transfer to this fund \$216,180 for future capital or non-recurring expenditures. This fund can be carried forward each year and is subject to Board of Education approval for expenditures made from it and the balance at the end of the year is \$777,538.

A summary of interfund transfers follows:

<u>Major Funds:</u>	<u>Transfers To Other Funds</u>	<u>Transfers From Other Funds</u>
General Fund	\$ ---	\$ 932,772
Debt Service Fund	616,592	---
Capital Reserve Fund	216,180	---
Capital Project-Elementary Repair Fund	100,000	---
	<u>\$ 932,772</u>	<u>\$ 932,772</u>

**Shepaug Valley Regional School District #12**  
**Management's Discussion and Analysis (MD&A)**  
**June 30, 2015**

**Additional Items Affecting Financial Results and Other Matters**

This year the district budget was approved at a (.20%) decrease. The budget for personnel as well as employee benefits tracked below budget and was a major source for the funding of the transfer to the capital reserve account. Transportation costs were below budget. The district continues to realize savings from the co-operative bidding opportunities and savings were achieved in electrical procurement, heating oil and general supplies. As a result of these savings the district undertook the continuing upgrading of the technology infrastructure in both the system backbone as well continuing the purchasing Chrome books for the primary schools to meet the on line testing initiative by the state. Finally the district was able to undertake a renovation of the Shepaug entrance and mall area which is expected to be completed by the end of December. Again this year the district was able to fund the capital reserve fund for \$216,180 the full 1% as allowed. The overall expenditures were below budget by \$23,634.

As previously reported, the Board leases the three elementary schools from the towns with an annual \$100,000 payment into the Capital Project-Elementary Repair Fund. The purpose of this fund is to make mutually agreed repairs to the elementary schools based upon a recommendation by a committee made up of both town and Board of Education members. The list of recommended repairs is then presented to the Board of Education for approval, up to the amount of the funds available for the elementary schools.

Also, during the year, the district applied to the State Department of Education as the 20<sup>th</sup> Agriscience STEM academy and began a long series of meetings with town boards and community groups on this concept. This project will impact the declining enrollment of Shepaug by drawing students from surrounding towns.

Finally Shepaug concluded the accreditation study with NEASC and the results which were received in the fall continues Shepaug accreditation with the only major deficiency being in the Science labs which are scheduled to be included in the referendum in the fall as well.

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

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

- The state approved the application for the Agriscience STEM Academy and a referendum was held in November which included the renovation of the Shepaug science labs as cited in the NEASC report. The results were an overwhelming approval in all three towns. The schedule has a tentative completion by the opening of school in 2018.
- The State is continuing the study begun in 2014 for the funding formula of state aid to the cities and towns under the Educational Cost Sharing grants. At this time there is not an indication of what these possible changes may have on grants received by the towns and the region.
- The region concluded negotiations with the non-certified union staff on a new three year contract which has now moved all staff into a HDHP for medical insurance and a three year wage settlement.

**Shepaug Valley Regional School District #12**  
**Management's Discussion and Analysis (MD&A)**  
**June 30, 2015**

- Health care costs continue to be reviewed for non-covered employees and the impact that the ACA will have on these employees' benefits. The taxes associated with the implementation of the affordable health care plan are being passed to the district in the renewals which will add to the burden. In addition, the district is experiencing higher levels of funding for unemployment expenses as the student population declines and staff is being eliminated. Energy costs are always a concern, and the district, has again participated in consortiums of both the school districts and towns as a strategy to stabilize costs.
- Energy contracts have been secured for both electrical thru the end of 2016 as well as heating oil and diesel fuel contract thru August 2016.
- The board continues to study solutions to the declining enrollment along with various long range plans.

**Contacting the District's Financial Management**

This financial report is designated to provide our citizens, taxpayers, parents, participants, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report, or need additional financial information, contact the business office of Shepaug Valley Regional School District #12.

Shepaug Valley Regional School District #12  
Towns of Bridgewater, Roxbury and Washington  
Statement of Net Position  
June 30, 2015

	Governmental Activities
<b>Assets:</b>	
Cash and cash equivalents	\$ 3,528,305
Accounts receivable	1,162
Investments	322,914
Inventory	9,680
Due from State of Connecticut:	6,039
Capital assets - net	2,431,385
Net Pension Asset	45,938
<b>Total Assets</b>	<b>6,345,423</b>
<b>Deferred Outflows of Resources:</b>	
Differences between pension expected and actual experience	52,473
Difference between projected and actual earnings on pension plan investments	174,416
<b>Total Deferred Outflows of Resources</b>	<b>226,889</b>
<b>Liabilities:</b>	
Accounts payable	384,572
Accrued interest	14,946
Accrued payroll, payroll taxes, and benefits	525,093
Early retirement and vacation payable	181,896
Other Post Retirement Benefit Obligation	641,532
Unearned revenue	51,965
Noncurrent liabilities:	
Due within one year	555,000
Due in more than one year	1,475,878
<b>Total Liabilities</b>	<b>3,830,882</b>
<b>Net Position:</b>	
Net investment in capital assets	2,301,385
Restricted	
Member towns	138,474
Technology - USF fund	49,940
Scholarships	270,767
Capital non-recurring expenditures	777,538
Elementary Repair Fund	272,188
Federal and State grants	4,920
Pre School	5,013
Unrestricted	(1,078,795)
<b>Total Net Position</b>	<b>\$ 2,741,430</b>

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

**Shepaug Valley Regional School District #12**  
**Towns of Bridgewater, Roxbury and Washington**  
**Statement of Activities**  
**Year Ended June 30, 2015**

Functions	Program Revenues				Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities
<b>Governmental activities:</b>					
Instructional services	\$ 10,966,865	\$ 181,525	\$ 275,867	\$ -	(10,509,473)
Support services	5,084,299	-	169,743	-	(4,914,556)
Employee Benefits - Unallocated	4,964,456	-	1,667,130	-	(3,297,326)
Transportation	1,551,518	-	42,872	-	(1,508,646)
School lunch services	238,842	225,343	34,901	-	21,402
Interest on long-term liabilities	53,043	-	-	-	(53,043)
Depreciation - Unallocated	460,087	-	-	-	(460,087)
<b>Total school district</b>	<b>\$ 23,319,110</b>	<b>\$ 406,868</b>	<b>\$ 2,190,513</b>	<b>\$ -</b>	<b>(20,721,729)</b>

**General revenues:**

Participating towns:	
Town of Bridgewater	4,686,690
Town of Roxbury	6,978,595
Town of Washington	9,681,273
Unrestricted earnings on investments	1,533
Miscellaneous	151,402
Total general revenues	<u>21,499,493</u>
Change in net position	<u>777,764</u>
Net position - beginning, as restated	<u>1,963,666</u>
Net position - ending	<u>\$ 2,741,430</u>

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

Shepaug Valley Regional School District #12  
Towns of Bridgewater, Roxbury and Washington  
Balance Sheet

Governmental Funds June 30, 2015	Major Funds					Total Governmental Funds
	General Fund	Debt Service Fund	Capital Reserve Fund	Capital Proj. Elementary Repair Fund	Other Governmental Funds	
<b>Assets:</b>						
Cash and cash equivalents	\$ 1,799,372	\$ 196,786	\$ 777,538	\$ 286,579	\$ 468,030	\$ 3,528,305
Accounts Receivable	959	--	--	--	203	1,162
Investments	322,914	--	--	--	--	322,914
Inventory	--	--	--	--	9,680	9,680
Due from other funds	100,107	--	--	--	12,263	112,370
Due from State of Connecticut	--	--	--	--	6,039	6,039
<b>Total Assets</b>	<b>\$ 2,223,352</b>	<b>\$ 196,786</b>	<b>\$ 777,538</b>	<b>\$ 286,579</b>	<b>\$ 496,215</b>	<b>\$ 3,980,470</b>
<b>Liabilities:</b>						
Accrued payroll, payroll taxes, and benefits	\$ 525,093	\$ --	\$ --	\$ --	\$ --	\$ 525,093
Early retirement and vacation payable	181,896	--	--	--	--	181,896
Account payable	384,572	--	--	--	--	384,572
Due to other funds	12,263	--	--	14,391	85,716	112,370
Unearned revenue	9,691	--	--	--	42,274	51,965
<b>Total Liabilities</b>	<b>1,113,515</b>	<b>--</b>	<b>--</b>	<b>14,391</b>	<b>127,990</b>	<b>1,255,896</b>
<b>Fund balances:</b>						
Nonspendable:						
Inventories	--	--	--	--	9,680	9,680
Restricted for:						
Member Towns	138,474	--	--	--	--	138,474
Technology - USF fund	--	--	--	--	49,940	49,940
Scholarships	--	--	--	--	270,767	270,767
Capital improvements	--	--	777,538	272,188	--	1,049,726
Federal and State grants	--	--	--	--	4,920	4,920
Pre School	--	--	--	--	5,013	5,013
Committed for:						
Debt service	--	196,786	--	--	--	196,786
School cafeteria	--	--	--	--	27,905	27,905
Unassigned	971,363	--	--	--	--	971,363
<b>Total Fund Balances</b>	<b>1,109,837</b>	<b>196,786</b>	<b>777,538</b>	<b>272,188</b>	<b>368,225</b>	<b>2,724,574</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 2,223,352</b>	<b>\$ 196,786</b>	<b>\$ 777,538</b>	<b>\$ 286,579</b>	<b>\$ 496,215</b>	<b>\$ 3,980,470</b>

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

**Shepaug Valley Regional School District #12**  
**Towns of Bridgewater, Roxbury and Washington**  
**Reconciliation of the Balance Sheet of Governmental Funds**  
**to the Statement of Net Position**  
**June 30, 2015**

<b>Total fund balances for governmental funds</b>	<b>\$ 2,724,574</b>
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Total net position reported for governmental activities in the statement of  
 net position is different because:

Capital assets used in governmental funds are not financial resources and therefore are not reported in the funds. Capital assets, net of \$15,141,094 accumulated depreciation.	2,431,385
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Other long-term assets and deferred outflows of resources are not available to pay for current period expenditures, and therefore, are unavailable in the funds:

Net pension asset	\$ 45,938	
Deferred outflows related to pensions	226,889	272,827

Long-term liabilities that pertain to governmental funds, including bonds payable, are not due and payable in the current period and therefore are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the statement of net position. Balances at year-end are:

Accrued interest	\$ (14,946)	
Bonds payable	(1,905,000)	
Other post retirement benefit obligation	(641,532)	
Early retirement payable and other compensated absences	(125,878)	(2,687,356)

<b>Total net position of governmental activities</b>	<b>\$ <u>2,741,430</u></b>
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The accompanying notes are in integral part of these financial statements.

Shepaug Valley Regional School District #12  
Towns of Bridgewater, Roxbury and Washington

Statement of Revenue, Expenditures  
and Changes in Fund Balances

Governmental Funds

Year Ended June 30, 2015

Year Ended June 30, 2015								
Revenue:								
	Fund	Fund	Fund	Fund	Repair Fund	Funds	Funds	Funds
Participating towns	\$ 21,346,558	\$ —	—	—	\$ —	\$ —	—	21,346,558
Federal and state revenue	1,724,326	—	—	—	—	466,187	—	2,190,513
Investment income	486	432	—	—	615	—	—	1,533
Sales of lunches, milk, etc.	—	—	—	—	—	225,343	—	225,343
Tuition	181,525	—	—	—	—	—	—	181,525
Other revenue	91,384	—	—	—	—	60,018	—	151,402
Total Revenue	23,344,279	432	—	—	615	751,548	—	24,096,874
Expenditures:								
Certified salaries	8,662,053	—	—	—	—	—	—	8,662,053
Classified salaries	2,854,442	—	—	—	—	341,321	—	3,195,763
Employee benefits	4,876,074	—	—	—	—	27,600	—	4,903,674
Instructional programs	888,975	—	—	—	—	232,562	—	1,121,537
Tuition - other schools	578,950	—	—	—	—	—	—	578,950
Administrative	605,710	—	—	—	—	—	—	605,710
Pupil transportation	1,551,518	—	—	—	—	—	—	1,551,518
Plant operation & maintenance	1,049,823	—	—	—	218,834	—	—	1,268,657
Food service	—	—	—	—	—	106,353	—	106,353
Interest	—	57,041	—	—	—	—	—	57,041
Capital outlay	839,117	—	80,916	—	—	12,091	—	932,124
Principal payments on bonds	—	555,000	—	—	—	—	—	555,000
Total Expenditures	21,906,662	612,041	80,916	—	218,834	719,927	—	23,538,380
Excess (Deficiency) of Revenues over Expenditures								
	1,437,617	(611,609)	(80,916)	(218,219)		31,621		558,494
Other Financing Sources (Uses):								
Operating Transfers	(932,772)	616,592	216,180	100,000		—		—
Total Other Financing Sources (Uses)	(932,772)	616,592	216,180	100,000		—		—
Net change in fund balances								
	504,845	4,983	135,264	(118,219)		31,621		558,494
Fund Balance - beginning of year								
	604,992	191,803	642,274	390,407		336,604		2,166,080
Fund Balance - end of year								
	\$ 1,109,837	\$ 196,786	\$ 777,538	\$ 272,188	\$ 368,225	\$ 2,724,574		

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

**Shepaug Valley Regional School District #12**  
**Towns of Bridgewater, Roxbury and Washington**  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes in**  
**Fund Balances of Governmental Funds to the Statement of Activities**  
**Year Ended June 30, 2015**

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<b>Net change in fund balances-total governmental funds</b>	<b>\$ 558,494</b>
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Amounts reported for governmental activities in the statement of activities are different because

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

Capital outlays	\$ 26,680	
Depreciation expense	<u>(475,890)</u>	(449,210)

Some capital asset additions are financed through capital leases. In governmental funds, a capital lease is considered a source of financing, but in the statement of net position, the lease obligation is reported as a liability. Repayment of capital lease principal is an expenditure in the governmental funds, but repayment reduces the lease obligation in the statement of net position

Principal payments on capital leases	179,144
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The governmental funds report bond proceeds as financing sources, while repayment of bond principal is reported as an expenditure. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities and repayment of principal reduces the liability. Also, governmental funds report the effect of issuance costs and premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities, however interest expense is recognized as it accrues, regardless of when it is due. The net effect of these differences in the treatment of general obligation bonds and related items is as follows:

Repayment of bond principal	555,000	
Interest expense - general obligation bonds	<u>3,998</u>	558,998

Some (expenses) revenues reported in the statement of activities do not provide (use) current financial resources, and therefore, are not reported in the governmental funds:

Postretirement liability	(102,805)	
Compensated absences and termination benefits	(7,105)	
Change in deferred outflows related to pensions	226,889	
Change in net pension asset	<u>(186,641)</u>	<u>(69,662)</u>

<b>Change in net position of governmental activities</b>	<b>\$ <u>777,764</u></b>
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The accompanying notes are in integral part of these financial statements.

**Shepaug Valley Regional School District #12**  
**Towns of Bridgewater, Roxbury and Washington**  
**Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
**June 30, 2015**

	<b>Pension Trust Fund</b>	<b>Agency Fund Student Activities</b>
<b>Assets:</b>		
Cash and cash equivalents	\$ 126,790	\$ 111,970
Investments	<u>5,378,440</u>	<u>---</u>
<b>Total Assets</b>	<b>5,505,230</b>	<b>111,970</b>
<b>Liabilities and Net Position:</b>		
<b>Liabilities:</b>		
Due to student groups	<u>---</u>	<u>111,970</u>
<b>Total Liabilities</b>	<u>---</u>	<u>111,970</u>
<b>Net Position:</b>		
Held in trust for pension benefits	\$ <u><u>5,505,230</u></u>	\$ <u><u>---</u></u>

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

**Shepaug Valley Regional School District #12**  
**Towns of Bridgewater, Roxbury and Washington**  
**Statement of Changes in Fiduciary Net Position**  
**Fiduciary Fund - Pension Trust Fund**  
**Year ended June 30, 2015**

	<b>Fiduciary Fund Pension Trust Fund</b>
<b>Additions:</b>	
Employer contributions	\$ 225,505
Investment income:	
Realized gain and net increase in fair values of investments	77,468
Interest and dividends	99,478
Gross investment income	<u>176,946</u>
Less : Investment expense	<u>27,821</u>
Net investment income	<u>149,125</u>
Total Additions	<u>374,630</u>
<b>Deductions:</b>	
Pension benefits	<u>228,662</u>
Change in Net Position	<u>145,968</u>
<b>Net position held in trust for pension benefits:</b>	
Beginning of year	<u>5,359,262</u>
End of year	<u>\$ 5,505,230</u>

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

**Shepaug Valley Regional School District #12  
Towns of Bridgewater, Roxbury and Washington  
Notes to Financial Statements**

**Note “1” - Summary of Significant Accounting Policies:**

**A. Basis of Presentation:**

The accompanying financial statements have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

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

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

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

*Required supplementary information* – in addition to the MD&A, budgetary comparison schedules are presented for the General Fund, which is the only fund with a legally adopted budget. The original budget for revenues and expenditures and the final adjusted budget are presented in comparison with the actual final budgetary revenues and expenditures (including encumbrances). The Pension Trust Fund presents additional schedules as required by GASB 67 and 68.

**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.

**Shepaug Valley Regional School District #12**  
**Towns of Bridgewater, Roxbury and Washington**  
**Notes to Financial Statements**

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

**B. Reporting Entity (continued)**

For financial reporting purposes, the District's financial statements include all funds and accounts over which the District exercises oversight responsibility in accordance with the criteria set forth in Governmental Accounting Standards Board (GASB) Statement No. 14. Oversight responsibility was determined on the basis of financial independence, selection of governing authority, designation of management, ability to significantly influence operations, accountability for fiscal matters and scope of public services. Based on the aforementioned criteria Shepaug Valley Regional School District #12 has no component units.

**C. Government-wide and Fund Financial Statements**

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

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

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

**Governmental-Funds:**

**General Fund:**

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

**Special Revenue Funds:**

These funds account for revenue that is restricted as to its use under specific provisions of law.

**Capital Projects Fund:**

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

**Shepaug Valley Regional School District #12  
Towns of Bridgewater, Roxbury and Washington  
Notes to Financial Statements**

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

**C. Government-wide and Fund Financial Statements (continued):**

**Fiduciary Funds:**

**Trust and Agency Funds:**

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

**Pension Trust Funds:**

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

**D. Measurement Focus and Basis of Accounting:**

**Measurement Focus:**

***Government-wide Statements***

The government-wide statements are prepared using the economic resources measurement focus. Eliminations have been made to minimize the double counting of internal activities. 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 statements and the statements for governmental funds.

***Fund Financial Statements***

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

**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.

**Shepaug Valley Regional School District #12**  
**Towns of Bridgewater, Roxbury and Washington**  
**Notes to Financial Statements**

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

**D. Measurement Focus and Basis of Accounting (continued)**

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

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

**Expenditures/Expenses**

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

**E. Fund Equity and Net Position – Governmental Funds:**

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

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

**F. Deposits and Investments:**

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

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

**Shepaug Valley Regional School District #12  
Towns of Bridgewater, Roxbury and Washington  
Notes to Financial Statements**

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

**F. Deposits and Investments (continued):**

The Connecticut General Statutes authorize the investment of funds in the obligations of the United States, or may be invested in any state or other tax exempt political subdivision under certain conditions. Funds may also be deposited in the State Treasurer's Short-Term Investment Funds (STIF). The provisions of the statutes, 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.

District investments are reported at fair value.

**G. Inventories:**

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

**H. Prepayments:**

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

**I. Capital Assets and Depreciation**

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

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

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

<u>Description</u>	<u>Useful Life</u>
Land	not depreciated
Land improvements	20
Buildings & Improvements	20 – 50
Furniture and Equipment	5 – 10

**Shepaug Valley Regional School District #12**  
**Towns of Bridgewater, Roxbury and Washington**  
**Notes to Financial Statements**

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

**J. Deferred Outflows and Deferred Inflows of Resources**

The statement of financial position reports a separate section for deferred outflows of resources. Deferred outflows of resources represent the consumption of net position that is applicable to a future reporting period. The District reports deferred outflows of resources related to pension for the differences between expected and actual experiences and the net difference between projected and actual earnings on plan investments.

Additionally, the statement of financial position will sometimes report a separate section for deferred inflows of resources. Deferred inflows of resources are an acquisition of net position that is applicable to a future reporting period.

**K. Interfund Activity**

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

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

**L. 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.

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.

**M. Accrued Liabilities and Long-term Debt**

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

**Shepaug Valley Regional School District #12  
Towns of Bridgewater, Roxbury and Washington  
Notes to Financial Statements**

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

**N. Restricted Resources**

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

**Note "2" - Stewardship, Compliance, and Accountability:**

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

Before March 1, the proposed budget is presented to the finance committee for review. By the end of April the proposed budget will be reviewed and adopted by the Regional Board of Education to be presented at the annual public budget meeting.

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

The budget for the general fund has substantially been prepared on the modified accrual basis. Encumbrances, commitments related to unperformed contracts for goods or services, are recognized as a valid and proper charge against a budget appropriation in the year in which the purchase order, contract or other commitment is issued and, accordingly, encumbrances outstanding at year-end are reflected in the budgetary reports as expenditures in the current year. Actual expenditures in the budgetary statement include current encumbrances as described above. This method of accounting, for encumbrances, is different from that utilized in the balance sheet and statement of revenue and expenditures (GAAP basis). Encumbrances on a GAAP basis are not expenditures but a reserve of fund balance.

**Shepaug Valley Regional School District #12**  
**Towns of Bridgewater, Roxbury and Washington**  
**Notes to Financial Statements**

**Note "2" - Stewardship, Compliance, and Accountability:**

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

	<u>General Fund</u>		
	<u>Expenditures</u>		
	<u>and Other</u>		
	<u>Revenue</u>	<u>Financing Uses</u>	<u>Fund Balance</u>
<b><u>Budgetary/GAAP Reporting Reconciliation:</u></b>			
Budgetary Statement - June 30, 2015	\$ 21,732,861	\$ 21,594,387	\$ 138,474
Encumbrances - June 30, 2014	-	535,034	-
Encumbrances - June 30, 2015	-	(971,363)	971,363
Fund balance returned to participating towns is a			
decrease of revenue for GAAP purposes	(69,958)	-	-
Payments made on the District's behalf			
as described in Note "12"	1,667,130	1,667,130	-
Revenue received, budgeted as a reduction of			
Expenditures - State of Connecticut Special			
Education Grants	14,246	14,246	-
Balance (GAAP) Balance Sheet and Statement			
of Revenue and Expenditures - June 30, 2015	<u>\$ 23,344,279</u>	<u>\$ 22,839,434</u>	<u>\$ 1,109,837</u>

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

No formal budget is adopted.

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

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

The Connecticut General Statutes authorize the investment of funds in the obligations of the United States, or may be invested in any state or other tax exempt political subdivision under certain conditions. Funds may also be deposited in the State Treasurer's Short-Term Investment Fund (STIF). The provisions of the statutes regarding the investments of municipal pension funds 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.

**Shepaug Valley Regional School District #12**  
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**Notes to Financial Statements**

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

**A. Cash and Cash Equivalents**

The following is a summary of cash and cash equivalents at June 30, 2015:

Governmental Funds - Demand Accounts	\$ 3,528,305
Fiduciary Funds –Demand Accounts	<u>238,760</u>
Total Cash and Cash Equivalents	<u>\$ 3,767,065</u>

\* Cash equivalents include short-term, highly liquid investments that are both readily convertible to known amounts of cash with a maturity of 90 days.

**B. Deposits**

Deposits - Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of June 30, 2015, \$3,312,577 of the District's bank balance of \$4,236,197 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	<u>\$ 3,312,577</u>
--------------------------------	---------------------

**C. Investments**

At June 30, 2015, the District's investments consisted of the following:

<u>Types of Investments</u>	<u>Fair Value</u>	<u>Average Credit Rating</u>	<u>Investment Maturity</u>
<b>Primary Government</b>			
Pooled fixed income	<u>\$ 322,914</u>	AAA	N/A
<u>Types of Investments</u>	<u>Fair Value</u>	<u>Average Credit Rating</u>	<u>Investment Maturity</u>
<b>Fiduciary Fund</b>			
Equities	\$ 3,338,220	unrated	N/A
Fixed income funds	<u>2,040,220</u>	unrated	N/A
Total Fiduciary Funds	<u>\$ 5,378,440</u>		

- Ratings by Standard & Poor's are provided where applicable to indicate the associated credit risk. N/A indicates not applicable.
- The District's pooled fixed income of \$322,914 is comprised of the State of Connecticut Short-Term Investment Fund, a "2a7 - Like" pool. The fair value of the portion in the pool is the same as the value of the pool shares.
- Interest rate risk - The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.
- Credit risk - The District has no investment policy that would limit its investment choices due to credit risk other than State Statutes governing investments in obligations or any State or political subdivision or in obligations of the State of Connecticut or political subdivision.

**Shepaug Valley Regional School District #12**  
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**Notes to Financial Statements**

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

Receivables and amounts due from State of Connecticut at June 30, 2015 consisted of various fees, interest and intergovernmental grants and entitlements. All receivables are considered collectible in full based on prior years' experience and the stable condition of State programs.

**Note "6" - Interfund Accounts:**

At June 30, 2015 the amounts due to and from other funds were as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	State and Federal Grants Restricted Fund	\$ 85,716
General Fund	Capital Project Elementary Repair Fund	14,391
Pre School Restricted Fund	General Fund	12,263
<u>Total</u>		<u>\$ 112,370</u>

**Note "7" - Interfund Transfers:**

At June 30, 2015, interfund transfers consisted of the following. These balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting systems, and (3) payments between funds are made.

Transfers from the General Fund to:

Debt Service Fund	\$ 616,592
Capital Project - Elementary Repair Fund	100,000
Capital Reserve Fund	216,180
Total General Fund	<u>\$ 932,772</u>

**Note "8" - Operating Deficiencies and Fund Deficits:**

At June 30, 2015 the following individual funds had deficiencies of revenue over expenditures and/or fund deficits for the year then ended.

	<u>Operating Deficiency</u>	<u>Fund Deficits</u>
<u>Capital Project Elementary Repair Fund</u>	<u>\$ 118,219</u>	<u>\$ ---</u>
<u>Special Gift Program Fund</u>	<u>\$ 2,188</u>	<u>\$ ---</u>
<u>Pre-School Restricted Fund</u>	<u>\$ 18,876</u>	<u>\$ ---</u>

**Shepaug Valley Regional School District #12**  
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**Note "9" – Capital Assets:**

Capital asset activity for the year ended June 30, 2015 was as follows:

	<u>Balance</u> <u>July 1, 2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2015</u>
<b>Governmental activities</b>				
Capital assets, not being depreciated				
Land and Land improvements	\$ 152,512	\$ ---	\$ ---	\$ 152,512
Capital assets, being depreciated:				
Buildings and improvements	12,200,592	---	---	12,200,592
Leasehold improvements	3,577,381	---	---	3,577,381
Furniture and equipment	<u>1,939,398</u>	<u>26,680</u>	<u>(324,084)</u>	<u>1,641,994</u>
Total capital assets, being depreciated	17,717,371	26,680	(324,084)	17,419,967
Accumulated depreciation for:				
Buildings and improvements	( 9,903,878)	( 249,490)	---	(10,153,368)
Leasehold improvements	( 3,577,381)	---	---	( 3,577,381)
Furniture and equipment	<u>( 1,508,029)</u>	<u>(226,400)</u>	<u>324,084</u>	<u>( 1,410,345)</u>
Total accumulated depreciation	<u>(14,989,288)</u>	<u>(475,890)</u>	<u>324,084</u>	<u>(15,141,094)</u>
Total capital assets, being depreciated, net	<u>2,728,083</u>	<u>(449,210)</u>	<u>---</u>	<u>2,278,873</u>
Governmental activities capital assets, net	<u>\$ 2,880,595</u>	<u>\$ ( 449,210)</u>	<u>\$ ---</u>	<u>\$ 2,431,385</u>

Depreciation expense was charged to functions of the District as follows:

**Governmental activities:**

Unallocated	\$ 460,087
Supporting services:	
District administration	6,546
Operation and maintenance of facilities	<u>9,257</u>
Total depreciation expense, governmental activities	<u>\$ 475,890</u>

**Shepaug Valley Regional School District #12**  
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**Notes to Financial Statements**

**Note "10" - Long-Term Debt:**

The following is a summary of activity for the year ended June 30, 2015.

	<u>Balance</u> <u>July 1, 2014</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2015</u>	<u>Amounts Due</u> <u>in One Year</u>
<u>General Obligation Bond of 2000</u>					
Payable in annual installment of \$130,000 in 2016. Bond bears interest @ 5.125%.	\$ 260,000	\$ —	\$ 130,000	\$ 130,000	\$ 130,000
<u>General Obligation Loan of 2012</u>					
Payable in annual installments of \$425,000 in 2016, \$450,000 in 2017 to 2019. Loan bears interest @ 2.15%.	2,200,000	—	425,000	1,775,000	425,000
<u>Compensated Absences &amp; Other Leave Benefits</u>					
Vested or accumulated severance and sick leave.	118,773	17,425	10,320	125,878	—
<u>Chase Equipment Finance Inc.</u>					
Capitalized lease agreement for School Buses (18) dated 7/30/2009 interest at 3.76%. Matured in 2015.	125,605	—	125,605	—	—
<u>Chase Equipment Finance Inc.</u>					
Capitalized lease agreement for School Buses (4) dated 7/30/2010 interest at 2.97%. Matured in 2015.	53,539	—	53,539	—	—
<u>Other Post Retirement Benefit Obligation</u>	<u>538,727</u>	<u>102,805</u>	<u>—</u>	<u>641,532</u>	<u>—</u>
<u>Totals</u>	<u>\$ 3,296,644</u>	<u>\$ 120,230</u>	<u>\$ 744,464</u>	<u>\$ 2,672,410</u>	<u>\$ 555,000</u>

**Shepaug Valley Regional School District #12**  
**Towns of Bridgewater, Roxbury and Washington**  
**Notes to Financial Statements**

**Note "10" - Long-Term Debt (continued):**

The following is a summary of the District's aggregate debt service requirements:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 555,000	\$ 40,685	\$ 595,685
2017	450,000	24,564	474,564
2018	450,000	14,674	464,674
2019	450,000	4,864	454,864
	<u>\$ 1,905,000</u>	<u>\$ 84,787</u>	<u>\$ 1,989,787</u>

**Note "11" - Employees Retirement System, Non-certified Employee Plan**

**A. General Information about the Pension Plan**

Shepaug Valley Regional School District #12 is the administrator of a single-employer public employee retirement system (PERS) established and administered by the Board of Education for its non-certified employees. The PERS is considered to be part of the District's reporting entity and is included in the District's financial reports as a pension trust fund. The membership of the plan consisted of the following at July 1, 2015, the date of the latest actuarial valuation:

Inactive plan members or beneficiaries currently receiving benefits	33
Inactive plan members entitled to but not yet receiving benefits	10
Active plan members	<u>69</u>
Total	<u>112</u>

The District provides all Employee retirement benefits through a single employer, noncontributory, defined benefit plan. Under the plan, all regular full-time and regular part-time nonprofessional employees who have completed 2 years of service and have attained the age of 25 are covered. All covered employees vest after 10 years of service. The retirement benefit is 1.25% of final average compensation multiplied by the employee's years of credited service. Employee's may retire and receive their benefit after attaining the age of 65. The plan also provides reduced benefits for early retirement at age 55 and completion of 10 years of credited service. Covered employees do not and are not required to contribute anything to the PERS. There were no major plan changes for the July 1, 2015 actuarial valuation.

**B. Authority and Funding Policy:**

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

The District's funding policy provides for periodic employer contributions at actuarially determined rates that are sufficient to accumulate the assets to pay benefits when due.

**Shepaug Valley Regional School District #12**  
**Towns of Bridgewater, Roxbury and Washington**  
**Notes to Financial Statements**

**Note "11" - Employees Retirement System, Non-certified Employee Plan (continued)**

**C. Summary of Significant Accounting Policies**

**Basis of Accounting:** PERS financial statements are prepared using the accrual basis of accounting. Employer contributions are recognized as revenues in the period in which employee services are performed. Benefit payments and refunds are payable when due and payable in accordance with the terms of the plan.

**Method Used to Value Investments:** All assets are valued at fair value. Fair value, provided by the custodian, is a market quotation as of year-end. Funds are invested in fixed income and equity securities through a trust agreement with the custodian, Bank of America. Investment income is recognized as earned.

**D. Investments:**

**Investment Policy:** The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the Board of Education Finance Committee by a majority vote of its members. It is the policy of the Board of Education to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The policy emphasizes long-term capital appreciation investments with some consideration for current income. Investments are primarily in equity securities and other asset classes, with growth as the primary objective. Fixed income securities are utilized for risk management. The following was the asset allocation policy as of June 30, 2015:

<u>Asset Class</u>	<u>Target Allocation</u>
Equities	60%
Fixed Income	37%
Cash	3%

The following investments represent 5 percent or more of plan net assets:

Vanguard 500 Index Fund Admiral Shares	\$ 689,305	12.52%
Federated Total Return Bond Fund Institutional Shares # 328	\$ 510,801	9.28%
Dodge & Cox Income Fd Com #147	\$ 510,208	9.27%
Metropolitan West Total Return Bond Fund Class I #512	\$ 510,136	9.27%
Wells Fargo Advantage Core Bond Fund Class Inst #944	\$ 509,075	9.25%
Northern Mid Cap Index Fund	\$ 471,242	8.56%

**Shepaug Valley Regional School District #12**  
**Towns of Bridgewater, Roxbury and Washington**  
**Notes to Financial Statements**

**Note "11" - Employees Retirement System, Non-certified Employee Plan (continued):**

**D. Investments (continued):**

Rate of Return: For the year ended June 30, 2015, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 2.78%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**E. Net Pension Asset of the District**

The components of the net pension asset at June 30, 2015, were as follows:

Total pension liability	\$ 5,459,292
Plan fiduciary net position	<u>5,505,230</u>
Net pension asset	<u>\$ 45,938</u>

Plan fiduciary net position as a percentage of the total pension asset 100.84 %

**F. Actuarial Assumptions**

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

Inflation:	4.0%
Salary Increases:	4.0%
Investment Rate of Return:	7.0%, net of pension plan investment expense

Mortality rates were based on the 1951 Group Annuity Mortality Table projected to 1970; male rates for males, and male rates set back 5 years for females.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2015 (see the discussion of the pension plan's investment policy) are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Equities	5.70%
Fixed income	0.63%
Cash	0.00%

**Shepaug Valley Regional School District #12**  
**Towns of Bridgewater, Roxbury and Washington**  
**Notes to Financial Statements**

**Note "11" - Employees Retirement System, Non-certified Employee Plan (continued):**

**G. Discount Rate:**

The discount rate used to measure the total pension liability was 7.00%. The projections of cash flows used to determine the discount rate assumed that the District contribution will be made at actuarially determined contribution rates. Based on this assumption, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**H. Sensitivity of the Net Pension (Asset) Liability to Changes in the Discount Rate**

The following presents the net pension liability of the District, calculated using the discount rate of 7.00%, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.00%) or 1 percentage point higher (8.00%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
	<u>6.00%</u>	<u>7.00%</u>	<u>8.00%</u>
Total Pension Liability	\$ 5,989,830	\$ 5,459,292	\$ 4,997,808
Plan Fiduciary Net Position	\$ 5,505,230	\$ 5,505,230	\$ 5,505,230
Net Pension (Asset) Liability	\$ 484,600	\$ ( 45,938)	\$ (507,422)

**I. Changes in the Net Pension Liability (Asset)**

	<u>Increase (Decrease)</u>		
	<u>Total Pension</u>	<u>Plan Fiduciary</u>	<u>Net Pension</u>
	<u>Liability</u>	<u>Net Position</u>	<u>Liability</u>
	<u>(a)</u>	<u>(b)</u>	<u>(a)-(b)</u>
Balances as of June 30, 2014	\$ 5,126,683	\$ 5,359,262	\$ (232,579)
Changes for the Year:			
Service cost	149,359		149,359
Interest on total pension liability	350,865		350,865
Effect of economic/demographic gains or losses	61,047		61,047
Employer contributions		225,505	(225,505)
Net investment income		149,125	(149,125)
Benefit payments	(228,662)	(228,662)	---
Net changes	<u>332,609</u>	<u>145,968</u>	<u>186,641</u>
Balances as of June 30, 2015	\$ <u>5,459,292</u>	\$ <u>5,505,230</u>	\$ <u>(45,938)</u>

**Shepaug Valley Regional School District #12**  
**Towns of Bridgewater, Roxbury and Washington**  
**Notes to Financial Statements**

**Note "11" - Employees Retirement System, Non-certified Employee Plan (continued):**

**J. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

For the year ended June 30, 2015, the District recognized pension expense of \$185,257. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	<u>Deferred Outflows</u> <u>of Resources</u>	<u>Deferred Inflows</u> <u>of Resources</u>
Differences between expected and actual experiences	\$ 52,473	\$ ---
Net difference between projected and actual earnings of plan investments	174,416	---
	<u>\$ 226,889</u>	<u>\$ ---</u>

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

Year Ending June 30,	
2016	\$ 42,253
2017	42,253
2018	42,253
2019	42,253
2020	42,254
Thereafter	15,623
	<u>\$ 226,889</u>

**Note "12" - State of Connecticut Teachers' Retirement System**

**A. General Information about the Pension Plan**

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

**B. Summary of Significant Accounting Policies**

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

Shepaug Valley Regional School District #12  
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Notes to Financial Statements

**Note "12" - State of Connecticut Teachers' Retirement System (continued)**

**C. Benefit Provision**

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

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

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

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

**D. Contributions**

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

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

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

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

At June 30, 2015 the District reports no amounts for its proportionate share of the net pension liability, deferred outflows of resources, and deferred inflows of resources, due to the statutory requirement that the State of Connecticut pay 100 percent of the required contribution.

Shepaug Valley Regional School District #12  
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Notes to Financial Statements

**Note "12" - State of Connecticut Teachers' Retirement System (continued)**

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

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

District's proportionate share of the net pension liability	\$	---
State's proportionate share of the net pension liability associated with the District		<u>22,219,931</u>
Total	\$	<u>22,219,931</u>

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

For the year ended June 30, 2015, the District recognized pension expense and revenue of \$1,667,130 for on-behalf amounts for the benefits provided by the State.

**F. Actuarial Assumptions**

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

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

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

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

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

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the plan's target asset allocation as of June 30, 2014 are summarized in the following table.

Shepaug Valley Regional School District #12  
Towns of Bridgewater, Roxbury and Washington  
Notes to Financial Statements

**Note "12" - State of Connecticut Teachers' Retirement System (continued)**

**E. Actuarial Assumptions (continued)**

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Large cap U.S. equities	21.0%	7.3%
Developed non-U.S. equities	18.0%	7.5%
Emerging markets (non-U.S.)	9.0%	8.6%
Core fixed income	7.0%	1.7%
Inflation linked bond fund	3.0%	1.3%
Emerging market bond	5.0%	4.8%
High yield bonds	5.0%	3.7%
Real estate	7.0%	5.9%
Private equity	11.0%	10.9%
Alternative investments	8.0%	0.7%
Liquidity fund	6.0%	0.4%
Total	<u>100.0%</u>	

**F. Discount Rate**

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

**G. 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.

**H. 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).

**I. 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.

**Shepaug Valley Regional School District #12**  
**Towns of Bridgewater, Roxbury and Washington**  
**Notes to Financial Statements**

**Note "13" – 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. Additionally, employee health coverage is purchased from a commercial carrier.

**Note "14" - Commitments and Contingencies:**

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

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

**Note "15" – Post Retirement Benefits**

**A. Plan Description**

The District provides post-retirement benefits for certain employees for current and future health and life insurance benefit expenses through a single-employer defined benefit plan. A bi-annual actuarial valuation is made to determine whether the contributions are sufficient to meet the plan obligations. Annual updates are prepared for the intervening years. The latest actuarial valuation was made July 1, 2013. The post-retirement plan does not issue stand-alone financial reports.

The contribution requirements of plan members and the district are established and may be amended by the District. The District determines the required contribution using the Projected Unit Credit Method.

Membership in the plan consisted of the following at July 1, 2013:

Retirees and beneficiaries receiving benefits	21
Active plan members	<u>156</u>
Total	<u>177</u>

**B. Basis of Accounting**

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

**Shepaug Valley Regional School District #12**  
**Towns of Bridgewater, Roxbury and Washington**  
**Notes to Financial Statements**

**Note "15" – Post Retirement Benefits (continued)**

**C. Funding Policy**

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

**D. Annual OPEB Cost and OPEB Obligation**

The District's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or past service cost) over a period not to exceed thirty years.

Normal cost (current service cost)	\$ 44,042
Amortization of UAAL (for past service)	<u>58,763</u>
Annual required contribution	\$102,805
Increase in net OPEB liability	\$ 102,805
Net OPEB obligation, beginning of year	<u>538,727</u>
Net OPEB obligation, end of year	<u>\$ 641,532</u>

The actuarial accrued liability as of July 1, 2014 is estimated to be \$1,016,132. The District's contributions represent payments made for premiums for insured individuals.

<u>Actuarial</u> <u>Valuation</u> <u>Date</u>	<u>Actuarial</u> <u>Value of</u> <u>Assets</u>	<u>Actuarial</u> <u>Accrued</u> <u>Liability</u>	<u>Unfunded</u> <u>AAL</u>	<u>Funded</u> <u>Ratio</u>	<u>Covered</u> <u>Payroll</u> <u>(Total)</u>	<u>UAAL as a</u> <u>Percentage</u> <u>of Payroll</u>
7/1/14	\$ ---	\$ 1,016,132	\$ 1,016,132	0.0%	\$ N/A	N/A
7/1/13	\$ ---	\$ 934,702	\$ 934,702	0.0%	\$ N/A	N/A
7/1/12	\$ ---	\$ 815,600	\$ 815,600	0.0%	\$ N/A	N/A

The District's three year trend information on its annual OPEB cost, employer contribution, the percentage of annual OPEB cost contributed to the plan, and net OPEB obligation was as follows:

<u>Fiscal Year Ending</u>	<u>Annual OPEB</u> <u>Cost</u>	<u>Employer</u> <u>Contributions</u>	<u>Percentage of</u> <u>Annual OPEB Cost</u>	<u>Net OPEB</u> <u>Obligation</u>
6/30/15	\$ 102,805	\$ ---	N/A	\$ 641,532
6/30/14	\$ 96,402	\$ ---	N/A	\$ 538,727
6/30/13	\$ 85,457	\$ ---	N/A	\$ 442,325

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

**Shepaug Valley Regional School District #12**  
**Towns of Bridgewater, Roxbury and Washington**  
**Notes to Financial Statements**

**Note "15" – Post Retirement Benefits (continued)**

**D. Annual OPEB Cost and OPEB Obligation (continued)**

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

**E. Actuarial Assumptions:**

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

Valuation Date:	July 1, 2013
Actuarial Cost Method:	Projected Unit Credit
Asset Valuation Method:	N/A, not funded
Amortization Method:	Level Dollar (closed period)
Remaining Amortization Period	30 Years
Actuarial Assumptions:	
Discount rate	4.00%
Mortality	1994 GAR
Medical Inflation rate	8.00%

**Note "16" – Subsequent Events:**

In connection with the preparation of the financial statements of Shepaug Valley Regional School District #12, subsequent events were evaluated through December 22, 2015, which is the date the financial statements were available to be issued.

**Note "17" – Prior Period Adjustment and Restatement**

As of July 1, 2014, the District implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, which replaced the requirements of GASB Statement No. 27, *Accounting for Pensions by State and Local Government Employers*. GASB Statement No. 68 required the District to recognize a net pension liability, deferred inflows of resources, and deferred outflows of resources related to pension benefits. It also created numerous additional disclosures in the footnotes and required supplementary information schedules. As a result, the District recorded the following restatement:

	<u>Governmental</u> <u>Activities</u>
Net Position balance at June 30, 2014, as originally reported	\$ 2,738,328
Adjustments:	
Eliminate net pension assets reported per GASB No. 27	(1,007,241)
Record starting net pension asset reported per GASB No. 68	<u>232,579</u>
Net Position balance at July 1, 2014, as restated	<u>\$ 1,963,666</u>

Shepaug Valley Regional School District #12  
Towns of Bridgewater, Roxbury and Washington  
Statement Of Revenue, Expenditures And Changes In Fund Balances  
Budget and Actual (NON-GAAP BUDGETARY BASIS)  
General Fund  
Year Ended June 30, 2015

	Original and Final Budget	Actual	Variance Over (Under)
<b>Revenue:</b>			
Participating towns :			
Town of Bridgewater	\$ 4,703,067	\$ 4,703,067	\$ ---
Town of Roxbury	7,001,059	7,001,059	---
Town of Washington	9,712,390	9,712,390	---
State of Connecticut:			
Transportation grant	42,428	42,872	444
Adult education grant	77	78	1
Investment income	2,500	486	(2,014)
Tuition income	156,500	181,525	25,025
Miscellaneous income	---	91,384	91,384
<b>Total Revenue</b>	<b>21,618,021</b>	<b>21,732,861</b>	<b>114,840</b>
<b>Expenditures:</b>			
Current			
Certified salaries	9,007,634	8,662,053	345,581
Classified salaries	3,042,277	2,854,442	187,835
Employee benefits	3,411,539	3,197,223	214,316
Instructional programs	960,998	845,662	115,336
Tuition - other schools	555,000	567,879	(12,879)
Administrative services	601,218	976,098	(374,880)
Pupil transportation	1,574,912	1,551,518	23,394
Plant operation & maintenance	1,269,628	1,222,932	46,696
Capital outlay	478,223	783,808	(305,585)
<b>Total Expenditures</b>	<b>20,901,429</b>	<b>20,661,615</b>	<b>239,814</b>
<b>Expenditures Transferred from Budget:</b>			
Debt Service Fund	616,592	616,592	---
Reserve Fund for Capital and Non-recurring expenditures	---	216,180	(216,180)
Elementary School Repair Fund	100,000	100,000	---
<b>Total Expenditures and Transfers</b>	<b>21,618,021</b>	<b>21,594,387</b>	<b>23,634</b>
<b>Excess of Revenue over Expenditures and Transfers</b>	<b>---</b>	<b>138,474</b>	<b>138,474</b>
<b>Fund Balance - beginning of year</b>	<b>---</b>	<b>69,958</b>	<b>69,958</b>
<b>Returned to participating towns</b>	<b>---</b>	<b>(69,958)</b>	<b>(69,958)</b>
<b>Fund Balance - end of year</b>	<b>\$ ---</b>	<b>\$ 138,474</b>	<b>\$ 138,474</b>

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

**Shepaug Valley Regional School District #12**  
**Schedule of the District's Proportionate Share of the Net Pension Liability**  
**State of Connecticut Teachers' Retirement System**  
**Last Fiscal Year**

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	<u>2015</u>
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	22,219,931
Total	\$ <u>22,219,931</u>
District's covered-employee payroll	\$ N/A
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**

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

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

**Shepaug Valley Regional School District #12**  
**Retirement Plan**  
**Schedule of Changes in Net Pension Liability and Related Ratios**  
**Last Two Fiscal Years**

	<u>2015</u>	<u>2014</u>
Total pension liability:		
Service Cost	\$ 149,359	\$ 148,277
Interest	350,865	335,174
Differences between expected and actual experience	61,047	(33,666)
Benefit payments, including refunds of member contributions	(228,662)	(222,592)
Net change in total pension liability	332,609	227,193
Total pension liability - beginning	5,126,683	4,899,490
Total pension liability - ending	<u>5,459,292</u>	<u>5,126,683</u>
Plan fiduciary net position:		
Contributions - employer	225,505	205,888
Net investment income	149,125	701,161
Benefit payments, including refunds of member contributions	(228,662)	(222,592)
Net change in plan fiduciary net position	145,968	684,457
Plan fiduciary net position - beginning	5,359,262	4,674,805
Plan fiduciary net position - ending	<u>5,505,230</u>	<u>5,359,262</u>
Net Pension Asset - Ending	\$ <u>45,938</u>	\$ <u>232,579</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>100.84%</u>	<u>104.54%</u>
Covered employee payroll	\$ <u>2,534,741</u>	\$ <u>2,472,885</u>
Net pension liability as a percentage of covered employee payroll	<u>(1.81%)</u>	<u>(9.41%)</u>

Shepaug Valley Regional School District #12  
Retirement Plan  
Schedule of Employer Contributions  
Last Ten Fiscal Years

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Actuarially determined contribution	\$ 183,176	\$ 239,659	\$ 211,015	\$ 237,502	\$ 232,610	\$ 162,651	\$ 119,913	\$ 151,617	\$ 167,834	\$ 157,115
Contributions in relation to the actuarially determined contribution	225,505	205,888	375,341	258,583	384,415	181,564	158,235	287,480	344,625	298,517
Contribution (Deficiency) Excess	\$ 42,329	\$ (33,771)	\$ 164,526	\$ 21,081	\$ 151,805	\$ 18,913	\$ 38,322	\$ 135,863	\$ 176,791	\$ 141,402
Covered employee payroll	\$ 2,534,741	\$ 2,472,885	\$ 2,320,238	\$ 2,379,607	\$ 2,364,314	\$ 2,213,838	\$ 2,207,360	\$ 2,092,740	\$ 1,798,806	\$ 1,862,041
Contributions as a percentage of covered employee payroll	8.90%	8.33%	16.19%	10.87%	16.26%	8.20%	7.17%	13.74%	19.16%	16.03%

Notes to Schedule

Valuation date:

Measurement date:

July 1, 2013

June 30, 2015

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

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	15 years
Asset valuation method	Fair market value
Inflation	4.0%
Salary increases	4.0%
Investment rate of return	7.0%
Retirement age	65 years
Mortality	Pre and Post Retirement: 1951 Group Annuity Mortality Table projected to 1970; male rates for males, and male rates set back 5 years for females.

Other:

Change of benefit terms	None
Changes of assumptions	None

Shepaug Valley Regional School District #12  
Schedule of Investment Returns  
Last Two Fiscal Years

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	<u>2015</u>	<u>2014</u>
Annual money-weighted rate of return, net of investment expense	2.78%	15.34%

Shepaug Valley Regional School District #12  
Towns of Bridgewater, Roxbury and Washington  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2015

	Special Revenue Funds						Total Nonmajor Governmental Funds
	School Cafeteria	State and Federal Grants	Special Gift Program Fund	Scholarship Fund	Universal Service Fund	Pre-School Restricted Fund	
<b>Assets:</b>							
Cash	\$ 26,333	\$ 120,990	\$ ---	\$ 270,767	\$ 49,940	\$ ---	468,030
Accounts receivable	203	---	---	---	---	---	203
Due from State of Connecticut	5,397	642	---	---	---	---	6,039
Due from other funds	---	---	---	---	---	12,263	12,263
Inventory	9,680	---	---	---	---	---	9,680
<b>Total Assets</b>	<b>\$ 41,613</b>	<b>\$ 121,632</b>	<b>\$ ---</b>	<b>\$ 270,767</b>	<b>\$ 49,940</b>	<b>\$ 12,263</b>	<b>\$ 496,215</b>
<b>Liabilities and Fund Balances:</b>							
<b>Liabilities:</b>							
Due to other funds	\$ ---	\$ 85,716	\$ ---	\$ ---	\$ ---	\$ ---	85,716
Unearned revenue	4,028	30,996	---	---	---	7,250	42,274
<b>Total Liabilities</b>	<b>4,028</b>	<b>116,712</b>	<b>---</b>	<b>---</b>	<b>---</b>	<b>7,250</b>	<b>127,990</b>
<b>Fund balances:</b>							
Nond spendable:							
Inventories	9,680	---	---	---	---	---	9,680
Committed for:							
School cafeteria	27,905	---	---	---	---	---	27,905
Restricted for:							
Technology - USF fund	---	---	---	---	49,940	---	49,940
Scholarships	---	---	---	270,767	---	---	270,767
Federal and State grants	---	4,920	---	---	---	---	4,920
Pre-School	---	---	---	---	---	5,013	5,013
<b>Total Fund Balance</b>	<b>37,585</b>	<b>4,920</b>	<b>---</b>	<b>270,767</b>	<b>49,940</b>	<b>5,013</b>	<b>368,225</b>
<b>Total Liabilities and Fund Equity</b>	<b>\$ 41,613</b>	<b>\$ 121,632</b>	<b>\$ ---</b>	<b>\$ 270,767</b>	<b>\$ 49,940</b>	<b>\$ 12,263</b>	<b>\$ 496,215</b>

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

Shepaug Valley Regional School District #12  
Towns of Bridgewater, Roxbury and Washington  
Combining Statement of Revenue, Expenditures And Changes In Fund Balances  
Nonmajor Governmental Funds  
Year Ended June 30, 2015

	Special Revenue Funds						Total
	School Cafeteria	State and Federal Grants	Special Gift Program Fund	Scholarship Fund	Universal Service Fund	Pre-School Restricted Fund	Nonmajor Governmental Funds
Revenue:							
Sales of lunches, milk, and other	\$ 225,343	\$ --	\$ ---	\$ --	\$ ---	\$ ---	\$ 225,343
Federal & state grants	34,901	431,286	--	--	--	--	466,187
Other	--	--	--	23,810	19,211	16,997	60,018
Total Revenue	260,244	431,286	---	23,810	19,211	16,997	751,548
Expenditures:							
Cost of food consumed	106,353	--	--	--	--	--	106,353
Salaries and wages	115,358	225,963	---	--	--	--	341,321
Supplies and miscellaneous	7,931	39,200	--	--	---	---	47,131
Payroll taxes	8,880	--	--	--	--	--	8,880
Employee benefits	--	18,720	---	--	--	--	18,720
Repairs and equipment purchases	320	--	---	--	4,100	7,671	12,091
Student Services	--	147,403	--	--	--	28,202	175,605
Theatre program	---	--	2,188	--	--	--	2,188
Scholarships	--	---	--	7,638	--	--	7,638
Total Expenditures	238,842	431,286	2,188	7,638	4,100	35,873	719,927
Excess (Deficiency) of Revenues Over Expenditures	21,402	---	(2,188)	16,172	15,111	(18,876)	31,621
Fund Balance - beginning of year	16,183	4,920	2,188	254,595	34,829	23,889	336,604
Fund Balance - end of year	\$ 37,585	\$ 4,920	\$ ---	\$ 270,767	\$ 49,940	\$ 5,013	\$ 368,225

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

**Shepaug Valley Regional School District #12**  
**Towns of Bridgewater, Roxbury and Washington**  
**Statement of Changes in Assets and Liabilities**  
**All Agency Funds - Student Activities Fund**  
**June 30, 2015**

	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015
<b>Assets:</b>				
Cash	\$ 122,030	\$ 187,145	\$ 197,205	\$ 111,970
<b>Total Assets</b>	<b>\$ 122,030</b>	<b>\$ 187,145</b>	<b>\$ 197,205</b>	<b>\$ 111,970</b>
<b>Liabilities:</b>				
Due to Student Groups				
High School Activity Fund	\$ 92,038	\$ 122,880	\$ 135,143	\$ 79,775
Middle School	14,327	30,250	29,349	15,228
Burnham School	3,385	6,693	5,960	4,118
Booth Free School	6,549	9,204	8,680	7,073
Washington Primary	5,731	18,118	18,073	5,776
<b>Total Liabilities</b>	<b>\$ 122,030</b>	<b>\$ 187,145</b>	<b>\$ 197,205</b>	<b>\$ 111,970</b>

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

### OTHER FINANCIAL INFORMATION



Charles Heaven & Co.  
Certified Public Accountants  
Waterbury, Connecticut

**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**

Board of Education  
Shepaug Valley Regional School District #12  
Bridgewater, Roxbury and Washington, Connecticut

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Shepaug Valley Regional School District #12 as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Shepaug Valley Regional School District #12's basic financial statements, and have issued our report thereon dated December 22, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Shepaug Valley Regional School District #12'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 Shepaug Valley Regional School District #12's internal control. Accordingly, we do not express an opinion on the effectiveness of Shepaug Valley Regional School District #12'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 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 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 Shepaug Valley Regional School District #12's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Shepaug Valley Regional School District #12's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in dark ink, appearing to read "Charles Heaven", is positioned above the company name.

CHARLES HEAVEN & CO.

December 22, 2015