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, 2021

Shepaug Valley Regional School District #12
Towns of Bridgewater, Roxbury and Washington
June 30, 2021

TABLE OF CONTENTS

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, 2021, 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, 2021, 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, and supplemental schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2021, 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 Shepaug Valley Regional School District #12's 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.

Charles Heaven + Co, CPA's

December 31, 2021

Shepaug Valley Regional School District #12
Management's Discussion and Analysis (MD&A)
June 30, 2021

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, 2021. 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 Agriscience Academy at Shepaug Valley School receives students from the towns of Bethel, Brookfield, Danbury, New Fairfield, New Milford, Newtown and Sherman. The District's prekindergarten program, REACH, is housed within Washington Primary School. Student Enrollment as of October 1, 2020 is as follows:

Pre-Kindergarten & Kindergarten	45 students
Elementary, Grades 1 through 5	202 students
Middle School, Grades 6 through 8	150 students
High School, Grades 9 through 12	291 students
TOTAL ENROLLMENT	688 students

The student population included 126 non-resident students, 48 Agriscience students from the seven sending towns, 19 students from the Town of Sherman, 11 staff members' children and 48 students from other area towns. Overall student enrollment decreased by thirteen students below the 2019-2020 District enrollment of 701.The COVID-19 pandemic negatively affected enrollment as the REACH program was unable to run at full capacity, serving just 7 of the anticipated 52 students. In addition, the District's population of homeschooled students increased.

Financial Highlights

The total net position of the District on June 30, 2021 is $22,513,070 which is a decrease of $111,356 over prior year's net position of $22,624,426. This decrease is in large part due to grant funds received in the June 30, 2020 fiscal year from the State of Connecticut toward the ongoing construction costs of the renovated science labs and new agriscience buildings.

The post-retirement benefit obligation of the District is $2,683,844 on June 30, 2021. 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.

Financial Analysis of the District as a Whole

The district net position is as follows:

	June 30, 2021	June 30, 2020
Assets		
Cash and Investments	$ 7,568,558	$ 7,345,773
Prepaid expenses and accounts receivable	---	29,821
Inventories	18,506	21,732
Due from State of Connecticut	369,139	851
Capital Assets, Net of Accumulated Depreciation	32,537,363	32,788,357
Net pension asset	983,861	---
Total Assets	**$41,477,427**	**$40,186,534**
Total Deferred Outflow of Resources	**$ 1,144,635**	**$ 1,107,183**
Liabilities		
Accounts Payable and other accruals	1,426,412	3,516,342
Deferred Revenue	40,872	39,549
Long-Term Debt	17,392,301	14,895,130
Total Liabilities	**$18,859,585**	**$18,451,021**
Total Deferred Inflow of Resources	**$ 1,249,407**	**$ 218,270**
Net Position		
Invested in Capital Assets, Net of Related Debt	17,962,363	20,863,357
Restricted	2,981,321	2,883,194
Unrestricted	1,569,386	(1,122,125)
Total Net Position	**$ 22,513,070**	**$ 22,624,426**

Capital Assets

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 Agriscience and new Science Labs projects were complete in the year ending June 30, 2021 and the assets began to depreciate. Accordingly, depreciation expense increased from $660,401 for the year ending June 30, 2020 to $1,155,753 for year ending June 30, 2021.

The District's investment in capital assets for its governmental activities as of June 30, 2021 totaled $32,537,363 (net of accumulated depreciation). This investment in capital assets includes land and land improvements, buildings and improvements, leasehold improvements, and furniture and equipment. The District recorded disposed assets in the amount of $60,132. The District disposed of one truck and obsolete technology during the year. The net decrease in the District's investment in capital assets is attributable to depreciation and the disposed assets.

	June 30, 2021	June 30, 2020
Land and land improvements	$ 152,512	$ 152,512
Building and improvements	32,137,085	32,514,351
Furniture and equipment	247,766	121,494
Total Net Capital Assets	**$ 32,537,363**	**$32,788,357**

Long-Term Debt

At the end of the current fiscal year, the District had total bonded debt outstanding of $14,575,000, all of which is backed by the full faith and credit of the District and its member towns of Bridgewater, Roxbury, and Washington. Total long-term debt increased by $2,650,000 due to refinancing bonds and regularly scheduled debt service repayments.

Changes in Net Position

The following is a summary of the changes in net position for the year ended June 30th for governmental activities of the District. The District's total revenue is $29,133,759.

Charges for services increased by $86,699. The increase is mostly attributable to increased tuition income.

Operating grants and contributions increased by $1,633,954. The increase is mostly attributable to increased Teachers Retirement Board pension and OPEB contributions, as well as an increase in Agriscience monies received from the State of CT.

Capital grants and contributions decreased by $13,135,258. The decrease is mostly attributable to state grant revenues received in the Capital Project Fund in the fiscal year ended June 30, 2020.

Other General Fund Revenues decreased by $788,271. The decrease is attributable to lower payments by the towns to the District as a result of increases in other tuition income. The return to the towns of the prior year's fund balance is also captured within this calculation.

The District's expenses predominantly related to educating and caring for students are $18,904,599 or 64.6% of the total expenses. Debt service of $342,081, unallocated depreciation of $1,144,067 and employee benefits totaling $8,854,368 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 $5,881,136.

	June 30, 2021	June 30, 2020
Program Revenue		
Charges for Services	$ 1,119,263	$ 1,032,564
Operating Grants & Contributions	6,732,713	4,310,017
Capital Grants & Contributions	99,370	13,234,628
General Revenue		
Participating Towns	21,036,042	21,800,365
Investment and Miscellaneous Income	146,371	170,319
Total Revenue	**29,133,759**	**40,547,893**
Program Expenses		
Instruction	11,523,468	12,202,776
Supporting Services	6,002,363	4,867,010
Employee Benefits – unallocated	8,854,368	7,421,167
Transportation	1,162,770	1,037,158
School Lunch Services	215,998	181,956
Debt Service	342,081	380,693
Depreciation – unallocated	1,144,067	642,266
Total Expenses	**29,245,115**	**26,733,026**
Change in Net Position	(111,356)	13,814,867
Net Position – Beginning of Year	22,624,426	8,809,559
Net Position – End of Year	**$ 22,513,070**	**$ 22,624,426**

Governmental Activities

The net cost of all governmental activities is $21,293,769, summarized as follows:

	June 30, 2021	June 30, 2020
Instruction	$ 9,704,933	$ 10,846,430
Supporting services	5,902,993	(8,367,618)
Employee Benefits	2,973,232	3,571,393
Transportation	1,162,770	1,037,158
School Lunch Services	63,693	45,495
Debt Service	342,081	380,693
Depreciation	1,144,067	642,266
Total	**$ 21,293,769**	**$ 8,155,817**

Financial Analysis of the District's Funds

The financial performance of the District, as reported in more detail, is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of $6,554,194 which compares to last year's ending fund balance of $3,926,972. This was an increase in the fund balance of

$2,627,222. This is a result of a general obligation bond proceeds in the Capital Project Fund, net with a negative change in the General 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, 2021 total $22,585,822 or 99.0% of the budget which is $222,578 less than budgeted. Expenditures were less than budgeted due to the closure of purchase orders not expended in the current year. This includes the transfer of $228,084 to the Reserve for Capital and Non-Recurring Fund, transfer of $740,994 to the Debt Service Fund, and a transfer of $100,000 to the Elementary School Repair Fund.

Personnel Services and Employee Benefits – At year end, these accounts are under budget by $1,060,235. The pandemic continued to effect salary payments intended for athletics, extracurricular activities, groups, trips, clubs, events and athletics reducing extra pay for extra work payments, stipends and overtime paid to staff. Certain staffing positions remained vacant as staffing shortages were prevalent with per diem substitutes occupying positions regularly filled by salaried staff members. The district once again realized a greater than anticipated reduction in health benefit premiums, saving 14% of the budgeted amount.

Purchased Professional, Technical, and Property Services – At year end, these accounts are over budget by $560,083. Certain projects, namely the new perimeter heating and boiler and replacement of the underground water tank at Shepaug Valley School, which were intended to be financed were instead funded within these object codes, together with the Board approved refurbishment of the planetarium.

Other Purchased Services – At year end, these accounts are under budget by $352,845. The variance is due to costs of transportation not expended on the REACH program due to the pandemic-related temporary suspension of the program, and lower than anticipated tuition costs for outplacements.

Supplies – At year end, these accounts are over budget by $142,706. This overage is the result of higher than usual heating costs associated with keeping windows and doors open throughout winter to provide fresh circulated air as a COVID mitigation strategy.

Property & Program Changes – At year end, these accounts are over budget by $269,152. The District repurposed surplus funds (as described above) for the purchase of new elementary furniture and replacement technology necessary due to reconfigured classrooms and excessive wear and tear resulting from distance learning.

Dues & Fees / Debt – At year end, these accounts are under budget by 1.2% or $9,523.

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 $228,084 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. Other transfers include a $740,994 transfer to the debt service.

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:

	Transfer from Other Funds	Transfer to Other Funds	Net Transfers
Major Governmental Funds:			
General Fund	$ ---	$ 1,069,078	$ (1,069,078)
Debt Service Fund	740,994	---	740,994
Capital Reserve Fund	228,084	---	228,084
Capital Project – Elementary Repair Fund	100,000	---	100,000
Total	$ 1,069,078	$ 1,069,078	$ ---

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:

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic which continues to spread in the United States. As of the date the financial statements were available to be issued, there was considerable uncertainty around the expected duration of the pandemic. The foregoing discussion of budgetary expenditures highlights how the pandemic has effected District operations to June 30, 2021. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. At this time, the extent to which COVID-19 may continue to impact the District's financial condition, and changes in the fair values of its investments and results of operations cannot be reasonably estimated. The District has applied and continues to apply for State and Federal funding in order to offset costs associated with the District's response to the pandemic.

The District has received $314,812 in pandemic-related federal grants to support safety and recovery activity through December 30, 2020. The District expects to receive an additional $342,269 for ongoing recovery support through 2023. The District will also receive $126,104 earmarked for additional support services for special education instruction and programs.

The construction project for the Agriscience Academy and renovated science lab is substantially complete. The District anticipates a final audit which will result in a release of the holdback of construction grant funds allowing the District to retire $4,000,000 in short term debt and the associated debt service cost.

The $3,000,000 in capital projects at Shepaug Valley School is nearly complete. The short term BAN was replaced with another short term BAN pending completion of all projects and is due to be permanently financed in August of 2022. The District was able to pay for new boilers, perimeter heating and a water tank replacement using excess budgeted funds. As a result, the District will seek bond financing in the lesser amount of $2,500,000.

Discussions of changing the funding of tuition to agricultural education programs like the Shepaug Agriscience program continue at the state legislative level. The uncertainty of future funding schemes has not had an impact on projected enrollment to date, but a final decision could have ramifications on enrollment. The District continues to watch this discussion closely and develop plans for potential fluctuations in tuition revenue.

The District continues to maintain a waitlist of non-resident students seeking enrollment in our schools on a private-pay basis. The new Agriscience program continues to grow with each cohort of students with anticipated enrollment of 155 students in school year 22-23.

The State legislature established the ability to transfer to a capital reserve fund up to 2% of the annual approved budget. This is up 1% from the previous year.

Requests for Information

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 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, 2021

		Governmental Activities
Assets:		
Cash and cash equivalents	$	7,568,558
Due from State of Connecticut		369,139
Inventory		18,506
Noncurrent assets:		
Capital assets - net		32,537,363
Receivable in more than one year - net pension asset		983,861
Total Assets		**41,477,427**
Deferred Outflows of Resources:		
Differences between expected and actual experience - pension		142,080
Changes of assumptions - OPEB		1,002,555
Total Deferred Outflows of Resources		**1,144,635**
Liabilities:		
Accounts payable		1,259,980
Accrued interest		65,275
Accrued payroll, payroll taxes, and benefits		101,157
Unearned revenue		40,872
Noncurrent liabilities:		
Due within one year		7,400,000
Due in more than one year		9,992,301
Total Liabilities		**18,859,585**
Deferred Inflows of Resources:		
Changes of assumptions - pension		159,137
Net difference between projected and actual earnings on plan investments - pension		972,439
Differences between expected and actual experience OPEB		117,831
Total Deferred Inflows of Resources		**1,249,407**
Net Position:		
Net investment in capital assets		17,962,363
Restricted		
Member towns		812,352
Technology - USF fund		74,575
Scholarships		279,474
Capital non-recurring expenditures		1,387,959
Elementary Repair Fund		245,267
Federal and State grants		4,920
Pre School		176,774
Unrestricted		1,569,386
Total Net Position	$	**22,513,070**

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, 2021

		Program Revenues			Net (Expense) Revenue and Changes in Net Position
Functions	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**	**Total Governmental Activities**
Governmental activities:					
Instructional services	$ 11,523,468	$ 1,115,698	$ 702,837	$ -	$ (9,704,933)
Support services	6,002,363	-	-	99,370	(5,902,993)
Employee benefits - unallocated	8,854,368	-	5,881,136	-	(2,973,232)
Transportation	1,162,770	-	-	-	(1,162,770)
School lunch services	215,998	3,565	148,740	-	(63,693)
Interest on long-term liabilities	342,081	-	-	-	(342,081)
Depreciation - unallocated	1,144,067	-	-	-	(1,144,067)
Total school district	**$ 29,245,115**	**$ 1,119,263**	**$ 6,732,713**	**$ 99,370**	**(21,293,769)**
		General revenues:			
		Participating towns:			
		Town of Bridgewater			4,278,634
		Town of Roxbury			6,684,247
		Town of Washington			10,073,161
		Unrestricted earnings on investments			3,846
		Miscellaneous			142,525
		Total general revenues			**21,182,413**
		Change in net position			**(111,356)**
		Net position - beginning			**22,624,426**
		Net position - ending			**$ 22,513,070**

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, 2021

	Major Funds							
	General Fund	Debt Service Fund	Capital Reserve Fund	Capital Proj. Elementary Repair Fund	Capital Project Fund	State and Federal Grants Fund	Other Governmental Funds	Total Governmental Funds
Assets:								
Cash and cash equivalents	$ 1,448,955	$ 427,525	$ 1,387,959	$ 232,887	$ 3,037,493	$ 518,431	$ 515,308	$ 7,568,558
Due from other funds	1,196,658	---	---	12,380	150,000	---	30,887	1,389,925
Due from State of Connecticut	---	---	---	---	---	339,479	29,660	369,139
Inventory	---	---	---	---	---	---	18,506	18,506
Total Assets	$ 2,645,613	$ 427,525	$ 1,387,959	$ 245,267	$ 3,187,493	$ 857,910	$ 594,361	$ 9,346,128
Liabilities:								
Accounts payable	$ 220,816	$ ---	$ ---	$ ---	$ 947,528	$ 23,816	$ 67,820	$ 1,259,980
Accrued payroll, payroll taxes, & benefits	101,157	---	---	---	---	---	---	101,157
Due to other funds	42,210	150,000	---	---	346,328	807,748	43,639	1,389,925
Unearned revenue	3,674	---	---	---	---	21,426	15,772	40,872
Total Liabilities	367,857	150,000	---	---	1,293,856	852,990	127,231	2,791,934
Fund balances:								
Nonspendable:								
Inventories	---	---	---	---	---	---	18,506	18,506
Restricted for:								
Member Towns	812,352	---	---	---	---	---	---	812,352
Technology - USF fund	---	---	---	---	---	---	74,575	74,575
Scholarships	---	---	---	---	---	---	279,474	279,474
Capital improvements	---	---	1,387,959	245,267	1,893,637	---	---	3,526,863
Federal and State grants	---	---	---	---	---	4,920	---	4,920
Pre School	---	---	---	---	---	---	176,774	176,774
Committed for:								
Debt service	---	277,525	---	---	---	---	---	277,525
School cafeteria	---	---	---	---	---	---	(82,199)	(82,199)
Assigned for encumbrances	1,465,404	---	---	---	---	---	---	1,465,404
Total Fund Balances	2,277,756	277,525	1,387,959	245,267	1,893,637	4,920	467,130	6,554,194
Total Liabilities and Fund Balances	$ 2,645,613	$ 427,525	$ 1,387,959	$ 245,267	$ 3,187,493	$ 857,910	$ 594,361	$ 9,346,128

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, 2021

Total fund balances for governmental funds			$	6,554,194
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 $16,661,579 accumulated depreciation.				32,537,363
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 - pension	$	142,080		
Changes of assumptions - OPEB		1,002,555		
Net pension asset		983,861		
				2,128,496
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:				
Changes of assumptions - pension	$	(159,137)		
Net difference between projected and actual earnings on plan investments - pension		(972,439)		
Differences between expected and actual experience OPEB		(117,831)		
Accrued interest		(65,275)		
Bonds payable		(14,575,000)		
Compensated absences and other leave benefits		(133,457)		
Net OPEB liability		(2,683,844)		(18,706,983)
Total net position of governmental activities			$	22,513,070

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, 2021

	Major Funds							
	General Fund	**Debt Service Fund**	**Capital Reserve Fund**	**Capital Proj. Elementary Repair Fund**	**Capital Project Fund**	**State and Federal Grants**	**Other Governmental Funds**	**Total Governmental Funds**
Revenue:								
Participating towns	$ 21,036,042	$ ---	$ ---	$ ---	$ ---	$ ---	$ ---	$ 21,036,042
Federal and state revenue	2,762,475	---	---	---	---	612,953	148,740	3,524,168
Investment income	348	152	1,157	125	1,943	---	121	3,846
Sales of lunches, milk, etc.	---	---	---	---	---	---	3,565	3,565
Tuition	1,115,698	---	---	---	---	---	---	1,115,698
Other revenue	17,055	---	83,796	---	---	20,000	21,674	142,525
Total Revenue	**24,931,618**	**152**	**84,953**	**125**	**1,943**	**632,953**	**174,100**	**25,825,844**
Expenditures:								
Certified salaries	9,289,899	---	---	---	---	204,417	---	9,494,316
Classified salaries	3,530,788	---	---	---	---	---	104,871	3,635,659
Employee benefits	5,689,008	---	---	---	---	450	8,082	5,697,540
Instructional programs	940,156	---	---	---	---	308,716	52,935	1,301,807
Tuition - other schools	114,955	---	---	---	---	---	---	114,955
Administrative	649,319	---	---	---	---	---	---	649,319
Pupil transportation	1,162,770	---	---	---	---	---	---	1,162,770
Plant operation & maintenance	1,172,360	---	---	72,200	---	---	---	1,244,560
Food service	---	---	---	---	---	---	65,533	65,533
Interest	---	271,742	---	---	89,750	---	---	361,492
Capital outlay	1,465,055	---	18,375	---	514,463	119,370	3,407	2,120,670
Principal payments on bonds	---	350,000	---	---	4,000,000	---	---	4,350,000
Total Expenditures	**24,014,311**	**621,742**	**18,375**	**72,200**	**4,604,213**	**632,953**	**234,828**	**30,198,622**
Excess (Deficiency) of Revenues over Expenditures	**917,307**	**(621,590)**	**66,578**	**(72,075)**	**(4,602,270)**	---	**(60,728)**	**(4,372,778)**
Other Financing Sources (Uses):								
Proceeds from General Obligation Bond Anticipation Notes	---	---	---	---	7,000,000	---	---	**7,000,000**
Operating Transfers in (out)	(1,069,078)	740,994	228,084	100,000	---	---	---	---
Total Other Financing Sources (Uses)	**(1,069,078)**	**740,994**	**228,084**	**100,000**	**7,000,000**	---	---	**7,000,000**
Net change in fund balances	**(151,771)**	**119,404**	**294,662**	**27,925**	**2,397,730**	---	**(60,728)**	**2,627,222**
Fund Balance - beginning of year	**2,429,527**	**158,121**	**1,093,297**	**217,342**	**(504,093)**	**4,920**	**527,858**	**3,926,972**
Fund Balance - end of year	**$ 2,277,756**	**$ 277,525**	**$ 1,387,959**	**$ 245,267**	**$ 1,893,637**	**$ 4,920**	**$ 467,130**	**$ 6,554,194**

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, 2021

Net change in fund balances-total governmental funds			$	2,627,222
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	$	904,759		
Depreciation expense		(1,155,753)		(250,994)
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 accrues, regardless of when it is due. The net effect of these differences in the treatment of general obligation bonds and related items is as follows:				
Proceeds of general obligation bonds & notes	$	(7,000,000)		
Repayment of bond principal		4,350,000		
Interest expense - general obligation bonds		19,411		(2,630,589)
Deferred outflows and inflows of resources resulting from changes in the components of the pension and OPEB liabilities are amortized as a component of expenses in the statement of activities				(993,685)
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 net OPEB liability	$	(255,808)		
Change in compensated absences and termination benefits		(1,467)		
Change in net pension asset (liability)		1,393,965		1,136,690
Change in net position of governmental activities			$	(111,356)

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, 2021

	Pension Trust Fund	Agency Fund Student Activities
Assets:		
Cash and cash equivalents	$ 303,417	$ 123,090
Investments	8,480,817	---
Total Assets	**8,784,234**	**123,090**
Liabilities and Net Position:		
Liabilities:		
Due to student groups	---	123,090
Total Liabilities	**---**	**123,090**
Net Position:		
Held in trust for pension benefits	**$ 8,784,234**	**$ ---**

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, 2021

		Pension Trust Fund
Additions:		
Employer contributions	$	231,267
Investment income:		
Net increase in the fair value of investments		1,709,227
Interest and dividends		116,563
Gross investment income		**1,825,790**
Less: Investment expense		34,171
Net investment income		**1,791,619**
Total Additions		**2,022,886**
Deductions:		
Pension benefits		347,807
Change in Net Position		**1,675,079**
Net position held in trust for pension benefits:		
Beginning of year		**7,109,155**
End of year	$	**8,784,234**

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

Note "1" - Summary of Significant Accounting Policies:

A. Basis of Presentation:

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

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

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

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

Required supplementary information – in addition to the MD&A, budgetary comparison schedules are presented for the General Fund, which is the only fund with a legally adopted budget. The original budget for revenues and expenditures and the final adjusted budget are presented in comparison with the actual final budgetary revenues and expenditures (including encumbrances). The Pension Trust Fund presents additional schedules as required by GASB 67, 68, and 73, and the OPEB plan presents additional schedules as required by GASB 74 and 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.

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). The Basic financial statements of Shepaug Valley Regional School District #12 include only the funds of the District, as no component units exist based on operational or financial relationships with the District.

C. Government-wide and Fund Financial Statements

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

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

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

Governmental-Funds:

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

Debt Service Fund:
The debt service fund is used to account for the accumulation of resources for, and the payment of general long-term debt principal, interest, and related costs.

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

State and Federal Grant Fund:
This fund is used to account for state and federal grant revenues and the associated expenditures.

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

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 Funds:
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.

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

D. Measurement Focus and Basis of Accounting (continued)

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

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

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

E. Fund Equity and Net Position – Governmental Funds:

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

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

F. Deposits and Investments:

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

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

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

F. Deposits and Investments (continued):

The Connecticut General Statutes authorize the investment of funds in the obligations of the United States, or may be invested in any state or other tax-exempt political subdivision under certain conditions. Funds may also be deposited in the State Treasurer's Short-Term Investment Funds (STIF). The provisions of the statutes, regarding the investments of municipal pension funds, do not specify permitted investments. Therefore, investments of such funds are generally controlled by the laws applicable to fiduciaries and the provisions of the applicable pension plan.

District investments are reported at fair value.

G. Inventories:

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

H. Prepayments:

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

I. Capital Assets and Depreciation

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District follows the policy of capitalizing assets with a cost of $5,000 or more and a useful life of more 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:

Description	Useful Life
Land	Not depreciated
Construction in Progress	Not depreciated
Land improvements	20 years
Buildings & Improvements	20 – 50 years
Furniture and 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.

<u>Note "1" - Summary of Significant Accounting Policies (continued)</u>:

N. <u>Restricted Resources</u>

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.

<u>Note "2" - Stewardship, Compliance, and Accountability:</u>

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.

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

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

	Revenue	Expenditures And Other Financing Uses	Fund Balance
Budgetary Statement – June 30, 2021	$ 23,398,174	$ 22,585,822	$ 812,352
Encumbrances – June 30, 2020	---	1,389,750	---
Encumbrances – June 30, 2021	---	(1,465,404)	1,465,404
Fund balance returned to participating towns is a decrease of revenue for GAAP purposes	(1,039,777)	---	---
Payments made on the District's behalf as described in Notes "12" and "16"	2,573,221	2,573,221	---
Balance (GAAP) Balance Sheet and Statement of Revenue and Expenditures – June 30, 2021	$ 24,931,618	$ 25,083,389	$ 2,277,756

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

No formal budget is adopted.

Note "4" – Cash, Deposits and Investments:

A. Cash and Cash Equivalents

	Governmental Funds	Fiduciary Funds
Deposits:		
Demand accounts	$ 7,225,067	$ 426,507
Cash equivalents:		
State short-term investment fund (STIF)	343,491	---
Total Cash and Cash Equivalents	$ 7,568,558	$ 426,507

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, 2021, the carrying amount of the District's deposits was $7,651,575 and the bank balance was $8,388,425. Of the District's bank balance, $7,638,425 was exposed to custodial credit risk; as follows:

Uninsured and uncollaterialized	$ 6,908,882
Uninsured and collaterialized held by pledging Bank's trust department not in the District's name	729,543
Total amount subject to custodial credit risk	$ 7,638,425

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

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, 2021, the District's cash equivalents amounted to $343,491. The following table provides a summary of the District's cash equivalents as rated by nationally recognized statistical rating organizations. The pools all have maturities of less than one year.

	Standard and Poor's
State of Connecticut Short-Term Investment Fund (STIF)	AAAm

D. Investments

At June 30, 2021, the District's investments consisted of the following:

Types of Investments	Fair Value	Average Credit Rating	Investment Maturity
Fiduciary Funds			
Mutual funds	$ 8,480,817	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.

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, 2021, 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, 2021 whose fair value was determined using Level 2 or Level 3 inputs.

Shepaug Valley Regional School District #12
Towns of Bridgewater, Roxbury and Washington
Notes to Financial Statements
June 30, 2021

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

Receivables and amounts due from State of Connecticut at June 30, 2021 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, 2021 the amounts due to and from other funds were as follows:

	Due from Other Funds	Due to Other Funds
Major Governmental Funds:		
General Fund	$ 1,196,658	$ 42,210
Debt Service Fund	---	150,000
Capital Project Elementary Repair Fund	12,380	---
Capital Project Fund	150,000	346,328
State and Federal Grants Fund	---	807,748
Non-Major Governmental Funds:		
Cafeteria Fund	1,057	43,639
Pre-School Restricted Fund	29,830	---
Total	$ 1,389,925	$ 1,389,925

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

Note "7" - Interfund Account- Transfers:

At June 30, 2021, interfund transfers consisted of the following:

	Transfer from Other Funds	Transfer to Other Funds	Net Transfers
Major Governmental Funds:			
General Fund	$ ---	$ 1,069,078	$ (1,069,078)
Debt Service Fund	740,994	---	740,994
Capital Reserve Fund	228,084	---	228,084
Capital Project – Elementary Repair Fund	100,000	---	100,000
Total	$ 1,069,078	$ 1,069,078	$ ---

Transfers are used to (1) move revenues from the fund the statute or budget requires to collect them to the fund that 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, 2021, the following individual funds had operating deficiencies and/or fund deficits, none of which constitutes a violation of statutory provisions.

	Operating Deficiency	Fund Deficit
Major Governmental Funds:		
Debt Service Fund	$ 621,590	$ ---
Capital Project – Elementary Repair Fund	$ 72,075	$ ---
Capital Project Fund	$ 4,602,270	$ ---
Non-Major Governmental Funds:		
School Cafeteria Fund	$ 63,693	$ 63,693
Scholarship Fund	$ 7,500	$ ---

Note "9" – Capital Assets:

Capital asset activity for the year ended June 30, 2021 was as follows:

	Balance July 1, 2020	Additions and Reclasses	Disposals	Balance June 30, 2021
Governmental activities				
Capital assets, not being depreciated				
Land and Land improvements	$ 152,512	$ ---	$ ---	$ 152,512
Capital assets, being depreciated:				
Buildings and improvements	44,253,670	749,900	---	45,003,570
Leasehold improvements	3,577,381	---	---	3,577,381
Furniture and equipment	370,752	154,859	(60,132)	465,479
Total capital assets, being depreciated	48,201,803	904,759	(60,132)	49,046,430
Accumulated Depreciation:				
Buildings and improvements	(11,739,319)	(1,127,166)	---	(12,866,485)
Leasehold improvements	(3,577,381)	---	---	(3,577,381)
Furniture and equipment	(249,258)	(28,587)	60,132	(217,713)
Total Accumulated Depreciation	(15,565,958)	(1,155,753)	60,132	(16,661,579)
Total Capital Assets, being depreciated, net	32,635,845	(250,994)	---	32,384,851
Governmental Activities Capital assets, net	$ 32,788,357	$(250,994)	$ ---	$ 32,537,363

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

Governmental activities:	
Unallocated	$ 1,144,067
Supporting services:	
District administration	220
Operation and maintenance of facilities	11,466
Total depreciation expense, governmental activities	$ 1,155,753

Shepaug Valley Regional School District #12
Towns of Bridgewater, Roxbury and Washington
Notes to Financial Statements
June 30, 2021

Note "10" - Long-Term Debt:

Long-term liability activity for the year ended June 30, 2021 is as follows:

	Balance July 1, 2020	Additions	Retirements	Balance June 30, 2021	Amounts Due in One Year
General Obligation Bonds of 2019	$ 7,925,000	$ ---	$ 350,000	$ 7,575,000	$ 400,000
General Obligation Bonds Anticipation Notes of 2020	4,000,000	---	4,000,000	---	---
General Obligation Bonds Anticipation Notes of 2021	---	7,000,000	---	7,000,000	7,000,000
Compensated Absences & Other Leave Benefits	131,990	20,405	18,938	133,457	---
Net OPEB Liability	2,428,036	255,808	---	2,683,844	---
Net Pension Liability (Asset)	410,104	1,220,722	2,614,687	(983,861)	---
Totals	$ 14,895,130	$ 8,496,935	$ 6,983,625	$ 16,408,440	$ 7,400,000

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, 2021 is as follows:

	Date of Issue	Date of Maturity	Interest Rate	Amt of Original Issue	Balance Outstanding 6/30/2021
General Obligation Bonds of 2019	4/10/2019	4/1/2040	2.125 – 5.000%	$ 8,250,000	$ 7,575,000
General Obligation Bond Anticipation Note of 2020	4/9/2020	4/8/2021	2.250%	4,000,000	---
General Obligation Bond Anticipation Note of 2021	4/8/2021	11/17/2021	0.260%	7,000,000	7,000,000
Totals				$ 19,250,000	$ 14,575,000

The proceeds from the general obligation bonds will be used to finance the Agriscience STEM Academy Facilities Construction / Shepaug Valley School Science Wing Renovations Project.

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

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

Year Ending June 30	Principal	Interest	Total
2022	$ 7,400,000	$ 256,644	$ 7,656,644
2023	400,000	226,244	626,244
2024	400,000	206,244	606,244
2025	400,000	186,244	586,244
2026	400,000	166,244	566,244
2027-2031	2,000,000	685,719	2,685,719
2032-2036	1,995,000	418,719	2,413,719
2037-2040	1,580,000	120,473	1,700,473
Total	$ 14,575,000	$ 2,266,531	$ 16,841,531

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, 2021, the date of the latest actuarial valuation:

Retirees and beneficiaries currently receiving benefits	50
Vested terminated employees	8
Active employees	67
Total	125

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. 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, 2021 actuarial valuation.

B. Authority and Funding Policy:

The Board of Education has established the benefit provisions and contribution to the plan. State of Connecticut Statutes assign the authority to establish and amend the contribution provisions to the plan to the Board of Education.

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.

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

B. Authority and Funding Policy (continued):

Administrative costs of the plan are financed through investment earnings.

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, 2021:

Asset Class	Target Allocation
Equities	60%
Fixed Income	37%
Cash	3%

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

Vanguard 500 Index Fund	$ 1,117,653	12.72%
Wells Fargo Core Bond Fund	$ 813,301	9.26%
Federated Total Return Bond Fund	$ 808,669	9.21%
Dodge & Cox Income Fund	$ 805,438	9.17%
Metropolitan West Total Return Bond Fund	$ 804,487	9.16%
Northern Midcap Index Fund	$ 723,439	8.24%

Rate of Return: For the year ended June 30, 2021, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 25.36%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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

E. Net Pension Liability (Asset) of the District

The components of the net pension liability (asset) at June 30, 2021, were as follows:

Total pension liability	$ 7,800,374
Plan fiduciary net position	8,784,235
Net pension liability (asset)	$ (983,861)

Plan fiduciary net position as a percentage of the total pension liability	112.61 %

F. Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of July 1, 2021, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation:	2.25%
Salary Increases:	3.00%
Investment Rate of Return:	6.50%, net of pension plan investment expense

Mortality rates were based on the RP-2014 Table with MP-2020 mortality improvements.

Changes in Assumptions: The municipal bond index changed from 2.66% as of July 1, 2020 to 2.18% as of July 1, 2021. In addition, the mortality table was updated from the RP-2014 (adjusted) Table with MP-2019 mortality improvements to the MP-2020 mortality improvements. Lastly, the discount rate and long term rate of return decreased to 6.50% from 6.75%.

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, 2021 (see the discussion of the pension plan's investment policy) are summarized in the following table:

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

G. Discount Rate:

The discount rate used to measure the total pension liability was 6.50%. 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.

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

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 6.50%, 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 (5.50%) or 1 percentage point higher (7.50%) than the current rate:

	1% Decrease 5.50%	Current Discount Rate 6.50%	1% Increase 7.50%
Total Pension Liability	$ 8,596,915	$ 7,800,374	$ 7,116,122
Plan Fiduciary Net Position	$ 8,784,235	$ 8,784,235	$ 8,784,235
Net Pension Liability (Asset)	$(187,320)	$ (983,861)	$(1,668,113)

I. Changes in the Net Pension Liability (Asset)

	Total Pension Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a)-(b)
Balances as of June 30, 2020	$ 7,519,259	$ 7,109,155	$ 410,104
Changes for the Year:			
Service cost	160,744	---	160,744
Interest on total pension liability	477,448	---	477,448
Differences between expected and actual experience	234,723	---	234,723
Changes of assumptions	(243,993)	---	(243,993)
Employer contributions	---	231,267	(231,267)
Net investment income	---	1,791,620	(1,791,620)
Benefit payments	(347,807)	(347,807)	---
Net changes	281,115	1,675,080	(1,393,965)
Balances as of June 30, 2021	$ 7,800,374	$ 8,784,235	$ (983,861)

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

For the year ended June 30, 2021 the District recognized pension expense of $290,342. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experiences	$ 142,080	$ ---
Changes of assumptions	---	159,137
Net difference between projected and actual earnings of plan investments	---	972,439
	$ 142,080	$ 1,131,576

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 (continued):

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

Year Ending June 30,	
2022	$(192,854)
2023	(227,105)
2024	(247,611)
2025	(290,582)
2026	(29,544)
Thereafter	(1,800)
	$(989,496)

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 multiemployer defined benefit pension plan administered by the Teachers' Retirement Board.

Chapter 167a of the State Statutes grants authority to establish and amend the benefit terms to the Teachers Retirement Board. The Teachers Retirement Board issues a publicly available financial report that can be obtained at www.ct.gov.

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.

Shepaug Valley Regional School District #12
Towns of Bridgewater, Roxbury and Washington
Notes to Financial Statements
June 30, 2021

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

C. Benefit Provisions (continued):

Early Retirement: Employees are eligible after 25 years of credited service with a minimum of 20 years of Connecticut service, or age 55 with 20 years of credited service including 15 years of Connecticut service. Benefit amounts are reduced by 6% per year for the first 5 years preceding normal retirement age and 4% per year for the next 5 years preceding normal retirement age. Effective July 1, 1999, the reduction for individuals with 30 or more years of service is 3% per year by which retirement precedes normal retirement date.

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.

Pre-Retirement Death Benefit: The Plan also offers a lump-sum return on contributions with interest] on surviving spouse benefit depending on length of service.

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.

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

The Statutes require the State of Connecticut to contribute 100% of each school districts' required contributions, which are actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of the benefits earned by employees during the year, with any additional amount to finance any unfunded accrued liability.

For the year ended June 30, 2021, the amount of "on-behalf" contributions made by the State was $2,512,584 and is recognized in the General Fund as intergovernmental revenues and education expenditures.

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.

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

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, 2021, the District reports no amounts for its proportionate share of the net pension liability, and related deferred outflows and 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	39,172,352
Total	$ 39,172,352

The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation date of June 30, 2020. At June 30, 2021, the District has no proportionate share of the net pension liability.

For the year ended June 30, 2021, the District recognized $5,611,254 of the collective pension expense as operating contributions and related employee benefit expense in the Statement of Activities.

F. Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2020, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	3.00-6.50%, including inflation
Investment rate of return	6.90%, net of pension plan investment expense, including inflation

Mortality rates were based on the PubT-2010 Healthy Retiree Table (adjusted 105% for males and 103% for females as ages 82 and above), projected generationally with MP-2019 for the period after service retirement.

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period July 1, 2015 to June 30, 2019.

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

F. Actuarial Assumptions (continued):

Future cost-of-living increases for teachers who retired prior to September 1, 1992, 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%. 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. The current capital market assumptions and the target asset allocation as provided by the Treasurer's Office are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity Fund	20.0%	5.6%
Developed Market Intl. Stock Fund	11.0%	6.0%
Emerging Market Int. Stock Fund	9.0%	7.9%
Core Fixed Income Fund	16.0%	2.1%
Inflation Linked Bond Fund	5.0%	1.1%
Emerging Market Debt Fund	5.0%	2.7%
High Yield Bond Fund	6.0%	4.0%
Real Estate Fund	10.0%	4.5%
Private Equity	10.0%	7.3%
Alternative Investments	7.0%	2.9%
Liquidity Fund	1.0%	0.4%

G. Discount Rate

The discount rate used to measure the total pension liability was 6.90%. 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 State contributions will be made at the actuarially determined rates in future years. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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 of Connecticut.

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.

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: The District is in dispute and entered into a Tolling Agreement with an architect that provided services for the construction of the District's new AgriScience STEM addition and associated renovations. 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, 2021 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 contingences.

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 medical 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, 2021, the District has not established a trust fund to irrevocably segregate assets to fund liability associated with the postemployment benefits, which would require the reporting of a trust fund in accordance with GASB guidelines.

The membership of the plan consisted of the following at July 1, 2021, the date of the latest actuarial valuation:

Inactive employees or beneficiaries currently receiving benefits	13
Inactive employees entitled to but not yet receiving benefits	0
Active employees	201
Total	214

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, 2021, were as follows:

Total OPEB liability	$ 2,683,844
Plan fiduciary net position	---
Net OPEB liability	$ 2,683,844

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

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

D. Actuarial Assumptions

Valuation Date:	July 1, 2021
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:	2.18%
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-2020 mortality improvements

Changes in Assumptions: The municipal bond index changed from 2.66% as of July 1, 2020 to 2.18% as of July 1, 2021. In addition, the mortality table was updated from the RP-2014 (adjusted) Table with MP-2019 mortality improvements to the MP-2020 mortality improvements. Lastly, the discount rate decreased to 2.18% from 2.66%.

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

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 2.18%, 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 (1.18%) or 1 percentage point higher (3.18%) than the current rate:

	1% Decrease 1.18%	Current Discount Rate 2.18%	1% Increase 3.18%
Total OPEB Liability	$ 3,046,048	$ 2,683,844	$ 2,365,987
Plan Fiduciary Net Position	$ ---	$ ---	$ ---
Net OPEB Liability	$ 3,046,048	$ 2,683,844	$ 2,365,987

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:

	1% Decrease 7.00%	Current Trend Rate 8.00%	1% Increase 9.00%
Total OPEB Liability	$ 2,462,393	$ 2,683,844	$ 2,872,314
Plan Fiduciary Net Position	$ ---	$ ---	$ ---
Net OPEB Liability	$ 2,462,393	$ 2,683,844	$ 2,872,314

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

F. Changes in the Net OPEB Liability

	Total OPEB Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net OPEB Liability (a)-(b)
Balances as of June 30, 2020	$ 2,428,036	$ ---	$ 2,428,036
Changes for the Year:			
Service cost	10,000	---	10,000
Interest cost	64,586	---	64,586
Differences between expected and actual experience	23,048	---	23,048
Changes of assumptions	158,174	---	158,174
Net changes	255,808	---	255,808
Balances as of June 30, 2021	$ 2,683,844	$ ---	$ 2,683,844

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experiences	$ ---	$ 117,831
Changes of assumptions	1,002,555	---
	$ 1,002,555	$ 117,831

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

Year Ending June 30,	
2022	$ 49,014
2023	49,014
2024	49,014
2025	49,014
2026	49,014
Thereafter	639,654
	$ 884,724

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.

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.

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.

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 Pars 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 cost of the basic coverage (medical and prescription drug benefits).

Note "16" - State of Connecticut Teachers' Retirement System: Other Postemployment Benefits

C. Benefit Provision (continued):

Employees are eligible to retire at age 60 with 20 years credited service of Connecticut, or 35 years of credited service including at last 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 contributions are not currently actuarially funded. The State appropriates from the General Fund one third of the annual costs of the Plan. Administrative costs of the Plan are financed by the State. Based upon Chapter 167a, Subsection D of Section 10-183t of the Connecticut statutes, it is assumed the State will pay for any long-term shortfall arising from insufficient active member contributions.

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

For the year ended June 30, 2021, the amount of "on-behalf" contributions made by the State was $60,637 and is recognized in the General Fund as intergovernmental revenues and education expenditures.

Employees/Retirees: The cost of providing plan benefits is financed on a pay-as-you-go basis as follows: active teacher's 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.

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

At June 30, 2021, 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 was as follows:

District's proportionate share of the net OPEB liability	$ ---
State's proportionate share of the net OPEB liability associated with the District	5,842,558
Total	$ 5,842,558

E. OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (continued):

The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation date of June 30, 2020. At June 30, 2021, the District has no proportionate share of the net OPEB liability.

For the year ended June 30, 2021, the District recognized $269,882 of the collective OPEB expense as operating contributions and related employee benefit expense in the Statement of Activities.

F. Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of June 30, 2020, using the following actuarial assumptions and other inputs, applied to all periods included in the measurement:

Inflation	2.50%
Real wage growth	0.50%
Wage inflation	3.00%
Salary increases	3.00-6.50%, including inflation
Long-term investment rate of return	3.00%, net of OPEB plan investment expense, including inflation

Municipal bond index rate:	
Measurement date	2.21%
Prior measurement date	3.50%

The projected fiduciary net position is projected to be depleted in 2021.

Single equivalent interest rate:	
Measurement date	2.21%, net of OPEB plan investment expense, including price inflation
Prior measurement date	3.50%, net of OPEB plan investment expense, including price inflation

Healthcare cost trend rates:	
Medicare	5.125% for 2020 decreasing to an ultimate rate of 4.50% by 2023

Mortality rates were based on the PubT-2010 Healthy Retiree Table (adjusted 105% for males and 103% for females as ages 82 and above), projected generationally with MP-2019 for the period after service retirement.

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period July 1, 2015 - June 30, 2019.

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 the evaluation of 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 or return (expected return, net of investment expense and inflation) for each major asset class.

Note "16" - State of Connecticut Teachers' Retirement System: OPEB (continued):

F. Actuarial Assumptions (continued):

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

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

Asset Class	Target Allocation	Expected 10-Year Geometric Real Rate of Return	Standard Deviation
U.S. Treasuries (Cash Equivalents)	100.0%	-0.42%	1.78%
Price Inflation		2.50%	
Expected rate of return (rounded nearest 0.25%)		2.00%	

G. Discount Rate

The discount rate used to measure the total OPEB liability was 2.21%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 75. The projection was based on an actuarial valuation performed as of June 30, 2020.

In addition to the actuarial methods and assumptions of the June 30, 2020 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 3.00%.
- Employee contributions were assumed to be made at the current member contribution rate. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Annual State contributions were assumed to be equal to the most recent five-year average of state contributions toward the fund.

Based on those assumptions, the Plan's fiduciary net position was projected to be depleted in 2021 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 healthcare cost trend rate or the discount rate would only impact the amount recorded by the State of Connecticut.

Note "16" - State of Connecticut Teachers' Retirement System: OPEB (continued):

I. Plan Fiduciary Net Position

Detailed information about the plan's fiduciary net position is available in the separately issued financial statements available at www.ct.gov.

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" – Subsequent Events:

On March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic which continues to spread in the United States. As of the date of the financial statements were available to be issued, there was considerable uncertainty around the expected duration of the pandemic. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. The extent to which COVID-19 may impact the District's financial condition, and changes in the fair values of its investments, or results of operations, cannot be reasonably estimated at this time.

Management has evaluated events and transactions for potential recognition or disclosure through December 31, 2021, the date the financial statements were available to be issued. Significant activity included the refinancing of the General Obligation Bond Anticipation Note of 2021 by issuing a new Bond Anticipation Note in the amount of $6,500,000 with an interest rate of 1.50% and a maturity date of August 16, 2022.

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, 2021

	Original Budget	Transfers	Final Budget	Actual	Variance Positive (Negative)
Revenue:					
Participating towns:					
Town of Bridgewater	$ 4.481.391	$ ---	$ 4.481.391	$ **4,481,391**	$ ---
Town of Roxbury	7.037.771	---	7.037.771	**7,037,771**	---
Town of Washington	10.556.657	---	10.556.657	**10,556,657**	---
State of Connecticut:					---
Adult education grant	53	---	53	**63**	10
Agriscience	378.000	---	378.000	**189,191**	(188.809)
Investment income	3.500	---	3.500	**348**	(3.152)
Agriscience town tuition income	388.911	---	388.911	**361,622**	(27.289)
Other tuition income	340.117	---	340.117	**753,022**	412.905
Miscellaneous income	---	---	---	**18,109**	18.109
Total Revenue	23.186.400	---	23.186.400	**23,398,174**	211.774
Expenditures:					
Personnel - Salaries	13.409.305	(5.100)	13.404.205	**12,762,092**	642.113
Personnel - Benefits	3.533.909	---	3.533.909	**3,115,787**	418.122
Purchased Professional & Technical Service	829.436	48.490	877.926	**746,392**	131.534
Purchased Property Services	436.573	265	436.838	**1,128,455**	(691.617)
Other Purchased Services	2.177.954	(121.874)	2.056.080	**1,703,235**	352.845
Supplies	1.196.519	18.168	1.214.687	**1,357,393**	(142.706)
Property & Programs	324.215	75.774	399.989	**669,141**	(269.152)
Dues & Fees/Debt	59.495	(15.723)	43.772	**34,249**	9.523
Total Expenditures	21.967.406	---	21.967.406	**21,516,744**	450.662
Other Financing Uses:					
Operating Transfers Out					
Debt Service Fund	740.994	---	740.994	**740,994**	---
Capital Reserve Fund	---	---	---	**228,084**	(228.084)
Elementary School Repair Fund	100.000	---	100.000	**100,000**	---
Total Other Financing Uses	840.994	---	840.994	**1,069,078**	(228.084)
Total Expenditures and Other Financing Uses	22.808.400	---	22.808.400	**22,585,822**	. 222.578
Excess of Revenue over Expenditures and Other Financing Uses	378.000	---	378.000	**812,352**	434.352
Fund Balance - beginning of year	---	---	---	**1,039,777**	1.039.777
Returned to participating towns	(378.000)	---	(378.000)	**(1,039,777)**	(661.777)
Fund Balance - end of year	$ ---	$ ---	$ ---	$ **812,352**	$ 812.352

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 Seven Fiscal Years

	2021	2020	2019	2018	2017	2016	2015
District's proportion of the net pension liability	0.00%	0.00%	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	39,172,352	34,556,644	26,645,180	28,123,524	29,670,533	24,039,750	22,219,931
Total	$ 39,172,352	$ 34,556,644	$ 26,645,180	$ 28,123,524	$ 29,670,533	$ 24,039,750	$ 22,219,931
District's covered-employee payroll	$ N/A	$ N/A	$ 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%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	49.24%	52.00%	57.69%	55.93%	52.26%	59.50%	61.51%

Notes to Schedule

Actuarial cost method	Entry age
Amortization method	Level percent of pay, closed
Single equivalent amortization perioc	30 years
Asset valuation method	4-year smoothed market
Inflation	2.50%
Salary increase	3.00-6.50%, including inflation
Investment rate of return	6.90% net of position plan investment expense, including inflation
Changes in benefit terms	HB 7424 made the following provision changes: beginning July 1, 2019, annual interest credited on mandatory contributions is set at 4.00%. For members retiring on or after July 1, 2019, with a partial refund option election (Plan N), if 50% of the benefits paid prior to death do not exceed the Member's mandatory contributions plus interest frozen at the date of benefit commencement, the difference is paid to the Member's beneficiary. Beginning July 1, 2018, member contributions increased from 6.00% to 7.00% of salary.
Changes of assumptions	The Board adopted new assumptions as a result of an experience study for the five-year period ending June 30, 2019. The changes in assumptions are: (1) decrease the annual rate of real wage increase assumption from 0.75% to 0.50%; (2) decrease payroll growth assumption from 3.25% to 3.00%; (3) rates of withdrawal, disability, retirement, mortality, and assumed rates of salary increase were adjused to more closely reflect actual and anticipated experience. Beginning July 1, 2019, new assumptions were adopted in conjunction with HB 7424, as follows: the inflation rate assumption was reduced from 2.75% to 2.50%; the real rate of return was reduced from 5.25% to 4.40%, which, when combined with the inflation assumption change results in a decrease in the investment rate of return assumption from 8.00% to 6.90%; the annual rate of wage assumption increased from 0.50% to 0.75%; phase in implemented to a level dollar amortization method for the June 30, 2024 valuation. Beginning July 1, 2016, rates of withdrawal, disability, retirement, mortality, and assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.
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 Four Fiscal Years

	2021	2020	2019	2018
District's proportion of the net OPEB liability	0.00%	0.00%	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	5,842,558	5,389,302	5,326,526	7,238,690
Total	$ 5,842,558	$ 5,389,302	$ 5,326,526	$ 7,238,690
District's covered-employee payroll	$ N/A	$ N/A	$ 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%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total OPEB liability	2.50%	2.08%	1.49%	1.79%

Notes to Schedule

Actuarial cost method	Entry age
Amortization method	Level percent of payroll over a closed period
Amortization period	30 years
Asset valuation method	Market value of assets
Price inflation	2.50%
Investment rate of return	3.00%, net of investment-related expense including price inflation
Changes in benefit terms	The Plan was amended by the Board, effective January 1, 2019, during the September 12, 2018 meeting. The Board elected a new prescription drug plan, which is expected to reduce overall costs and allow for the Board to receive a government subsidy for members whose claims reach a catastrophic level. These changes were communicated to retired members during the months leading up to the open enrollment period that preceded the January 1, 2019 implementation date.
Changes of assumptions	Based on the procedure described in GASB 74, the discount rate used to measure Plan obligations for financial accounting purposes as of June 30, 2020 was updated to equal the Municipal Bond Index Rate as of June 30, 2020; Expected annual per capita claims were updated to better reflect anticpated medical and prescription drug claim experience; Long-term health care cost trend rates were updated; The percentages of participating retirees who are expected to enroll in the Medicare Supplement Plan and the Medicare Advantage Plan options were updated based on observed plan experience. Additionally, participants are no longer assumed to migrate from the Medicare Supplement Plan to the Medicare Advantage Plan after selecting an opion; and the Board adopted new assumptions as the result of an experience study for the five-year period ending June 30, 2019. The changes in assumptions are: decrease the annual rate of real wage increase assumption from 0.75% to 0.50%; decrease payroll growth assumption from 3.25% to 3.00%; rates of withdrawal, disability, retirement, mortality, and assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience. Based on the procedure described in GASB 74, the discount rate used to measure Plan obligations for financial accounting purposes as of June 30, 2019 were updated to equal the Municipal Bond Index Rate of 3.50% as of June 30, 2019. Expected annual per capita claims costs were updated to better reflect anticipated medical and prescription drug claim experience both before and after the plan change that became effective on January 1, 2019; and the expected rate of inflation was decreased, and the real wage growth assumption was increased.
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 Eight Fiscal Years

	2021	2020	2019	2018	2017	2016	2015	2014
Total pension liability:								
Service Cost	$ 160,744	$ 169,474	$ 153,015	$ 166,629	$ 183,092	$ 147,816	$ 149,359	$ 148,277
Interest	477,448	491,750	462,281	432,542	410,759	373,380	350,865	335,174
Differences between expected and actual experience	234,723	(202,646)	162,362	(15,025)	4,875	(51,555)	61,047	(33,666)
Changes of assumptions	(243,993)	(61,525)	(18,172)	156,521	-	542,809	-	-
Benefit payments, including refunds of member contributions	(347,807)	(325,968)	(319,835)	(280,357)	(271,675)	(250,580)	(228,662)	(222,592)
Net change in total pension liability	281,115	71,085	439,651	460,310	327,051	761,870	332,609	227,193
Total pension liability - beginning	7,519,259	7,448,174	7,008,523	6,548,213	6,221,162	5,459,292	5,126,683	4,899,490
Total pension liability - ending	7,800,374	7,519,259	7,448,174	7,008,523	6,548,213	6,221,162	5,459,292	5,126,683
Plan fiduciary net position:								
Contributions - employer	231,267	187,022	205,511	237,889	416,934	176,819	225,505	205,888
Net investment income	1,791,620	327,254	392,987	455,100	647,754	5,070	149,125	701,161
Benefit payments, including refunds of member contributions	(347,807)	(325,968)	(319,835)	(280,357)	(271,675)	(250,580)	(228,662)	(222,592)
Net change in plan fiduciary net position	1,675,080	188,308	278,663	412,632	793,013	(68,691)	145,968	684,457
Plan fiduciary net position - beginning	7,109,155	6,920,847	6,642,184	6,229,552	5,436,539	5,505,230	5,359,262	4,674,805
Plan fiduciary net position - ending	8,784,235	7,109,155	6,920,847	6,642,184	6,229,552	5,436,539	5,505,230	5,359,262
Net Pension Liability (Asset) - Ending	$ (983,861)	$ 410,104	$ 527,327	$ 366,339	$ 318,661	$ 784,623	$ (45,938)	$ (232,579)
Plan fiduciary net position as a percentage of the total pension liability	112.61%	94.55%	92.92%	94.77%	95.13%	87.39%	100.84%	104.54%
Covered employee payroll	$ 3,085,973	$ 2,650,408	$ 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	-31.88%	15.47%	18.60%	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 Four Fiscal Years

	2021	2020	2019	2018
Total OPEB liability:				
Service Cost	$ 10,000	$ 10,000	$ 10,000	$ 10,000
Interest Cost	64,586	63,990	48,578	56,762
Differences between expected and actual experience	23,048	(355,607)	387,208	(195,455)
Changes of assumptions	158,174	665,230	256,694	51,584
Net change in total OPEB liability	255,808	383,613	702,480	(77,109)
Total OPEB liability - beginning	2,428,036	2,044,423	1,341,943	1,419,052
Total OPEB liability - ending	2,683,844	2,428,036	2,044,423	1,341,943
Plan fiduciary net position:				
Plan fiduciary net position at end of the year	-	-	-	-
Net OPEB Liability	$ 2,683,844	$ 2,428,036	$ 2,044,423	$ 1,341,943
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%	0.00%	0.00%
Covered employee payroll	N/A	N/A	N/A	N/A
Net OPEB liability as a percentage of covered employee payroll	N/A	N/A	N/A	N/A

Notes to Schedule

Actuarial cost method	Entry age normal
Amortization method	Level dollar, open
Remaining amortization method	30 years
Asset valuation method	N/A
Discount rate	2.18%
Inflation	2.25%
Salary increases	N/A
Investment rate of return	N/A
Retirement age	65
Mortality table	RP-2014 (adjusted) with MP-2020 mortality improvements
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	In 2021, the discount rate decreased by 0.48%, from 2.66% to 2.18%. In 2020, the mortality table was RP-2014 (adjusted) with MP-2020 mortality improvements and the discount rate was 2.66%. In 2019, the mortality table was RP-2014 (adjusted) with MP-2018 mortality improvements and the discount rate was 3.13%. In 2018, the mortality table was 1994 GAR and the discount rate was 3.62%.

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

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Actuarially determined contribution	$ 221,172	$ 187,022	$ 205,511	$ 266,934	$ 177,349	$ 176,819	$ 183,176	$ 239,659	$ 211,015	$ 237,502
Contributions in relation to the actuarially determined contribution	231,267	187,022	205,511	237,889	416,934	176,819	225,505	205,888	375,541	258,583
Contribution (Deficiency) Excess	$ 10,095	$ -	$ -	$ (29,045)	$ 239,585	$ -	$ 42,329	$ (33,771)	$ 164,526	$ 21,081
Covered employee payroll	$ 3,085,973	$ 2,650,408	$ 2,835,512	$ 2,547,722	$ 2,542,496	$ 2,490,937	$ 2,534,741	$ 2,472,885	$ 2,320,238	$ 2,379,607
Contributions as a percentage of covered employee payroll	7.49%	7.06%	7.25%	9.34%	16.40%	7.10%	8.90%	8.33%	16.19%	10.87%

Notes to Schedule

Valuation date: July 1, 2019
Measurement date: June 30, 2021
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	6.50%
Inflation	2.25%
Salary increases	3.00%
Investment rate of return	6.50%
Retirement age	55-70 years
Mortality	RP-2014 Table (adjusted) with MP-2020 mortality improvements

Other:

Change of benefit terms: None

Changes of assumptions:

There are new assumptions in 2021 as a result of an experience study for the five-year period ending June 30, 2021. The mortality table was changed from RP-2014 Table with MP-2019 mortality improvements to MP-2020 mortality improvements. Additionally, the discount rate and investment rate of return decreased by 0.25% from 6.75% to 6.50%; the salary increases declined by 0.50% from 3.50% to 3.00%; and the 20 year municipal bond rate decreased by 0.48%; from 2.66% to 2.18%. Lastly, the retirement age changed from 65 years to a 55-70 year scale: 5% for ages 55 to 59, 10% for ages 60 to 64, 25% for ages 65 to 69, then 100% at age 70.

In 2020, the mortality table was changed from RP-2014 Table with MP-2018 mortality improvements to MP-2019 mortality improvements. In 2019, the mortality table was changed from RP-2014 Table with MP-2017 mortality improvements to MP-2018 mortality improvements. The inflation rate increased from 2.20% in 2017 to 2.25% in 2018. Additionally, in 2018, the mortality table was updated from the RP-2000 Table projected to valuation using Scale AA in 2017 to the RP-2014 Table with MP-2017 mortality improvements. In 2016, the discount rate, investment rate of return, salary increase, inflation rate, amortization period, and mortality table were adjusted to reflect actual and anticipated experience from an experience study.

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

	2021	2020	2019	2018	2017	2016	2015	2014
Annual money-weighted rate of return, net of investment expense	25.36%	4.81%	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, 2021

	Special Revenue Funds				
	School Cafeteria	Scholarship Fund	Universal Service Fund	Pre-School Restricted Fund	Total Nonmajor Governmental Funds
Assets:					
Cash	$ 7,742	279,474	$ 75,620	$ 152,472	$ 515,308
Due from other funds	1,057	---	---	29,830	30,887
Due from State of Connecticut	29,660	---	---	---	29,660
Inventory	18,506	---	---	---	18,506
Total Assets	$ 56,965	$ 279,474	$ 75,620	$ 182,302	$ 594,361
Liabilities and Fund Balances:					
Liabilities:					
Accounts payable	66,275	---	1,045	500	67,820
Due to other funds	43,639	---	---	---	43,639
Unearned revenue	10,744	---	---	5,028	15,772
Total Liabilities	120,658	---	1,045	5,528	127,231
Fund balances:					
Nonspendable:					
Inventories	18,506	---	---	---	18,506
Committed for:					
School cafeteria	(82,199)	---	---	---	(82,199)
Restricted for:					
Technology - USF fund	---	---	74,575	---	74,575
Scholarships	---	279,474	---	---	279,474
Federal and State grants	---	---	---	---	---
Pre-School	---	---	---	176,774	176,774
Total Fund Balance	(63,693)	279,474	74,575	176,774	467,130
Total Liabilities and Fund Balance	$ 56,965	$ 279,474	$ 75,620	$ 182,302	$ 594,361

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, 2021

	Special Revenue Funds				
	School Cafeteria Fund	**Scholarship Fund**	**Universal Service Fund**	**Pre-School Restricted Fund**	**Total Nonmajor Governmental Funds**
Revenue:					
Federal & state grants	$ 148,740	$ ---	$ ---	$ ---	$ **148,740**
Investment income	---	---	41	80	**121**
Sales of lunches, milk, and other	3,565	---	---	---	**3,565**
Other	---	7,500	4,115	10,059	**21,674**
Total Revenue	**152,305**	**7,500**	**4,156**	**10,139**	**174,100**
Expenditures:					
Salaries and wages	104,871	---	---	---	**104,871**
Employee benefits	8,082	---	---	---	**8,082**
Cost of food consumed	65,533	---	---	---	**65,533**
Supplies and miscellaneous	37,149	---	---	---	**37,149**
Repairs and equipment purchases	363	---	3,044	---	**3,407**
Student services	---	---	---	786	**786**
Scholarships	---	15,000	---	---	**15,000**
Total Expenditures	**215,998**	**15,000**	**3,044**	**786**	**234,828**
Excess (Deficiency) of Revenues Over Expenditures	**(63,693)**	**(7,500)**	**1,112**	**9,353**	**(60,728)**
Other Financing Sources:					
Operating transfers in	---	---	---	---	---
Net Change in Fund Balances	**(63,693)**	**(7,500)**	**1,112**	**9,353**	**(60,728)**
Fund Balance - beginning of year	---	**286,974**	**73,463**	**167,421**	**527,858**
Fund Balance - end of year	$ (63,693)	$ 279,474	$ 74,575	$ 176,774	$ 467,130

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, 2021

	Balance July 1, 2020	Additions	Deductions	Balance June 30, 2021
Assets:				
Cash	$ 123,179	$ 58,361	$ 58,450	$ 123,090
Total Assets	**$ 123,179**	**$ 58,361**	**$ 58,450**	**$ 123,090**
Liabilities:				
Due to Student Groups				
High School Activity Fund	$ 87,362	$ 43,042	$ 45,225	$ 85,179
Middle School	10,589	1,017	2,171	9,435
Burnham School	5,912	2,669	2,423	6,158
Booth Free School	7,516	3,954	2,237	9,233
Washington Primary	11,800	7,679	6,394	13,085
Total Liabilities	**$ 123,179**	**$ 58,361**	**$ 58,450**	**$ 123,090**

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, 2021, 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 31, 2021.

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) as a basis for designing 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 night 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 financial statements. 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.

Charles Heaven + Co, CPA's

CHARLES HEAVEN & CO.

December 31, 2021