



**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, 2019**

**Shepaug Valley Regional School District #12**  
**Towns of Bridgewater, Roxbury, and Washington**  
**June 30, 2019**

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**Shepaug Valley Regional School District #12**  
**Towns of Bridgewater, Roxbury, and Washington**  
**June 30, 2019**

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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, 2019, 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***

Shepaug Valley Regional School District #12's 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, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 11, budgetary comparison information on page 49, supplementary pension information on pages 50, 52, 54, 55, and supplementary OPEB information on pages 51 and 53, 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, supplemental schedules, and schedule of expenditures of state financial assistance (as required by the State Single Audit Act), are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2019, 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 solely 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 the effectiveness of 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.

A handwritten signature in blue ink, appearing to read "J. H. ... CO.", is written over the text.

December 20, 2019

**Shepaug Valley Regional School District #12**  
**Management's Discussion and Analysis (MD&A)**  
**June 30, 2019**

**Introduction**

This discussion and analysis of the financial performance of Shepaug Valley Regional School District #12 (the "District") are to provide the reader a narrative review of the highlights of the financial activities of the District for the year ended June 30, 2019. This review considers the performance of the District as a whole, and not as individual schools or programs. Information contained in this section is explained in more detail in the financial statements and notes to the financial statements and any accompanying material. Readers are encouraged to review the financial statements and accompanying notes for an enhanced understanding of the District's overall performance.

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, Connecticut and operates three elementary schools, as well as a combined middle-high school. The elementary schools are The Burnham School located in Bridgewater, Booth Free School located in Roxbury, and Washington Primary School located in Washington Depot. The Shepaug Valley School is the combined middle-high school for grades sixth through twelve and is located in Washington. The District's prekindergarten program, REACH, is housed within Washington Primary School. Student Enrollment as of October 1, 2018 is as follows:

Pre-Kindergarten	41 students
Elementary, Grades 1 through 5	223 students
Middle School, Grades 6 through 8	158 students
High School, Grades 9 through 12	<u>260 students</u>
<b>TOTAL ENROLLMENT</b>	<b>682 students</b>

The student population included 82 non-resident students, 27 students from the Town of Sherman, 14 staff members' children and 41 students from other area towns. Overall student enrollment decreased by six students below the 2017-2018 District enrollment of 688.

**Shepaug Valley Regional School District #12**  
**Management's Discussion and Analysis (MD&A)**  
**June 30, 2019**

**Financial Highlights**

Overall gross revenues of \$21,367,005 exceeded net expenditures of \$15,327,617 by \$6,039,388.

Long-term debt obligations as of June 30, 2019 increased to \$14,947,190, compared to the June 30, 2018 debt obligations of \$2,281,380. The increase of \$12,665,810 is the result of the District obtaining general obligation bonds and notes of \$21,250,000, while retiring debt of \$9,450,000.

The total net position of the District on June 30, 2019 is \$8,809,559 which is an increase of \$6,039,388 over the prior year restated net position of \$2,770,171. This increase is in large part due to grant funds received from the State of Connecticut toward the ongoing construction costs of the renovated science labs and new agriscience buildings, as well as increased tuition revenue and higher investment proceeds.

The District continues to do an annual physical inventory of assets for all facilities, the results of which are incorporated into the accompanying financial statements. Assets are accounted for in conformance with GASB 34, with capitalization of depreciable assets at a \$5,000 threshold.

The post-retirement benefit obligation of the District is \$2,044,423 on June 30th. This calculation is based on the demographic information of certified teachers who retire under the State Teacher Retirement system but are able to purchase medical insurance through the District's group medical plan. No actual cash payment is required for the actuarial computed value of the post-retirement benefit as all premiums are paid by the retiree, with no cost to the District.

**Overview of Financial Statements**

This Annual Report consists of three parts: Management's Discussion and Analysis (this section), audited financial statements, and required supplementary information. The financial statements are comprised of two kinds of statements that present financial information from different perspectives. Government-wide financial statements provide both short and long-term information about the District's overall financial position. Fund financial statements focus on reporting individual parts of District operations in more detail. Fund financial statements are further separated into governmental fund statements and fiduciary fund statements. Governmental fund statements demonstrate how general government services are financed in the short term as well as what remains for future spending. Fiduciary fund statements provide information with respect to finances for which the District acts as a trustee or agent for the benefit of others to whom the resources belong.

The financial statements also include notes that explain information in the statements and provide more detailed data, 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 government-wide statements report the District's net position and how they have changed. Net position, the difference between the assets and deferred outflows of resources over liabilities and deferred inflows of resources, is one of the ways to measure the District's financial health or position. Over time, increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating, respectively. To assess the overall health of the District, consideration should be given to non-financial factors such as changes in enrollment, changes in the property tax base, 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 on a per fund basis, rather than information regarding the District as a whole. The District uses funds to keep track of specific sources of funding and spending for particular programs. Some funds are required to be established by state law or by bond covenants. The Board of Education establishes other funds to control and manage money for particular purposes and to show that the District is meeting legal responsibilities for using certain revenues.

The District has two kinds of funds, governmental funds and fiduciary funds. Governmental funds track the basic educational and operational services of the District through the use of cash and other financial assets that can readily be converted to cash. Fiduciary funds are funds for which the District is the trustee (or fiduciary), for assets that belong to others. A student activity accounts is an example of a District fiduciary 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. The District's fiduciary activities are reported in a separate statement of fiduciary net position and statement of changes in fiduciary net position or statement of changes in assets and liabilities, when applicable. These activities are excluded from the District financial statements because the assets in the fiduciary funds cannot be used to finance District operations.

**Shepaug Valley Regional School District #12**  
**Management's Discussion and Analysis (MD&A)**  
**June 30, 2019**

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

	<u>June 30, 2019</u>	<u>June 30, 2018*</u>
<i>Assets</i>		
Cash and Investments	\$10,331,595	\$2,824,920
Prepaid expenses and accounts receivable	55,529	115,590
Inventories	16,606	10,485
Due from State of Connecticut	7,297	10,732
Capital Assets, Net of Accumulated Depreciation	<u>16,209,257</u>	<u>2,854,606</u>
<b>Total Assets</b>	<b>\$26,620,284</b>	<b>\$5,816,333</b>
 <u>Total Deferred Outflow of Resources</u>	 916,085	 475,155
 <i>Liabilities</i>		
Accounts Payable	3,693,855	1,009,383
Deferred Revenue	58,601	26,566
Long-Term Debt	<u>14,947,190</u>	<u>2,281,380</u>
<b>Total Liabilities</b>	<b>\$18,699,646</b>	<b>\$3,317,329</b>
 <u>Total Deferred Inflow of Resources</u>	 27,164	 203,988
 <i>Net Position</i>		
Invested in Capital Assets, Net of Related Debt	3,959,257	2,404,606
Restricted	1,907,979	1,853,603
Unrestricted	<u>2,942,323</u>	<u>(1,488,038)</u>
<b>Total Net Position</b>	<b><u>\$8,809,559</u></b>	<b><u>\$2,770,171</u></b>

\* prior year capital assets were restated due to capitalized construction in progress costs. See Note "17" for more detail.

**Shepaug Valley Regional School District #12**  
**Management's Discussion and Analysis (MD&A)**  
**June 30, 2019**

**Changes in Net Position**

The following is a summary of the changes in net position for the year ended June 30<sup>th</sup> for governmental activities of the District. The District's total revenue is \$32,203,606.

Capital grants and contributions increased by \$4,930,116 as a result of state grant revenues received in the Capital Project Fund.

Other General Fund Revenues were higher than expected by \$296,514. The increase is attributable to an increase in investment income of \$7,312 due to higher than planned investment interest rates, and an increase in District tuition income of approximately \$275,000 more than the anticipated income of \$340,116 for total tuition income of approximately \$616,000. This increase in tuition is due to additional non-resident students enrolling in the District.

The total cost of all programs and services was \$26,164,218.

The District's expenses predominantly related to educating and caring for students are \$17,598,442 or 67.3% of the total expenditures. Debt service of \$46,136, unallocated depreciation of \$266,912 and employee benefits totaling \$8,252,728 accounted for the remaining expenses. Due to State of Connecticut Teachers Retirement System and Other Post Employment Benefit ("OPEB") liabilities, net cost of employee benefits to the District is \$3,492,808.

	<u>June 30, 2019</u>	<u>June 30, 2018*</u>
<i>Program Revenue</i>		
Charges for Services	\$ 777,555	\$ 683,299
Operating Grants & Contributions	5,128,930	3,983,051
Capital Grants & Contributions	4,930,116	---
<i>General Revenue</i>		
Participating Towns	21,118,781	21,098,144
Investment and Miscellaneous Income	<u>248,224</u>	<u>154,729</u>
<b>Total Revenue</b>	<b>32,203,606</b>	<b>25,919,223</b>
<i>Program Expenses</i>		
Instruction	11,199,829	12,259,300
Supporting Services	4,964,984	4,095,615
Employee Benefits - unallocated	8,252,728	6,651,616
Transportation	1,205,418	1,269,117
School Lunch Services	228,211	228,280
Debt Service	46,136	11,025
Depreciation – unallocated	<u>266,912</u>	<u>224,900</u>
<b>Total Expenses</b>	<b>26,164,218</b>	<b>24,739,853</b>
<i>Change in Net Position</i>	6,039,388	1,179,370
Net Position – Beginning of Year	2,770,171	1,590,801
<b>Net Position – End of Year</b>	<b><u>\$8,809,559</u></b>	<b><u>\$2,770,171</u></b>

\*as restated, shown for comparison purposes

**Shepaug Valley Regional School District #12**  
**Management's Discussion and Analysis (MD&A)**  
**June 30, 2019**

**Governmental Activities**

The net cost of all governmental activities is \$15,327,617, summarized as follows:

	<u>June 30, 2019</u>	<u>June 30, 2018*</u>
Instruction	\$10,435,087	\$11,520,907
Supporting services	(148,410) **	3,960,247
Employee Benefits	3,492,808	3,063,069
Transportation	1,205,418	1,269,117
School Lunch Services	29,666	24,238
Debt Service	46,136	11,025
Depreciation	<u>266,912</u>	<u>224,900</u>
<b>Total</b>	<b><u>\$15,327,617</u></b>	<b><u>\$20,073,503</u></b>

\*as restated, shown for comparison purposes

\*\*grant revenue funds related to the agriscience construction project are captured in this category and account for the unusual variance at June 30, 2019

**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 \$6,745,252 which compares to last year's ending fund balance of \$1,929,426. This was an increase in the fund balance of \$4,815,826. This is a result of a higher General Fund and Capital Project Fund balances.

**General Fund Budgetary Expenditure Highlights**

A schedule of the District's original and final budget amounts compared with actual revenues and expenses are provided in the supplemental section of the audited financial report. General Fund expenditures for the fiscal year ended June 30, 2019 total \$21,652,860 or 99.3% of the budget which is \$158,547 less than budgeted. This is in line with estimates and compares favorably with last year. This includes the transfer to the Reserve for Capital and Non-Recurring Fund of \$218,114 as well as the payment to the Elementary School Repair Fund of \$100,000.

**Shepaug Valley Regional School District #12**  
**Management's Discussion and Analysis (MD&A)**  
**June 30, 2019**

**Notable Variances**

Personnel Services and Employee Benefits – At year end, these accounts are under budget by \$315,870. Certified staff costs and employee benefits were lower than budgeted, offset to an extent due to classified staff costs being higher than budgeted. Costs of personnel services are being closely monitored in response to declining enrollment.

Purchased Professional, Technical, and Property Services – At year end, these accounts are over budget by \$343,432. The overage in these accounts is attributable to the cost of replacement of the tennis courts at Shepaug Valley which is an encumbered project pending completion, and also to improvements made to the sound and lighting systems in the theater and auditorium.

Other Purchased Services – At year end, these accounts are under budget by \$634,048. The District costs for out of district placement for special education children were less than anticipated. The transportation budget was also favorable as a result of consolidation of regular transportation routes and the changes in special education placements.

Supplies – At year end, these accounts are under budget by \$31,722. Savings were realized from consortium bids for supplies and utilities.

Property & Program Changes – At year end, these accounts are over budget by \$71,270. Technology and instructional equipment costs were the major drivers in this area as the District made progress adhering to the technology replacement schedule after some years of deferment.

Debt Service & Miscellaneous – At year end, these accounts are over budget by \$180,602. The Board agreed to fund the riding ring which is an integral part of the agriscience project, should state funding be insufficient for this Board selected and approved alternate to the construction project. The funds to support the Board obligation are encumbered pending completion of the project.

Transfers to Other Funds – The Connecticut General Statutes provide that a regional board of education may transfer up to 1% of the board's approved budget appropriation to a Capital Reserve Fund. The Board of Education for the District voted to transfer 1% or \$218,114 to this fund for future capital or non-recurring expenditures. This fund balance can be carried forward each year. Expenditures from the fund are subject to Board of Education approval. The balance at the end of the year is \$852,118.

The District continues to lease the three elementary schools from the member towns with an annual appropriation from the General Fund of a \$100,000 payment into the Elementary Repair Fund. The purpose of this fund is to make mutually agreed upon repairs to the elementary schools based upon the recommendations of a committee comprised of town officials and Board of Education members and representatives. The list of recommended repairs is presented to the full Board of Education for approval.

A summary of interfund transfers follows:

**Shepaug Valley Regional School District #12**  
**Management's Discussion and Analysis (MD&A)**  
**June 30, 2019**

	<u>Transfers From</u> <u>Other Funds</u>	<u>Transfer To</u> <u>Other Funds</u>
Major Governmental Funds:		
General Fund	\$ ---	\$ 787,464
Debt Service Fund	469,350	150,000
Capital Project Fund	150,000	---
Capital Reserve Fund	218,114	---
Elementary Repair Fund	100,000	---
	<u>\$ 937,464</u>	<u>\$ 937,464</u>

**Economic Factors and Future Budgets**

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

It is anticipated that necessary repairs to District facilities will need to be presented for approval at referendum. If approved, the District will seek bond financing to complete the projects.

Discussions of full state funding for tuition to agricultural education programs like the new Shepaug Agriscience program are ongoing. As currently structured, the sending towns of Brookfield, Danbury, New Fairfield, New Milford, Newtown and Sherman pay a portion of the tuition for the students of their towns to attend the Shepaug Agriscience program. If the State assumes responsibility for full payment of the tuition, the expectation is that Shepaug Agriscience may see a significant increase in enrollment.

During the 2019 legislative session, a bill was passed to increase the allowable 1% transfer to capital reserve funds to 2%. This increase did not apply to regional school districts, we believe as an oversight. Leaders of regional school districts are appealing to local legislators to take corrective action to allow regional districts to transfer up to 2% of budget appropriations into their capital reserve funds.

The District will launch a marketing campaign both within our region and to surrounding towns to showcase the unique opportunities available for students and their families in an effort to bolster enrollment. The District is proud to offer our new Agriscience program, welcoming its first class of 46 students from six sending towns together with District students in the 2019-2020 school year. In addition, the District will continue to grow the Shepaug Valley Partnership, which provides 18-21 year old learners the opportunity to continue their education and learn valuable life skills. Started in 2018-2019 with 2 students from our District, the program now hosts two additional students from sending Districts.

**Questions?**

This financial report is made to provide our regional community, taxpayers, staff, parents, students, investors, creditors and other interested parties with a general overview of the finances of the District, and to demonstrate the District's accountability for the money it receives. If you have questions about this report, or need additional financial information, please contact the Business Office of Shepaug Valley Regional School District #12 at (860)868-6100.

**Shepaug Valley Regional School District #12**  
**Towns of Bridgewater, Roxbury and Washington**  
**Statement of Net Position**  
**June 30, 2019**

	<b>Governmental Activities</b>
<b>Assets:</b>	
Cash and cash equivalents	\$ 10,331,595
Prepaid Expenses	45,232
Inventory	16,606
Accounts receivable	10,297
Due from State of Connecticut	7,297
Capital assets - net	<u>16,209,257</u>
<b>Total Assets</b>	<b>26,620,284</b>
<b>Deferred Outflows of Resources:</b>	
Differences between expected and actual experience related to pension	128,205
Changes of assumptions related to pension	304,006
Differences between expected and actual experience related to OPEB	194,502
Changes of assumptions related to OPEB	<u>289,372</u>
<b>Total Deferred Outflows of Resources</b>	<b>916,085</b>
<b>Liabilities:</b>	
Accounts payable	3,103,083
Accrued interest	86,681
Accrued payroll, payroll taxes, and benefits	504,091
Unearned revenue	58,601
Noncurrent liabilities:	
Due within one year	4,325,000
Due in more than one year	<u>10,622,190</u>
<b>Total Liabilities</b>	<b>18,699,646</b>
<b>Deferred Inflows of Resources:</b>	
Net difference between projected and actual earnings on plan investments related to pension	<b>27,164</b>
<b>Net Position:</b>	
Net investment in capital assets	3,959,257
Restricted	
Member towns	455,061
Technology - USF fund	65,915
Scholarships	292,074
Capital non-recurring expenditures	852,118
Elementary Repair Fund	126,445
Federal and State grants	4,920
Pre School	111,446
Unrestricted	<u>2,942,323</u>
<b>Total Net Position</b>	<b>\$ 8,809,559</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, 2019**

Functions	Program Revenues				Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities
<b>Governmental activities:</b>					
Instructional services	\$ 11,199,829	\$ 615,491	\$ 149,251	\$ -	(10,435,087)
Support services	4,964,984	-	183,278	4,930,116	148,410
Employee Benefits - Unallocated	8,252,728	-	4,759,920	-	(3,492,808)
Transportation	1,205,418	-	-	-	(1,205,418)
School lunch services	228,211	162,064	36,481	-	(29,666)
Interest on long-term liabilities	46,136	-	-	-	(46,136)
Depreciation - Unallocated	266,912	-	-	-	(266,912)
<b>Total school district</b>	<b>\$ 26,164,218</b>	<b>\$ 777,555</b>	<b>\$ 5,128,930</b>	<b>\$ 4,930,116</b>	<b>(15,327,617)</b>

**General revenues:**

Participating towns:	
Town of Bridgewater	3,785,614
Town of Roxbury	7,655,448
Town of Washington	9,677,719
Unrestricted earnings on investments	160,825
Miscellaneous	87,399
Total general revenues	<u>21,367,005</u>

Change in net position **6,039,388**

**Net position - beginning, as restated, see Note "17"** 2,770,171

**Net position - ending** \$ 8,809,559

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, 2019

	Major Funds						Total Governmental Funds
	General Fund	Debt Service Fund	Capital Reserve Fund	Capital Proj. Elementary Repair Fund	Capital Project Fund	Other Governmental Funds	
<b>Assets:</b>							
Cash and cash equivalents	\$ 1,244,258	\$ 364,126	\$ 867,414	\$ 118,565	\$ 6,993,891	\$ 743,341	\$ 10,331,595
Prepaid expenses	45,232	---	---	---	---	---	45,232
Inventory	---	---	---	---	---	16,606	16,606
Due from other funds	634,773	---	---	12,380	150,319	29,830	827,302
Accounts receivable	---	---	---	---	---	10,297	10,297
Due from State of Connecticut	---	---	---	---	---	7,297	7,297
<b>Total Assets</b>	<b>\$ 1,924,263</b>	<b>\$ 364,126</b>	<b>\$ 867,414</b>	<b>\$ 130,945</b>	<b>\$ 7,144,210</b>	<b>\$ 807,371</b>	<b>\$ 11,238,329</b>
<b>Liabilities:</b>							
Accrued payroll, payroll taxes, and benefits	\$ 504,091	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ 504,091
Accounts payable	226,261	---	15,296	4,500	2,856,553	473	3,103,083
Due to other funds	42,529	150,000	---	---	344,156	290,617	827,302
Unearned revenue	---	---	---	---	---	58,601	58,601
<b>Total Liabilities</b>	<b>772,881</b>	<b>150,000</b>	<b>15,296</b>	<b>4,500</b>	<b>3,200,709</b>	<b>349,691</b>	<b>4,493,077</b>
<b>Fund balances:</b>							
Nonspendable:							
Inventories	---	---	---	---	---	16,606	16,606
Restricted for:							
Member Towns	455,061	---	---	---	---	---	455,061
Technology - USF fund	---	---	---	---	---	65,915	65,915
Scholarships	---	---	---	---	---	292,074	292,074
Capital improvements	---	---	852,118	126,445	3,943,501	---	4,922,064
Federal and State grants	---	---	---	---	---	4,920	4,920
Pre School	---	---	---	---	---	111,446	111,446
Committed for:							
Debt service	---	214,126	---	---	---	---	214,126
School cafeteria	---	---	---	---	---	(33,281)	(33,281)
Unassigned	696,321	---	---	---	---	---	696,321
<b>Total Fund Balances</b>	<b>1,151,382</b>	<b>214,126</b>	<b>852,118</b>	<b>126,445</b>	<b>3,943,501</b>	<b>457,680</b>	<b>6,745,252</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 1,924,263</b>	<b>\$ 364,126</b>	<b>\$ 867,414</b>	<b>\$ 130,945</b>	<b>\$ 7,144,210</b>	<b>\$ 807,371</b>	<b>\$ 11,238,329</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, 2019**

<b>Total fund balances for governmental funds</b>		<b>\$</b>	<b>6,745,252</b>
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 \$16,297,977 accumulated depreciation.			16,209,257
Other long-term assets and deferred outflows of resources are not available to pay for current period expenditures, and therefore, are unavailable in the funds:			
Deferred outflows of resources:			
Differences between expected and actual experience related to pension	\$	128,205	
Changes of assumptions related to pension		304,006	
Differences between expected and actual experience related to OPEB		194,502	
Changes of assumptions related to OPEB		<u>289,372</u>	916,085
Long-term liabilities and deferred inflows of resources 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:			
Deferred inflows of resources:			
Net difference between projected and actual earnings on plan investments	\$	(27,164)	
Accrued interest		(86,681)	
Bonds payable		(12,250,000)	
Net OPEB liability		(2,044,423)	
Early retirement payable and other compensated absences		(125,440)	
Net pension liability		<u>(527,327)</u>	(15,061,035)
<b>Total net position of governmental activities</b>		<b>\$</b>	<b><u>8,809,559</u></b>

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, 2019

	Major Funds						Total
	General Fund	Debt Service Fund	Capital Reserve Fund	Capital Proj. Elementary Repair Fund	Capital Project Fund	Other Governmental Funds	Governmental Funds
<b>Revenue:</b>							
Participating towns	\$ 21,118,781	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	21,118,781
Federal and state revenue	4,759,973	---	---	---	4,930,116	368,957	10,059,046
Investment income	8,012	6,606	13,924	2,196	127,817	2,270	160,825
Sales of lunches, milk, etc	---	---	---	---	---	162,064	162,064
Tuition	615,491	---	---	---	---	---	615,491
Other revenue	13,840	---	---	---	---	73,559	87,399
<b>Total Revenue</b>	<b>26,516,097</b>	<b>6,606</b>	<b>13,924</b>	<b>2,196</b>	<b>5,057,933</b>	<b>606,850</b>	<b>32,203,606</b>
<b>Expenditures:</b>							
Certified salaries	8,957,467	---	---	---	---	---	8,957,467
Classified salaries	3,459,949	---	---	---	---	268,099	3,728,048
Employee benefits	7,994,428	---	---	---	---	20,123	8,014,551
Instructional programs	1,024,425	---	---	---	---	229,992	1,254,417
Tuition - other schools	312,726	---	---	---	---	---	312,726
Administrative	679,914	---	---	---	---	---	679,914
Pupil transportation	1,205,418	---	---	74,811	---	---	1,205,418
Plant operation & maintenance	1,035,766	---	---	---	---	---	1,110,577
Food service	---	---	---	---	---	79,640	79,640
Interest	60,235	4,864	---	---	176,000	---	241,099
Capital outlay	227,104	---	331,622	---	13,307,789	15,404	13,881,919
Principal payments on bonds	---	450,000	---	---	9,000,000	---	9,450,000
<b>Total Expenditures</b>	<b>24,957,432</b>	<b>454,864</b>	<b>331,622</b>	<b>74,811</b>	<b>22,483,789</b>	<b>613,258</b>	<b>48,915,776</b>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<b>1,558,665</b>	<b>(448,258)</b>	<b>(317,698)</b>	<b>(72,615)</b>	<b>(17,425,856)</b>	<b>(6,408)</b>	<b>(16,712,170)</b>
<b>Other Financing Sources (Uses):</b>							
Proceeds from General Obligation Bond Anticipation Notes	---	---	---	---	13,000,000	---	13,000,000
Proceeds from General Obligation Bonds	---	---	---	---	8,250,000	---	8,250,000
Proceeds from Bond Issuance Premium	---	---	---	---	277,996	---	277,996
Operating Transfers in (out)	(787,464)	319,350	218,114	100,000	150,000	---	---
<b>Total Other Financing Sources (Uses)</b>	<b>(787,464)</b>	<b>319,350</b>	<b>218,114</b>	<b>100,000</b>	<b>21,677,996</b>	<b>---</b>	<b>21,527,996</b>
<b>Net change in fund balances</b>	<b>771,201</b>	<b>(128,908)</b>	<b>(99,584)</b>	<b>27,385</b>	<b>4,252,140</b>	<b>(6,408)</b>	<b>4,815,826</b>
<b>Fund Balance - beginning of year</b>	<b>380,181</b>	<b>343,034</b>	<b>951,702</b>	<b>99,060</b>	<b>(308,639)</b>	<b>464,088</b>	<b>1,929,426</b>
<b>Fund Balance - end of year</b>	<b>\$ 1,151,382</b>	<b>\$ 214,126</b>	<b>\$ 852,118</b>	<b>\$ 126,445</b>	<b>\$ 3,943,501</b>	<b>\$ 457,680</b>	<b>\$ 6,745,252</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 Statement of Revenues, Expenditures, and Changes in**  
**Fund Balances of Governmental Funds to the Statement of Activities**  
**Year Ended June 30, 2019**

<b>Net change in fund balances-total governmental funds</b>	\$	4,815,826
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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	\$	13,636,282	
Depreciation expense		<u>(281,631)</u>	13,354,651

The governmental funds report bond proceeds and related issuance costs and premiums as other financing sources. The 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. The repayment of principal reduces the liability; interest expense is recognized as it accrued, 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:

Proceeds of general obligation bonds & notes	\$	(21,250,000)	
Repayment of bond principal		9,450,000	
Interest expense - general obligation bonds		<u>(83,033)</u>	(11,883,033)

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:

Change in deferred outflows of resources			
Differences between expected and actual experience related to pension	\$	128,205	
Changes of assumptions related to pension		(122,516)	
Differences between expected and actual experience related to OPEB		194,502	
Changes of assumptions related to OPEB		240,739	
Change in deferred inflows of resources			
Differences between expected and actual experience related to pension		10,653	
Net difference between projected and actual earnings on plan investments related to pension		(18,102)	
Differences between expected and actual experience related to OPEB		184,273	
Change in net OPEB liability		(702,480)	
Change in compensated absences and termination benefits		(2,342)	
Change in net pension liability		<u>(160,988)</u>	<u>(248,056)</u>

<b>Change in net position of governmental activities</b>	\$	<u><u>6,039,388</u></u>
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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, 2019**

	<b>Pension Trust Fund</b>	<b>Agency Fund Student Activities</b>
<b>Assets:</b>		
Cash and cash equivalents	\$ 178,958	\$ 130,545
Investments	<u>6,741,889</u>	<u>---</u>
<b>Total Assets</b>	<b>6,920,847</b>	<b>130,545</b>
<b>Liabilities and Net Position:</b>		
<b>Liabilities:</b>		
Due to student groups	<u>---</u>	<u>130,545</u>
<b>Total Liabilities</b>	<u>---</u>	<u>130,545</u>
<b>Net Position:</b>		
Held in trust for pension benefits	\$ <u><u>6,920,847</u></u>	\$ <u><u>---</u></u>

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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, 2019**

	<b>Fiduciary Fund Pension Trust Fund</b>
<b>Additions:</b>	
Employer contributions	\$ 205,511
Investment income:	
Net increase in the fair value of investments	273,977
Interest and dividends	148,050
Gross investment income	<u>422,027</u>
Less: Investment expense	29,040
Net investment income	<u>392,987</u>
<b>Total Additions</b>	<u><b>598,498</b></u>
<b>Deductions:</b>	
Pension benefits	319,835
<b>Change in Net Position</b>	<u><b>278,663</b></u>
<b>Net position held in trust for pension benefits:</b>	
Beginning of year	<u>6,642,184</u>
End of year	<u><u><b>\$ 6,920,847</b></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**  
**June 30, 2019**

**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, 68, and 73, and the OPEB plan presents additional schedules as required by GASB 75.

**B. Reporting Entity:**

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

**Shepaug Valley Regional School District #12**  
**Towns of Bridgewater, Roxbury, and Washington**  
**June 30, 2019**

**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 associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. All revenues not classified as program revenues are presented as general revenues of the district.

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

**Governmental-Funds:**

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

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

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

Debt Service Fund – This fund accounts for the accumulation of resources for, and the payment of general long-term debt principal, interest, and related costs.



**Shepaug Valley Regional School District #12**  
**Towns of Bridgewater, Roxbury, and Washington**  
**June 30, 2019**

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

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

**Fiduciary Funds:**

Trust and Agency Funds – These 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 Fund – This fund accounts 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**  
**June 30, 2019**

**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.

**Shepaug Valley Regional School District #12**  
**Towns of Bridgewater, Roxbury, and Washington**  
**June 30, 2019**

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

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

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

The Connecticut General Statutes authorize the investment of funds in the obligations of the United States, or may be invested in any state or other tax-exempt political subdivision under certain conditions. Funds may also be deposited in the State Treasurer's Short-Term Investment 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 prepayments 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
Construction in Progress	Not depreciated
Land Improvements	20 years
Building & Improvements	20 – 50 years
Furniture & Equipment	5 – 10 years

**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. Additionally, the statement of financial position reports 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.

The District reports deferred outflows and deferred inflows of resources related to pension and OPEB.

**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 position.

**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**  
**June 30, 2019**

**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 are included in unassigned fund balance.

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

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

	General Fund		
		<u>Expenditures and Other</u>	
	<u>Revenue</u>	<u>Financing Uses</u>	<u>Fund Balance</u>
Budgetary Statement - June 30, 2019	\$22,107,921	\$21,652,860	\$455,061
Encumbrances - June 30, 2018	---	28,437	---
Encumbrances - June 30, 2019	---	(696,321)	696,321
Fund balance returned to participating towns is a decrease of revenue for GAAP purposes	(351,744)	---	---
Payments made on the District's behalf as described in Notes "12" and "16"	4,759,920	4,759,920	---
Balance (GAAP) Balance Sheet and Statement of Revenue and Expenditures - June 30, 2019	<u>\$26,516,097</u>	<u>\$25,744,896</u>	<u>\$1,151,382</u>

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

No formal budget is adopted.

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

A. Cash and Cash Equivalents:

	<u>Governmental Funds</u>	<u>Fiduciary Funds</u>
Deposits:		
Demand accounts	\$ 9,993,643	\$ 309,503
Cash Equivalents:		
State short-term investment fund (STIF)	337,952	---
Total Cash and Cash Equivalents	<u>\$ 10,331,595</u>	<u>\$ 309,503</u>

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

**B. Deposits**

Custodial credit risk is the risk that, in the event of a bank failure, the District’s deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of June 30, 2019, the carrying amount of the District’s deposits was \$9,993,643 and the bank balance was \$12,686,433. Of the District’s bank balance, \$12,186,433 was exposed to custodial credit risk, as follows:

Uninsured and uncollateralized	\$ 10,985,685
Uninsured and collateralized held by pledging Bank’s trust department, not in the District’s name	<u>1,200,748</u>
Total amount subject to custodial credit risk	<u>\$ 12,186,433</u>

**C. Cash Equivalents**

Cash equivalents are short-term, highly liquid investments that are both readily convertible to known amounts of cash and purchased within 90 days of maturity. At June 30, 2019, the District’s cash equivalents amounted to \$337,952. The following table provides a summary of the District’s cash equivalents, as rated by national recognized statistical rating organizations. The pools all have maturities of less than one year.

	<u>Standard and Poor’s</u>
State of Connecticut Short-Term Investment Fund (STIF)	AAAm

**D. Investments**

At June 30, 2019, the District’s investments, consisted of the following:

<u>Types of Investments</u>	<u>Fair Value</u>	<u>Average Credit Rating</u>	<u>Investment Maturity</u>
<b>Fiduciary Funds</b>			
Mutual Funds	<u>\$ 6,741,889</u>	N/A	N/A

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

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

**E. Fair Value Measurements**

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

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

As of June 30, 2019, the District's investments are measured on a recurring basis using Level 1 information (market quotations for investments that have quoted prices in active markets). The District does not hold any investments on June 30, 2019 whose fair value was determined using Level 2 or Level 3 inputs.

**Note “5” – Receivables and Due from the State of Connecticut:**

Receivables and amounts due from State of Connecticut at June 30, 2019 consisted of various fees, interest and intergovernmental grants and entitlements. All receivables are considered collectible in full based on prior years' experience and the stable condition of State programs.

**Note “6” – Interfund Accounts – Due to/from Other Funds:**

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

	<u>Due from</u> <u>Other Funds</u>	<u>Due to</u> <u>Other Funds</u>
Major Governmental Funds:		
General Fund	\$ 634,773	\$ 42,529
Debt Service Fund	---	150,000
Capital Project Elementary Repair Fund	12,380	---
Capital Project Fund	150,319	344,156
Non-Major Governmental Funds:		
Cateferia Fund	---	64,595
State and Federal Grant Fund	---	221,907
Universal Service Fund	---	4,115
Pre-School Restricted Fund	29,830	---
Total	<u>\$ 827,302</u>	<u>\$ 827,302</u>



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**Note “6” – Interfund Accounts – Due to/from Other Funds (continued):**

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

**Note “7” – Interfund Accounts – Transfers:**

Interfund transfers for the year ended June 30, 2019, consisted of the following:

	<u>Transfers From</u> <u>Other Funds</u>	<u>Transfer To</u> <u>Other Funds</u>	<u>Net</u> <u>Transfers</u>
Major Governmental Funds:			
General Fund	\$ ---	\$ 787,464	\$ (787,464)
Debt Service Fund	469,350	150,000	319,350
Capital Project Fund	150,000	---	150,000
Capital Reserve Fund	218,114	---	218,114
Elementary Repair Fund	100,000	---	100,000
	<u>\$ 937,464</u>	<u>\$ 937,464</u>	<u>\$ ---</u>

Transfers are used to move (1) revenues from the fund the statute or budget requires to collect them to the fund that the statute or budget requires to expend them, and (2) move unrestricted revenues collected in the general fund to finance various programs accounted for in other funds, in accordance with budgetary authorization.

**Note “8” – Operating Deficiencies and Fund Deficits:**

At June 30, 2019, the following individual funds had operating deficiencies and/or fund deficits, none of which constitutes a violation of statutory provisions.

	<u>Operating</u> <u>Deficiency</u>	<u>Fund</u> <u>Deficits</u>
Debt Service Fund	\$ 128,908	\$ ---
Capital Reserve Fund	\$ 99,584	\$ ---
School Cafeteria Fund	\$ 29,666	\$ 16,675
Scholarship Fund	\$ 14,402	\$ ---

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**Note “9” – Capital Assets:**

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

<b>Governmental Activities:</b>	<b><u>Balance</u> <u>July 1, 2018,</u> <u>as restated</u></b>	<b><u>Increases</u></b>	<b><u>Decreases</u></b>	<b><u>Balance</u> <u>June 30, 2019</u></b>
<b>Capital Assets, not being depreciated</b>				
Land and Land Improvements	\$ 152,512	\$ ---	\$ ---	\$ 152,512
Construction in Progress - AgScience Project *	1,284,926	13,596,600	---	14,881,526
Total Capital Assets, not being depreciated	1,437,438	13,596,600	---	15,034,038
<b>Capital Assets, being depreciated</b>				
Buildings and improvements	12,200,592	---	---	12,200,592
Leasehold improvements	3,577,381	---	---	3,577,381
Furniture and equipment	1,664,234	39,682	(8,693)	1,695,223
Total Capital Assets, being depreciated	17,442,207	39,682	(8,693)	17,473,196
<b>Accumulated Depreciation</b>				
Buildings and improvements	(10,864,602)	(237,027)	---	(11,101,629)
Leasehold improvements	(3,577,381)	---	---	(3,577,381)
Furniture and equipment	(1,583,056)	(44,604)	8,693	(1,618,967)
Total Accumulated Depreciation	(16,025,039)	(281,631)	8,693	(16,297,977)
Total Capital Assets, being depreciated, net	1,417,168	(241,949)	---	1,175,219
<b>Governmental Activities Capital Assets, net</b>	<b>\$ 2,854,606</b>	<b>\$13,354,651</b>	<b>---</b>	<b>\$16,209,257</b>

Depreciation expense, at June 30, 2019, was charged to functions of the District as follows:

**Governmental Activities:**

Unallocated	\$ 266,912
Supporting Services:	
District administration	4,852
Operation and maintenance of facilities	9,867
	<u>\$ 281,631</u>

\* Beginning of the year governmental activities, capital assets, increased by \$1,284,926 due to capitalized construction in progress – AgScience Project costs not included in the prior year. See Note “17” for more information.

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**Note “10” – Long-Term Debt:**

Long-term liability activity for the year ended June 30, 2019 is as follows:

	<u>Balance</u> <u>July 1, 2018</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2019</u>	<u>Due Within</u> <u>One Year</u>
General Obligation Loan of 2012	\$ 450,000	\$ ---	\$ 450,000	\$ ---	\$ ---
General Obligation Bonds of 2019	---	8,250,000	---	8,250,000	325,000
General Obligation Bond Anticipation Notes of 2019	---	13,000,000	9,000,000	4,000,000	4,000,000
Compensated Absences & Other Leave Benefits	123,098	19,170	16,828	125,440	---
Net OPEB Liability	1,341,943	702,480	---	2,044,423	---
Net Pension Liability	366,339	179,160	18,172	527,327	---
<u>Totals</u>	<u>\$ 2,281,380</u>	<u>\$ 22,150,810</u>	<u>\$ 9,485,000</u>	<u>\$ 14,947,190</u>	<u>\$ 4,325,000</u>

Compensated absences and other leave benefits includes vested or accumulated severance and sick leave.

A summary of general obligation bonds and notes outstanding as of June 30, 2019 is as follows:

	<u>Date of</u> <u>Issue</u>	<u>Date of</u> <u>Maturity</u>	<u>Interest Rate</u>	<u>Amt of</u> <u>Original Issue</u>	<u>Balance</u> <u>Outstanding</u> <u>6/30/2019</u>
General Obligation Loan of 2012	2012	2019	2.150%	2,500,000	---
General Obligation Bonds of 2019	4/10/2019	4/1/2040	2.125% - 5.000%	8,250,000	8,250,000
General Obligation Bond Anticipation Note of 2019	4/10/2019	4/9/2020	2.750%	4,000,000	4,000,000
General Obligation Bond Anticipation Note of 2019	7/24/2018	4/10/2019	2.750%	9,000,000	---
<u>Totals</u>				<u>\$ 23,750,000</u>	<u>12,250,000</u>

The proceeds from the general obligation bonds and notes will be used to finance renovation and construction related to the District’s Agriscience STEM Academy and Science Wing.

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**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>
2020	\$ 4,325,000	\$ 382,994	\$ 4,707,994
2021	350,000	263,744	613,744
2022	400,000	246,244	646,244
2023	400,000	226,244	626,244
2024	400,000	206,244	606,244
2025-2029	2,000,000	790,719	2,790,719
2030-2034	2,000,000	534,719	2,534,719
2035-2040	2,375,000	251,963	2,626,963
<u>Total</u>	<u>\$ 12,250,000</u>	<u>\$ 2,902,871</u>	<u>\$ 15,152,871</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 plan does not issue stand-alone financial statements. The membership of the plan consisted of the following at July 1, 2019, the date of the latest actuarial valuation:

Inactive employees or beneficiaries currently receiving benefits	46
Inactive employees entitled to but not yet receiving benefits	7
Active employees	<u>69</u>
Total	<u>122</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, 2019 actuarial valuation.

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

**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.

**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, Wells Fargo. 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, 2019:

<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	\$	878,141	12.69%
Federated Total Return Bond Fund	\$	641,091	9.26%
Metropolitan West Total Return Bond Fund	\$	640,915	9.26%
Wells Fargo Core Bond Fund	\$	640,454	9.25%
Dodge & Cox Income Fund	\$	637,191	9.21%
Northern Mid Cap Index Fund	\$	582,563	8.42%

**Rate of Return:** For the year ended June 30, 2019, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 5.91%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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

**E. Net Pension Liability of the District:**

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

Total pension liability	\$ 7,448,174
Plan fiduciary net position	<u>6,920,847</u>
Net pension liability	<u>\$ 527,327</u>

Plan fiduciary net position as a percentage of the total pension liability 92.92%

**F. Actuarial Assumptions:**

The total pension liability was determined by an actuarial valuation as of July 1, 2019, using the following actuarial assumptions, applied to all period included in the measurement:

Inflation:	2.25%
Salary Increases:	3.50%
Investment Rate of Return:	6.75%, net of pension plan investment expense

Mortality rates were based on the RP-2014 Table with MP-2018 mortality improvements.

*Changes in Assumptions:* The municipal bond index changed from 2.98% in the July 1, 2018 actuarial valuation to 2.79% for the July 1, 2019 actuarial valuation. In addition, the mortality table was updated from the RP-2014 Table with MP-2017 mortality improvements to the RP-2014 Table with MP-2018 mortality improvements.

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, 2019 (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%

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

**G. Discount Rate:**

The discount rate used to measure the total pension liability was 6.75%. 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 Liability to Changes in the Discount Rate**

The following presents the net pension liability of the District, calculated using the discount rate of 6.75%, 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 (5.75%) or 1 percentage point higher (7.75%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
	<u>5.75%</u>	<u>6.75%</u>	<u>7.75%</u>
Total Pension Liability	\$ 8,235,141	\$ 7,448,174	\$ 6,776,028
Plan Fiduciary Net Position	\$ 6,920,847	\$ 6,920,847	\$ 6,920,847
Net Pension Liability (Asset)	\$ 1,314,294	\$ 527,327	\$ ( 144,819)

**I. Changes in the Net Pension Liability**

	<b>Total Pension Liability (a)</b>	<b>Increase (Decrease) Plan Fiduciary Net Position (b)</b>	<b>Net Position Liability (Asset) (a) - (b)</b>
Balances as of June 30, 2018	\$ 7,008,523	\$ 6,642,184	\$ 366,339
Changes for the Year:			
Service cost	153,015	---	153,015
Interest on total pension liability	462,281	---	462,281
Differences between expected and actual experience	162,362	---	162,362
Changes of assumptions	(18,172)	---	(18,172)
Employer contributions	---	205,511	(205,511)
Net investment income	---	392,987	(392,987)
Benefit payments	(319,835)	(319,835)	---
Net changes	439,651	278,663	160,988
Balances as of June 30, 2019	<u>\$ 7,448,174</u>	<u>\$ 6,920,847</u>	<u>\$ 527,327</u>

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**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**

	<u>Deferred Outflows</u> <u>of Resources</u>	<u>Deferred Inflows</u> <u>of Resources</u>
Differences between expected and actual experience	\$ 128,205	\$ ---
Changes of assumptions	304,006	---
Net difference between projected and actual earnings on plan investments	---	27,164
	<u>\$ 432,211</u>	<u>\$ 27,164</u>

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

<u>Year Ending June 30</u>	<u>Principal</u>
2020	\$ 146,913
2021	72,607
2022	86,621
2023	52,370
2024	31,862
Thereafter	14,674
<u>Total</u>	<u>\$ 405,047</u>

**Note “12” – State of Connecticut Teachers’ Retirement System: Pension**

**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 multi-employer 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).



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**Note “12” – State of Connecticut Teachers’ Retirement System: Pension**

**B. Summary of Significant Accounting Policies:**

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

**C. Benefit Provisions:**

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

*Normal Retirement:* Retirement benefits for the employees are calculated as 2% of the average annual salary times the years of credited service (maximum benefit is 75% of average annual salary during the 3 years of highest salary). In addition, amounts derived from the accumulation of 6% contributions made prior to July 1, 1989 and voluntary contributions are payable.

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

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

**D. Contributions:**

*State of Connecticut:* Per Connecticut General Statutes Section 10- 183z (which reflects Public Act 79-436 as amended), contribution requirements of active employees and the State of Connecticut are 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 amounts to finance unfunded accrued liability.

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

*Employees:* Effective July 1, 1992, each teacher is required to contribute 6% of pensionable salary for the pension benefit. Effective January 1, 2018, the required contribution increased to 7% of pensionable salary.

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**Note “12” – State of Connecticut Teachers’ Retirement System: Pension (continued):**

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

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

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>26,645,180</u>
<u>Total</u>	\$	<u>26,645,180</u>

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

For the year ended June 30, 2019, the District recognized pension expense and revenue of \$2,990,451 for on-behalf amounts for the benefits provided by the State.

**F. Actuarial Assumptions:**

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

Inflation	2.75%
Salary increases	3.25-6.50%, including inflation
Investment rate of return	8.00%, net of pension plan investment expense, including inflation

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

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

For teachers who retired prior to September 1, 1992, pension benefit adjustments are made in accordance with increases in the Consumer Price Index, with a minimum of 3% and a maximum of 5% per annum.

For teachers who were members of the Teachers' Retirement System before July 1, 2007 and retire on or after September 1, 1992, pension benefit adjustments are made that are consistent with those provided for Social Security benefits on January 1 of the year granted, with a maximum of 6% per annum. If the return on assets in the previous year was less than 8.5%, the maximum increase is 1.5%.

**Shepaug Valley Regional School District #12**  
**Towns of Bridgewater, Roxbury, and Washington**  
**June 30, 2019**

**Note “12” – State of Connecticut Teachers’ Retirement System: Pension (continued):**

**F. Actuarial Assumptions (continued):**

For teachers who were members of the Teachers' Retirement System after July 1, 2007, pension benefit adjustments are made that are consistent with those provide for Social Security benefits on January 1 of the year granted, with a maximum of 5% per annum. If the return on assets in the previous year was less than 11.5%, the maximum increase is 3%, and if the return on the assets in the previous year was less than 8.5%, the maximum increase is 1.0%.

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

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

**G. Discount Rate:**

The discount rate used to measure the total pension liability was 8.00%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the State contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

**Shepaug Valley Regional School District #12  
Towns of Bridgewater, Roxbury, and Washington  
June 30, 2019**

**Note “12” – State of Connecticut Teachers’ Retirement System: Pension (continued):**

**I. Pension Plan Fiduciary Net Position**

Detailed information about the pension plan's fiduciary net position is available in the separately issued financial statements available at [www.ct.gov](http://www.ct.gov).

**J. Other Information**

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

**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 collectability of any related receivable at June 30, 2019 may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

**Note “15” – Post Retirement Benefits:**

**A. General Information about the Post Retirement Plan:**

Shepaug Valley Regional School District #12 has a single-employer defined benefit plan that provides post-retirement benefits, including medical and life insurance benefits, to eligible retirees and their spouses. The post-retirement plan does not issue stand-alone financial statements.

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

**Shepaug Valley Regional School District #12**  
**Towns of Bridgewater, Roxbury, and Washington**  
**June 30, 2019**

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

**A. General Information about the Post Retirement Plan (continued):**

The membership of the plan consisted of the following at July 1, 2019, the date of the latest actuarial valuation:

Inactive employees or beneficiaries currently receiving benefits	11
Inactive employees entitled to but not yet receiving benefits	0
Active employees	<u>191</u>
Total	<u>202</u>

**B. Authority and Funding Policy:**

The Board of Education has established the benefit provisions and contribution to the plan. The contribution requirements of plan members and the District are established and may be amended by the District. The District determines the required contribution using the Entry Age Normal Method. The Board is also authorized to make changes to the plan provisions through the budgetary process.

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

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

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

Total OPEB liability	\$ 2,044,423
Plan fiduciary net position	<u>---</u>
Net OPEB liability	<u>\$ 2,044,423</u>

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

**D. Actuarial Assumptions:**

Valuation Date	July 1, 2019
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Dollar, open
Remaining Amortization Period	30 Years
Inflation	2.25%
Salary Increases	N/A
Investment Rate of Return	N/A
Discount Rate	3.13%
Trend Rate	8.00% in current year, decreasing by 0.50% per year with an ultimate rate of 4.00%
Mortality Table	RP-2014 (adjusted) with MP-2018 mortality improvements

**Shepaug Valley Regional School District #12**  
**Towns of Bridgewater, Roxbury, and Washington**  
**June 30, 2019**

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

**D. Actuarial Assumptions (continued):**

*Changes in Assumptions:* The discount rate decreased from 3.62% to 3.13% and the mortality table was updated from the 1994 GAR to RP-2014 (adjusted) with MP-2018 mortality improvements.

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

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

The following presents the net OPEB liability of the District, calculated using the discount rate of 3.13%, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.13%) or 1 percentage point higher (4.13%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
	<u>2.13%</u>	<u>3.13%</u>	<u>4.13%</u>
Total OPEB Liability	\$ 2,390,314	\$ 2,044,423	\$ 1,764,264
Plan Fiduciary Net Position	\$ ---	\$ ---	\$ ---
Net OPEB Liability	\$ 2,390,314	\$ 2,044,423	\$ 1,764,264

The following presents the net OPEB liability of the District, calculated using the trend rate of 8.00%, as well as what the District's net OPEB liability would be if it were calculated using a trend rate that is 1 percentage point lower (7.00%) or 1 percentage point higher (9.00%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
	<u>7.00%</u>	<u>8.00%</u>	<u>9.00%</u>
Total OPEB Liability	\$ 1,784,690	\$ 2,044,423	\$ 2,355,225
Plan Fiduciary Net Position	\$ ---	\$ ---	\$ ---
Net OPEB Liability	\$ 1,784,690	\$ 2,044,423	\$ 2,355,225

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

	<b>Total OPEB Liability (a)</b>	<b>Increase (Decrease) Plan Fiduciary Net Position (b)</b>	<b>Net OPEB Liability (a) - (b)</b>
Balances as of June 30, 2018	\$ 1,341,943	\$ ---	\$ 1,341,943
Changes for the Year:			
Service cost	10,000	---	10,000
Interest cost	48,578	---	48,578
Differences between expected and actual experience	387,208	---	387,208
Changes of assumptions	256,694	---	256,694
Net changes	702,480	---	702,480
Balances as of June 30, 2019	<u>\$ 2,044,423</u>	<u>\$ ---</u>	<u>\$ 2,044,423</u>

**Shepaug Valley Regional School District #12  
Towns of Bridgewater, Roxbury, and Washington  
June 30, 2019**

**Note “15” – Post Retirement Benefits (continued):**

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 194,502	\$ ---
Changes of assumptions	289,372	---
	<u>\$ 483,874</u>	<u>\$ ---</u>

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

<u>Year Ending June 30</u>	<u>Principal</u>
2020	\$ 24,388
2021	24,388
2022	24,388
2023	24,388
2024	24,388
Thereafter	361,934
<u>Total</u>	<u>\$ 483,874</u>

**Note “16” – State of Connecticut Teachers’ Retirement System: Other Postemployment Benefits:**

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

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

**B. Summary of Significant Accounting Policies:**

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

**Shepaug Valley Regional School District #12  
Towns of Bridgewater, Roxbury, and Washington  
June 30, 2019**

**Note “16” – State of Connecticut Teachers’ Retirement System: OPEB (continued):**

**C. Benefit Provision**

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

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

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

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

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.

**D. Contributions & Administrative Expenses**

Per Connecticut General Statutes Section 10-183z (which reflects Public Act 79-436 as amended), contribution requirements of active employees and the State of Connecticut are amended and certified by the TRB and appropriated by the General Assembly. The State pays for one third of plan costs through an annual appropriation in the General Fund.

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

*Employees/Retirees:* The cost of providing benefits is financed on a pay-as-you-go basis as follows: active teachers' pay for one third of the Plan costs through a contribution of 1.25% of their pensionable salaries, and retired teachers pay for one third of the Plan costs through monthly premiums, which helps reduce the cost of health insurance for eligible retired members and dependents.

Administrative costs of the Plan are to be paid by the General Assembly per Section 10-183r of the Connecticut General Statutes.



**Shepaug Valley Regional School District #12  
Towns of Bridgewater, Roxbury, and Washington  
June 30, 2019**

**Note “16” – State of Connecticut Teachers’ Retirement System: OPEB (continued):**

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

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

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

District’s proportionate share of the net OPEB liability	\$	---
State’s proportionate share of the net OPEB liability associated with the District		<u>5,326,526</u>
<u>Total</u>	\$	<u>5,326,526</u>

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

For the year ended June 30, 2019, the District recognized OPEB expense and revenue of \$1,769,469 for on-behalf amounts for the benefits provided by the State.

**F. Actuarial Assumptions:**

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

Inflation	2.75%
Real wage growth	0.50%
Wage inflation	3.25%
Salary increases	3.25-6.50%, including inflation
Long-term investment rate of return	3.00%, net of OPEB plan investment expense, including inflation

**Municipal bond index rate:**

Measurement date	3.87%
Prior measurement date	3.56%

**Single equivalent interest rate:**

Measurement date	3.87%, net of OPEB plan investment expense, including price inflation
Prior measurement date	3.56%, net of OPEB plan investment expense, including price inflation

**Healthcare cost trend rates:**

Pre-Medicare	5.95% for 2018 decreasing to an ultimate rate of 4.75% by 2025
Medicare	5.00% for 2018 decreasing to an ultimate rate of 4.75% by 2025

**Shepaug Valley Regional School District #12**  
**Towns of Bridgewater, Roxbury, and Washington**  
**June 30, 2019**

**Note “16” – State of Connecticut Teachers’ Retirement System: OPEB (continued):**

**F. Actuarial Assumptions (continued):**

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

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

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Expected 10-Year Geometric Real Rate of Return</u>	<u>Standard Deviation</u>
U.S. Treasuries (Cash Equivalents)	100.0%	0.27%	2.74%
Price Inflation		2.75%	
Expected Rate of Return (rounded nearest 0.25%)		3.00%	

*Changes in Assumptions.* The expected rate of return on assets was changed from 2.75% to 3.00% to reflect the anticipated return on cash and other high-quality short-term fixed income investments. In addition, the discount rate was increased from 3.56% to 3.87% to reflect the change in the Municipal Bond Index rate. Lastly, changes were also made to the assumed per capita health care claim costs, long-term health care cost trend rates, the percentage of retired members who are not currently participating in the Plan but are expect to elect coverage in the future, the percentage of participating retirees who are expected to enroll in the Medicare Supplement Plan and the Medicare Advantage Plan, the post-disablement mortality table, which was updated to extend the period of projected mortality improvements from 2017 to 2020, and the percentage of deferred vested members who will become ineligible for future health care benefits.

**G. Discount Rate:**

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

**Shepaug Valley Regional School District #12  
Towns of Bridgewater, Roxbury, and Washington  
June 30, 2019**

**Note “16” – State of Connecticut Teachers’ Retirement System: OPEB (continued):**

**G. Discount Rate (continued):**

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

- Total payroll for the initial projection year consists of the payroll of the active membership present on the valuation date. In subsequent projection years, total payroll was assumed to increase annual at a rate of 3.25%.
- Employee contributions were assumed to be made at the current member contribution rate. Employee contributions for future plan member were used to reduce the estimated amount of total service costs for future plan members.
- No future employer contributions were assumed to be made.

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

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

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

**I. Plan Fiduciary Net Position:**

Detailed information about the plan’s fiduciary net position is available in the separately issued financial statements available at [www.ct.gov](http://www.ct.gov).

**J. Other Information:**

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

**Note “17” – Restated Net Position at July 1, 2018:**

Net position at July 1, 2018 increased by \$1,284,926 due to capitalized construction in progress costs related to the AgScience Project.

	<u>Net Position</u>	<u>Change in Net Position</u>
July 1, 2018, as originally reported	\$ 1,485,245	\$ (105,556)
Capitalized construction in progress costs	1,284,926	1,284,926
July 1, 2018, as restated	<u>\$ 2,770,171</u>	<u>\$ 1,179,370</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, 2019**

	Original and Final Budget	Actual	Variance Over (Under)
<b>Revenue:</b>			
Participating towns :			
Town of Bridgewater	\$ 3,851,812	\$ 3,851,812	\$ ---
Town of Roxbury	7,776,624	7,776,624	---
Town of Washington	9,842,089	9,842,089	---
State of Connecticut:			
Adult education grant	66	53	(13)
Investment income	700	8,012	7,312
Tuition income	340,116	615,491	275,375
Miscellaneous income	---	13,840	13,840
<b>Total Revenue</b>	<b>21,811,407</b>	<b>22,107,921</b>	<b>296,514</b>
<b>Expenditures:</b>			
Personnel Services - Salaries	12,521,720	12,418,206	103,514
Employee benefits	3,446,864	3,234,508	212,356
Purchased Professional & Technical Services	752,215	806,562	(54,347)
Purchased Property Services	423,725	712,810	(289,085)
Other Purchased Services	2,501,638	1,867,590	634,048
Supplies	1,156,283	1,124,561	31,722
Property & Program Changes	245,598	316,868	(71,270)
Debt Service & Miscellaneous	203,689	384,291	(180,602)
<b>Total Expenditures</b>	<b>21,251,732</b>	<b>20,865,396</b>	<b>386,336</b>
<b>Expenditures Transferred from Budget:</b>			
Debt Service Fund	459,675	469,350	(9,675)
Reserve Fund for Capital and Non-recurring expenditures	---	218,114	(218,114)
Elementary School Repair Fund	100,000	100,000	---
<b>Total Expenditures and Transfers</b>	<b>21,811,407</b>	<b>21,652,860</b>	<b>158,547</b>
<b>Excess of Revenue over Expenditures and Transfers</b>	<b>---</b>	<b>455,061</b>	<b>455,061</b>
<b>Fund Balance - beginning of year</b>	<b>---</b>	<b>351,744</b>	<b>351,744</b>
<b>Returned to participating towns</b>	<b>---</b>	<b>(351,744)</b>	<b>(351,744)</b>
<b>Fund Balance - end of year</b>	<b>\$ ---</b>	<b>\$ 455,061</b>	<b>\$ 455,061</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 Five Fiscal Years

	2019	2018	2017	2016	2015
District's proportion of the net pension liability	0.00%	0.00%	0.00%	0.00%	0.00%
District's proportionate share of the net pension liability	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability associated with the District	26,645,180	28,123,524	29,670,533	24,039,750	22,219,931
Total	<u>\$ 26,645,180</u>	<u>\$ 28,123,524</u>	<u>\$ 29,670,533</u>	<u>\$ 24,039,750</u>	<u>\$ 22,219,931</u>
District's covered-employee payroll	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	57.69%	55.93%	52.26%	59.50%	61.51%
<b>Notes to Schedule</b>					
Actuarial cost method	Entry age				
Amortization method	Level percent of salary, closed				
Remaining amortization method	17.6 years				
Asset valuation method	4-year smoothed market				
Investment rate of return	8.00%, net of pension plan investment expense, including inflation				
Changes in benefit terms	Effective January 1, 2018, the required employee contribution increased from 6.00% to 7.00% of pensionable salary.				
Changes of assumptions	During 2016, the inflation, salary increase, and investment rate of return rates were adjusted to reflect actual and anticipated experience. These assumptions were recommended as part of the Experience Study for the System for the 5-year period ended June 30, 2015.				
District's covered-employee payroll	Not applicable since 0% proportionate share of the net pension liability				

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

	<u>2019</u>	<u>2018</u>
District's proportion of the net OPEB liability	0.00%	0.00%
District's proportionate share of the net OPEB liability	\$ -	\$ -
State's proportionate share of the net OPEB liability associated with the District	5,326,526	7,238,690
Total	\$ <u>5,326,526</u>	\$ <u>7,238,690</u>
District's covered-employee payroll	\$ N/A	\$ N/A
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	0.00%	0.00%
Plan fiduciary net position as a percentage of the total OPEB liability	1.49%	1.79%

**Notes to Schedule**

Actuarial cost method	Entry age
Amortization method	Level percent of payroll
Remaining amortization method	30 years, open
Asset valuation method	Market value of assets
Investment rate of return	3.00%, net of investment-related expense including price inflation

Changes in benefit terms Effective July 1, 2018, Medicare Advantage Plan was added to available options, changing the base plan to the Medicare Advantage Plan for the purposes of determining retiree subsidies and/or cost sharing amounts, and introduced a two-year waiting period for re-enrollment in a System-sponsored Plan for those who cancel their coverage or choose not to enroll after the effective date.

Changes of assumptions The expected rate of return on assets was changed from 2.75% to 3.00% to reflect the anticipated return on cash and other high quality short term fixed income investments.  
The discount rate was increased from 3.56% to 3.87% to reflect the change in the Municipal Bond Index rate.  
Changes were also made to the assumed per capita claims costs, the assumed age related percentage increases in expected annual per capita health care claim costs, long-term health care cost trend rates, the percentage of retired members who are not currently participating in the Plan but are expected to elect coverage in the future, the percentage of participating retirees who are expected to enroll in the Medicare Supplement Plan and the Medicare Advantage Plan, the post-disablement mortality table, which was updated to extend the period of projected mortality improvements from 2017 to 2020, and the percentage of deferred vested members who will become ineligible for future health care benefits.

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

**Shepaug Valley Regional School District #12**  
**Schedule of Changes in Net Pension Liability and Related Ratios**  
**Employees Retirement System, Non-certified Employee Plan**  
**Last Six Fiscal Years**

	2019	2018	2017	2016	2015	2014
Total pension liability:						
Service Cost	\$ 153,015	\$ 166,629	\$ 183,092	\$ 147,816	\$ 149,359	\$ 148,277
Interest	462,281	432,542	410,759	373,380	350,865	335,174
Differences between expected and actual experience	162,362	(15,025)	4,875	(51,555)	61,047	(33,666)
Changes of assumptions	(18,172)	156,521	-	542,809	-	-
Benefit payments, including refunds of member contributions	(319,835)	(280,357)	(271,675)	(250,580)	(228,662)	(222,592)
Net change in total pension liability	439,651	460,310	327,051	761,870	332,609	227,193
Total pension liability - beginning	7,008,523	6,548,213	6,221,162	5,459,292	5,126,683	4,899,490
Total pension liability - ending	7,448,174	7,008,523	6,548,213	6,221,162	5,459,292	5,126,683
Plan fiduciary net position:						
Contributions - employer	205,511	237,889	416,934	176,819	225,505	205,888
Net investment income	392,987	455,100	647,754	5,070	149,125	701,161
Benefit payments, including refunds of member contributions	(319,835)	(280,357)	(271,675)	(250,580)	(228,662)	(222,592)
Net change in plan fiduciary net position	278,663	412,632	793,013	(68,691)	145,968	684,457
Plan fiduciary net position - beginning	6,642,184	6,229,552	5,436,539	5,505,230	5,359,262	4,674,805
Plan fiduciary net position - ending	6,920,847	6,642,184	6,229,552	5,436,539	5,505,230	5,359,262
Net Pension Liability (Asset) - Ending	\$ 527,327	\$ 366,339	\$ 318,661	\$ 784,623	\$ (45,938)	\$ (232,579)
Plan fiduciary net position as a percentage of the total pension liability	92.92%	94.77%	95.13%	87.39%	100.84%	104.54%
Covered employee payroll	\$ 2,835,512	\$ 2,547,722	\$ 2,542,496	\$ 2,490,937	\$ 2,534,741	\$ 2,472,885
Net pension liability as a percentage of covered employee payroll	18.61%	14.38%	12.53%	31.50%	(1.81%)	(9.41%)

**Shepaug Valley Regional School District #12**  
**Schedule of Changes in Net OPEB Liability and Related Ratios**  
**Other Post Employment Benefits (OPEB)**  
**Last Two Fiscal Years**

	<u>2019</u>	<u>2018</u>
Total OPEB liability:		
Service Cost	\$ 10,000	\$ 10,000
Interest Cost	48,578	56,762
Differences between expected and actual experience	387,208	(195,455)
Changes of assumptions	256,694	51,584
Net change in total OPEB liability	<u>702,480</u>	<u>(77,109)</u>
Total OPEB liability - beginning	1,341,943	1,419,052
Total OPEB liability - ending	<u>2,044,423</u>	<u>1,341,943</u>
Plan fiduciary net position:		
Plan fiduciary net position at end of the year	<u>-</u>	<u>-</u>
Net OPEB Liability	<u>\$ 2,044,423</u>	<u>\$ 1,341,943</u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>0.00%</u>	<u>0.00%</u>
Covered employee payroll	<u>N/A</u>	<u>N/A</u>
Net OPEB liability as a percentage of covered employee payroll	<u>N/A</u>	<u>N/A</u>

**Notes to Schedule**

Actuarial cost method	Entry age
Amortization method	Level dollar, open
Remaining amortization method	30 years
Asset valuation method	N/A
Discount rate	4.00%
Inflation	2.25%
Salary increases	N/A
Investment rate of return	N/A
Retirement age	65
Mortality table	RP-2014 (adjusted) with MP-2018 mortality improvements (previously, 1994 GAR)
Trend rate	8.00% in current year, decreasing by 0.50% per year, with an ultimate rate of 4.00%
Changes in benefit terms	None
Changes of assumptions	The discount rate decreased from 3.62% to 3.13% and the mortality table was updated from 1994 GAR to RP-2014 (adjusted) with MP-2018 mortality improvements.



Shepaug Valley Regional School District #12  
Schedule of Employer Contributions  
Employees Retirement System, Non-certified Employee Plan  
Last Ten Fiscal Years

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Actuarially determined contribution	\$ 205,511	\$ 266,934	\$ 177,349	\$ 176,819	\$ 183,176	\$ 239,659	\$ 211,015	\$ 237,502	\$ 232,610	\$ 162,651
Contributions in relation to the actuarially determined contribution	205,511	237,889	416,934	176,819	225,505	205,888	375,541	258,583	384,415	181,564
Contribution (Deficiency) Excess	\$ -	\$ (29,045)	\$ 239,585	\$ -	\$ 42,329	\$ (33,771)	\$ 164,526	\$ 21,081	\$ 151,805	\$ 18,913
Covered employee payroll	\$ 2,835,512	\$ 2,547,722	\$ 2,542,496	\$ 2,490,937	\$ 2,534,741	\$ 2,472,885	\$ 2,330,238	\$ 2,379,607	\$ 2,364,314	\$ 2,213,838
Contributions as a percentage of covered employee payroll	7.25%	9.34%	16.40%	7.10%	8.90%	8.33%	16.19%	10.87%	16.26%	8.20%

Notes to Schedule

Valuation date: July 1, 2019  
Measurement date: June 30, 2019  
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	30 years from 7/1/2016
Asset valuation method	Fair market value
Discount rate	6.75%
Inflation	2.25%
Salary increases	3.50%
Investment rate of return	6.75%
Retirement age	65 years
Mortality	RP-2014 Table with MP-2018 mortality improvements

Other:

Change of benefit terms

Changes of assumptions

None

The inflation rate increased from 2.20% in the July 1, 2017 actuarial valuation to 2.25% for the July 1, 2018 actuarial valuation. In addition, the mortality table was updated from the RP-2000 Table projected to valuation using Scale AA to the RP-2014 Table with MP-2017 mortality improvements.

Shepaug Valley Regional School District #12  
Schedule of Investment Returns  
Employees Retirement System, Non-certified Employee Plan  
Last Six Fiscal Years

	2019	2018	2017	2016	2015	2014
Annual money-weighted rate of return, net of investment expense	5.91%	7.25%	11.67%	0.09%	2.78%	15.34%

Shepaug Valley Regional School District #12  
Towns of Bridgewater, Roxbury and Washington  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2019

	Special Revenue Funds					Total Nonmajor Governmental Funds
	School Cafeteria	State and Federal Grants	Scholarship Fund	Universal Service Fund	Pre-School Restricted Fund	
<b>Assets:</b>						
Cash	\$ 29,690	\$ 268,555	\$ 292,074	\$ 61,222	\$ 91,800	\$ 743,341
Accounts receivable	1,489	---	---	8,808	---	10,297
Due from State of Connecticut	6,446	851	---	---	---	7,297
Due from other funds	---	---	---	---	29,830	29,830
Inventory	16,606	---	---	---	---	16,606
<b>Total Assets</b>	<b>\$ 54,231</b>	<b>\$ 269,406</b>	<b>\$ 292,074</b>	<b>\$ 70,030</b>	<b>\$ 121,630</b>	<b>\$ 807,371</b>
<b>Liabilities and Fund Balances:</b>						
<b>Liabilities:</b>						
Accounts payable	\$ 473	\$ ---	\$ ---	\$ ---	\$ ---	\$ 473
Due to other funds	64,505	221,907	---	4,115	---	290,617
Unearned revenue	5,838	42,579	---	---	10,184	58,601
<b>Total Liabilities</b>	<b>70,906</b>	<b>264,486</b>	<b>---</b>	<b>4,115</b>	<b>10,184</b>	<b>349,691</b>
<b>Fund balances:</b>						
Nonspendable:						
Inventories	16,606	---	---	---	---	16,606
Committed for:						
School cafeteria	(33,281)	---	---	---	---	(33,281)
Restricted for:						
Technology - USF fund	---	---	---	65,915	---	65,915
Scholarships	---	---	292,074	---	---	292,074
Federal and State grants	---	4,920	---	---	---	4,920
Pre-School	---	---	---	---	111,446	111,446
<b>Total Fund Balance</b>	<b>(16,675)</b>	<b>4,920</b>	<b>292,074</b>	<b>65,915</b>	<b>111,446</b>	<b>457,680</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 54,231</b>	<b>\$ 269,406</b>	<b>\$ 292,074</b>	<b>\$ 70,030</b>	<b>\$ 121,630</b>	<b>\$ 807,371</b>

**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, 2019**

		Special Revenue Funds					Total
		School Cafeteria	State and Federal Grants	Scholarship Fund	Universal Service Fund	Pre-School Restricted Fund	Nonmajor Governmental Funds
<b>Revenue:</b>							
Sales of lunches, milk, and other	\$ 162,064	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	162,064
Federal & state grants	36,481	332,476	---	---	---	---	368,957
Investment income	---	---	---	---	915	1,355	2,270
Other	---	---	---	6,003	20,808	46,748	73,559
<b>Total Revenue</b>	<b>198,545</b>	<b>332,476</b>	<b>6,003</b>	<b>6,003</b>	<b>21,723</b>	<b>48,103</b>	<b>606,850</b>
<b>Expenditures:</b>							
Cost of food consumed	79,640	---	---	---	---	---	79,640
Salaries and wages	129,145	138,954	---	---	---	---	268,099
Supplies and miscellaneous	9,547	13,620	---	---	---	---	23,167
Payroll taxes	9,879	---	---	---	---	---	9,879
Employee benefits	---	10,244	---	---	---	---	10,244
Repairs and equipment purchases	---	---	---	---	15,404	---	15,404
Student Services	---	169,658	---	---	---	16,762	186,420
Scholarships	---	---	---	13,305	---	---	13,305
Other	---	---	---	7,100	---	---	7,100
<b>Total Expenditures</b>	<b>228,211</b>	<b>332,476</b>	<b>20,405</b>	<b>15,404</b>	<b>16,762</b>	<b>613,258</b>	
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(29,666)</b>	<b>---</b>	<b>(14,402)</b>	<b>6,319</b>	<b>31,341</b>	<b>(6,408)</b>	
<b>Fund Balance - beginning of year</b>	<b>12,991</b>	<b>4,920</b>	<b>306,476</b>	<b>59,596</b>	<b>80,105</b>	<b>464,088</b>	
<b>Fund Balance - end of year</b>	<b>\$ (16,675)</b>	<b>\$ 4,920</b>	<b>\$ 292,074</b>	<b>\$ 65,915</b>	<b>\$ 111,446</b>	<b>\$ 457,686</b>	

**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, 2019**

	<b>Balance</b>		<b>Balance</b>	
	<b>July 1, 2018</b>	<b>Additions</b>	<b>Deductions</b>	<b>June 30, 2019</b>
<b>Assets:</b>				
Cash	\$ 117,361	\$ 191,133	\$ 177,949	\$ 130,545
<b>Total Assets</b>	<b>\$ 117,361</b>	<b>\$ 191,133</b>	<b>\$ 177,949</b>	<b>\$ 130,545</b>
<b>Liabilities:</b>				
Due to Student Groups				
High School	\$ 87,225	\$ 143,365	\$ 131,412	\$ 99,178
Middle School	9,989	15,555	14,529	11,015
Burnham School	4,622	2,443	2,105	4,960
Booth Free School	7,088	10,576	10,093	7,571
Washington Primary	8,437	19,194	19,810	7,821
<b>Total Liabilities</b>	<b>\$ 117,361</b>	<b>\$ 191,133</b>	<b>\$ 177,949</b>	<b>\$ 130,545</b>

## 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, 2019, 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 20, 2019.

***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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether 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 blue ink, appearing to read "CH. HEAVEN & CO.", is positioned above the printed name.

CHARLES HEAVEN & CO.

December 20, 2019



## STATE SINGLE AUDIT REPORT



Charles Heaven & Co.  
Certified Public Accountants  
Waterbury, Connecticut

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

INDEPENDENT AUDITOR'S REPORT

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

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

We have audited the Shepaug Valley Regional School District #12's compliance with the types of compliance requirements described in the Office of Policy and Management's *Compliance Supplement* that could have a direct and material effect on each of the Shepaug Valley Regional School District #12's major state programs for the year ended June 30, 2019. The Shepaug Valley Regional School District #12's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the Shepaug Valley Regional School District #12's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State Single Audit Act (C.G.S. Sections 4-230 to 4-236). Those standards and the State Single Audit Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the Shepaug Valley Regional School District #12's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination on the Shepaug Valley Regional School District #12's compliance

### ***Opinion on Each Major State Program***

In our opinion, the Shepaug Valley Regional School District #12, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2019.

### **Report on Internal Control over Compliance**

Management of the Shepaug Valley Regional School District #12, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Shepaug Valley Regional School District #12's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the State Single Audit Act, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Shepaug Valley Regional School District #12's internal control over compliance.

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

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

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

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

We have audited the financial statements of the Shepaug Valley Regional School District #12, as of and for the year ended June 30, 2019 and have issued our report thereon dated December 20, 2019, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of state financial assistance is presented for purposes of additional analysis as required by the State Single Audit Act and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of state financial assistance is fairly stated in all material respects in relation to the financial statements as a whole.



CHARLES HEAVEN & CO.  
December 20, 2019

**Shepaug Valley Regional School District #12**  
**Schedule of Expenditures of State Financial Assistance**  
**Year Ended June 30, 2019**

<b>State Grantor / Pass-Through Grantor / Program Title</b>	<b>State Grant Program Core-CT Number</b>	<b>Expenditures</b>
<b>State Department of Education:</b>		
Talent Development	11000-SDE64370-12552	\$ 1,818
Child Nutrition State Matching Grant	11000-SDE64370-16211	1,226
Adult Education	11000-SDE64370-17030	53
Health Services	11000-SDE64370-17034	<u>2,574</u>
<b>Total State Financial Assistance before Exempt Programs</b>		<b>5,671</b>
<b>EXEMPT PROGRAMS</b>		
<b>State Department of Education:</b>		
Special Education - Excess Cost - Student Based	11000-SDE64370-17047	1,737
<b>Department of Administrative Services:</b>		
School Contruction - Principal SDE	13010-DAS27635-40901	4,930,116
<b>Total Exempt Programs</b>		<u><b>4,931,853</b></u>
<b>Total State Financial Assistance</b>		<b>\$ <u><u>4,937,524</u></u></b>

The accompanying notes are in integral part of this schedule.

**Shepaug Valley Regional School District #12**  
**Notes to Schedule of Expenditures of State Financial Assistance**  
**For the Year Ended June 30, 2019**

The accompanying schedule of expenditures of state financial assistance includes state grant activity of the Shepaug Valley Regional School District #12, under programs of the State of Connecticut for the fiscal year ended June 30, 2019. The State of Connecticut Department of Education and Department of Administrative Services have provided financial assistance to the Shepaug Valley Regional School District #12 through grants and other authorizations in accordance with the General Statutes of the State of Connecticut. These financial assistance programs fund children's education, transportation, school lunch, school building renovations and construction and other programs.

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Shepaug Valley Regional School District #12 conform to accounting principles generally accepted in the United States of America as applicable to governments.

The information in the Schedule of Expenditures of State Financial Assistance is presented based upon regulations established by the State of Connecticut, Office of Policy and Management.

***Basis of Accounting***

The expenditures reported on the Schedule of Expenditures of State Financial Assistance are reported on the modified accrual basis of accounting. In accordance with Section 4-236-22 of the Regulations to the State Single Audit Act, certain grants are not dependent on expenditure activity, and accordingly, are considered to be expended in the fiscal year of receipt. These grant program receipts are reflected in the expenditures column of the Schedule of Expenditures of State Financial Assistance.

**Shepaug Valley Regional School District #12**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2019**

**I. SUMMARY OF AUDITOR'S RESULTS**

*Financial Statements*

Type of auditor's opinion issued: Unmodified

Internal control over financial reporting:

- |  |               |     |              |               |
|--|---------------|-----|--------------|---------------|
| • Material weakness(es) identified?                  | <u>      </u> | Yes | <u>  X  </u> | No            |
| • Significant deficiency(ies) identified?            | <u>      </u> | Yes | <u>  X  </u> | None Reported |
| Noncompliance material to financial statements noted | <u>      </u> | Yes | <u>  X  </u> | No            |

*State Financial Assistance*

Internal control over major programs:

- |   |               |     |              |               |
|---|---------------|-----|--------------|---------------|
| • Material weakness(es) identified?       | <u>      </u> | Yes | <u>  X  </u> | No            |
| • Significant deficiency(ies) identified? | <u>      </u> | Yes | <u>  X  </u> | None Reported |

Type of auditor's opinion issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 4-236-24 of the Regulations to the State Single Audit Act?        Yes   X   No

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

<u>State Grantor and Program</u>	<u>State Core-CT Number</u>	<u>Expenditures</u>
State Department of Education		
Health Services	11000-SDE64370-17034	\$ <u>2,574</u>
Child Nutrition State Matching Grant	11000-SDE64370-16211	\$ <u>1,226</u>

- Dollar threshold used to distinguish between Type A and Type B Programs \$ 100,000

**Shepaug Valley Regional School District #12  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2019**

**II. FINANCIAL STATEMENT FINDINGS**

No matters were reported.

We issued our report, dated December 20, 2019, 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. No matters were reported in the report on internal control over financial reporting.

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

No matters were reported.