

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

**FINANCIAL STATEMENTS
AND
OTHER FINANCIAL INFORMATION**

JUNE 30, 2023

Shepaug Valley Regional School District #12
Towns of Bridgewater, Roxbury, and Washington
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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

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, 2023, 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the 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, 2023, 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Shepaug Valley Regional School District #12 and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Shepaug Valley Regional School District #12's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Shepaug Valley Regional School District #12's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Shepaug Valley Regional School District #12's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 pages 49 through 50, supplementary pension information on pages 51, 54, 56, 57, and supplementary OPEB information on pages 52, 53, and 55, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary 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 accompanying 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 29, 2023, 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.
Waterbury, Connecticut

December 29, 2023

Shepaug Valley Regional School District #12
Management's Discussion and Analysis (MD&A)
June 30, 2023

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, 2023. 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, 2022 is as follows:

Pre-Kindergarten & Kindergarten	86 students
Elementary, Grades 1 through 5	221 students
Middle School, Grades 6 through 8	160 students
High School, Grades 9 through 12	<u>337 students</u>
TOTAL ENROLLMENT	804 students

The student population included 212 non-resident students, 103 Agriscience students from the seven sending towns, 33 students from the Town of Sherman, 8 staff members' children and 68 students from other area towns. Overall student enrollment increased by forty-one students above the 2021-2022 District enrollment of 763. The REACH program is at full capacity of 43 students and the fourth cohort of agriscience students entered Shepaug as freshman in September of 2022. The Agriscience program graduated its first class of seniors in June of 2023.

Shepaug Valley Regional School District #12
Management's Discussion and Analysis (MD&A)
June 30, 2023

Financial Highlights

The total net position of the District on June 30, 2023 is \$24,832,005 which is an increase of \$499,421 over prior year's net position of \$24,332,584. This increase is mainly due to revenue from participating towns and charges for services in the form of tuition.

The post-retirement benefit obligation of the District is \$1,852,033 on June 30, 2023. 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

These financial statements consist 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 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, maintenance, and general administration. Local revenue funding along with federal and state grants finance most of these activities.

Shepaug Valley Regional School District #12
Management's Discussion and Analysis (MD&A)
June 30, 2023

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. The pension trust fund 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 pension trust fund is 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:

	<u>June 30, 2023</u>	<u>June 30, 2022</u>
<i>Assets</i>		
Cash, cash equivalents, and investments	\$ 5,109,831	\$ 5,470,365
Due from State of Connecticut	70,209	851
Prepaid expenses	293,702	---
Capital assets, net of accumulated depreciation	<u>35,844,827</u>	<u>35,308,044</u>
Total Assets	41,318,569	40,779,260
 <u>Total Deferred Outflow of Resources</u>	 1,391,554	 1,503,549
<i>Liabilities</i>		
Accounts payable and other accruals	704,680	622,255
Unearned revenue	91,880	76,754
Long-term debt	<u>16,486,440</u>	<u>16,240,940</u>
Total Liabilities	17,283,000	16,939,949
 <u>Total Deferred Inflow of Resources</u>	 595,118	 1,010,276
 <i>Net Position</i>		
Invested in capital assets, net of related debt	22,569,827	21,633,044
Restricted	3,833,992	3,848,391
Unrestricted	<u>(1,571,814)</u>	<u>(1,148,851)</u>
Total Net Position	<u>\$ 24,832,005</u>	<u>\$ 24,332,584</u>

Shepaug Valley Regional School District #12
Management's Discussion and Analysis (MD&A)
June 30, 2023

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 \$10,000 threshold.

The District's investment in capital assets for its governmental activities as of June 30, 2023 totaled \$35,844,827 (net of accumulated depreciation). This investment in capital assets includes land and land improvements, buildings and improvements, leasehold improvements, and furniture and equipment. The net increase in the District's investment in capital assets is attributable to building and leasehold improvements of \$1,494,563 and furniture and equipment of \$196,523 over depreciation expense of \$1,154,303.

	<u>June 30, 2023</u>	<u>June 30, 2022</u>
Land and land improvements	\$ 152,512	\$ 152,512
Building, improvements, and leasehold improvements	35,187,701	34,752,488
Furniture and equipment	<u>504,614</u>	<u>403,044</u>
Total Net Capital Assets	<u>\$ 35,844,827</u>	<u>\$ 35,308,044</u>

Long-Term Debt

At the end of the current fiscal year, the District had total bonded debt outstanding of \$13,275,000, 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 decreased by \$400,000, related to the retirement of General Obligation Bonds.

Changes in Net Position

The following is a summary of the changes in net position for the year ended June 30th, 2023 for governmental activities of the District. The District's total revenue is \$29,103,135.

Charges for services increased by \$661,927. The increase is mostly attributable to increased tuition income.

Operating grants and contributions increased by \$2,314,482. The increase is mainly related to changes in Teachers Retirement Board pension and OPEB contributions.

Participating Town revenue decreased by \$219,907. This decrease is mainly related to the fund balance returned to the participating Towns.

Investment and miscellaneous income decreased by \$108,009. This decrease is attributable to the reclassification of student activities revenue to the charges for services line item.

The District's expenses predominantly related to educating and caring for students are \$19,724,558 or 68% of the total expenses. Debt service of \$429,433, unallocated depreciation of \$1,053,263 and employee benefits totaling \$7,396,460 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 \$1,852,033.

Shepaug Valley Regional School District #12
Management's Discussion and Analysis (MD&A)
June 30, 2023

	<u>June 30, 2023</u>	<u>June 30, 2022</u>
<i>Program Revenue</i>		
Charges for Services	\$ 2,040,176	\$ 1,378,249
Operating Grants & Contributions	5,108,484	2,794,002
Capital Grants & Contributions	10,137	11,520
<i>General Revenue</i>		
Participating Towns	21,792,550	22,012,457
Investment and Miscellaneous Income	<u>151,788</u>	<u>259,797</u>
Total Revenue	29,103,135	26,456,025
<i>Program Expenses</i>		
Instructional Services	12,827,715	12,372,453
Support Services	5,540,653	5,066,965
Employee Benefits – unallocated	7,396,460	5,151,682
Transportation	1,356,190	1,290,479
School Lunch Services	---	38,227
Debt Service	429,433	256,310
Depreciation – unallocated	<u>1,053,263</u>	<u>583,485</u>
Total Expenses	28,603,714	24,759,601
<i>Change in Net Position</i>	499,421	1,696,424
Net Position – Beginning of Year	<u>24,332,584</u>	<u>22,636,160</u>
Net Position – End of Year	<u>\$ 24,832,005</u>	<u>\$ 24,332,584</u>

Governmental Activities

The net cost of all governmental activities is \$21,444,917, summarized as follows:

	<u>June 30, 2023</u>	<u>June 30, 2022</u>
Instructional services	\$ 9,827,165	\$ 10,079,270
Supporting services	5,332,178	5,055,445
Employee Benefits	3,542,856	3,273,773
Transportation	1,260,022	1,290,479
School Lunch Services	---	37,068
Debt Service	429,433	256,310
Depreciation	<u>1,053,263</u>	<u>583,485</u>
Total	<u>\$ 21,444,917</u>	<u>\$ 20,575,830</u>

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 \$4,851,189 which compares to last year's ending fund balance of \$4,889,480. This was a decrease in the fund balance of \$38,291.

The fund balance in the General Fund decreased \$656,271. Expenditures increased in excess of the increase in total revenue, mainly the result of increased salaries and employee benefits as well as increased net plant operation/maintenance and capital outlay costs.

Shepaug Valley Regional School District #12
Management's Discussion and Analysis (MD&A)
June 30, 2023

The fund balance in the Debt Service Fund decreased by \$19,501, as a result of increased debt service interest costs.

The fund balance in the Capital Reserve Fund increased \$525,278, mostly related to the operating transfer in of 2% of the Board's approved budget appropriation.

The fund balance in the Capital Project Fund decreased by \$21,947, related to expenditures in excess of the proceeds from the general obligation bond anticipation note and term loan.

The fund balance in the Non-major Funds increased by \$148,791. \$90,761 of this amount is the Board approved transfer from the General Fund to clear the School Cafeteria Fund deficit. \$63,098 of the increase is related to increased student tuition in the REACH program.

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 accompanying financial statements. General Fund expenditures for the fiscal year ended June 30, 2023 total \$24,787,793 or 99% of the budget of \$24,810,027 which is \$22,234 less than budgeted. This includes the transfer of \$496,201 to the Reserve for Capital and Non-Recurring Fund, transfer of \$747,241 to the Debt Service Fund, transfer of \$100,000 to the Elementary School Repair Fund, and a transfer of \$90,762 to the School Cafeteria Fund.

Personnel Services and Employee Benefits – At year end, these accounts are under budget by \$1,222,757. 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 realized less of an increase than anticipated in health benefit premiums.

Purchased Professional, Technical, and Property Services – At year end, these accounts are over budget by \$14,404, mostly related to increased building upkeep and outdoor grounds expenditures.

Other Purchased Services – At year end, these accounts are under budget by \$183,066, mostly related to decreased transportation and SPED tuition costs.

Supplies – At year end, these accounts were over budget by \$194,620, mostly related to increased fuel costs.

Property & Program Changes – At year end, these accounts are over budget by \$607,717 mainly as a result of increased capital outlay and equipment costs.

Dues & Fees / Debt – At year end, these accounts are under budget \$20,115.

Transfers to Other Funds – The Connecticut General Statutes provide that a regional board of education may transfer up to 2% of the board's approved budget appropriation to a Capital Reserve Fund. The Board of Education for the District voted to transfer 2% or \$496,201 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.

Shepaug Valley Regional School District #12
Management's Discussion and Analysis (MD&A)
June 30, 2023

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:

	<u>Transfer from Other Funds</u>	<u>Transfer to Other Funds</u>	<u>Net Transfers</u>
Major Governmental Funds:			
General Fund	\$ ---	\$ 1,434,203	\$ (1,434,203)
Debt Service Fund	747,241	---	747,241
Capital Reserve Fund	496,201	---	496,201
Capital Project – Elementary Repair Fund	100,000	---	100,000
Major Governmental Funds:			
School Cafeteria Fund	<u>90,761</u>	<u>---</u>	<u>90,761</u>
Total	\$ <u>1,434,203</u>	\$ <u>1,434,203</u>	\$ <u>---</u>

Economic Factors and Future Budgets

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

The construction project for the Agriscience Academy and renovated science lab is 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. To avoid the cost of renewing the short term obligation on an annual basis, the District issued a fifteen-year bond in 2023 with a call option allowing full repayment upon release of the state grant holdback. With the 2023 issuance, the District advanced \$500,000 from the Capital Reserve Fund to reduce the principal of the short term financing and reduce the related debt service cost until repayment occurs. The District is in the process of preparing all materials requested by the Department of Administrative Services to begin work on the project audit.

Discussions of changing the funding of tuition to agricultural education programs like the Agriscience Academy at Shepaug Valley School 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 Agriscience program expects to enroll 175 students for school year 24-25.

The District was awarded tariff agreements by Eversource to support its initiative to install solar at all facilities. In the coming year, the District will look to develop the solar fields at the highest possible cost savings with the parallel goal of becoming more energy efficient while being environmentally responsible.

Shepaug Valley Regional School District #12
Management's Discussion and Analysis (MD&A)
June 30, 2023

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 Nicole Grant, Director of Finance, 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, 2023

	Governmental Activities
Assets:	
Cash and cash equivalents	\$ 4,609,831
Due from State of Connecticut	70,209
Prepaid expenses	293,702
Noncurrent assets:	
Investment	500,000
Capital assets - net of accumulated depreciation	35,844,827
Total Assets	41,318,569
Deferred Outflows of Resources:	
Differences between expected and actual experience - pension	328,521
Changes of assumptions - pension	173,810
Net difference between projected and actual earnings on plan investments - pension	355,013
Changes of assumptions - OPEB	534,210
Total Deferred Outflows of Resources	1,391,554
Liabilities:	
Accounts payable	480,729
Accrued interest	174,007
Accrued payroll, payroll taxes, and benefits	49,944
Unearned revenue	91,880
Noncurrent liabilities:	
Due within one year	4,650,000
Due in more than one year	11,836,440
Total Liabilities	17,283,000
Deferred Inflows of Resources:	
Differences between expected and actual experience - OPEB	595,118
Net Position:	
Net investment in capital assets	22,569,827
Restricted	
Member towns	621,373
Technology - USF fund	51,830
Scholarships	260,474
Capital non-recurring expenditures	2,367,468
Elementary Repair Fund	261,579
Federal and State grants	4,920
Pre School	266,348
Unrestricted	(1,571,814)
Total Net Position	\$ 24,832,005

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, 2023

Functions	Program Revenues				Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities
Governmental activities:					
Instructional services	\$ 12,827,715	\$ 2,040,176	\$ 960,374	\$ -	\$ (9,827,165)
Support services	5,540,653	-	198,338	10,137	(5,332,178)
Employee benefits - unallocated	7,396,460	-	3,853,604	-	(3,542,856)
Transportation	1,356,190	-	96,168	-	(1,260,022)
Interest on long-term liabilities	429,433	-	-	-	(429,433)
Depreciation - unallocated	1,053,263	-	-	-	(1,053,263)
Total school district	\$ 28,603,714	\$ 2,040,176	\$ 5,108,484	\$ 10,137	(21,444,917)

General revenues:

Participating towns:		
Town of Bridgewater		4,788,009
Town of Roxbury		6,447,786
Town of Washington		10,556,755
Unrestricted earnings on investments		62,848
Miscellaneous		88,940
Total general revenues		<u>21,944,338</u>
Change in net position		499,421
Net position - beginning		<u>24,332,584</u>
Net position - ending		<u>\$ 24,832,005</u>

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

Shepaug Valley Regional School District #12
Towns of Bridgewater, Roxbury and Washington
Balance Sheet - Governmental Funds
June 30, 2023

	Major Funds						Total Governmental Funds
	General Fund	Debt Service Fund	Capital Reserve Fund	Capital Proj. Elementary Repair Fund	Capital Project Fund	Nonmajor Governmental Funds	
Assets:							
Cash and cash equivalents	\$ 1,190,816	\$ 419,609	\$ 1,838,468	\$ 204,031	\$ 196,712	\$ 760,195	\$ 4,609,831
Investment	---	---	500,000	---	---	---	500,000
Due from other funds	950,899	---	29,000	57,548	---	78,691	1,116,138
Due from State of Connecticut	---	---	---	---	---	70,209	70,209
Prepaid expenses	293,702	---	---	---	---	---	293,702
Total Assets	\$ 2,435,417	\$ 419,609	\$ 2,367,468	\$ 261,579	\$ 196,712	\$ 909,095	\$ 6,589,880
Liabilities:							
Accounts payable	\$ 454,806	---	---	---	---	\$ 25,923	\$ 480,729
Accrued payroll, payroll taxes, & benefits	49,944	---	---	---	---	---	49,944
Due to other funds	136,239	---	---	---	950,899	29,000	1,116,138
Unearned revenue	---	---	---	---	---	91,880	91,880
Total Liabilities	640,989	---	---	---	950,899	146,803	1,738,691
Fund balances:							
Restricted:							
Member Towns	621,373	---	---	---	---	---	621,373
Technology - USF fund	---	---	---	---	---	51,830	51,830
Scholarships	---	---	---	---	---	260,474	260,474
Capital improvements	---	---	2,367,468	261,579	(754,187)	---	1,874,860
Federal and State grants	---	---	---	---	---	4,920	4,920
Pre School	---	---	---	---	---	266,348	266,348
Student activities	---	---	---	---	---	178,720	178,720
Committed:							
Debt service	---	419,609	---	---	---	---	419,609
Assigned	1,173,055	---	---	---	---	---	1,173,055
Total Fund Balances	1,794,428	419,609	2,367,468	261,579	(754,187)	762,292	4,851,189
Total Liabilities and Fund Balances	\$ 2,435,417	\$ 419,609	\$ 2,367,468	\$ 261,579	\$ 196,712	\$ 909,095	\$ 6,589,880

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, 2023

Total fund balances for governmental funds	\$ 4,851,189
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Total net position reported for governmental activities in the statement of net position is different because:

Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds. Capital assets, net of \$18,307,683 accumulated depreciation.	35,844,827
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Other long-term assets and deferred outflows of resources are not available to pay for current period expenditures, and therefore, are unavailable in the funds:

Deferred outflows of resources:

Differences between expected and actual experience - pension	\$ 328,521	
Changes of assumptions - pension	173,810	
Net difference between projected and actual earnings on plan investments - pension	355,013	
Changes of assumptions - OPEB	<u>534,210</u>	1,391,554

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:

Differences between expected and actual experience - OPEB	\$ (595,118)	
Net pension liability	(1,239,542)	
Accrued interest	(174,007)	
Bonds payable	(13,275,000)	
Compensated absences and other leave benefits	(119,865)	
Net OPEB liability	<u>(1,852,033)</u>	<u>(17,255,565)</u>

Total net position of governmental activities	\$ <u>24,832,005</u>
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The accompanying notes are in integral part of these financial statements.

Shepaug Valley Regional School District #12
Towns of Bridgewater, Roxbury and Washington
Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds
Year Ended June 30, 2023

	Major Funds					Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	Debt Service Fund	Capital Reserve Fund	Capital Proj. Elementary Repair Fund	Capital Project Fund		
Revenue:							
Participating towns	\$ 21,792,550	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ 21,792,550
Intergovernmental	3,627,161	---	---	---	---	662,076	4,289,237
Tuition and charges for services	1,809,622	---	---	---	---	230,554	2,040,176
Investment income	13,624	5,957	29,077	5,015	3,371	5,804	62,848
Other revenue	28,385	---	---	---	---	60,555	88,940
Total Revenue	27,271,342	5,957	29,077	5,015	3,371	958,989	28,273,751
Expenditures:							
Certified salaries	10,398,022	---	---	---	---	121,961	10,519,983
Classified salaries	3,665,889	---	---	---	---	159,780	3,825,669
Employee benefits	6,218,729	---	---	---	---	6,010	6,224,739
Instructional programs	936,275	---	---	---	---	252,212	1,188,487
Student activities	---	---	---	---	---	148,222	148,222
Tuition - other schools	202,813	---	---	---	---	---	202,813
Administrative	832,840	---	---	---	---	38,558	871,398
Pupil transportation	1,260,022	---	---	---	---	96,168	1,356,190
Plant operation & maintenance	1,165,562	---	---	119,656	---	---	1,285,218
Interest & bond issuance costs	---	372,699	---	---	---	---	372,699
Capital outlay	1,813,258	---	---	---	25,318	78,048	1,916,624
Principal payments on bonds	---	400,000	---	---	6,500,000	---	6,900,000
Total Expenditures	26,493,410	772,699	---	119,656	6,525,318	900,959	34,812,042
Excess (Deficiency) of Revenues over Expenditures	777,932	(766,742)	29,077	(114,641)	(6,521,947)	58,030	(6,538,291)
Other Financing Sources (Uses):							
Proceeds from General Obligation Bond	---	---	---	---	4,000,000	---	4,000,000
Anticipation Note	---	---	---	---	2,500,000	---	2,500,000
Proceeds from Term Loan	---	---	---	---	---	90,761	---
Operating Transfers in (out)	(1,434,203)	747,241	496,201	100,000	---	---	---
Total Other Financing Sources (Uses)	(1,434,203)	747,241	496,201	100,000	6,500,000	90,761	6,500,000
Net change in fund balances	(656,271)	(19,501)	525,278	(14,641)	(21,947)	148,791	(38,291)
Fund Balance - beginning of year	2,450,699	439,110	1,842,190	276,220	(732,240)	613,501	4,889,480
Fund Balance - end of year	\$ 1,794,428	\$ 419,609	\$ 2,367,468	\$ 261,579	\$ (754,187)	\$ 762,292	\$ 4,851,189

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, 2023

Net change in fund balances-total governmental funds	\$ (38,291)
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets are allocated over their estimated useful lives and reported as depreciation expense. The amount by which capital outlays exceed depreciation in the current period is as follows:

Capital outlays	\$ 1,691,086	
Depreciation expense	<u>(1,154,303)</u>	536,783

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	\$ (6,500,000)	
Repayment of bond principal	6,900,000	
Interest expense - general obligation bonds	<u>(56,734)</u>	343,266

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		303,163
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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	\$ (433,474)	
Change in compensated absences and termination benefits	3,332	
Change in net pension liability	<u>(215,358)</u>	<u>(645,500)</u>

Change in net position of governmental activities	\$ <u>499,421</u>
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The accompanying notes are in integral part of these financial statements.

Shepaug Valley Regional School District #12
Towns of Bridgewater, Roxbury and Washington
Statement of Fiduciary Net Position - Fiduciary Fund
June 30, 2023

	Pension Trust Fund
<hr/>	
Assets:	
Cash and cash equivalents	\$ 236,671
Investments	<u>7,570,228</u>
Total Assets	7,806,899
 Net Position:	
Held in trust for pension benefits	<u>7,806,899</u>
Total Net Position	\$ <u><u>7,806,899</u></u>

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

Shepaug Valley Regional School District #12
Towns of Bridgewater, Roxbury and Washington
Statement of Changes in Fiduciary Net Position - Fiduciary Fund
Year ended June 30, 2023

	Pension Trust Fund
Additions:	
Employer contributions	\$ 133,640
Investment income:	
Net decrease in the fair value of investments	594,062
Interest and dividends	173,558
Total Investment Income	<u>767,620</u>
Less: Investment management fees	<u>35,420</u>
Net investment income	<u>732,200</u>
Total Additions	865,840
 Deductions:	
Pension benefits	461,683
 Change in Net Position	 <u>404,157</u>
 Net Position - Beginning of Year	 <u>7,402,742</u>
 Net Position - End of Year	 \$ <u><u>7,806,899</u></u>

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

Shepaug Valley Regional School District #12
Towns of Bridgewater, Roxbury, and Washington
Notes to Financial Statements
June 30, 2023

Note "1" - Summary of Significant Accounting Policies:

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. The District's significant accounting policies are described below.

A. Financial Reporting Entity:

The School District 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 Board of Education are elected by the public and have responsibilities over all activities related to public elementary and secondary school education. The Board is not included in any other governmental "reporting entity" since the Board 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. The Board of Education receives local, state, and federal funding, and must therefore comply with various requirements of these funding source entities.

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.

B. Government-wide and Fund Financial Statements

Government-wide Financial Statements:

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Governmental activities are normally supported by participating town assessments, intergovernmental revenues, and revenues from local sources.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to other governments or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Payments from participating District Towns and other items not properly included among program revenues are reported as general revenues.

Fund Financial Statements:

Separate financial statements are provided for governmental funds, including fiduciary funds, even though the latter are excluded from the government-wide financial statements. Fund financial statements report detailed information about the District's funds. The emphasis of fund financial statements is on major governmental funds. Each major governmental fund is displayed in a separate column and all remaining governmental funds are aggregated and reported as nonmajor funds. Individual fund data for each of these nonmajor governmental funds is provided in the combining statements.

Shepaug Valley Regional School District #12
Towns of Bridgewater, Roxbury, and Washington
Notes to Financial Statements
June 30, 2023

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

C. Measurement Focus and Basis of Accounting:

Government-wide Financial Statements:

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Revenues from the participating towns are recognized as revenues in the year for which they are collected. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider has been met. Therefore, governmental fund financial statements 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 governmental fund financial statements are reported using the current financial resources measurement and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are calculated within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, including lease liabilities, as well as expenditures related to compensated absences, claims and judgments, and post-employment benefits are recognized later based on specific accounting rules applicable to each, generally when payment is due. General capital asset acquisitions, including entering into right to use asset contracts, are reported as expenditures in governmental funds. Issuance of long-term debt and financing through leases are reported as other financing sources.

Revenues from participating towns, tuition, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues in the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is either received or available to be received during the period or within the availability period. All other revenue items are considered to be measurable and available only when the cash is received by the District.

The District reports the following major governmental funds

General Fund: This fund is the District’s general operating fund. It accounts for all financial resources of the District, except those accounted for in another fund.

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

Capital Reserve Fund: This fund accounts for the revenues and expenditures relating to reserves for capital nonrecurring items.

Capital Project Elementary Repair Fund: This fund accounts for the revenues and expenditures relating to capital items and repairs made to the three elementary schools.

**Shepaug Valley Regional School District #12
Towns of Bridgewater, Roxbury, and Washington
Notes to Financial Statements
June 30, 2023**

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

C. Measurement Focus and Basis of Accounting (continued):

Capital Project Fund: This fund accounts for financial resources to be used for the acquisition or construction of major capital facilities.

Additionally, the District reports the following fund type:

Pension Trust Fund: This accounts for the fiduciary activities of the District’s single-employer public employee retirement system (PERS).

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements.

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balances

Cash and Cash Equivalents and Investments

The District’s cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

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

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

Due from the State of Connecticut

The monies due from the State of Connecticut is comprised of grant driven grants with expenditures incurred not yet reimbursed by the government. The District has not established an allowance for estimated uncollectible accounts because the receivables are from the State.

Prepaid Expenses

Prepaid expenses include diesel and fuel costs paid in advance of next year’s expenditure.

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. 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.

Shepaug Valley Regional School District #12
Towns of Bridgewater, Roxbury, and Washington
Notes to Financial Statements
June 30, 2023

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

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balances (continued):

Capital Assets

Capital assets include land and land improvements, buildings and building improvements, furniture and equipment, and construction in progress. They are reported in the government-wide statement of net position. Capital assets are defined by the District as assets with an initial individual cost of more than \$10,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at fair value at the date of donation.

The costs of normal maintenance and repairs that do not add value to the asset or materially extend the assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Useful Life</u>
Land	Not depreciated
Construction in Progress	Not depreciated
Land improvements	20 years
Buildings & Improvements	20 – 50 years
Furniture and Equipment	5 – 10 years

Deferred Outflows and Deferred Inflows of Resources

The statement of financial position reports a separate section for deferred outflows of resources. Deferred outflows of resources represent the consumption of net position that is applicable to a future reporting period. The District reports deferred outflows of resources related to pension and OPEB, resulting from differences between expected and actual experience, changes in assumptions or other inputs. These amounts are deferred and included in pension and OPEB expense in a systematic and rational manner over a period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the plan.

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 inflows of resources related to pension and OPEB. These amounts are deferred and included in pension and OPEB expense in a systematic and rational manner over a period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the plan.

Unearned Revenue

Unearned revenues arise when resources are received before the District has legal claim to them, as when grant monies are received prior to the issuance of qualifying expenditures. In subsequent periods, when the District has legal claim to the resource, the unearned revenues are removed from the balance sheet and revenue is recognized.

Shepaug Valley Regional School District #12
Towns of Bridgewater, Roxbury, and Washington
Notes to Financial Statements
June 30, 2023

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

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balances
(continued):

Long-Term Debt

In the government-wide financial statements, long-term debt and other long-term obligations, such as general obligation bonds and notes, compensated absences and other leave benefits, net pension liability, and net OPEB liability, are reported as liabilities in the governmental activities statement of net position.

General Obligation Bonds and Notes:

In the government-wide financial statements, long-term debt is reported as liabilities in the statement of net position. Premiums and discounts on long-term debt are deferred and amortized over the life of the related debt using the effective interest method. Bonds and notes payable are reported net of the applicable bond premium or discount. Issuance costs are reported as debt service expenditures.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Compensated Absences and Other Leave Benefits

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.

Net Pension Liability

The net pension liability is measured as the portion of the actuarial present value of projected benefits that is attributed to past periods of employee service (total pension liability), net of the pension plan’s fiduciary net position. The pension plan’s fiduciary net position is determined using the same valuation methods that are used by the pension plan for purposes of preparing its statement of fiduciary net position. The net pension liability is measured as of a date (measurement date) no earlier than the end of the employer’s prior fiscal year, consistently applied from period to period.

Shepaug Valley Regional School District #12
Towns of Bridgewater, Roxbury, and Washington
Notes to Financial Statements
June 30, 2023

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

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balances (continued):

Long-Term Debt (continued):

Net OPEB Liability

The net OPEB (asset) liability is measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employees' past periods of service (total OPEB liability), less the amount of the OPEB plan's fiduciary net position. The OPEB plan's fiduciary net position is determined using the same valuation methods that are used by the OPEB plan for purposes of preparing its statement of fiduciary net position. The net OPEB (asset) liability is measured as of a date (measurement date) no earlier than the end of the employer's prior fiscal year, consistently applied from period to period

Fund Equity and Net Position – Governmental Funds:

In the fund financial statements, fund balances of governmental funds are classified in five separate categories. 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. Restrictions may be changed or lifted only with the consent of the resource providers.
- Committed fund balance – amounts that can be used only for specific purposes pursuant to constraints imposed by formal budgetary action of the Board of Education as approved by member Towns in accordance with provisions of the Connecticut General Statutes.
- Assigned fund balance – amounts the District intends to use for a specific purpose, but are neither restricted nor committed, as authorized by the Board of Education.
- Unassigned fund balance – remaining fund balance after amounts are set aside for other classifications

The District's policy is to use restricted fund balance first if the expenditure meets the restricted purpose, followed by committed, assigned, and unassigned amounts.

The District does not have a minimum fund balance policy.

**Shepaug Valley Regional School District #12
Towns of Bridgewater, Roxbury, and Washington
Notes to Financial Statements
June 30, 2023**

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

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balances (continued):

Fund Equity and Net Position – Governmental Funds (continued):

In the government-wide financial statements, net position is classified into the following categories:

- Net Investment in Capital Assets – This category presents all capital assets into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction, or improvements of these assets reduces this category. Debt issued for non-capital purchase is excluded.
- Restricted Net Position – This category presents net position restricted by external parties, such as creditors, grantors, contributors, or laws and regulations.
- Unrestricted Net Position – This category represents the net position of the District which is not restricted for any project or other purpose. A deficit will require future funding.

When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the District's policy is to first apply the expense toward restricted resources and then toward unrestricted resources.

E. Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

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

Budgetary Compliance – The General Fund

On or before the last Friday in December all cost centers submit requests for appropriations to the 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 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.

Shepaug Valley Regional School District #12
Towns of Bridgewater, Roxbury, and Washington
Notes to Financial Statements
June 30, 2023

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

Budgetary Compliance – The General Fund (continued):

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 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 fund and governmental wide financial statements, which does not include encumbrances as expenditures.

Budgetary Compliance – Other Governmental Funds:

No formal budget is adopted.

Note "3" – Cash and Cash Equivalents, Deposits, and Investments:

A. Cash and Cash Equivalents

	<u>Governmental Funds</u>	<u>Fiduciary Funds</u>
Deposits:		
Demand Accounts	\$ 3,241,655	\$ ---
Certificate of Deposit	<u>500,000</u>	<u>---</u>
Total Deposits	3,741,655	---
 Petty Cash and Cash on Hand	 1,300	
Cash Equivalents:		
Repurchase Agreements	1,008,842	
State Short-Term Investment Fund (STIF)	358,034	---
Government Obligation	<u>---</u>	<u>236,671</u>
Total Cash Equivalents	1,366,876	236,671
 Certificates of Deposits classified as investments	 (<u>500,000</u>)	 <u>---</u>
 Total Cash and Cash Equivalents	 \$ <u>4,609,831</u>	 \$ <u>236,671</u>

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Note "3" – Cash and Cash Equivalents, Deposits, and Investments (continued):

B. Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of June 30, 2023, the carrying amount of the District's deposits was \$3,741,655 and the bank balance was \$5,980,795. Of the District's bank balance, \$4,092,641 was exposed to custodial credit risk; as follows:

Uninsured and uncollateralized	\$ 3,707,044
Uninsured and collateralized held by pledging Bank's trust department not in the District's name	<u>385,597</u>
Total amount subject to custodial credit risk	<u>\$ 4,092,641</u>

C. Cash Equivalents

Cash equivalents are short-term, highly liquid investments that are both readily convertible to known amounts of cash and purchased within 90 days of maturity. At June 30, 2023, the District's cash equivalents amounted to \$1,366,876.

The following table provides a summary of the District's cash equivalents as rated by nationally recognized statistical rating organizations. The State of Connecticut Short-Term Investment Fund (STIF) is a "2a7-Like" pool. The fair value of the portion in the pool is the same as the value of the pool shares.

State of Connecticut Short-Term Investment Fund (STIF)	<u>Standard and Poor's</u> AAAm
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Assets held in repurchase agreement accounts of \$1,008,842 were fully insured by the Federal Deposit Insurance Corporation per an ICS deposit placement agreement with a local bank.

Wealth management money market accounts are uninsured and uncollateralized.

D. Investments

At June 30, 2023, the District's investments consisted of the following:

<u>Types of Investments</u>	<u>Fair Value</u>	<u>Average Credit Rating</u>	<u>Investment Maturity</u>
Primary Government			
Certificate of Deposit	\$ <u>500,000</u>	*	11/22/2023
Fiduciary Funds			
Mutual Funds	\$ <u>7,570,228</u>	N/A	N/A

* included in deposits above, therefore, insured and collateralized to the extent described above

- Ratings by Standard & Poor's are provided where applicable to indicate the associated credit risk. N/A indicates not applicable.

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Note "3" – Cash and Cash Equivalents, Deposits, and Investments (continued):

D. Investments (continued):

- 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. U.S. government securities or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk exposure.

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 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, 2023, 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 did not hold any investments using Level 2 or Level 3 inputs.

Note "4" - Interfund Transfers:

At June 30, 2023, interfund transfers consisted of the following:

	<u>Transfer from</u> <u>Other Funds</u>	<u>Transfer to Other</u> <u>Funds</u>	<u>Net</u> <u>Transfers</u>
Major Governmental Funds:			
General Fund	\$ ---	\$ 1,434,203	\$ (1,434,203)
Debt Service Fund	747,241	---	747,241
Capital Reserve Fund	496,201	---	496,201
Capital Project – Elementary Repair Fund	100,000	---	100,000
School Cafeteria Fund	<u>90,761</u>	<u>---</u>	<u>90,761</u>
Total	\$ <u>1,434,203</u>	\$ <u>1,434,203</u>	\$ <u>---</u>

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Note "4" - Interfund Transfers (continued):

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 "5" - Interfund Accounts – Due to/from Other Funds:

At June 30, 2023 the amounts due to and from other funds were as follows:

	<u>Due from</u> <u>Other Funds</u>	<u>Due to</u> <u>Other Funds</u>
Major Governmental Funds:		
General Fund	\$ 950,899	\$ 136,239
Capital Reserve Fund	29,000	---
Capital Project Elementary Repair Fund	57,548	---
Capital Project Fund	---	950,899
Non-Major Governmental Funds:		
State and Federal Grants Fund	76,766	29,000
Pre-School Restricted Fund	<u>1,925</u>	<u>---</u>
Total	<u>\$ 1,116,138</u>	<u>\$ 1,116,138</u>

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 "6" - Operating Deficiencies and Fund Deficits:

At June 30, 2023, the following individual funds had operating deficiencies and/or fund deficits, none of which constitutes a violation of statutory provisions.

	<u>Operating</u> <u>Deficiency</u>	<u>Fund Deficit</u>
Major Governmental Funds:		
General Fund	\$ <u>656,271</u>	\$ <u>---</u>
Debt Service Fund	\$ <u>19,501</u>	\$ <u>---</u>
Capital Project Elementary Repair Fund	\$ <u>14,641</u>	\$ <u>---</u>
Capital Project Fund	\$ <u>21,947</u>	\$ <u>754,187</u>
Non-Major Governmental Funds:		
Scholarship Fund	\$ <u>8,500</u>	\$ <u>---</u>
Universal Service Fund	\$ <u>20,183</u>	\$ <u>---</u>

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Note "7" – Capital Assets:

Capital asset activity for the year ended June 30, 2023 was as follows:

	<u>Balance</u> <u>July 1, 2022</u>	<u>Additions</u> <u>and Reclasses</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 2023</u>
Governmental activities				
Capital assets, not being depreciated				
Land and Land improvements	\$ 152,512	\$ ---	\$ ---	\$ 152,512
Capital assets, being depreciated:				
Buildings and leasehold improvements	51,751,191	1,494,563	(95,343)	53,150,411
Furniture and equipment	674,675	196,523	(21,611)	849,587
Total capital assets, being depreciated	52,425,866	1,691,086	(116,954)	53,999,998
Accumulated Depreciation:				
Buildings and leasehold improvements	(16,998,703)	(1,059,350)	95,343	(17,962,710)
Furniture and equipment	(271,631)	(94,953)	21,611	(344,973)
Total Accumulated Depreciation	(17,270,334)	(1,154,303)	116,954	(18,307,683)
Total Capital Assets, being depreciated, net	35,155,532	536,783	---	35,692,315
Governmental Activities Capital assets, net	\$ 35,308,044	\$ 536,783	\$ ---	\$ 35,844,827

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

Governmental activities:	
Unallocated	\$ 1,053,263
Instructional program	45,034
Supporting services:	
Operation and maintenance of facilities	56,006
Total depreciation expense, governmental activities	\$ 1,154,303

Note "8" - Long-Term Debt:

A summary of general obligation bonds and notes outstanding as of June 30, 2023 is as follows:

	<u>Date of Issue</u>	<u>Date of</u> <u>Maturity</u>	<u>Interest Rate</u>	<u>Amt of</u> <u>Original Issue</u>	<u>Balance</u> <u>Outstanding</u> <u>6/30/2023</u>
General Obligation Bonds of 2019	4/10/2019	4/1/2040	2.125 – 5.000%	\$ 8,250,000	\$ 6,775,000
General Obligation Bond					
Anticipation Note, dated 11/17/21	11/17/2021	8/16/2022	1.50%	6,500,000	---
General Obligation Bond					
Anticipation Note, dated 8/16/22	8/16/2022	8/15/2023	2.89%	4,000,000	4,000,000
General Obligation Term Loan, dated 8/16/22	8/16/2022	8/15/2032	3.12%	2,500,000	2,500,000
Totals				\$ 21,250,000	\$ 13,275,000

Shepaug Valley Regional School District #12
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Note "8" - Long-Term Debt (continued):

The proceeds from the general obligation bonds will be used to finance capital projects, including: the Agriscience STEM Academy Facilities Construction / Shepaug Valley School (SVS) Science Wing Renovations Project, SVS Roof Project, SVS Maintenance Garage, and improvements to the District's Agri-Science Building Project.

Long-term liability activity for the year ended June 30, 2023 is as follows:

	<u>Balance</u> <u>July 1, 2022</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2023</u>	<u>Amounts Due</u> <u>in One Year</u>
General Obligation Bonds of 2019	\$ 7,175,000	\$ ---	\$ 400,000	\$ 6,775,000	\$ 400,000
General Obligation Bond Anticipation Note, dated 11/17/21	6,500,000	---	6,500,000	---	---
General Obligation Bond Anticipation Note, dated 8/16/22	---	4,000,000	---	4,000,000	4,000,000
General Obligation Term Loan, dated 8/16/22	---	2,500,000	---	2,500,000	250,000
Compensated Absences & Other Leave Benefits	123,197	20,508	23,840	119,865	---
Net OPEB Liability	1,418,559	433,474	---	1,852,033	---
Net Pension Liability	<u>1,024,184</u>	<u>1,081,198</u>	<u>865,840</u>	<u>1,239,542</u>	<u>---</u>
<u>Totals</u>	<u>\$ 16,240,940</u>	<u>\$ 8,035,180</u>	<u>\$ 7,789,680</u>	<u>\$ 16,486,440</u>	<u>\$ 4,650,000</u>

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

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 4,650,000	\$ 383,464	\$ 5,033,464
2025	650,000	247,019	897,019
2026	650,000	219,869	869,869
2027	650,000	200,719	850,719
2028	650,000	185,569	835,569
2029-2033	3,250,000	678,094	3,928,094
2034-2038	1,985,000	299,168	2,284,168
2039-2040	<u>790,000</u>	<u>36,537</u>	<u>826,537</u>
Total	<u>\$ 13,275,000</u>	<u>\$ 2,250,439</u>	<u>\$ 15,525,439</u>

Shepaug Valley Regional School District #12
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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, 2023, the date of the latest actuarial valuation:

Retirees and beneficiaries currently receiving benefits	51
Vested terminated employees	10
Active employees	<u>63</u>
Total	<u>124</u>

The District provides all Employee retirement benefits through a single employer, noncontributory, defined benefit plan. Under the plan, all regular full-time and regular part-time nonprofessional employees who have completed 2 years of service. 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, 2023 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.

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, Principal. Investment income is recognized as earned.

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Towns of Bridgewater, Roxbury, and Washington
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Note "11" - Employees Retirement System, Non-certified Employee Plan (continued):

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, 2023:

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

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

Vanguard 500 Index Fund	\$ 989,092	12.67%
Dodge & Cox Income Fund	\$ 721,907	9.31%
Allspring Core Bond Fund	\$ 720,296	9.23%
Federated Hermes Total Return Bond Fund	\$ 718,886	9.21%
Metropolitan West Total Return Bond Fund	\$ 718,887	9.21%
Northern Midcap Index Fund	\$ 662,954	8.49%

Rate of Return: For the year ended June 30, 2023, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 10.17%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

E. Net Pension Liability of the District

The components of the net pension liability (asset) at June 30, 2023 were as follows:

Total pension liability	\$ 9,046,441
Plan fiduciary net position	<u>7,806,899</u>
Net pension liability (asset)	<u>\$ 1,239,542</u>
Plan fiduciary net position as a percentage of the total pension liability	86.30%

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

F. Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of July 1, 2023, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation:	2.50%
Salary Increases:	3.00%
Investment Rate of Return:	6.00%, net of pension plan investment expense

Mortality rates were based on the RP-2014 Table with MP-2021 mortality improvements.

Changes in Assumptions: The discount rate and long-term rate of return decreased by 0.25%, from 6.25% as of July 1, 2022 to 6.00% as of July 1, 2023. In addition, the inflation rate decreased from 3.00% to 2.50% for the year ended June 30, 2023.

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, 2023 (see the discussion of the pension plan's investment policy) are summarized in the following table:

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

G. Discount Rate:

The discount rate used to measure the total pension liability was 6.00%. The projections of cash flows used to determine the discount rate assumed that the District contribution will be made at actuarially determined contribution rates. Based on this assumption, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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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 6.00%, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.00%) or 1 percentage point higher (7.00%) than the current rate:

	<u>1% Decrease</u> <u>5.00%</u>	<u>Current Discount</u> <u>Rate 6.00%</u>	<u>1% Increase</u> <u>7.00%</u>
Total Pension Liability	\$ 9,968,257	\$ 9,046,441	\$ 8,256,070
Plan Fiduciary Net Position	\$ 7,806,899	\$ 7,806,899	\$ 7,806,899
Net Pension Liability (Asset)	\$ 2,161,358	\$ 1,239,542	\$ 449,171

I. Changes in the Net Pension Liability

	<u>Total Pension</u> <u>Liability</u> <u>(a)</u>	<u>Increase (Decrease)</u> <u>Plan Fiduciary</u> <u>Net Position</u> <u>(b)</u>	<u>Net Pension</u> <u>Liability</u> <u>(a)-(b)</u>
Balances as of June 30, 2022	\$ 8,426,926	\$ 7,402,742	\$ 1,024,184
Changes for the Year:			
Service cost	196,652	---	196,652
Interest on total pension liability	512,255	---	512,255
Differences between expected and actual experience	163,349	---	163,349
Changes of assumptions	208,942	---	208,942
Employer contributions	---	133,640	(133,640)
Net investment income	---	732,200	(732,200)
Benefit payments	<u>461,683</u>	<u>(461,683)</u>	<u>---</u>
Net changes	<u>619,515</u>	<u>404,157</u>	<u>215,358</u>
Balances as of June 30, 2023	\$ <u>9,046,441</u>	\$ <u>7,806,899</u>	\$ <u>1,239,542</u>

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

For the year ended June 30, 2023, the District recognized pension expense of \$551,142. At June 30, 2023, the District reported deferred outflows of resources from the following sources. The District did not report any deferred inflows of resources.

	<u>Deferred Outflows</u> <u>of Resources</u>
Differences between expected and actual experiences	\$ 328,521
Changes of assumptions	173,810
Net difference between projected and actual earnings of plan investments	<u>355,013</u>
	\$ <u>857,344</u>

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

J. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (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,	
2024	\$ 149,757
2025	106,786
2026	367,826
2027	38,973
2028	92,869
Thereafter	<u>101,133</u>
	<u>\$ 857,344</u>

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

A. Plan Description

The Connecticut Teachers' Retirement System (TRS) is the public pension plan offered by the State of Connecticut to provide retirement, disability, survivorship and health insurance benefits for Connecticut public school teachers and their beneficiaries. TRS is governed by Connecticut Statute Title 10, Chapter 167a of the Connecticut General Statutes. TRS is a cost sharing multiemployer pension plan administered by the Connecticut State Teachers' Retirement Board (TRB). The State Treasurer is responsible for investing TRS funds for the exclusive benefit of TRS members.

Teachers, principals, superintendents or supervisors engaged in service of public schools are provided with pensions through the TRS. Chapter 167a of the State Statutes grants authority to establish and amend the benefit terms to the TRB. TRS issues a publicly available financial report that can be obtained at www.ct.gov.

B. Benefit Provisions

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

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

Early Retirement: Employees are eligible after 25 years of credited service 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.

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June 30, 2023

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

B. Benefit Provisions (continued):

Minimum Benefit: Effective January 1, 1999, Public Act 98-251 provides a minimum monthly benefit of \$1,200 to teachers who retire under the normal retirement provisions and who have completed at least 25 years of full time Connecticut service at retirement.

Disability Retirement: Employees are eligible for service-related disability benefits regardless of length of service. Five years of credited service is required for non-service related disability. Disability benefits are calculated as 2% per year of service times the average of the highest three years of pensionable salary, as defined per the Plan, but not less than 15%, nor more than 50%. In addition, disability benefits under this Plan (without regard to cost-of-living adjustments) plus an initial award of Social Security benefits and workers' compensation cannot exceed 75% of average annual salary.

A Plan member who leaves service and has attained 10 years of service will be entitled to 100% of the accrued benefit as of the date of termination of covered employment. Benefits are payable at age 60, and early retirement reductions are based on the number of years of service the member would have had if they had continued work until age 60.

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.

C. 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 are amended and certified by the TRB and appropriated by the General Assembly. The contributions are actuarially determined as an amount that, when combined with employee contributions and investment earnings, is expected to finance the costs of the benefits earned by employees during the year, with any additional amounts to finance any unfunded accrued liability.

Employer (School District): School district employers are not required to make contributions to the Plan, as contributions are required only from employees and the State.

For the year ended June 30, 2023, the amount of "on-behalf" contributions made by the State was \$2,976,116 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.

D. Administrative Expenses

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

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June 30, 2023

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, 2023, 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	\$	37,747,400

The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation date of June 30, 2022. At June 30, 2023, the District has no proportionate share of the net pension liability.

For the year ended June 30, 2023, the District recognized \$3,648,328 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, 2022, using the following actuarial assumptions, applied to all periods included in the measurement. The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the period July 1, 2014 – June 30, 2019.

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
Administrative expenses	\$0 assumption as expenses are paid for by the General Assembly

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.

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 TRS 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 were less than 8.5%, the maximum increase is 1.5%. For teachers who were members of TRS after July 1, 2007, pension benefit adjustments are made that are consistent with those provided for Social Security benefits on January 1 of the year granted, with a maximum of 5% per annum. If the return on assets in the previous year was less than 11.5%, the maximum increase is 3%, and if the return on assets in the previous year was less than 8.5%, the maximum increase is 1.0%.

Shepaug Valley Regional School District #12
Towns of Bridgewater, Roxbury, and Washington
Notes to Financial Statements
June 30, 2023

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

F. Actuarial Assumptions (continued):

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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity Fund	20.0%	5.4%
Developed Market Intl. Stock Fund	11.0%	6.4%
Emerging Market Intl. Stock Fund	9.0%	8.6%
Core Fixed Income Fund	13.0%	0.8%
Emerging Market Debt Fund	5.0%	3.8%
High Yield Bond Fund	3.0%	3.4%
Real Estate Fund	19.0%	5.2%
Private Equity	10.0%	9.4%
Private Credit	5.0%	6.5%
Alternative Investments	3.0%	3.1%
Liquidity Fund	2.0%	-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.

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.

Shepaug Valley Regional School District #12
Towns of Bridgewater, Roxbury, and Washington
Notes to Financial Statements
June 30, 2023

Note "13" – 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, 2023, 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, 2023, the date of the latest actuarial valuation:

Inactive employees or beneficiaries currently receiving benefits	11
Inactive employees entitled to but not yet receiving benefits	0
Active employees	<u>207</u>
Total	<u>218</u>

B. Authority and Funding Policy:

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

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

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

The components of the net OPEB liability at June 30, 2023, were as follows:

Total OPEB liability	\$ 1,852,033
Plan fiduciary net position	---
Net OPEB liability	<u>\$ 1,852,033</u>

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

Shepaug Valley Regional School District #12
Towns of Bridgewater, Roxbury, and Washington
Notes to Financial Statements
June 30, 2023

Note "13" – Post Retirement Benefits Plan (continued):

D. Actuarial Assumptions

Valuation Date:	July 1, 2023
Actuarial Cost Method:	Entry Age Normal
Amortization Method:	Level Dollar, open
Remaining Amortization Period:	30 Years
Inflation:	2.50%
Salary Increases:	N/A
Investment Rate of Return:	N/A
Discount Rate:	4.13%
Trend Rate:	8.00% in current year, decreasing by 0.50% per year with an ultimate rate of 4.00%
Mortality Table:	RP-2014 (adjusted) with MP-2021 mortality improvements

Changes in Assumptions: The municipal bond index and discount rate changed from 4.09% as of July 1, 2022 to 4.13% as of July 1, 2023.

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 4.13%, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (3.13%) or 1 percentage point higher (5.13%) than the current rate:

	<u>1% Decrease</u> <u>3.13%</u>	<u>Current Discount Rate</u> <u>4.13%</u>	<u>1% Increase</u> <u>5.13%</u>
Total OPEB Liability	\$ 2,126,330	\$ 1,852,033	\$ 1,626,994
Plan Fiduciary Net Position	\$ ---	\$ ---	\$ ---
Net OPEB Liability	\$ 2,126,330	\$ 1,852,033	\$ 1,626,994

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

	<u>1% Decrease</u> <u>7.00%</u>	<u>Current Trend Rate</u> <u>8.00%</u>	<u>1% Increase</u> <u>9.00%</u>
Total OPEB Liability	\$ 1,641,201	\$ 1,852,033	\$ 2,101,931
Plan Fiduciary Net Position	\$ ---	\$ ---	\$ ---
Net OPEB Liability	\$ 1,641,201	\$ 1,852,033	\$ 2,101,931

Shepaug Valley Regional School District #12
Towns of Bridgewater, Roxbury, and Washington
Notes to Financial Statements
June 30, 2023

Note "13" – 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, 2022	\$ 1,418,559	\$ ---	\$ 1,418,559
Changes for the Year:			
Service cost	10,000	---	10,000
Interest cost	58,019	---	58,019
Differences between expected and actual experience	375,402	---	375,402
Changes of assumptions	(9,947)	---	(9,947)
Net changes	<u>433,474</u>	<u>---</u>	<u>433,474</u>
Balances as of June 30, 2023	\$ <u>1,852,033</u>	\$ <u>---</u>	\$ <u>1,852,033</u>

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experiences	\$ ---	\$ 595,118
Changes of assumptions	<u>534,210</u>	<u>---</u>
	\$ <u>534,210</u>	\$ <u>595,118</u>

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,	
2024	\$(1,705)
2025	(1,705)
2026	(1,705)
2027	(1,705)
2028	(1,705)
Thereafter	(52,383)
	<u>\$(60,908)</u>

Note "14" - State of Connecticut Teachers' Retirement System: Other Postemployment Benefits

A. Plan Description

The Connecticut Teachers' Retirement System (TRS) is the public pension plan offered by the State of Connecticut to provide retirement, disability, survivorship and health insurance benefits for Connecticut public school teachers and their beneficiaries. TRS is governed by Connecticut Statute Title 10, Chapter 167a of the Connecticut General Statutes. TRS is a cost sharing multiemployer pension plan administered by the Connecticut State Teachers' Retirement Board (TRB). The State Treasurer is responsible for investing TRS funds for the exclusive benefit of TRS members.

Shepaug Valley Regional School District #12
Towns of Bridgewater, Roxbury, and Washington
Notes to Financial Statements
June 30, 2023

Note "14" - State of Connecticut Teachers' Retirement System: OPEB (continued):

A. Plan Description (continued):

Teachers, principals, superintendents or supervisors engaged in service of public schools are provided with pensions through the TRS. Chapter 167a of the State Statutes grants authority to establish and amend the benefit terms to the TRB. TRS issues a publicly available financial report that can be obtained at www.ct.gov.

B. Benefit Provisions

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 \$220 per month for a retired member plus an additional \$220 per month for a spouse enrolled in a local school district plan is provided to the school district to first offset the retiree's share of the cost of coverage, any remaining portion is used to offset the District's cost.

The subsidy amount is set by Statute. A subsidy amount of \$440 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 \$440 per month towards coverage under a local school district plan.

Any member that is currently participating in Medicare Parts A & B is eligible to either continue health care coverage with their former employer, if offered, or enroll in the Plan sponsored by the TRS. 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).

Employees are eligible to retire at age 60 with 20 years credited service of Connecticut, or, prior to age 60 with 35 years of credited service including at last 25 years of service in Connecticut.

C. Contributions

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

Shepaug Valley Regional School District #12
Towns of Bridgewater, Roxbury, and Washington
Notes to Financial Statements
June 30, 2023

Note "14" - State of Connecticut Teachers' Retirement System: OPEB (continued):

C. Contributions (continued)

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

For the year ended June 30, 2023, the amount of "on-behalf" contributions made by the State was \$42,094 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.

D. Administrative Expenses

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, 2023, 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		<u>3,305,807</u>
Total	\$	<u>3,305,807</u>

The net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation date of June 30, 2022. At June 30, 2023, the District has no proportionate share of the net OPEB liability.

For the year ended June 30, 2023, the District recognized \$199,266 of the collective OPEB expense as operating contributions and related employee benefit expense in the Statement of Activities.

Shepaug Valley Regional School District #12
Towns of Bridgewater, Roxbury, and Washington
Notes to Financial Statements
June 30, 2023

Note "14" - State of Connecticut Teachers' Retirement System: OPEB (continued):

F. Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of June 30, 2022, 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	3.54%
Prior measurement date	2.16%

The projected fiduciary net position is projected to be depleted in 2027.

Single equivalent interest rate:

Measurement date	3.53%, net of OPEB plan investment expense, including price inflation
Prior measurement date	2.17%, net of OPEB plan investment expense, including price inflation

Healthcare cost trend rates:

Medicare	Known increases until calendar year 2024, then general trend decreasing to an ultimate rate of 4.5% by 2031.
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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, 2022 valuation were based on the results of an actuarial experience study for the period July 1, 2014 - 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.

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.

Shepaug Valley Regional School District #12
Towns of Bridgewater, Roxbury, and Washington
Notes to Financial Statements
June 30, 2023

Note "14" - State of Connecticut Teachers' Retirement System: OPEB (continued):

F. Actuarial Assumptions (continued):

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Expected 10-Year Geometric Real Rate of Return</u>	<u>Standard Deviation</u>
U.S. Treasuries (Cash Equivalents)	100.0%	-0.98%	1.12%
Price Inflation		2.50%	
Expected rate of return (rounded nearest 0.25%)		1.50%	

G. Discount Rate

The discount rate used to measure the total OPEB liability was 3.53%. 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, 2022. In addition to the actuarial methods and assumptions of the June 30, 2022 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 2027 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.

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.

**Shepaug Valley Regional School District #12
Towns of Bridgewater, Roxbury, and Washington
Notes to Financial Statements
June 30, 2023**

Note “15” – Risk Management and Unpaid Claims Liabilities:

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District generally obtains commercial insurance coverage for all risks of loss. Additionally, employee health coverage is purchased from a commercial carrier. There have been no significant reductions in any insurance coverage from amounts in the prior year. Settled claims from these risks did not exceed commercial insurance coverage during the three years ended June 30, 2023.

Note “16” - Commitments and Contingencies:

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, 2023 may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

Note “17” – Subsequent Events:

Management has evaluated events and transactions for potential recognition or disclosure through December 29, 2023, the date the financial statements were available to be issued. Significant activity included the refinancing of the \$4,000,000 General Obligation Bond Anticipation Note on August 15, 2023 by paying down \$500,000 and issuing a new General Obligation Bond of \$3,500,000 at 4.43% interest rate and a maturity date of August 15, 2038, with a call option upon receipt of construction holdback funds.

Shepaug Valley Regional School District #12
Towns of Bridgewater, Roxbury and Washington
Schedule of Revenue, Expenditures, Other Financing Uses, and Changes in Fund Balance
General Fund Budget and Actual (NON-GAAP BUDGETARY BASIS)
Year Ended June 30, 2023

	Original Budget	Transfers	Final Budget	Actual	Variance With Final Budget Over (Under)
Revenue:					
Participating towns:					
Town of Bridgewater	\$ 5,027,953	\$ ---	\$ 5,027,953	\$ 5,027,953	\$ ---
Town of Roxbury	6,845,606	---	6,845,606	6,845,606	---
Town of Washington	11,099,816	---	11,099,816	11,099,816	---
State of Connecticut:					
Adult education grant	63	---	63	65	2
Agriscience grant	582,400	---	582,400	608,886	26,486
Investment income	1,000	---	1,000	13,624	12,624
Agriscience town tuition income	632,492	---	632,492	830,630	198,138
Other tuition income	680,000	---	680,000	978,992	298,992
Miscellaneous income	---	---	---	3,594	3,594
Total Revenue	24,869,330	---	24,869,330	25,409,166	539,836
Expenditures:					
Personnel - Salaries	14,674,869	(41,449)	14,633,420	14,063,561	(569,859)
Personnel - Benefits	3,853,417	---	3,853,417	3,200,519	(652,898)
Purchased Professional & Technical Services	743,957	4,999	748,956	720,733	(28,223)
Purchased Property Services	429,045	1,816	430,861	473,488	42,627
Other Purchased Services	2,148,652	(2,327)	2,146,325	1,963,259	(183,066)
Supplies	1,352,469	(12,829)	1,339,640	1,534,260	194,620
Property & Programs	691,766	57,375	749,141	1,356,858	607,717
Dues & Fees/Debt & Miscellaneous	68,611	(7,585)	61,026	40,911	(20,115)
Total Expenditures	23,962,786	---	23,962,786	23,353,589	(609,197)
Other Financing Uses:					
Operating Transfers Out					
Debt Service Fund	747,241	---	747,241	747,241	---
Capital Reserve Fund	---	---	---	496,201	496,201
Elementary School Repair Fund	100,000	---	100,000	100,000	---
School Cafeteria Fund	---	---	---	90,762	90,762
Total Other Financing Uses	847,241	---	847,241	1,434,204	586,963
Total Expenditures and Other Financing Uses	24,810,027	---	24,810,027	24,787,793	(22,234)
Excess of Revenue over Expenditures and Other Financing Uses	59,303	---	59,303	621,373	562,070
Fund Balance - beginning of year	---	---	---	1,180,825	1,180,825
Returned to participating towns	(59,303)	---	(59,303)	(1,180,825)	(1,121,522)
Fund Balance - end of year	\$ ---	\$ ---	\$ ---	\$ 621,373	\$ 621,373

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

Shepaug Valley Regional School District #12
Towns of Bridgewater, Roxbury and Washington
Notes to Required Supplementary Information
Schedule of Revenue, Expenditures, Other Financing Uses, and Changes in Fund Balance
General Fund Budget and Actual (NON-GAAP BUDGETARY BASIS)
Year Ended June 30, 2023

Basis:

The Schedule of Revenue, Expenditures, Other Financing Uses, and Changes in the Fund Balance of the General Fund Budget and Actual (Non-GAAP Budgetary Basis) presents a comparison of the original and final legally adopted budget with actual data on a budgetary basis.

The General Fund is the only fund for which a legal budget is adopted.

Reconciliation between Budgetary Basis and Generally Accepted Accounting Principles (GAAP) Basis:

Accounting principles applied for the purposes of developing data on a budgetary basis differ than those used to present financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP), as follows:

For budget purposes, State of Connecticut pension and OPEB on-behalf payments related to the Connecticut State Teachers' Retirement System for District teachers are not budgeted. They are reported for financial reporting (GAAP) purposes.

For budget purposes, the District employs encumbrance accounting. Encumbrances for purchases and commitments ordered but not received are reported in the year the order is placed for budgetary purposes, but not in the year received for financial reporting (GAAP) purposes. Similarly, encumbrances for purchases and commitments ordered in the previous year, that were received and liquidated in the current year are reported for financial statement reporting (GAAP) purposes.

For budget purposes, the District does not budget for the return of prior year's fund balance to the participating Towns. This is recorded as a decrease of revenue for financial statement reporting (GAAP) purposes.

For budget purposes, the District nets some revenues and expenditures, including E*Rate telephone and internet discounts. GAAP requires gross revenue and expenditures to be recognized.

	<u>Revenue</u>	<u>Expenditures and Other Financing Uses</u>	<u>Fund Balance</u>
Actual - Budgetary Basis - June 30, 2023	\$ 25,409,166	\$ 24,787,793	\$ 621,373
Pension and OPEB on-behalf payments as described in Notes "11" and "15"	3,018,210	3,018,210	---
Encumbrances			
June 30, 2022	---	1,269,875	---
June 30, 2023	---	(879,354)	879,354
Prepaid diesel/fuel		(293,702)	293,701
Fund balance returned to participating Towns	(1,180,825)	---	---
To gross up revenues and expenditures - E*Rate funding discount	24,791	24,791	---
Actual - GAAP - June 30, 2023	<u>\$ 27,271,342</u>	<u>\$ 27,927,613</u>	<u>\$ 1,794,428</u>

OTHER FINANCIAL INFORMATION

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 Nine Fiscal Years

	2023	2022	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%	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	37,747,400	31,024,835	39,172,352	34,556,644	26,645,180	28,123,524	29,670,533	24,039,750	22,219,931
Total	<u>\$ 37,747,400</u>	<u>\$ 31,024,835</u>	<u>\$ 39,172,352</u>	<u>\$ 34,556,644</u>	<u>\$ 26,645,180</u>	<u>\$ 28,123,524</u>	<u>\$ 29,670,533</u>	<u>\$ 24,039,750</u>	<u>\$ 22,219,931</u>
District's covered-employee payroll	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ 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%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	54.06%	60.77%	49.24%	52.00%	57.69%	55.93%	52.26%	59.50%	61.51%

Notes to Schedule

Actuarial cost method
Amortization method
Single equivalent amortization period 27.8 years
Asset valuation method
Inflation
Salary increase
Investment rate of return

Entry age
Level percent of pay, closed, grading to a level dollar amortization for 6/30/2024 valuation
4-year smoothed market
2.50%
3.00-6.50%, including inflation
6.90% net of position plan investment expense, including inflation

Changes in benefit terms

In 2022, legislation was passed restoring the 25% wear down of Plan N benefits to vested members as of June 30, 2019. 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.

For the years ended June 30, 2022 and 2021, no amortization was recognized as pension expense.

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 adjusted to more closely reflect actual and anticipated experience.

Changes of assumptions

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 Six Fiscal Years

	2023	2022	2021	2020	2019	2018
District's proportion of the net OPEB liability	0.00%	0.00%	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	3,305,807	3,380,099	5,842,558	5,389,302	5,326,526	7,238,690
Total	<u>\$ 3,305,807</u>	<u>\$ 3,380,099</u>	<u>\$ 5,842,558</u>	<u>\$ 5,389,302</u>	<u>\$ 5,326,526</u>	<u>\$ 7,238,690</u>
District's covered-employee payroll	\$ N/A	\$ N/A	\$ 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%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total OPEB liability	9.46%	6.11%	2.50%	2.08%	1.49%	1.79%

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

Actuarial cost method	Entry age
Amortization method	Level percent of payroll over an open 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 For the June 30, 2022 valuation, there was a change in the maximum monthly subsidy amounts offered to retirees and their dependents from \$110/\$220 to \$220/\$440.

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

For the June 30, 2023 valuation, the discount rate used to measure Plan obligations was updated to equal the SEIR of 3.53%; the expected annual per capita claims costs were updated to better reflect anticipated medical and prescription drug claim experience; the assumed age related annual percentage increases in expected annual per capita health care claim costs were updated; long-term health care cost trend rates were updated; and the percentages of participating retirees who are expected to enroll in the Medicare Supplement Plan and the Medicare Advantage Plan options were updated to better reflect anticipated plan experience.

For June 30, 2022, the discount rate was decreased from 2.21% to 2.17% to reflect the change in the Municipal Bond Index rate. Additionally, expected annual per capita claims costs were updated to better reflect anticipated medical and prescription drug claim experience before and after the plan change that became effective on January 1, 2019. Further the expected rate of inflation was decreased and the Real Wage Growth assumption was increased.

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 summarized as follows: (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 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, 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 anticipated 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 option; 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 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 Ten Fiscal Years

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total pension liability:										
Service Cost	\$ 196,652	\$ 196,275	\$ 160,744	\$ 169,474	\$ 153,015	\$ 166,629	\$ 183,092	\$ 147,816	\$ 149,359	\$ 148,277
Interest	512,255	475,638	477,448	491,750	462,281	432,542	410,759	373,380	350,865	335,174
Differences between expected and actual experience	163,349	121,234	234,723	(202,646)	162,362	(15,025)	4,875	(51,555)	61,047	(33,666)
Changes of assumptions	208,942	213,724	(243,993)	(61,525)	(18,172)	156,521	-	542,809	-	-
Benefit payments, including refunds of member contributions	(461,683)	(380,319)	(347,807)	(325,968)	(319,835)	(280,357)	(271,675)	(250,580)	(228,662)	(222,592)
Net change in total pension liability	619,515	626,552	281,115	71,085	439,651	460,310	327,051	761,870	332,609	227,193
Total pension liability - beginning	8,426,926	7,800,374	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	9,046,441	8,426,926	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	133,640	204,473	231,267	187,022	205,511	237,889	416,934	176,819	225,505	205,888
Net investment income	732,200	(1,205,647)	1,791,620	327,254	392,987	455,100	647,754	5,070	149,125	701,161
Benefit payments, including refunds of member contributions	(461,683)	(380,319)	(347,807)	(325,968)	(319,835)	(280,357)	(271,675)	(250,580)	(228,662)	(222,592)
Net change in plan fiduciary net position	404,157	(1,381,493)	1,675,080	188,308	278,663	412,632	793,013	(68,691)	145,968	684,457
Plan fiduciary net position - beginning	7,402,742	8,784,235	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	7,806,899	7,402,742	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	\$ 1,239,542	\$ 1,024,184	\$ (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	86.30%	87.85%	112.61%	94.55%	92.92%	94.77%	95.13%	87.39%	100.84%	104.54%
Covered employee payroll	\$ 2,652,539	\$ 2,877,515	\$ 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	46.73%	35.59%	(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 Six Fiscal Years

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB liability:						
Service Cost	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000
Interest Cost	58,019	58,508	64,586	63,990	48,578	56,762
Differences between expected and actual experience	375,402	(952,022)	23,048	(355,607)	387,208	(195,455)
Changes of assumptions	(9,947)	(381,771)	158,174	665,230	256,694	51,584
Net change in total OPEB liability	433,474	(1,265,285)	255,808	383,613	702,480	(77,109)
Total OPEB liability - beginning	1,418,559	2,683,844	2,428,036	2,044,423	1,341,943	1,419,052
Total OPEB liability - ending	<u>1,852,033</u>	<u>1,418,559</u>	<u>2,683,844</u>	<u>2,428,036</u>	<u>2,044,423</u>	<u>1,341,943</u>
Plan fiduciary net position:						
Plan fiduciary net position at end of the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net OPEB Liability	\$ <u>1,852,033</u>	\$ <u>1,418,559</u>	\$ <u>2,683,844</u>	\$ <u>2,428,036</u>	\$ <u>2,044,423</u>	\$ <u>1,341,943</u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
Covered employee payroll	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Net OPEB liability as a percentage of covered employee payroll	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

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	4.13%
Inflation	2.50%
Salary increases	N/A
Investment rate of return	N/A
Retirement age	65
Mortality table	RP-2014 (adjusted) with MP-2021 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	<p>In 2023, the discount rate increased from 4.09% to 4.13%.</p> <p>In 2022, the discount rate increased by 1.91%, from 2.18% to 4.09% and the inflation rate increased by 0.25%, from 2.25% to 2.50%. In addition, the mortality projection scale uses MP-2021 mortality improvements.</p> <p>In 2021, the discount rate decreased by 0.48%, from 2.66% to 2.18%.</p> <p>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%.</p>

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 236,138	\$ 204,473	\$ 221,172	\$ 187,022	\$ 205,511	\$ 266,934	\$ 177,349	\$ 176,819	\$ 183,176	\$ 239,659
Contributions in relation to the actuarially determined contribution	133,640	204,473	231,267	187,022	205,511	237,889	416,934	176,819	225,505	205,888
Contribution (Deficiency) Excess	<u>\$ (102,498)</u>	<u>\$ -</u>	<u>\$ 10,095</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (29,045)</u>	<u>\$ 239,585</u>	<u>\$ -</u>	<u>\$ 42,329</u>	<u>\$ (33,771)</u>
Covered employee payroll	\$ 2,652,539	\$ 2,877,515	\$ 3,085,973	\$ 2,650,408	\$ 2,835,512	\$ 2,547,722	\$ 2,542,496	\$ 2,490,937	\$ 2,534,741	\$ 2,472,885
Contributions as a percentage of covered employee payroll	5.04%	7.11%	7.49%	7.06%	7.25%	9.34%	16.40%	7.10%	8.90%	8.33%

Notes to Schedule

Valuation date:

Measurement date:

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

Amortization method

Remaining amortization period

Asset valuation method

Discount rate

Inflation

Salary increases

Investment rate of return

Retirement age

Mortality

Entry age normal

Level percentage of payroll, closed

30 years from 7/1/2019

Fair market value

6.00%

2.25%

3.00%

6.00%

55-70 years

RP-2014 Table (adjusted) with MP-2021 mortality improvements

Other:

Change of benefit terms

Changes of assumptions

None

In 2023, the discount rate and long term rate of return decreased by 0.25%, from 6.25% to 6.00% and the 20 year municipal bond rate changed from 4.09% to 4.13%.

In 2022, the discount rate and long term rate of return decreased by 0.25%, from 6.50% to 6.25%. The mortality table was changed from RP-2014 Table with MP-2020 mortality improvements to MP-2021 improvements.

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 Ten Fiscal Years

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Annual money-weighted rate of return, net of investment expense	10.17%	-13.97%	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, 2023

	State and Federal Grants Fund	Special Revenue Funds					Total Nonmajor Governmental Funds
		School Cafeteria	Scholarship Fund	Universal Service Fund	Pre-School Restricted Fund	Student Activities Fund	
Assets:							
Cash	\$ ---	---	260,474	51,830	269,171	178,720	760,195
Due from other funds	76,766	---	---	---	1,925	---	78,691
Due from State of Connecticut	70,209	---	---	---	---	---	70,209
Total Assets	\$ 146,975	---	\$ 260,474	\$ 51,830	\$ 271,096	\$ 178,720	\$ 909,095
Liabilities and Fund Balances:							
Liabilities:							
Accounts payable	25,923	---	---	---	---	---	25,923
Due to other funds	29,000	---	---	---	---	---	29,000
Unearned revenue	87,132	---	---	---	4,748	---	91,880
Total Liabilities	142,055	---	---	---	4,748	---	146,803
Fund balances:							
Restricted for:							
Technology - USF fund	---	---	---	51,830	---	---	51,830
Scholarships	---	---	260,474	---	---	---	260,474
Federal and State grants	4,920	---	---	---	---	---	4,920
Pre-School	---	---	---	---	266,348	---	266,348
Student activities	---	---	---	---	---	178,720	178,720
Total Fund Balance	4,920	---	260,474	51,830	266,348	178,720	762,292
Total Liabilities and Fund Balance	\$ 146,975	---	\$ 260,474	\$ 51,830	\$ 271,096	\$ 178,720	\$ 909,095

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, 2023

	Special Revenue Funds						Total Nonmajor Governmental Funds
	State and Federal Grants Fund	School Cafeteria Fund	Scholarship Fund	Universal Service Fund	Pre-School Restricted Fund	Student Activities Fund	
Revenue:							
Intergovernmental	\$ 662,076	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	662,076
Investment income	---	---	---	1,423	4,350	31	5,804
Tuition income and charges for services	---	---	---	---	58,748	171,806	230,554
Other	32,747	---	5,500	22,308	---	---	60,555
Total Revenue	694,823	---	5,500	23,731	63,098	171,837	958,989
Expenditures:							
Certified salaries	121,961	---	---	---	---	---	121,961
Classified salaries	159,780	---	---	---	---	---	159,780
Employee benefits	6,010	---	---	---	---	---	6,010
Instructional programs	238,212	---	---	---	---	---	238,212
Scholarships	---	---	14,000	---	---	---	14,000
Student services	---	---	---	---	---	148,222	148,222
Administrative	38,558	---	---	---	---	---	38,558
Pupil transportation	96,168	---	---	---	---	---	96,168
Capital outlay	34,134	---	---	43,914	---	---	78,048
Total Expenditures	694,823	---	14,000	43,914	---	148,222	900,959
Excess (Deficiency) of Revenues over Expenditures	---	---	(8,500)	(20,183)	63,098	23,615	58,030
Other Financing Sources:							
Operating transfers in	---	90,761	---	---	---	---	90,761
Net Change in Fund Balances	---	90,761	(8,500)	(20,183)	63,098	23,615	148,791
Fund Balance - beginning of year	4,920	(90,761)	268,974	72,013	203,250	155,105	613,501
Fund Balance - end of year	\$ 4,920	\$ ---	\$ 260,474	\$ 51,830	\$ 266,348	\$ 178,720	\$ 762,292

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, 2023, 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 29, 2023.

Report on 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 might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on 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.
Waterbury, Connecticut

December 29, 2023

STATE SINGLE AUDIT REPORT

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

INDEPENDENT AUDITOR'S REPORT

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

Report on Compliance for Each Major State Program

Opinion on Each Major State Program

We have audited Shepaug Valley Regional School District #12's compliance with the types of compliance requirements identified as subject to audit in the Office of Policy and Management's *Compliance Supplement* that could have a direct and material effect on each of Shepaug Valley Regional School District #12's major state programs for the year ended June 30, 2023. Shepaug Valley Regional School District #12's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Shepaug Valley Regional School District #12 complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2023.

Basis for Opinion on Each Major State Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of the State Single Audit Act (C.G.S. Sections 4-230 to 4-236). Our responsibilities under those standards and the State Single Audit Act are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Shepaug Valley Regional School District #12 and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major state program. Our audit does not provide a legal determination of Shepaug Valley Regional School District #12's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Shepaug Valley Regional School District #12's state programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Shepaug Valley Regional School District #12's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the State Single Audit will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Shepaug Valley Regional School District #12's compliance with the requirements of each major state program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the State Single Audit Act, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Shepaug Valley Regional School District #12's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of Shepaug Valley Regional School District #12's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the State Single Audit Act, but not for the purpose of expressing an opinion on the effectiveness of Shepaug Valley Regional School District #12's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

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

We have audited the financial statements of the 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, 2023, and the related notes to the financial statements, which collectively comprise Shepaug Valley Regional School District #12's basic financial statements. We have issued our report thereon dated December 29, 2023, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of state financial assistance is presented for purposes of additional analysis as required by the State Single Audit Act and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 schedule of expenditures of state financial assistance is fairly stated in all material respects in relation to the basic financial statements as a whole.

CHARLES HEAVEN & CO.
Waterbury, Connecticut

December 29, 2023

Shepaug Valley Regional School District #12
Schedule of Expenditures of State Financial Assistance
Year Ended June 30, 2023

State Grantor / Pass-Through Grantor / Program Title	State Grant Program Core-CT Number	Expenditures
State Department of Education:		
Talent Development	11000-SDE64370-12552	\$ 1,241
Vocational Agriculture	11000-SDE64370-17017	608,886
Adult Education	11000-SDE64370-17030	65
Health Services	11000-SDE64370-17034	3,003
Total State Financial Assistance before Exempt Programs		613,195
EXEMPT PROGRAMS		
State Department of Education:		
Special Education - Excess Cost - Student Based	11000-SDE64370-17047	1,949
Total Exempt Programs		1,949
Total State Financial Assistance		\$ 615,144

The accompanying notes are in integral part of this schedule.

**Shepaug Valley Regional School District #12
Towns of Bridgewater, Roxbury, and Washington
Notes to Schedule of Expenditures of State Financial Assistance
For the Year Ended June 30, 2023**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying schedule of expenditures of state financial assistance includes state grant activity of Shepaug Valley Regional School District #12 under programs of the State of Connecticut for the fiscal year ended June 30, 2023. The State of Connecticut Department of Education provided financial assistance through grants and other authorizations in accordance with the General Statutes of the State of Connecticut. Because the schedule presents only a selected portion of the operations of Shepaug Valley Regional School District #12, it is not intended and does not present the financial position, changes in fund balance, changes in net position, or cash flows of Shepaug Valley Regional School District #12.

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

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

Basis of Accounting

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

**Shepaug Valley Regional School District #12
Towns of Bridgewater, Roxbury, and Washington
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2023**

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's opinion issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ☐ yes ☒ no
- Significant deficiency(ies) identified? ☐ yes ☒ none reported
- Noncompliance material to financial statements noted? ☐ yes ☒ no

State Financial Assistance

Internal control over major programs:

- Material weakness(es) identified? ☐ yes ☒ no
- Significant deficiency(ies) identified? ☐ yes ☒ none reported

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

Any audit findings disclosed that are required to be reported in accordance with Section 4-236-24 of the Regulations to the State Single Audit Act?

☐ yes ☒ no

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

<u>State Grantor and Program</u>	<u>State Core-CT Number</u>	<u>Expenditures</u>
Department of Education Vocational Agriculture	11000-SDE64370-17017	\$ <u>608,886</u>
• Dollar threshold used to distinguish between type A and type B Programs		\$ <u>100,000</u>

**Shepaug Valley Regional School District #12
Towns of Bridgewater, Roxbury, and Washington
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2023**

II. FINANCIAL STATEMENT FINDINGS

We issued our report, dated December 29, 2023, on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with Government Auditing Standards.

Our report on compliance indicated no reportable instances of noncompliance.

Our report on internal control over financial reporting indicated no findings or questioned costs.

III. STATE FINANCIAL ASSISTANCE FINDINGS AND QUESTIONED COSTS

No findings or questioned costs are reported relating to State Financial Assistance Programs.