
SHARED SERVICES

Annual Financial Statements

For the Year Ended June 30, 2020

SHARED SERVICES
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For the Year Ended June 30, 2020

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INDEPENDENT AUDITOR'S REPORT

To the Committee for Shared Services
Winsted, CT

Report on the Financial Statements

We have audited the accompanying financial statements of the government activities, each major fund, and the aggregate remaining fund information of Shared Services, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Shared Services' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund and the aggregate remaining fund information of Shared Services as of June 30, 2020, and the respective changes in the financial position, and the respective budgetary comparison, for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-9 and pension information on page 35-37 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Shared Services' basic financial statements. The introductory section and combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Requirements by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated November 18, 2020, on our consideration of Shared Services internal control over financial reporting and on our tests of its compliance with certain provisions of law, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Shared Services' 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 Shared Services' internal control over financial reporting and compliance.

King, King & Associates

King, King & Associates, P.C., CPAs
Winsted, Connecticut
November 18, 2020

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SHARED SERVICES
Management's Discussion and Analysis
June 30, 2020

As management of Shared Services, we offer readers of the Shared Services' financial statements this narrative overview and analysis of the financial activities of Shared Services for the fiscal year ended June 30, 2020.

Financial Highlights

- The assets of Shared Services exceeded its liabilities at the close of the most recent fiscal year by \$608,788 (*net position*). Of this amount, \$540,694 (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors. The remaining amount of \$68,094 is invested in capital assets.
- The government's total net position increased by \$122,260. This increase is primarily cost savings in all budget categories.
- As of the close of the current fiscal year, Shared Services governmental funds reported combined ending fund balances of \$540,694 an increase of \$121,007 in comparison with the prior year. The balance of the assigned and unassigned fund balance is \$96,809. Of this total amount, \$169,770 has been assigned to the subsequent year's budget leaving (\$72,961) which is available for spending at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the General Fund was (\$70,463), and \$169,770 was assigned to finance the subsequent year's budget.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to Shared Services' basic financial statements. Shared Services' basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements: The *government-wide financial statements* are designed to provide readers with a broad overview of Shared Services' finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of Shared Services' assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator whether the financial position of Shared Services is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position is changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods (e.g., depreciation expense).

SHARED SERVICES
Management's Discussion and Analysis
June 30, 2020

Both of the government-wide financial statements distinguish functions of Shared Services that are principally supported by intergovernmental revenues (*governmental activities*). The governmental activities of Shared Services include providing regional special education services.

The government-wide financial statements can be found on pages 10-11 of this report.

Fund Financial Statements: A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Shared Services, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Shared Services are governmental funds.

Governmental Fund: *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Shared Services maintains nineteen (19) individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General, Special Activities and Transport which are considered to be major funds.

Shared Services adopts an annual appropriated budget for its General Fund, IDEA Grant, Title I Grant, and Preschool Grant Funds. A budgetary comparison statement has been provided for these funds on page 15 to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 12-14 of this report.

Notes to the Financial Statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 16-34 of this report.

SHARED SERVICES
Management's Discussion and Analysis
June 30, 2020

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of Shared Services, assets exceeded liabilities by \$608,788 at the close of the most recent fiscal year.

NET POSITION

	<u>2020</u>	<u>2019</u>
Current and other assets	\$ 843,379	\$ 744,587
Capital Assets	<u>68,094</u>	<u>66,841</u>
Total Assets	<u>911,473</u>	<u>811,428</u>
 Deferred Outflows	 <u>-</u>	 <u>-</u>
 Other Liabilities	 \$ 302,685	 \$ 324,900
Total Liabilities	<u>302,685</u>	<u>324,900</u>
 Deferred Inflows	 <u>-</u>	 <u>-</u>
 Net Position:		
Net investment in capital assets	68,094	66,841
Unrestricted	<u>540,694</u>	<u>419,687</u>
Total Net Position	<u>\$ 608,788</u>	<u>\$ 486,528</u>

A portion of Shared Services' net position (11 percent) represents net position invested in capital assets. The remaining balance is *unrestricted net position*, and may be used to meet the government's ongoing obligations to citizen and creditors.

At the end of the current fiscal year, Shared Services reported positive balances in all categories of net position, for the government as a whole.

Governmental Activities: Governmental activities increased Shared Services net position by \$122,260. Key elements of this increase are as follows:

- Cost savings in most budgeted line-items
- The ability to charge an administrative fee to programs run at Region 7
- Better than anticipated grant funding
- Hired a certified staff member at a reduced rate due to a retirement

SHARED SERVICES
Management's Discussion and Analysis
June 30, 2020

CHANGE IN NET POSITION

Revenues

<i>Program Revenues:</i>	<u>2020</u>	<u>2019</u>
Charges for services	\$ 4,841,633	\$ 4,886,209
Operating grants and contributions	1,340,993	1,338,731
<i>General Revenue:</i>		
Unrestricted Investment Income	4,124	5,388
Other	15,236	3,005
Total Revenues	<u>6,201,986</u>	<u>6,233,333</u>

Expenses

Instruction & Instruction-Related Services	5,459,638	5,564,261
Vocational Education	228,658	207,576
Transportation	391,430	460,079
Total Expenses	<u>6,079,726</u>	<u>6,231,916</u>
Change in net position	122,260	1,417
Beginning net position	486,528	485,111
Ending net position	<u>\$ 608,788</u>	<u>\$ 486,528</u>

Financial Analysis of the Government's Funds

As noted earlier, Shared Services uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds: The focus of Shared Services' governmental funds is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing Shared Services' financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Shared Services' governmental funds reported combined ending fund balances of \$540,694, an increase of \$121,007 in comparison with the prior year. Eighteen percent (18%) of this total amount constitutes *assigned and unassigned fund balance*, which is available for spending at the government's discretion.

The General Fund is the chief operating fund of Shared Services. At the end of the current fiscal year, unassigned fund balance of the General Fund was (\$70,463). The amount assigned to fund the subsequent years budget of \$169,770 was greater than the amount available to be assigned. Non-spendable fund balance was \$38,637. As a measure of the General Fund's liquidity, it may be useful to compare both assigned fund balance and total fund balance to total fund expenditures. Assigned fund balance represents nine percent (7%) of total General Fund expenditures and total fund balance represents seven percent (6%) of total General Fund expenditures.

SHARED SERVICES
Management's Discussion and Analysis
June 30, 2020

The fund balance of Shared Services' General Fund decreased by \$39 during the current fiscal year. Key factors in this decrease are as follows:

- A planned use of Fund Balance
- Purchased testing supplies to replace discontinued tests, manuals, equipment etc.

The fund balances of other governmental funds remain insignificant, and consist primarily of prepaid insurance. A capital reserve fund was set up for replacement of transportation vehicles in a prior year and continues to increase with budget surplus amounts.

General Fund Budgetary Highlights

- Employee contributions towards insurance increased.
- Necessary to purchase testing supplies to replace discontinued tests, manuals, equipment, etc.

Capital Asset and Debt Administration

Capital Assets: Shared Services' investment in capital assets for its governmental activities as of June 30, 2020 amounts to \$68,094 (net of accumulated depreciation). This investment in capital assets includes vehicles and furniture and equipment.

	<u>2020</u>	<u>2019</u>
Vehicles	\$ 61,353	\$ 62,848
Leasehold Improvements	946	1,092
Furniture and equipment	5,795	2,901
Total	<u>\$ 68,094</u>	<u>\$ 66,841</u>

Additional information on Shared Services' capital assets can be found in Note 2 on page 23-24 of this report.

SHARED SERVICES
Management's Discussion and Analysis
June 30, 2020

Economic Factors and Next Year's Budgets and Rates

- Inflationary salary increases
- High-Deductible Health Plan with Health Savings Accounts and co-pay plans will continue to be offered to Shared Services' employees
- Replacement vans are expected to be purchased in the subsequent year for transportation services
- New and updated testing supplies will be purchased
- New staff will be hired to fill numerous positions
- Legal fees pertaining to contract negotiations with Shared Services Teachers' Association for 2021-2022, 2022-2023 and 2023-2024 school years
- Purchase of new computers and equipment to replace outdated desktops in Administrative Offices

All of these factors were considered in preparing Shared Services' budget for the 2020-2021 fiscal year.

Request for Information

This financial report is designed to provide a general overview of Shared Services' finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Executive Director, Shared Services, 94 Battistoni Drive, Winsted, CT 06098.

SHARED SERVICES
Statement of Net Position
June 30, 2020

ASSETS	Governmental Activities
Current Assets:	
Cash and Cash Equivalents	\$ 639,053
Accounts Receivable	107,475
Prepaid Insurance	<u>96,851</u>
Total Current Assets	<u>843,379</u>
Noncurrent Assets:	
Capital Assets, Net of Depreciation	<u>68,094</u>
TOTAL ASSETS	<u>911,473</u>
Deferred Outflows of Resources	<u>-</u>
LIABILITIES	
Current Liabilities:	
Accounts Payable and Other Current Liabilities	\$ 225,677
Due to Member Towns	45,013
Refundable Advance	5,017
Deferred Revenue	<u>26,978</u>
Total Current Liabilities	<u>302,685</u>
Deferred Inflows of Resources	<u>-</u>
NET POSITION	
Net Investment in Capital Assets	68,094
Unrestricted	<u>540,694</u>
TOTAL NET POSITION	<u>\$ 608,788</u>

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

SHARED SERVICES

Statement of Activities

For the Year Ended June 30, 2020

	<u>Program Revenues</u>			<u>Net (Expense)/ Revenue and Change in Net Position</u>
	<u>Charges For Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Functions/Programs				
Primary Government:				
Governmental Activities:				
Instruction and Instruction-Related Services	\$ 5,459,638	\$ 4,130,642	\$ -	\$ 11,997
Vocational Education Services	228,658	-	-	-
Support Services - Transportation	391,430	482,333	-	90,903
Total Governmental Activities	<u>6,079,726</u>	<u>4,841,633</u>	<u>1,340,993</u>	<u>102,900</u>
Total Primary Government	<u>\$ 6,079,726</u>	<u>\$ 4,841,633</u>	<u>\$ -</u>	<u>102,900</u>

General Revenues:

Unrestricted investment earnings	4,124
Miscellaneous	15,236
Total general revenues, special items, and transfers	<u>19,360</u>
Change in net position	122,260
Net position-Beginning	486,528
Net position-Ending	<u>\$ 608,788</u>

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

SHARED SERVICES

Balance Sheet
Governmental Funds
June 30, 2020

	General Fund	Special Activities	Transport	Nonmajor Funds	Total Governmental Funds
ASSETS					
Cash	\$ 639,053	\$ -	\$ -	\$ -	\$ 639,053
Accounts Receivable	-	61,032	6,709	39,734	107,475
Prepaid Insurance	38,637	7,786	1,508	48,920	96,851
Interfund Receivables	70,102	-	352,160	18,501	440,763
Total Assets	<u>\$ 747,792</u>	<u>\$ 68,818</u>	<u>\$ 360,377</u>	<u>\$ 107,155</u>	<u>\$ 1,284,142</u>
LIABILITIES AND FUND BALANCES					
<i>Liabilities:</i>					
Accounts Payable	\$ 217,107	\$ 8,570	\$ -	\$ -	\$ 225,677
Due to Member Towns	-	15,024	17,525	12,464	45,013
Refundable Advance	203	-	-	4,814	5,017
Deferred Revenue	21,877	-	-	5,101	26,978
Interfund Payables	370,661	37,512	-	32,590	440,763
Total Liabilities	<u>609,848</u>	<u>61,106</u>	<u>17,525</u>	<u>54,969</u>	<u>743,448</u>
<i>Fund Balances:</i>					
Nonspendable:	38,637	-	-	-	38,637
Committed for:					
Regional School District 7 Tuition	-	-	-	3,083	3,083
Special Activities	-	7,712	-	-	7,712
Vocational Education Program	-	-	-	2,229	2,229
LINKS Program	-	-	-	15,629	15,629
AIM Program	-	-	-	3,598	3,598
HTA Programs	-	-	-	8,234	8,234
RSD 7 Support	-	-	-	9,294	9,294
Intensive Learning Program	-	-	-	2,408	2,408
Transportation	-	-	342,852	-	342,852
ASD	-	-	-	10,209	10,209
Assigned to Sub. Year's Budget	169,770	-	-	-	169,770
Unassigned	(70,463)	-	-	(2,498)	(72,961)
Total Fund Balances	<u>137,944</u>	<u>7,712</u>	<u>342,852</u>	<u>52,186</u>	<u>540,694</u>
Total Liabilities and Fund Balances	<u>\$ 747,792</u>	<u>\$ 68,818</u>	<u>\$ 360,377</u>	<u>\$ 107,155</u>	

Amounts reported for *governmental activities* in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$215,063, and the accumulated depreciation is \$146,969.

68,094

Net position of governmental activities

\$ 608,788

The accompanying notes are an integral part of this financial statement.

SHARED SERVICES

Combined Statement of Revenues, Expenditures, and Changes in Fund Balance
All Governmental Fund Types
For the Year Ended June 30, 2020

REVENUES	General Fund	Special Activities	Transport	Nonmajor Governmental Funds	Total
Town/City Revenues:					
Town of Barkhamsted	\$ 321,719	\$ 289,952	\$ 11,497	\$ 63,229	\$ 686,397
Town of Colebrook	108,077	27,364	16,336	95,672	247,449
Town of Hartland	305,945	30,912	15,201	372,454	724,512
Town of Lyme/Old Lyme	-	-	-	-	-
Town of Middletown	-	-	-	-	-
Town of New Hartford	-	-	-	-	-
Town of Norfolk	156,239	130,794	33,491	85,832	406,356
Town of Winchester	-	4,096	91,585	363,211	458,892
City of Torrington	-	3,044	71,853	306,137	381,034
Other Towns	-	1,600	-	8,651	10,251
EdConn	-	-	5,542	-	5,542
State and Federal Grants	-	-	-	459,674	459,674
Regional School District No. 1	-	791	13,750	94,741	109,282
Regional School District No. 7	794,881	139,392	212,553	665,092	1,811,918
State Retirement Funding	510,577	-	-	-	510,577
Interest Income	4,124	-	-	-	4,124
Interfund Services Provided	112,091	-	-	-	112,091
Other Income	4,711	-	10,525	-	15,236
Total Revenues	<u>2,318,364</u>	<u>627,945</u>	<u>482,333</u>	<u>2,514,693</u>	<u>5,943,335</u>
 EXPENDITURES					
Current:					
Instruction and Instruction-Related Services	2,318,403	607,758	-	2,161,310	5,087,471
Vocational Education	-	-	-	228,658	228,658
Support Services-Transportation	-	-	367,675	10,470	378,145
Interfund Services Used	-	21,607	5,670	84,814	112,091
Capital Outlay	-	-	15,963	-	15,963
Total Expenditures	<u>2,318,403</u>	<u>629,365</u>	<u>389,308</u>	<u>2,485,252</u>	<u>5,822,328</u>
Excess/(Deficiency) of Revenues Over Expenditures	(39)	(1,420)	93,025	29,441	121,007
 OTHER FINANCING SOURCES/(USES)					
Transfers in	-	-	-	262,963	262,963
Transfers out	-	-	-	(262,963)	(262,963)
Total other financing sources/(uses)	-	-	-	-	-
Revenues and Other Financing Sources Over/(Under) Expenditures and Other Financing Sources/(Uses)	(39)	(1,420)	93,025	29,441	121,007
Fund Balance, Beg. of Year	137,983	9,132	249,827	22,745	419,687
Fund Balance, End of Year	<u>\$ 137,944</u>	<u>\$ 7,712</u>	<u>\$ 342,852</u>	<u>\$ 52,186</u>	<u>\$ 540,694</u>

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

SHARED SERVICES

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities
For the Year Ended June 30, 2020

Total Net Change in Fund Balances - Governmental Funds \$ 121,007

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 cost of those assets is allocated over their estimated useful lives as depreciation

Capital Outlay	28,635
Depreciation Expense	<u>(27,382)</u>

Change in net position of governmental activities \$ 122,260

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

SHARED SERVICES
 Budgetary Comparison Statement
 For the Year Ended June 30, 2020

	Budgeted Amounts		Actual	Over (Under)
	Original	Final		
REVENUES:				
Town Revenues	\$ 1,691,215	\$ 1,691,215	\$ 1,691,572	\$ 357
Intergovernmental Revenues	437,783	437,783	459,674	21,891
Admin Fees	70,000	70,000	112,091	42,091
Interest Income	7,500	7,500	4,124	(3,376)
Appropriated from Surplus	163,400	163,400	39	(163,361)
Total Revenues	2,369,898	2,369,898	2,267,500	(102,398)
EXPENDITURES:				
Salaries	\$ 1,814,742	\$ 1,814,742	\$ 1,738,772	\$ (75,970)
Employee Benefits	420,867	420,867	371,290	(49,577)
Purchased Prof. Tech. Services	24,350	24,350	67,782	43,432
Purchased Property Services	8,571	8,571	2,003	(6,568)
Other Purchased Services	77,218	77,218	70,244	(6,974)
Supplies	18,300	18,300	15,241	(3,059)
Capital Outlay	4,000	4,000	1,703	(2,297)
Admin Dues/Fees/Conf	1,850	1,850	465	(1,385)
Total Expenditures	2,369,898	2,369,898	2,267,500	(102,398)
Excess/(Deficiency) of Revenues				
Over Expenditures	\$ -	\$ -	\$ -	\$ -

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

SHARED SERVICES
Notes to the Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Shared Services conform to accounting principles generally accepted in the United States of America applicable to state and local governmental units. The following is a summary of the more significant policies:

Reporting Entity

The financial statements of Shared Services include the accounts of all agency operations. Shared Services is not reported as a component unit and is not included in the financial statements of its member schools because it is financially independent, maintains control over its own operations, is accountable for its own fiscal matters, and designates its own management. Shared Services also has no special financing relationships with its members.

The financial statements include all of the funds of Shared Services that meet the criteria for defining the reporting entity set forth in pronouncements prescribed by the Governmental Accounting Standards Board (GASB). The criteria clarify which organizations, functions, and activities of government should be included in the combined financial statements of the governmental unit. They conclude that the basic, but not the only, criteria for including a governmental department, agency, institution, commission, public authority or other governmental organization in Shared Services' combined financial statements is the exercise of oversight responsibility over such agencies by Shared Services' elected officials. Oversight responsibility is derived from Shared Services power and includes but is not limited to: financial interdependency; selection of governing authority; designation of management; and ability to significantly influence operations and accountability for fiscal matters. Based upon the aforementioned criteria, there are no component units to be included within the reporting entity.

Shared Services prepares its financial statements in accordance with generally accepted accounting principles as promulgated by the Governmental Accounting Standards Board (GASB).

Government-Wide and Fund 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 Agency. For the most part, the effect of interfund activity has been removed from these statements.

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

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

SHARED SERVICES

Notes to the Financial Statements

Measurement focus, Basis of Accounting, and Financial Statements Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Their revenues are recognized when they become measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Certain special revenue grants are recorded as revenues at the time expenditures are made, since the expenditure of such funds is the prime factor for determining eligibility for reimbursement by state and federal agencies. Grants authorized but unexpended, if any, generally appear as refundable advances of Shared Services. Exceptions to this general rule include: voluntary non-exchange transactions when all eligibility requirements have been met. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to this general rule include: accumulated unpaid vacation, interest on long-term debt, and claims and judgments that are recorded only when payment is due.

The accounts of Shared Services are organized on the basis of funds, each of which is a separate accounting entity with its own self-balancing accounts that comprise its assets, liabilities, fund balances, revenues, and expenditures. The individual funds account for the governmental resources allocated to them for the purpose of carrying specific activities in accordance with laws, regulations, or other restrictions.

The government reports the following major governmental funds:

The *General Fund* is established to account for the resources devoted to financing the services that Shared Services performs for its member towns and residents that are not required legally, or by sound financial management, to be accounted for in another fund. General revenues from the towns, and other sources of revenue used to finance the fundamental operations of the Agency, are included in this fund.

The *Special Activities Fund* is established to account for additional services and general items as needed for support staff and students. These items and services are purchased by the local Boards of Education. Revenues are separately billed to towns and school districts.

The *Transportation Fund* is established to account for transportation services that provide transportation for vocational students to and from job sites and schools for special education students. Revenue is separately billed to towns.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this rule include charges between functions because the elimination would distort the direct costs and program revenues.

SHARED SERVICES
Notes to the Financial Statements

Budgetary Data

Formal budgetary accounting is employed as a management tool for the General Fund, IDEA Grant, Title I Grant, and Preschool Grant Funds of the Agency. An annual operating budget is adopted each fiscal year and amended as required. The Agency uses the cash basis of accounting, instead of modified accrual basis of accounting in preparing its budget and in monitoring its results of operations.

The cash basis of accounting differs from the modified accrual basis, primarily, in that revenues are recognized only when received, and expenses are recognized only when paid. No provision is made for accounts receivable, accounts payable, prepaid expenses, or accrued expenses. The Agency has chosen to use the cash basis to simplify its recordkeeping, and to more easily monitor the status of its cash flows.

The Agency's general budget policies are as follows:

- The Committee prepares the proposed budget with input and recommendations from the Superintendents' Council.
- Budgeted amounts are presented as originally adopted as well as amended by the Committee for Shared Services.
- The budgeted assessments are integrated into the respective budgets of the Boards of Education of each member.
- When the Committee for Shared Services approves their respective budgets, the Committee budget is technically approved.
- Generally, appropriations lapse at year-end.
- Classifications of certain expenditures under generally accepted accounting principles differ from classifications utilized for budgetary purposes.
- The approved annual budget is used as a control device for the General Fund and other governmental funds.
- Greater emphasis is placed on complying with the grant budget, terms, and conditions on a grant-by-grant basis. These terms and conditions usually specify the period during which costs may be incurred and outline budget restrictions or allowances. The individual grant period budgets are used as the control device within the Special Revenue Funds.
- As a matter of policy, the Executive Director is authorized to transfer budgeted amounts between accounts. However, the Committee would approve any revisions that would substantially increase or decrease total expenditures by resolution during its regular monthly meeting.

SHARED SERVICES
Notes to the Financial Statements

The Budgetary Comparison Statement (non-GAAP Budgetary Basis) represents comparisons of the legally adopted budget with actual data on a budgetary basis. Since accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with generally accepted accounting principles, a reconciliation of differences in excess of revenues and expenditures and other sources of financial resources with expenditures for the year ended June 30, 2020 is presented as follows:

	<u>GAAP Basis</u>	<u>Entity Differences</u>	<u>Perspective Differences</u>	<u>Budgetary Basis</u>
Revenues	\$ 2,318,364	\$ 459,674	\$ (510,538)	\$ 2,267,500
Expenditures	<u>(2,318,403)</u>	<u>(459,674)</u>	<u>510,577</u>	<u>(2,267,500)</u>
Excess of revenues over/(under) expenditures	<u>\$ (39)</u>	<u>\$ -</u>	<u>\$ 39</u>	<u>\$ -</u>

The perspective basis differences include recognition of grants and encumbered expenditures. Entity differences are due to revenues and expenses reported in other funds for GAAP purposes.

The Budgetary Comparison Statement presents a comparison of budgetary data to actual results or operations and contains the General Fund, IDEA Grant, Title I Grant, and Preschool Grant Funds for which an operating budget is adopted.

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

Cash and Cash Equivalents – Cash consists primarily of depository accounts. Cash equivalents are comprised of an open-end mutual fund that consists of U.S. government and federal agency instruments and repurchase agreements. Both cash and cash equivalents are stated at cost, which approximates market value.

Accounts Receivable – Accounts receivable reflect tuition and fees due from both member and nonmember towns and school districts for any additional costs of providing special education services to their students. The amounts due are recorded when the additional costs are incurred. Since these costs are incurred under agreement with the related towns and school districts, they are reported at gross value and no provision is made for doubtful accounts.

Prepaid Expenses – Payments made to vendors for services that will benefit periods beyond June 30, 2020, primarily insurance premiums, are recorded as prepaid items.

Capital Assets – Capital assets, which include equipment, fixtures, and other long-lived assets, are reported in the applicable governmental activities column in the government-wide financial statements. The government defines capital assets as assets with an initial, individual cost of more than \$2,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

SHARED SERVICES
Notes to the Financial Statements

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Property, plant, and equipment is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Building Improvements	20
Office Equipment	5-7
Computer Equipment	5

Deferred Outflows/Inflows of Resources – In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represent a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. Shared Services has no deferred outflows of resources.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement section element, *deferred inflows of resources*, represents and acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow or resource (revenue) until that time. Shared Services has no deferred inflows of resources.

Vacation, Sick Leave, and Other Compensated Absences – Agency employees are entitled to certain compensated absences based on their length of employment. Administrative employees receive paid vacation time, while professional staff and aides receive unpaid vacation in accordance with their collective bargaining agreement, offers of employment, and the school calendars. Administrative staff may accumulate a limited amount of vacation until termination of employment, when it is paid. The current portion of vacation, which would be liquidated with expendable available resources, is not material.

Sick leave may only be accumulated to be used for future absences and does not vest. Since the amount that would be liquidated with expendable available resources cannot be determined, compensated absences are recorded as expenditures when they are paid.

Encumbrances – Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is used in governmental funds. Recording of encumbrances is part of the governmental funds budgetary accounting system and is used for budgetary control and cash management. Encumbrances outstanding at the year-end have materially lapsed.

Interfund Receivables/Payables – Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed.

SHARED SERVICES
Notes to the Financial Statements

Fund Equity and Net Position – In the government-wide financial statements, net position is classified in the following categories:

Net Investment in Capital Assets – This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce this category.

Restricted Net Position – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations or other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position – This category represents the net position of Shared Services, which are not restricted for any project or other purpose.

When both restricted and unrestricted net position are available, Shared Services first applies restricted resources when an expense is incurred.

In the fund financial statements, fund balances of governmental funds are classified in the following five separate categories:

Nonspendable Fund Balance – Indicates amounts that cannot be spent because they are either not in spendable form, or are legally or contractually required to be maintained intact. Examples are items that are not expected to be converted to cash including prepaid expenditures and permanent fund principal.

Restricted Fund Balance – Indicates amounts that are restricted to specific purposes. The spending constraints placed on the use of fund balance amounts are externally imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance – Indicates amounts that can be used only for specific purposes pursuant to constraints imposed by formal budgetary action of three of the five member Boards in accordance with provisions of the Connecticut General Statutes.

Assigned Fund Balance – Indicates amounts that are constrained by Shared Services intent to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by formal action of the Committee for Shared Services.

Unassigned Fund Balance – Represents the remaining fund balance after amounts are set aside for all other classifications.

Shared Services has not established a formal policy for its use of restricted and unrestricted (committed, assigned, unassigned) fund balance; however, Shared Services generally used restricted fund balance first if the expenditure meets the restricted purpose, followed by committed, assigned and unassigned amounts.

SHARED SERVICES
Notes to the Financial Statements

Revenues, Expenditures, and Expenses

Revenues and expenditures for governmental funds are recorded when they are determined to be both measurable and available.

All member school districts are required to pay annual assessments to Shared Services. Generally, fees and assessments are recognized when received, or earlier if the susceptible-to-accrual criteria are met.

Federal grant revenue is recognized when qualifying expenditures are incurred in accordance with program guidelines. Such revenue is subject to review by the funding agency and may result in disallowance in subsequent periods. Grant revenue is also contingent upon continuing availability of funds from the funding source and the continuing eligibility of the State of Connecticut to receive such funds. Therefore, a change at the federal or state level may result in awarded funds being discontinued before they have been completely disbursed.

Expenditures for governmental funds are recorded when the liability is incurred.

Restricted Resources

When both restricted and unrestricted resources are available for certain expenses, Shared Services expends restricted resources first and uses unrestricted resources when the restricted funds are depleted.

NOTE 2 – DETAIL NOTES ON ASSETS, LIABILITIES AND EQUITY

Cash and Cash Equivalents

The deposits of public funds are controlled by the Connecticut General Statutes. The following is a summary of cash and cash equivalents at June 30, 2020.

Detailed Cash Notes on all Funds

Demand Accounts	\$	318,517
Money Market		320,536
Total Cash and Cash Equivalents	<u>\$</u>	<u>639,053</u>

SHARED SERVICES
Notes to the Financial Statements

Deposits and Investments

Custodial Credit Risk - Deposits: Custodial credit risk is the risk that in the event of a bank failure, the Agency's deposits may not be returned to it. The Agency does not have a deposit policy for custodial credit risk. At year-end, the Agency's carrying amount of deposits was \$639,053 and the bank balance was \$658,612. Of the bank balance, Federal Depository Insurance Corporation covered \$500,000. As of June 30, 2020, \$158,612 of the bank balance was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 92,751
Uninsured and collateral held by pledging bank's Trust department not in Shared Services' name	<u>65,861</u>
Total	<u>\$ 158,612</u>

Shared Services does not have a policy governing deposit of funds other than the requirements of the Connecticut General Statutes.

Investments: In general, State of Connecticut Statutes allow the Agency to invest in obligations of the United States of America or United States government sponsored corporations, in shares or other interests in any custodial arrangement, pool, or no-load, open-end management type investment company or investment trust, in obligations of any state or political subdivision rated within the top two rating categories of any nationally recognized rating service, or in obligations of the State of Connecticut or political subdivision rated within the top three rating categories of any nationally recognized rating service.

Shared Services held no investments at June 30, 2020.

Capital Assets

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental Activities:				
Capital Assets:				
Vehicles	\$ 195,290	\$ 24,463	\$ (31,199)	\$ 188,554
Leasehold Improvements	2,913	-	-	2,913
Furniture and Equipment	19,424	4,172	-	23,596
Total Capital Assets	<u>217,627</u>	<u>28,635</u>	<u>(31,199)</u>	<u>215,063</u>
Less Accumulated Depreciation for:				
Vehicles	132,442	25,958	(31,199)	127,201
Leasehold Improvements	1,820	147	-	1,967
Furniture and Equipment	16,524	1,277	-	17,801
Total Accumulated Depreciation	<u>150,786</u>	<u>27,382</u>	<u>(31,199)</u>	<u>146,969</u>
Governmental Activities Capital Assets, Net	<u>\$ 66,841</u>	<u>\$ 1,253</u>	<u>\$ -</u>	<u>\$ 68,094</u>

SHARED SERVICES
Notes to the Financial Statements

Depreciation expense was charged to various functions as follows:

Instruction and Instruction-Related Services	\$ 1,425
Transportation	<u>25,957</u>
Total	<u>\$ 27,382</u>

NOTE 3 – INTERFUND ADVANCES

Interfund advances that resulted from various interfund transactions were as follows:

	Due From:			
Due To:	<u>General Fund</u>	<u>Special Activities</u>	<u>Nonmajor Funds</u>	<u>Total</u>
General Fund	\$ -	\$37,512	\$ 32,590	\$ 70,102
Transportation	352,160	-	-	352,160
Nonmajor Funds	<u>18,501</u>	<u>-</u>	<u>-</u>	<u>18,501</u>
	<u>\$370,661</u>	<u>\$37,512</u>	<u>\$ 32,590</u>	<u>\$ 440,763</u>

All revenues and expenses for all funds are received and disbursed from within the General Fund. The amount due to the Transportation and Nonmajor funds reflects any remaining funds.

The balance due to the General Fund represents funds owed by the Special Activities and Nonmajor Funds for expenses paid by the General Fund.

Interfund Transfers for the year are summarized below:

	Transfers From:			
Transfer To:	<u>AIM Program</u>	<u>HTA</u>	<u>LINKS</u>	<u>Total</u>
AIM Program	\$ 43,163	\$ -	\$ -	\$ 43,163
ILP Program	48,700	-	77,507	126,207
Gen Support	-	-	-	-
SPED Region 7 Tuition	<u>-</u>	<u>22</u>	<u>93,571</u>	<u>93,593</u>
Total	<u>\$ 91,863</u>	<u>\$ 22</u>	<u>\$ 171,078</u>	<u>\$ 262,963</u>

Transfers are used to allocate expenses between funds which share resources.

SHARED SERVICES
Notes to the Financial Statements

NOTE 4 – PENSION PLAN

The certified staff of Shared Services participates in the Connecticut Teachers' Retirement System. The Teachers' Retirement System is administered under the provisions of Chapter 167a of the Connecticut General Statutes. Participation in the plan is restricted to certified staff employed in the public schools of Connecticut and members of the professional staff of the State Department of Education or the Board of Governors of Higher Education and their constituent units. Participation in the plan is mandatory for certified personnel of local boards of education who are employed for an average of at least one-half of a school day.

Under the provisions of the plan, and Section 10-183b(7) of the Connecticut General Statutes, members are required to contribute 8.25% of their annual salary to the system, with the State of Connecticut funding the remaining cost of the benefits. A member who completes 10 years of Connecticut public school service is eligible for a vested benefit commencing at age 60. Members are fully vested in any additional voluntary contributions they make.

Shared Services has no legal obligation to contribute to this retirement fund. Mandatory contributions of \$136,990 for the 2019-2020 were deducted from the salaries of teachers who were participants of the plan during the school year.

The State of Connecticut makes contributions to the system based on a biennial actuarial study, described in sections 10-183L and 10-183z, C.G.S. Based on Shared Services total covered payroll of \$1,660,485 the state's estimated pension contribution made on behalf of the eligible Shared Services employees was \$496,994.

Plan Description - Teachers, principals, superintendents, and supervisors engaged in service of public schools are provided with pensions through the Connecticut State Teachers' Retirement System- a cost sharing multiple-employer defined benefit pension plan administered by the Teachers Retirement Board (TRB). Chapter 167a of the State Statutes grants authority to establish and amend the benefited terms to the TRB Board. TRB issues a publicly available financial report that can be obtained at www.ct.gov.

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 during the years credited service (maximum benefit is 75% of average annual salary during the 3 years of highest salary).

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

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

SHARED SERVICES
Notes to the Financial Statements

Contributions - Per Connecticut General Studies Section 10-183z (which reflects Public Act 79-436 as amended), contribution requirements of active employees and the State of Connecticut are approved and amended and certified by the State Teachers Retirement Board and appropriated by the General Assembly.

Employer (School Districts)

School District employers are not required to make contributions to the plan.

The statutes require the State of Connecticut to contribute 100% of each school districts' required contributions, which are actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of the benefits earned by employees during the year, with any additional amount to finance any unfunded accrued liability. The contributions made by the State on behalf of the District for the year ended June 30, 2020 were estimated to be \$496,994, and were recognized as revenues and expenditures in the General Fund.

Employees:

Participants are required to contribute 8.25% of their annual salary to the System as required by CGS Section 10-183b(7). For the year ended June 30, 2020 the certified teacher's contribution to the Connecticut Teacher's Retirement Board was \$136,990. Shared Services' covered payroll for the year ended June 30, 2020 was approximately \$1,660,485.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2020, Shared Services reports no amounts for its proportionate share of the net pension 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 Town 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 Shared Services were as follows:

Shared Service's proportionate share of the net pension liability	\$	-
State's proportionate share of the net pension liability associated with Shared Services	\$	6,565,769
Total	\$	6,565,769

The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018. At June 30, 2020 Shared Services has no proportionate share of the net pension liability. For the year ended June 30, 2020, Shared Services recognized benefits expense and contribution revenue of \$496,994 in the governmental funds for on-behalf amounts for the benefits provided by the state. In the Government-wide financial statements, Shared Services recognized \$806,388 for pension expense related to actuarial liabilities for on-behalf amounts for the benefits provided by the State.

Actuarial Assumptions - The total pension liability was determined by an actuarial valuation as of June 30, 2018, using the following actuarial assumptions, applied to all periods included in the measurement.

Inflation	2.75%
Salary increase	3.25-6.50%, including inflation
Investment rate of return	6.90%, net of pension plan investment expense, including inflation

SHARED SERVICES
Notes to the Financial Statements

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

Future Cost-of-Living increases for members who were members after July 1, 2107, pension benefits adjustments 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%.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Public Equity - US Equity	20.00%	8.1%
Public Equity - International Developed Equity	11.00%	8.5%
Public Equity - Emerging Markets Equity	9.00%	10.4%
Fixed Income - Core Fixed Income	16.00%	4.6%
Fixed Income - Inflation Linked Bonds	5.00%	3.6%
Fixed Income - High Yield	6.00%	6.5%
Fixed Income - Emerging Market Debt	5.00%	5.2%
Private Equity	10.00%	9.8%
Real Estate	10.00%	7.0%
Alternative Investments - Real Assets	4.00%	8.2%
Alternative Investments - Hedge Funds	3.00%	5.4%
Liquidity Fund	1.00%	2.9%
Total	<u>100%</u>	

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.

SHARED SERVICES
Notes to the Financial Statements

Sensitivity of the net pension liability to changes in the discount rate – Shared Service’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. The following presents the net pension liability, calculated using the current discount rate, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	1% Decrease (5.90%)	Current Discount Rate (6.90%)	1% Increase (7.90%)
Net Pension liability	\$8,190,236	\$6,565,827	\$5,200,185

NOTE 5 – OTHER POST-EMPLOYMENT BENEFITS

Plan Description – Teachers, principals, superintendents or supervisors engaged in service of public schools are provided with benefits, including retiree health insurance, through the Connecticut Teachers’ Retirement System—a cost sharing multi-employer defined benefit pension plan administered by the TRB. Chapter 167a of the State Statutes grants authority to establish and amend the benefit terms to the TRB. TRS issues a publicly available financial report that can be obtained at www.ct.gov.

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

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.

SHARED SERVICES
Notes to the Financial Statements

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 annual appropriation in the General Fund.

School district employers are not required to make contributions to the Plan. The State of Connecticut's estimated allocated contribution to the Plan on behalf of the Town was \$13,583.

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

Actuarial Assumptions – The total OPEB liability was determined by an actuarial valuation as of June 30, 2019 using the following actuarial assumptions and other inputs, applied to all periods included in the measurement:

Inflation	2.5%
Real Wage Growth	0.75%
Wage Inflation	3.25%
Salary increases	3.25-6.50%, including inflation
Long-term investment rate of return	3.0%, net of OPEB plan investment expense, including inflation
<u>Municipal bond index rate:</u>	
Measurement Date	3.50%
Prior Measurement Date	3.87%

The projected fiduciary net position is projected to be depleted in 2019.

Single equivalent interest rate

Measurement Date	3.50%, net of OPEB plan investment expense, including price inflation
Prior Measurement Date	3.87%, net of OPEB plan investment expense, including price inflation

Healthcare cost trend rates:

Pre-Medicare	5.95% for 2018 decreasing to an ultimate Rate of 4.75% by 2025
Medicare	5.09% for 2018 decreasing to an ultimate Rate of 5.09% by 2028

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

SHARED SERVICES
Notes to the Financial Statements

Long-Term Rate of Return – 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 evaluation the long-term rate of return assumption, including the Plan’s current asset allocations and a log-normal distribution analysis using the best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) for each major asset class. The long-term expected rate of return was determined by weighing the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The assumption is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

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

Asset Class	Target Allocation	Expected 10-Year Geometric Real Rate of Return	Standard Deviation
U.S. Treasuries (Cash Equivalents)	100.0%	0.41%	2.31%
Price inflation		2.50%	
Expected rate of return (Rounded nearest 0.25%)		3.00%	

Discount Rate — The discount rate used to measure the total OPEB liability was 3.50%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 75. The projection’s basis was an actuarial valuation performed as of June 30, 2018.

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

- Total payroll for the initial projection year consists of the payroll of the active membership present on the valuation date. In subsequent projection years, total payroll was assumed to increase annually at a rate of 3.25%.
- 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.
- No future employer contributions were assumed to be made.

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

SHARED SERVICES
Notes to the Financial Statements

Sensitivity of the Net OPEB Liability to Changes in Healthcare Cost Trend Rates — The following presents the total OPEB liability, calculated using current cost trend rates, as well as what the Plan's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage point lower or 1-percentage point higher than current healthcare cost trend rates:

	1% Lower Trend Rates	Current Trend Rates	1% Higher Trend Rates
Initial Healthcare Cost Trend Rate	4.95%/4.00%	5.95%/5.00%	6.95%/6.00%
Ultimate Healthcare Cost Trend Rate	3.75%	4.75%	5.75%
Total OPEB Liability	\$853,044	\$1,023,951	\$1,252,252

Sensitivity of the Net OPEB Liability to Changes in Discount Rates — The following presents the net OPEB liability, calculated using the current discount rate, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	1% Decrease (2.5%)	Current Discount Rate (3.5%)	1% Increase (4.5%)
Net OPEB liability	\$1,220,242	\$1,023,951	\$867,643

NOTE 6 – LEASES

Shared Services currently leases its office space from Regional School District #7, a member of the Committee. The lease, which is subject to annual renewal, includes charges for rent and snowplowing. Those charges totaled \$6,100 for the fiscal year ended June 30, 2020.

Barkhamsted Board of Education – Shared Services leased facilities from the Barkhamsted Board of Education, for the purpose of operating the autism spectrum disorder program. The lease payment of \$15,000 was recorded as an expenditure in the ASD fund for the fiscal year ended June 30, 2020.

Shared Services leased space for the HTA program. The lease calls for lease payments of \$2,250 for 4 years commencing August 1, 2018 through July 31, 2022 at monthly rate of \$2,250. Total lease payments for 2020 was \$24,750.

Shared Services entered into a lease agreement for a Ricoh MP C3004 copier. The lease was signed beginning January 2017 requiring monthly lease payments of \$187 through December 2021. Total lease expense for 2020 was \$2,242.

SHARED SERVICES
Notes to the Financial Statements

Future lease payments required are as follows:

2021	\$ 29,242
2022	28,121
2023	2,250
2024	-

NOTE 7 – RISK MANAGEMENT

Shared Services is exposed to various risks of loss related to torts; thefts of, damage to, or destruction of assets; errors or omissions; injuries to employee; and natural disasters. The Agency purchases commercial insurance for most risks of loss. Neither the Agency nor its insurers have settled any claims that exceed the Agency's insurance coverage. There have been no reductions in insurance coverage from amounts in prior year. Shared Services is a member of the Connecticut Interlocal Risk Management Agency (CIRMA), an unincorporated association of Connecticut local public agencies that was formed for the purpose of establishing and administering an interlocal risk management program.

Shared Services is also a member of CIRMA's Workers' Compensation Pool, a risk-sharing pool providing statutory benefits pursuant to the provisions of the Connecticut Workers' Compensation Act. The Agency pays an annual premium to the pool for its coverage. Premiums are accrued based on the ultimate cost of the experience to date of a group of entities. Shared Services does not accrue for any possible additional loss contingencies, as it cannot estimate them from current information about reported and unreported claims. The coverage is subject to an incurred loss retrospective rating plan and losses incurred will be evaluated at various specified periods after effective date of coverage. The contribution (premium) is also subject to payroll audit at the close of the coverage period.

This agreement for formation of CIRMA provides that the pool will be self-sustaining through member premiums and will reinsure through commercial companies. For the 2019-2020 policy year, reinsurance covered all claims in excess of \$1,000,000 per occurrence, without limitation on the excess. The pooling agreement allows for the pool to make additional assessments to make the pool self-sustaining. The Agency cannot estimate that amount of such additional assessments and has not been notified that any assessments are forthcoming.

The Agency continues to carry commercial coverage for all other risks of loss, including commercial liability and automobile, school board liability, and employee dishonesty coverage.

SHARED SERVICES
Notes to the Financial Statements

NOTE 8 – RELATED PARTIES

Shared Services provides special education services on a regional basis to the towns of Barkhamsted, Colebrook, Hartland, Norfolk, Regional School District #7, and in specific circumstances, students from other towns. In exchange for these services, Shared Services derives its revenues primarily from its member boards of education.

Barkhamsted Board of Education

Lease and occupancy transactions are described in Note 6.

Regional School District #7 – Shared Services is located on the school grounds and serves the same student population as Regional School District #7. Therefore, there are transactions between the parties that facilitate Shared Services' operations. Lease and occupancy transactions are described in Note 6.

Additional transactions are as follows:

The financial statements include payments due to and from related parties reported as Accounts Receivable and Accounts Payable. The amounts due to and from related parties at June 30, 2020 are as follows:

Amounts due from Related Parties reported as Accounts Receivable:

Barkhamsted	\$ -
Colebrook	845
Hartland	1,855
Norfolk	80,496
Regional School District No. 7	4,637
	<u>\$ 87,833</u>

Amounts due to Regional School District #7 was \$71,791 as Accounts Payable.

NOTE 9 – OTHER MATTERS

When employees are laid off due to a staff reduction, they are eligible for unemployment compensation. Since Shared Services does not belong to the State of Connecticut Unemployment Compensation Fund, they must reimburse the State for any unemployment claims on a current basis. Amount paid during the fiscal year ended June 30, 2020 totaled \$30,415.

SHARED SERVICES
Notes to the Financial Statements

NOTE 10 – FUND BALANCES

The following funds reported a deficit balance at June 30, 2020.

Town Medicaid	\$ 2,498
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NOTE 11 – RISKS AND UNCERTAINTIES

The World Health Organization declared the coronavirus outbreak (“COVID-19”) a pandemic. The impact of COVID-19 could negatively affect Shared Services’ operations, vendors, and/or member schools. The extent to which the COVID-19 impacts the financial position will depend upon future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and the actions taken to contain the coronavirus or its impact, among others.

NOTE 12 – GASB PRONOUNCEMENTS ISSUED, BUT NOT YET EFFECTIVE

The Governmental Accounting Standards Board (GASB) is the standard setting board for governmental entities. The following are statements which have been approved by GASB, but are not yet effective:

- ***GASB Statement No. 87, Leases.*** This statement improves the accounting and financial reporting for leases by governments. This statement increases the usefulness of governments’ financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments’ leasing activities. The requirements of this Statement are effective for the Town’s reporting period beginning July 1, 2021.

- ***GASB Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period.*** The objectives of this statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred. As a result, interest cost before the end of a construction period will not be included in the historical cost of the capital asset. The requirements of this statement are effective for the Town’s reporting period beginning July 1, 2021.

SHARED SERVICES
 State Teacher's Retirement System
 Schedule of Proportionate Share of Net Pension Liability
 June 30, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Employer's proportion of the net pension liability	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Employer's proportionate share of the net pension liability	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State of Connecticut's proportionate share of the net pension associated with Shared Services	<u>6,565,769</u>	<u>5,062,590</u>	<u>4,911,184</u>	<u>5,181,337</u>	<u>3,508,296</u>	<u>3,242,717</u>
Total	<u>\$ 6,565,769</u>	<u>\$ 5,062,590</u>	<u>\$ 4,911,184</u>	<u>\$ 5,181,337</u>	<u>\$ 3,508,296</u>	<u>\$ 3,242,717</u>
Employer covered payroll	<u>\$ 1,660,485</u>	<u>\$ 1,602,328</u>	<u>\$ 1,663,795</u>	<u>\$ 1,507,963</u>	<u>\$ 373,170</u>	<u>\$ 337,176</u>
Employer's proportionate share of the collective net pension liability (asset) as a percentage of its covered -employee payroll.	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>52.00%</u>	<u>57.69%</u>	<u>55.93%</u>	<u>52.26%</u>	<u>59.50%</u>	<u>61.51%</u>

Changes in Benefit Terms Beginning January 1, 2018, member contributions increased from 6% to 7% of salary

Changes in Assumptions: The inflation assumption was reduced from 2.75% to 2.5%

The Real rate of return assumption reduced to 4.4%, which when combined with the inflation assumption change, results in a decrease in the investment rate of return assumption from 8% to 6.9%

Note: This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

SHARED SERVICES
 State Teacher's Retirement System
 Note to Required Supplementary Information
 Schedule of Proportionate Share of the Net Pension Liability
 Year-Ended June 30, 2020

Change of Benefit Terms	None
Changes of Assumptions	The total pension liability was determined on actuarial valuation as of June 30, 2018
Actuarial Cost Method	Entry age
Amortization Period	Level percent of salary, closed
Remaining Amortization Period	17.6 years
Asset Valuation Method	4 year smoothed market
Inflation	2.75%
Salary Increases	3.25%-6.5% average, including inflation
Investment Rate of Return	8.00%, net of investment related expense

See accountant's report

SHARED SERVICES
 State Teacher's Retirement System
 Schedule of Proportionate Share of Net Other Post-Employment Liability
 June 30, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Employer's proportion of the net OPEB liability	0.00%	0.00%	0.00%
Employer's proportionate share of the net OPEB liability	\$ -	\$ -	-
State of Connecticut's proportionate share of the net pension associated with Shared Services	<u>1,023,970</u>	<u>1,012,032</u>	<u>1,264,087</u>
Total	<u>\$ 1,023,970</u>	<u>\$ 1,012,032</u>	<u>\$ 1,264,087</u>
Employer covered payroll	<u>\$ 1,660,485</u>	<u>\$ 1,602,328</u>	<u>\$ 1,663,795</u>
Employer's proportionate share of the collective net pension liability (asset) as a percentage of its covered -employee payroll.	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>2.08%</u>	<u>1.49%</u>	<u>1.79%</u>

Changes in Benefit Terms: Effective January, 2019, a new prescription plan was elected, which is expected to reduce overall costs

Changes in Assumptions: The discount rate used to measure Plan obligation for financial accounting purposes as of June 30, 2019 was updated to equal the Municipal Bond Index Rate of 3.5% as of June 30, 2019
 Expected annual per capita claims costs were updated to better reflect anticipated medical and prescription drug claim experience
 The expected rate of inflation was decreased and the Real Wage Growth assumption increased

SHARED SERVICES
 Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2020

	IDEA Grant	Title I Grant	Preschool Grant	IDEA Yr 2 Grant	Vocational Education Program	LINKS Program	AIM Program	ASD Program	Extended School Year	General Support	RSD 7 Support
Assets											
Accounts Receivable	\$ 1,380	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,850	\$ 26,813	\$ -	\$ -	\$ -
Prepaid Insurance	-	-	-	-	2,229	15,629	3,598	4,445	-	-	9,294
Interfund Receivables	-	3,434	-	-	-	2,731	-	-	-	290	2,080
Total Assets	1,380	3,434	-	-	2,229	18,360	8,448	31,258	-	290	11,374
Liabilities and Fund Balances											
Liabilities:											
Accounts Payable	-	-	-	-	-	-	-	-	-	-	-
Due to Member Towns	-	-	-	-	-	-	-	-	-	-	-
Deferred Revenue	-	-	-	-	-	2,731	-	-	-	290	2,080
Refundable Advance	1,380	3,434	-	-	-	-	-	-	-	-	-
Interfund Payables	-	-	-	-	-	-	4,850	21,049	-	-	-
Total Liabilities	1,380	3,434	-	-	-	2,731	4,850	21,049	-	290	2,080
Fund Balances:											
Nonspendable	-	-	-	-	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	-	-	-	-	-
Committed	-	-	-	-	2,229	15,629	3,598	10,209	-	-	9,294
Assigned	-	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-	-	-	-
Total Fund Balances	-	-	-	-	2,229	15,629	3,598	10,209	-	-	9,294
Total Liabilities and Fund Balances	\$ 1,380	\$ 3,434	\$ -	\$ -	\$ 2,229	\$ 18,360	\$ 8,448	\$ 31,258	\$ -	\$ 290	\$ 11,374

See accountant's report
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SHARED SERVICES
 Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2020

	Intensive Learning Program	Town Medicaid	Intensive Education	HTA	Regional School District #7 Tuition	Total
Assets						
Accounts Receivable	\$ -	\$ -	\$ -	\$ -	\$ 6,691	\$ 39,734
Prepaid Insurance	2,408	-	-	8,234	3,083	48,920
Interfund Receivables	-	9,966	-	-	-	18,501
Total Assets	2,408	9,966	-	8,234	9,774	107,155
Liabilities and Fund Balances						
Liabilities:						
Accounts Payable	-	-	-	-	-	-
Due to Member Towns	-	12,464	-	-	-	12,464
Deferred Revenue	-	-	-	-	-	5,101
Refundable Advance	-	-	-	-	-	4,814
Interfund Payables	-	-	-	-	6,691	32,590
Total Liabilities	-	12,464	-	-	6,691	54,969
Fund Balances:						
Nonspendable	-	-	-	-	-	-
Restricted	-	-	-	8,234	3,083	54,684
Committed	2,408	-	-	-	-	-
Assigned	-	-	-	-	-	-
Unassigned	-	(2,498)	-	-	-	(2,498)
Total Fund Balances	2,408	(2,498)	-	8,234	3,083	52,186
Total Liabilities and Fund Balances	\$ 2,408	\$ 9,966	\$ -	\$ 8,234	\$ 9,774	\$ 107,155

SHARED SERVICES
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Governmental Funds
 For the Year Ended June 30, 2020

	IDEA Grant	Title I Grant	Preschool Grant	IDEA Yr 2 Grant	Vocational Education		LINKS Program	AIM Program	ASD Program	Extended School Year	General Support
					Program	Program					
Revenues											
Town/City Revenues:											
Town of Barkhamsted	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 60,500	\$ 2,729	\$ -
Town of Colebrook	-	-	-	-	-	-	-	-	93,000	2,672	-
Town of Hartland	-	-	-	6,247	-	105,867	-	55,600	28,000	1,640	-
Town of Lyme/Old Lyme	-	-	-	-	-	-	-	-	-	-	-
Town of New Hartford	-	-	-	-	-	-	-	-	-	-	-
Town of Norfolk	-	-	-	-	-	-	-	-	81,625	4,207	-
Town of Winchester	-	-	-	-	15,478	61,210	-	97,554	-	1,561	-
City of Torrington	-	-	-	-	9,333	-	-	-	-	1,475	-
State and Federal Grants	371,529	76,233	11,912	-	-	-	-	-	-	-	-
Regional School District No. 1	-	-	-	-	5,000	-	-	-	-	-	-
Regional School District No. 7	-	-	-	-	100,586	144,746	-	-	-	21,062	-
Towns Revenue	-	-	-	-	-	-	-	-	-	-	-
Other Income	-	-	-	-	-	-	-	-	-	-	-
Total Revenues	371,529	76,233	11,912	-	136,644	311,823	153,154	263,125	35,346	-	-
Expenditures											
Current:											
Instruction and Related Services	371,529	76,233	11,912	-	-	463,730	-	233,356	36,441	-	-
Vocational Education	-	-	-	-	125,585	-	103,073	-	-	-	-
Support Services - Transportation	-	-	-	-	10,470	-	-	-	-	-	-
Interfund Services Used	-	-	-	-	843	12,106	6,760	8,184	(1,095)	-	-
Total Expenditures	371,529	76,233	11,912	-	136,898	475,836	109,833	241,540	35,346	-	-
Excess/(deficiency) of Revenues Over Expenditures	-	-	-	(254)	-	(164,013)	43,321	21,585	-	-	-
Other Financing Sources/(Uses)											
Transfer in	-	-	-	-	-	171,078	(43,163)	-	-	-	-
Transfer out	-	-	-	-	-	-	-	-	-	-	-
Revenue and Other Financing Sources Over/(Under) Expenditures and Other Financing Sources/(uses)	-	-	-	-	-	171,078	(43,163)	-	-	-	-
Net Change in Fund Balances	-	-	-	(254)	7,065	158	158	21,585	-	-	-
Fund Balances - Beginning	-	-	-	-	2,483	8,564	3,440	(11,376)	-	-	-
Fund Balances - Ending	\$ -	\$ -	\$ -	\$ -	\$ 2,229	\$ 15,629	\$ 3,598	\$ 10,209	\$ -	\$ -	\$ -

SHARED SERVICES
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Governmental Funds
 For the Year Ended June 30, 2020

	RSD 7 Support	Intensive Learning Program	Town Medicaid	Intensive Education	HTA	School District #7 Tuition	Regional School District #7 Tuition	Total
Revenues								
Town/City Revenues:								
Town of Barkhamsted	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 63,229
Town of Colebrook	-	-	-	-	-	-	-	95,672
Town of Hartland	-	-	-	-	33,500	141,600	-	372,454
Town of Lyme/Old Lyme	-	-	-	-	-	-	-	-
Town of New Hartford	-	-	-	-	-	-	-	-
Town of Norfolk	-	-	-	-	-	-	-	85,832
Town of Winchester	-	-	-	69,108	118,300	-	-	363,211
City of Torrington	-	-	-	62,000	156,333	76,996	-	306,137
State and Federal Grants	-	-	-	-	-	-	-	459,674
Regional School District No. 1	-	-	-	-	89,741	-	-	94,741
Regional School District No. 7	398,698	-	-	-	-	-	-	665,092
Towns Revenue	-	-	8,651	-	-	-	-	8,651
Other Income	-	-	-	-	-	-	-	-
Total Revenues	398,698	-	8,651	131,108	397,874	218,596	-	2,514,693
Expenditures								
Current:								
Instruction and Related Services	389,974	90,388	8,651	467	365,594	113,035	2,161,310	2,161,310
Vocational Education	-	-	-	-	-	-	228,658	228,658
Support Services - Transportation	-	-	-	-	-	-	10,470	10,470
Interfund Services Used	10,559	1,358	-	4,434	32,780	8,885	84,814	84,814
Total Expenditures	400,533	91,746	8,651	4,901	398,374	121,920	2,485,252	2,485,252
Excess/(deficiency) of Revenues Over Expenditures	(1,835)	(91,746)	-	126,207	(500)	96,676	29,441	29,441
Other Financing Sources/(Uses)								
Transfer in	-	91,863	-	-	22	-	262,963	262,963
Transfer out	-	-	-	(126,207)	-	(93,593)	(262,963)	(262,963)
Revenue and Other Financing Sources Over/(Under) Expenditures and Other Financing Sources/(uses)	-	91,863	-	(126,207)	22	(93,593)	-	-
Net Change in Fund Balances	(1,835)	117	-	-	(478)	3,083	29,441	29,441
Fund Balances - Beginning	11,129	2,291	(2,498)	-	8,712	-	22,745	22,745
Fund Balances - Ending	\$ 9,294	\$ 2,408	\$ (2,498)	\$ -	\$ 8,234	\$ 3,083	\$ 52,186	\$ 52,186

See accountant's report

**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**

Independent Auditor's Report

To the Committee Members of
Shared Services

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 Shared Services, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Shared Services' basic financial statements and have issued our report thereon dated November 18, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we consider Shared Services' 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Shared Services' internal control. Accordingly, we do not express an opinion on the effectiveness of the Shared Services' internal control.

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

Our consideration of internal control over financial reporting 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 weakness or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying Schedule of Findings and Responses as **2017-01**, that we consider to be a significant deficiency.

Compliance and Other Matters

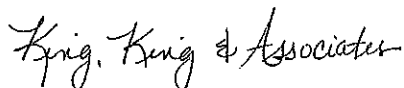
As part of obtaining reasonable assurance about whether Shared Services' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Shared Services' Response to Findings

Shared Services' response to the findings identified in our audit is described in the accompanying Schedule of Findings and Responses. Shared Services' response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 result of that testing, and not to provide an opinion on the effectiveness of Shared Services' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Shared Services' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



King, King & Associates, P.C., CPAs
Winsted, CT
November 18, 2020

Shared Services
Schedule of Findings and Responses
For the Year Ended June 30, 2020

FINDING 2017-01

Condition:

Shared Services does not have a centralized computer backup system. At present, staff utilize desk-top computers to accomplish their assigned responsibilities. The accounting software and data file is remotely accessed and stored on Region 7's server and backed up to the cloud based on their policy. All other computer records and extensive excel files are stored on the desk-top computers and backed up to a thumb drive periodically. These backups are not consistently removed from the premises.

Recommendation:

We recommend that a centralized backup system be utilized where all data is backed up to a secure location to ensure that information could be recovered in the event of a computer malfunction or disaster.

Management Response

Shared Services does utilize a centralized offsite backup system for our accounting software and data file. Additionally, we backup all of our essential PC files locally to a thumb drive on a weekly basis. Employees will take their thumb drive with them offsite every day. In the case of a catastrophic event where physical computers were lost, employees would have their thumb drives containing backups.

