

**LYME-OLD LYME
REGIONAL SCHOOL DISTRICT NO. 18**

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2021

with

SUPPLEMENTAL STATEMENTS AND SCHEDULES

and

INDEPENDENT AUDITORS' REPORT

Sandra E. Welwood, LLC

Certified Public Accountants

LYME-OLD LYME REGIONAL SCHOOL DISTRICT NO. 18

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INDEPENDENT AUDITORS' REPORT

To the Board of Education
Lyme-Old Lyme Regional School District No. 18
Old Lyme, Connecticut

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Lyme-Old Lyme Regional School District No. 18 (the "District") as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2021, and the respective changes in financial position, and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis information on pages 3 to 9, and the required supplementary information on pages 41 to 43, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The schedules of the General Fund budget versus actual, combining and individual nonmajor fund financial statements, combining statement of changes in assets and liabilities of the agency funds, and the net position and changes in net position by component schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2021, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Sandra E. Welwood, LLC

Danbury, Connecticut
September 28, 2021

LYME-OLD LYME REGIONAL SCHOOL DISTRICT NO. 18
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

FOR THE YEAR ENDED JUNE 30, 2021

Management of Lyme-Old Lyme Regional School District No. 18 (the "District") offers readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2021.

FINANCIAL HIGHLIGHTS

On a government-wide basis, the assets and deferred outflows of resources of the District exceeded its liabilities at the close of the most recent fiscal year by \$39,670,607 (net position). Of this amount, a negative \$934,813 is unrestricted net position.

The District's total net position increased by \$2,154,205. The majority of the increase is from favorable budget variances.

As of the close of the current fiscal year, the District's governmental funds reported a combined ending fund balance of \$5,039,122, an increase of \$1,027,970 in comparison with the prior year.

At the end of the current fiscal year, restricted fund balance for the General Fund was \$2,933,884, which has been restricted in accordance with state statutes for use in reducing member town assessments in a subsequent fiscal year. The remainder of fund balance in the General Fund of \$262,814 has been assigned to liquidate existing commitments in place at year end.

The District's total bonded debt decreased \$2,410,000 during the current fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Management Discussion and Analysis is intended to serve as an introduction to the District's basic financial statements. The basic financial statements are comprised of three components: government-wide financial statements, fund financial statements, and notes to the financial statements. This report also contains other supplementary information.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to those used by private-sector businesses.

The Statement of Net Position presents information on all of the District's 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 of whether the financial position of the District is improving or deteriorating.

The Statement of Activities presents information showing how the District's net position 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 result in cash flows in future fiscal periods (e.g., accrued interest payable).

The government-wide financial statements present the functions of the District, which are principally supported by assessments to member towns and intergovernmental revenues. The governmental activities of the District include instruction, support services – pupil, educational media, general administration, school administration, business, and operation of noninstructional service.

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. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

Governmental Funds are used to account for essentially the same functions reported 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 the District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of government-wide financial statements, it is useful to compare the information presented for the governmental funds with similar information presented in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the Governmental Funds Balance Sheet and the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances (Deficits) provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains nine individual governmental funds. Information is presented separately in the Governmental Funds Balance Sheet and the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances (Deficits) for the General Fund, Prepaid Grant Fund, Capital Reserve Fund, and the High School Capital Project Fund, all of which are considered to be major funds. Data from the other five governmental funds are combined into a single aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The District adopts an annual budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

Fiduciary Funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's operations.

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.

Lyme-Old Lyme Regional School District No. 18
Management's Discussion and Analysis (unaudited) (continued)

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$39,670,607 at the close of the most recent fiscal year.

The District's net position reflects its investment in capital assets (e.g., land, land improvements, buildings and improvements, and machinery and equipment); less any related debt used to acquire those assets that is outstanding. The District uses these capital assets to provide public education to students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The remaining net position consists of restricted net position in the amount of \$2,936,916 of which \$2,933,884 is restricted for subsequent year's budget and will be used to reduce future member town assessments while unrestricted net position is a negative \$934,813.

Net Position		
	2021	2020
Assets:		
Current assets	\$ 5,697,802	\$ 4,470,460
Capital assets	<u>57,635,373</u>	<u>58,940,850</u>
Total assets	<u>63,333,175</u>	<u>63,411,310</u>
Deferred Outflows of Resources	<u>155,527</u>	<u>166,173</u>
Liabilities:		
Liabilities	3,564,039	3,557,683
Long-term liabilities	<u>20,254,056</u>	<u>22,665,777</u>
Total liabilities	<u>23,818,095</u>	<u>26,223,460</u>
Deferred Inflows of Resources	<u>-</u>	<u>-</u>
Net Position:		
Net investment in capital assets	37,668,504	36,452,175
Restricted	2,936,916	2,395,242
Unrestricted	<u>(934,813)</u>	<u>(1,493,394)</u>
Total net position	<u>\$ 39,670,607</u>	<u>\$ 37,354,023</u>

The District's net position increased \$2,154,205 during the current year.

Lyme-Old Lyme Regional School District No. 18
Management's Discussion and Analysis (unaudited) (continued)

- Member town assessments decreased \$203,288 (0.60%) due to the overall decrease in operating expenses, which are primarily funded through the assessments from the two member towns.
- Operating grants and contributions increased in the current year because of higher on behalf contributions by the State for the Teachers' retirement and OPEB plans.
- Expenses increased in several categories with the largest increase of \$2,516,259 for instruction.

Changes in Net Position

	<u>2021</u>	<u>2020</u>
Revenues:		
Program:		
Charges for services	\$ 290,049	\$ 457,850
Operating grants and contributions	9,685,862	6,499,047
General:		
Member towns	33,932,812	34,136,100
Investment income	3,667	29,200
Other	<u>167,275</u>	<u>68,427</u>
Total revenues	<u>44,079,665</u>	<u>41,190,624</u>
Expenses:		
Program	372,453	354,444
Instruction	26,532,655	24,016,396
Support services - pupil	2,326,409	2,093,442
Educational media	1,161,393	939,694
General administration	975,369	825,683
School administration	3,140,349	2,290,573
Business	6,201,256	6,660,520
Operation of noninstructional service	664,667	597,573
Interest expense	<u>550,909</u>	<u>426,112</u>
Total expenses	<u>41,925,460</u>	<u>38,204,437</u>
Change in net position	<u>\$ 2,154,205</u>	<u>\$ 2,986,187</u>

Lyme-Old Lyme Regional School District No. 18
Management's Discussion and Analysis (unaudited) (continued)

FINANCIAL ANALYSIS OF THE GOVERNMENTAL FUNDS

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

Governmental Funds

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

As of the end of the current fiscal year, the District's governmental funds reported a combined ending fund balance of \$5,039,122, an increase of \$1,027,970 in comparison with the prior year classified as follows:

Nonspendable	\$ 20,971
Restricted	2,936,916
Committed	2,864,042
Assigned	483,027
Unassigned	<u>(1,265,834)</u>
Combined fund balance – governmental funds	<u>\$ 5,039,122</u>

The General Fund is the operating fund of the District. The total fund balance of the District's General Fund increased \$528,041 during the current fiscal year. At the end of the current fiscal year, \$2,933,884 of the fund balance was restricted and the remaining fund balance of \$262,814 was assigned. The restricted portion of fund balance is restricted by state statute to be used to reduce member town assessments in a future period. Total fund balance represented 7.7% of total General Fund expenditures.

Prepaid Grant Fund

The Prepaid Grant Fund accounts for the costs related to state and federal grant programs. The fund balance did not change significantly during the current year.

Capital Reserve Fund

The Capital Reserve Fund maintains monies designated by the Board of Education for specific capital improvements or equipment purchases, in accordance with Title 10, Chapter 164, Section 10-51(d) of the Connecticut General Statutes. Total fund balance increased in the current fiscal year by \$469,109 primarily due to the General Fund appropriation. At year end, committed fund balance was \$2,742,124 for capital and non-recurring expenditures.

High School Capital Project Fund

The High School Capital Project Fund was used for renovations and additions related to the High School. Fund balance did not change because the current year had no activity.

Lyme-Old Lyme Regional School District No. 18
Management's Discussion and Analysis (unaudited) (continued)

GENERAL FUND BUDGETARY HIGHLIGHTS

There were no additional appropriations in the current year other than to transfer \$697,491 to the Capital Reserve Fund. Actual variations in revenues and expenditures from the budget are summarized as follows:

Revenues

Realized revenues were greater than the final budget by \$157,944. The primary cause of this was the receipt of the State of Connecticut Special Education – Excess Cost grant in the General Fund, which is not budgeted by the District. The total amount of the grant was \$43,008.

Expenditures

Total expenditures were lower than budget by \$1,714,774 in the current year. While expenses were lower in several categories, the most significant favorable variance occurred in the program, school administration, and business line items. Some of this favorable outcome was the result of temporary changes caused by the COVID-19 Pandemic, which reduced spending in payroll (coaches, overtime), transportation (athletics, field trips, special education), and athletics overall (supplies and purchased services).

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The District's investment in capital assets as of June 30, 2021, amounts to \$57,635,373 (net of accumulated depreciation). This investment in capital assets includes land, land improvements, buildings and improvements, and machinery and equipment. The net decrease in the District's capital assets for the current fiscal year was \$1,305,477. The decrease was primarily due to capital outlay being more than offset by the current year depreciation expense.

	<u>Capital Assets</u>	
	<u>2021</u>	<u>2020</u>
Construction in process	\$ -	\$ 374,653
Land	480,977	480,977
Land improvements	1,129,699	829,044
Buildings and improvements	55,619,213	56,873,029
Machinery and equipment	<u>405,484</u>	<u>383,147</u>
Capital assets, net of accumulated depreciation	<u>\$ 57,635,373</u>	<u>\$ 58,940,850</u>

Additional information on the District's capital assets can be found in the Notes to Financial Statements.

Long-Term Debt

At June 30, 2021, the District had total bonded debt outstanding of \$18,645,000. The District's bonded debt decreased \$2,410,000 during the current fiscal year. The key factor in this decrease was primarily from the normal annual principal payments on bonds outstanding.

Lyme-Old Lyme Regional School District No. 18
Management's Discussion and Analysis (unaudited) (continued)

The District maintains an “Aa2” rating from Moody’s for general obligation debt.

Additional information on the District’s long-term debt can be found in the Notes to Financial Statements.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGET

The unemployment rate, as of June 2021, for the Town of Lyme was 4.9% and 6.1% for the Town of Old Lyme. Both towns compared favorably with the Norwich/New London labor market areas unemployment rate of 7.6% and the State of Connecticut’s rate of 6.9% for the same period. The unemployment rate for the State decreased 2.9%, while the Norwich/New London labor market decreased 5.4% for the period from June 2020 to June 2021. For the same period, the unemployment rates for Lyme decreased 1.3% and decreased in Old Lyme 3.6%. It is presumed that the decrease in the unemployment rates are a direct related to businesses reopening after COVID-19 closures.

The fiscal year 2020-2021 budget was developed based in part on the following considerations:

- Preserving and building upon the high standards of education Lyme-Old Lyme while remaining fiscally responsive to our communities
- Major Capital Improvements
- Continuing to plan and provide technology infrastructure and applications that are consistent with highly effective and efficient programming and operational standards
- Supporting the ongoing renewal of curriculum, instruction, assessment and staff development activities in response to the expectations of state and national standards
- Reduced debt service

Overall, the budget for fiscal year 2021-2022 increased .47%. Student enrollment figures were utilized in developing the personnel budget. Contractual increases resulted in an increase in the certified and noncertified salaries area of the budget. The District operating budget had a \$269,375 increase. In addition, the debt service decreased \$106,458. Debt service for the high school building renovations will be a factor for several years; however, the district will continue to see decreases moving forward.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of Lyme-Old Lyme Regional School District No. 18’s finances for all those with an interest in the District’s finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Business Manager, Holly McCalla, Regional School District No. 18, 49 Lyme Street, Old Lyme, Connecticut 06371.

LYME-OLD LYME REGIONAL SCHOOL DISTRICT NO. 18

STATEMENT OF NET POSITION
JUNE 30, 2021

<u>Assets</u>	
Current assets:	
Cash and cash equivalents	\$ 4,481,457
Investments	1,090,222
Receivables:	
Intergovernmental grants	87,668
Other	17,484
Inventory	20,971
Total current assets	<u>5,697,802</u>
Noncurrent assets:	
Capital assets:	
Not being depreciated	480,977
Being depreciated, net of accumulated depreciation	<u>57,154,396</u>
Total capital assets, net of accumulated depreciation	<u>57,635,373</u>
Total assets	<u>63,333,175</u>
<u>Deferred Outflows of Resources</u>	
OPEB related items	<u>155,527</u>
<u>Liabilities</u>	
Current liabilities:	
Accounts payable	159,794
Accrued liabilities	498,675
Accrued interest payable	244,783
Unearned revenue	211
Current portion of bonds payable and related liabilities	<u>2,660,576</u>
Total current liabilities	<u>3,564,039</u>
Noncurrent liabilities:	
Bonds payable and related obligations	17,306,293
Self insurance benefit liability	121,981
Total OPEB liability	<u>2,825,782</u>
Total liabilities	<u>23,818,095</u>
<u>Net Position</u>	
Net investment in capital assets	37,668,504
Restricted for:	
Subsequent year's budget	2,933,884
Instruction	3,032
Unrestricted	<u>(934,813)</u>
Total net position	<u>\$ 39,670,607</u>

The notes to the financial statements are an integral part of this statement.

LYME-OLD LYME REGIONAL SCHOOL DISTRICT NO. 18

GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2021

	General Fund	Prepaid Grant Fund	Capital Reserve	High School Capital Project	Nonmajor Funds	Total Funds
Assets						
Cash and cash equivalents	\$ 4,401,274	\$ -	\$ -	\$ -	\$ 80,183	\$ 4,481,457
Investments	1,090,222	-	-	-	-	1,090,222
Receivables:						
Intergovernmental	-	-	-	-	87,668	87,668
Other	17,475	9	-	-	-	17,484
Inventory	-	-	-	-	20,971	20,971
Due from other funds	1,326,993	22,093	2,745,896	-	281,904	4,376,886
Total assets	\$ 6,835,964	\$ 22,102	\$ 2,745,896	\$ -	\$ 470,726	\$ 10,074,688
Liabilities and Fund Balances (Deficits)						
Liabilities:						
Accounts payable	\$ 90,487	\$ 34,362	\$ 3,772	\$ -	\$ 31,173	\$ 159,794
Accrued liabilities	498,675	-	-	-	-	498,675
Due to other funds	3,049,893	20,566	-	1,106,696	199,731	4,376,886
Due to Fiduciary Funds	-	-	-	-	-	-
Unearned revenue	211	-	-	-	-	211
Total liabilities	3,639,266	54,928	3,772	1,106,696	230,904	5,035,566
Fund Balances (Deficits):						
Nonspendable	-	-	-	-	20,971	20,971
Restricted	2,933,884	3,032	-	-	-	2,936,916
Committed	-	-	2,742,124	-	121,918	2,864,042
Assigned	262,814	-	-	-	220,213	483,027
Unassigned	-	(35,858)	-	(1,106,696)	(123,280)	(1,265,834)
Total fund balances (deficits)	3,196,698	(32,826)	2,742,124	(1,106,696)	239,822	5,039,122
Total liabilities and fund balances (deficits)	\$ 6,835,964	\$ 22,102	\$ 2,745,896	\$ -	\$ 470,726	

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 in the funds:

Capital assets and current additions	55,562,116
Current depreciation expense	2,073,257

Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds:

Bonds payable and capital lease payable	(18,858,855)
Bonds premium	(1,108,014)
Self insurance benefit liability	(121,981)
Total OPEB liability and related deferred outflows of resources	(2,670,255)
Accrued interest payable	(244,783)

Net position of governmental activities **\$ 39,670,607**

The notes to the financial statements are an integral part of this statement.

LYME-OLD LYME REGIONAL SCHOOL DISTRICT NO. 18

**GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (DEFICITS)
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>General Fund</u>	<u>Prepaid Grant Fund</u>	<u>Capital Reserve</u>	<u>High School Capital Project</u>	<u>Nonmajor Funds</u>	<u>Total Funds</u>
Revenues:						
Member towns	\$ 33,932,812	\$ -	\$ -	\$ -	\$ -	\$ 33,932,812
Charges for services	109,500	-	-	-	128,731	238,231
Intergovernmental	8,436,530	848,419	-	-	400,913	9,685,862
Investment income	2,596	-	1,044	-	27	3,667
Other	167,275	-	-	-	51,818	219,093
Total revenues	<u>42,648,713</u>	<u>848,419</u>	<u>1,044</u>	<u>-</u>	<u>581,489</u>	<u>44,079,665</u>
Expenditures:						
Current:						
Program	4,780,487	-	-	-	-	4,780,487
Instruction	21,025,324	340,824	-	-	512,631	21,878,779
Support services - pupil	1,899,390	-	-	-	-	1,899,390
Educational media	1,327,893	-	-	-	-	1,327,893
General administration	849,998	-	-	-	-	849,998
School administration	2,124,880	545,633	-	-	-	2,670,513
Business	5,637,255	-	-	-	-	5,637,255
Operation of non- instructional service	625,734	-	-	-	-	625,734
Capital outlay	-	-	229,426	-	-	229,426
Debt service	3,152,220	-	-	-	-	3,152,220
Total expenditures	<u>41,423,181</u>	<u>886,457</u>	<u>229,426</u>	<u>-</u>	<u>512,631</u>	<u>43,051,695</u>
Excess of revenues over (under) expenditures	<u>1,225,532</u>	<u>(38,038)</u>	<u>(228,382)</u>	<u>-</u>	<u>68,858</u>	<u>1,027,970</u>
Other Financing Sources (Uses):						
Proceeds from issuance of bonds	-	-	-	-	-	-
Proceeds from bond premium	-	-	-	-	-	-
Cost of issuance of debt	-	-	-	-	-	-
Refunding of bonds	-	-	-	-	-	-
Transfer to Capital Reserve	(697,491)	-	697,491	-	-	-
Total other financing sources (uses)	<u>(697,491)</u>	<u>-</u>	<u>697,491</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances (deficits)	528,041	(38,038)	469,109	-	68,858	1,027,970
Fund balances (deficits), beginning of year	<u>2,668,657</u>	<u>5,212</u>	<u>2,273,015</u>	<u>(1,106,696)</u>	<u>170,964</u>	<u>4,011,152</u>
Fund balances (deficits), end of year	<u>\$ 3,196,698</u>	<u>\$ (32,826)</u>	<u>\$ 2,742,124</u>	<u>\$ (1,106,696)</u>	<u>\$ 239,822</u>	<u>\$ 5,039,122</u>

The notes to the financial statements are an integral part of this statement.

LYME-OLD LYME REGIONAL SCHOOL DISTRICT NO. 18

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021**

Amounts reported for governmental activities in the Statement of Activities are different because:

Net change in fund balances - total governmental funds	<u>\$ 1,027,970</u>
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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 and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period:

Capital outlay, net of disposals	767,780
Depreciation expense	<u>(2,073,257)</u>
	<u>(1,305,477)</u>

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. The details of these differences in the treatment of long-term debt and related items are as follows:

Debt issued or incurred:	
Issuance of capital leases	(166,500)
Self insurance benefit liability	(4,976)
Total OPEB liability and related deferred outflows of resources	(133,615)
Principal repayments:	
Premiums	142,814
General obligation bonds and capital leases	<u>2,545,492</u>
	<u>2,383,215</u>

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:

Accrued interest payable	<u>48,497</u>
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Change in net position of governmental activities	<u><u>\$ 2,154,205</u></u>
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The notes to the financial statements are an integral part of this statement.

LYME-OLD LYME REGIONAL SCHOOL DISTRICT NO. 18

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGETARY BASIS - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2021

	Budgeted Amounts		Actual	Variance With
	Original	Final		Final Budget
				Positive
				(Negative)
Revenues:				
Member towns	\$ 33,932,812	\$ 33,932,812	\$ 33,932,812	\$ -
Charges for services	125,000	125,000	109,500	(15,500)
Intergovernmental	-	-	43,008	43,008
Investment income	-	-	2,596	2,596
Other	6,664	6,664	134,504	127,840
Total revenues	34,064,476	34,064,476	34,222,420	157,944
Expenditures:				
Current:				
Program	4,990,791	4,990,791	4,783,573	207,218
Instruction	12,602,224	12,602,224	12,530,718	71,506
Support services - pupil	1,926,460	1,926,460	1,934,970	(8,510)
Educational media	1,335,239	1,335,239	1,331,383	3,856
General administration	763,676	763,676	849,338	(85,662)
School administration	2,791,936	2,791,936	2,124,880	667,056
Business	6,426,087	6,426,087	5,639,838	786,249
Operation of non- instructional service	722,497	722,497	649,937	72,560
Debt service	3,152,721	3,152,721	3,152,220	501
Total expenditures	34,711,631	34,711,631	32,996,857	1,714,774
Excess of revenues over (under) expenditures	(647,155)	(647,155)	1,225,563	1,872,718
Other Financing Sources (Uses):				
Appropriation of fund balance	647,155	647,155	-	(647,155)
Cancellation of prior year encumbrances	-	-	32,771	32,771
Transfers out	-	(697,491)	(697,491)	-
Total other financing sources (uses)	647,155	(50,336)	(664,720)	(614,384)
Net change in fund balance	\$ -	\$ (697,491)	560,843	\$ 1,258,334
Fund balance, beginning of year			2,373,041	
Fund balance, end of year			\$ 2,933,884	

The notes to the financial statements are an integral part of this statement.

LYME-OLD LYME REGIONAL SCHOOL DISTRICT NO. 18

**FIDUCIARY FUNDS - CUSTODIAL FUNDS
STATEMENTS OF FIDUCIARY NET POSITION AND CHANGES IN FIDUCIARY NET POSITION
JUNE 30, 2021**

Assets

Cash and cash equivalents	<u>\$ 55,061</u>
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Liabilities

Other liabilities	<u>-</u>
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Net Position

Restricted for student groups	<u><u>\$ 55,061</u></u>
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Changes in Fiduciary Net Position

Additions

Cash collected for the student groups	<u>\$ 103,751</u>
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Total additions	<u>103,751</u>
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Deductions

Cash distributed to the student groups	<u>137,390</u>
--	----------------

Total deductions	<u>137,390</u>
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Net increase (decrease) in fiduciary net position	(33,639)
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Net position - beginning	<u>88,700</u>
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Net position - ending	<u><u>\$ 55,061</u></u>
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The notes to the financial statements are an integral part of this statement.

LYME-OLD LYME REGIONAL SCHOOL DISTRICT NO. 18

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

Note 1 – Summary of Significant Accounting Policies

Reporting Entity

The Lyme-Old Lyme Regional School District No. 18 (the "District") was formed in 1973 by the Towns of Lyme and Old Lyme to provide a full range of educational services to its member towns.

The District operates under a Board of Education/Superintendent form of government.

Accounting principles generally accepted in the United States of America require that the District reporting entity include: (1) the primary government, (2) organizations for which the primary government is financially accountable, and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The reporting entity includes the primary government only. No component units meeting the criteria provided by the Government Accounting Standards Board exist.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., Statement of Net Position and Statement of Activities) report information on all of the nonfiduciary activities of the District. For the most part, the effects of interfund activity have been removed from these statements. Governmental activities are normally supported by member town assessments and intergovernmental revenues.

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 customers or applicants 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. Member town assessments and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

The various funds included in the financial statements are described below:

Governmental Funds

Governmental funds are those through which most governmental functions typically are financed.

General Fund – The primary operating fund of the District. This fund is used to account for all financial transactions and resources except those required to be accounted for in another fund. Revenues are derived primarily from member town assessments, state and federal grants, tuition, and interest income.

Special Revenue Funds – Account for revenue derived from specific sources (other than major capital projects) that are restricted, committed, or assigned for specific activities.

Capital Project Funds – Account for financial resources used for the acquisition or construction of capital facilities and equipment.

Lyme-Old Lyme Regional School District No. 18
Notes to Financial Statements
June 30, 2021 (continued)

Fiduciary Funds

Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, and other governments. Fiduciary funds are not included in the government-wide statements. The fiduciary funds are as follows:

Custodial Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Agency funds do not have a measurement focus but are accounted for using 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 revenues 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. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded when payment is due.

Member town assessments, expenditure reimbursement type grants, certain intergovernmental revenues, transfers, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available when cash is received by the District.

The District reports the following major governmental funds:

The *General Fund* is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Prepaid Grant Fund* accounts for the operations of the federal and state grants. The types of revenues recorded in this fund are federal and state grants.

The *Capital Reserve* fund accounts for the financial revenues to be used for specific capital asset projects.

The *High School Capital Project* fund accounts for the financial revenues to be used for the renovation/addition of the High School.

Lyme-Old Lyme Regional School District No. 18
Notes to Financial Statements
June 30, 2021 (continued)

Additionally, the District reports the following fund type:

The *Custodial Funds* are used to account for monies held on behalf of students.

As a general rule, the effects of interfund activity have been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between certain District functions because elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include: 1) charges to customers for goods and services, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Cash, Cash Equivalents, and Investments

Cash and Cash Equivalents

The District considers cash equivalents as cash on hand, demand deposits, money market accounts, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments

In general, State of Connecticut Statutes allow the District 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 (as defined), 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. For the Capital Reserve Fund, not more than 31% can be invested in equity securities. Investment income is recorded in the fund in which it was earned.

Investments for the District are reported at fair value. State Treasurer Investment Fund is an investment pool managed by the State of Connecticut Office of the State Treasurer. Investments must be made in instruments authorized by Connecticut General Statutes 3-27c – 3-27e. Investment guidelines are adopted by the State Treasurer. The fair value of the position in the pool is the same as the value of the pool shares.

Fair Value Measurements

The District utilizes the market approach as the valuation technique to measure fair value of its financial assets. GAAP establishes a three-level hierarchy for fair value measurements that distinguishes between market participant assumptions developed based on market data obtained from sources independent of the reporting entity ("observable inputs") and the reporting entity's own assumptions about market participant assumptions developed based on the best information available in the circumstances ("unobservable inputs") and requires that the most observable inputs be used when available. The hierarchy is broken down into three levels based on the reliability of inputs as follows:

Lyme-Old Lyme Regional School District No. 18
Notes to Financial Statements
June 30, 2021 (continued)

- Level 1 - Valuation based on unadjusted quoted prices in active markets for identical assets the District has the ability to access. Since valuations are based on quoted prices readily and regularly available in an active market, valuation of these assets does not entail significant judgment.
- Level 2 - Valuation based on quoted prices for similar assets in active markets; quoted prices for similar assets in inactive markets; or valuations based on models where the significant inputs are observable (e.g. interest rates, yield curves, etc.) or can be corroborated by observable market data.
- Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement. The unobservable inputs reflect the District's own assumptions about assumptions that market participants might use.

The District's investments are measured on a recurring basis using Level 1 information (market quotations for investments that have quoted prices in active markets). The District has no financial assets measured using Level 2 or Level 3 at June 30, 2021.

Receivables and Payables

Receivables

Intergovernmental grants receivable are considered to be fully collectible and no allowance has been recorded.

Interfunds

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans).

Inventory

On the government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used in accordance with the consumption method. On the governmental fund financial statements, inventories are presented at cost on a first-in, first-out basis and are recorded as expenditures when used.

Capital Assets

Capital assets, which include property and equipment, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial individual cost of more than \$5,000 for equipment and \$20,000 for improvements, 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.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset life is not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Lyme-Old Lyme Regional School District No. 18
Notes to Financial Statements
June 30, 2021 (continued)

Property and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land improvements	20
Buildings and improvements	45
Machinery and equipment	5-20

Deferred Outflows/Inflows of Resources

Deferred outflows of resources represents 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. The District reports a deferred outflow of resources related to OPEB change of assumptions and other inputs and differences between expected and actual experience in the government-wide Statement of Net Position. These amounts are deferred and included in expense in a systematic and rational manner.

Deferred inflows of resources represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has no deferred outflow of resources.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is utilized in the governmental funds. Encumbrances outstanding at year-end are reported as assigned fund balance as they do not constitute either expenditures or liabilities.

Fund Equity and Net Position

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

Net Investment in Capital Assets

This category presents the net assets that reflect capital assets net of the debt applicable to the acquisition or construction of the assets. Debt issued for non-capital purposes, and unspent bond proceeds, is excluded.

Lyme-Old Lyme Regional School District No. 18
Notes to Financial Statements
June 30, 2021 (continued)

Restricted Net Position

This category presents the net position restricted by external parties (creditors, grantors, contributors, or laws and regulations).

Unrestricted Net Position

This category presents the net position of the District, which is not restricted.

In the fund financial statements, fund balances are classified into the following categories:

Nonspendable

This category presents amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted

This category presents amounts that can be spent only for specific purposes because of enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments.

Committed

This category presents amounts that can be used only for specific purposes determined by a formal action at the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through resolutions approved by the Board of Education.

Assigned

This category presents amounts that do not meet the criteria to be classified as restricted or committed but are intended to be used for specific purposes. Intent can be expressed by the governing body (Board of Education) or by an official (Business Manager).

Unassigned

This is the residual classification for the General Fund (i.e., everything that is not in another classification or in another fund). The General Fund is the only governmental fund that can report a positive unassigned fund balance. Other governmental funds might have a negative unassigned fund balance as a result of overspending for specific purposes for which amounts had been restricted, committed, or assigned.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board of Education has provided otherwise in its commitment or assignment actions.

Lyme-Old Lyme Regional School District No. 18
Notes to Financial Statements
June 30, 2021 (continued)

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities including disclosures of contingent assets and liabilities and reported revenues, expenses, and expenditures during the fiscal year. Actual results could differ from those estimates.

Note 2 – Stewardship, Compliance, and Accountability

Budgets and Budgetary Accounting

The District establishes its General Fund budget in accordance with provisions of the Connecticut General Statutes.

A budget for the General Fund is authorized annually by the Board of Education. The Board of Education follows these procedures in establishing the budgetary data reflected in the financial statements:

- The citizens of the District vote on the recommended budget.
- All budget transfers must be approved by the Board of Education.
- Formal budgetary integration is employed as a management control device during the year for the General Fund.
- The legal level of control (the level at which expenditures may not legally exceed appropriations) is at the fund level.
- Additional appropriations may be made during the year by the Board of Education. An additional appropriation requires approval at a District meeting if it exceeds \$20,000 or is a second request.
- Encumbrances are recognized as a valid and proper charge against a budget appropriation in the year in which the purchase order, contract or other commitment is issued and, accordingly, encumbrances outstanding at year end are reported in budgetary reports as expenditures in the current year. Generally, all unencumbered appropriations lapse at year end.

Budget – GAAP Reconciliation

A reconciliation of the General Fund revenues, expenditures, other sources (uses), and fund balance between the accounting treatment required by GAAP and budgetary requirement is as follows:

	<u>Fund Balance</u> <u>Beginning</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Other</u> <u>Sources (Uses)</u>	<u>Fund Balance</u> <u>Ending</u>
GAAP basis	\$ 2,668,657	\$ 42,648,713	\$ (41,423,181)	\$ (697,491)	\$ 3,196,698
Encumbrances:					
June 30, 2020	(295,616)	-	295,616	-	-
June 30, 2021	-	-	(262,814)	-	(262,814)
Reclassifications	-	(32,771)	-	32,771	-
Teachers' retirement system and OPEB on behalf payments	-	(8,393,522)	8,393,522	-	-
Budgetary basis	<u>\$ 2,373,041</u>	<u>\$ 34,222,420</u>	<u>\$ (32,996,857)</u>	<u>\$ (664,720)</u>	<u>\$ 2,933,884</u>

Lyme-Old Lyme Regional School District No. 18
Notes to Financial Statements
June 30, 2021 (continued)

Special Revenue Funds

The District does not have legally adopted annual budgets for the Special Revenue Funds, which are utilized to account for specific grant programs, are established in accordance with the requirements of the grantor agencies. Such budgets carry over until completion of the grants.

Capital Project Funds

Legal authorization for expenditures of the Capital Project Funds is provided by District ordinances and/or intergovernmental grant agreements. Capital appropriations do not lapse until completion of the applicable projects.

Note 3 – Cash and Investments

Custodial credit risk is the risk that, in the event of a bank failure, the District’s deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of June 30, 2021, the District’s bank balance of \$4,913,196 was exposed to custodial credit risk as follows:

Total deposits	\$ 4,913,196
Insured and collateralized	<u>902,736</u>
Total subject to custodial credit risk	<u>\$ 4,010,460</u>

On July 21, 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act permanently increased the insurance coverage offered by the Federal Deposit Insurance Corporation (FDIC) to \$250,000 per depositor. The District had amounts in excess of \$250,000 in a single bank during the year. Amounts over \$250,000 are not insured by the FDIC. These balances fluctuate during the year and can exceed this \$250,000 limit. Management regularly monitors the financial institution, together with its cash balances, and tries to keep this potential risk to a minimum.

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

	<u>Fair Value</u>	<u>Investment Maturity Less Than One Year</u>
Pooled fixed income	<u>\$ 1,090,222</u>	<u>\$ 1,090,222</u>

The pooled fixed income was invested in Short Term Investment Fund (STIF). STIF is an investment pool managed by the State of Connecticut Office of the State Treasurer.

Interest rate risk – The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk – The District has no formal investment policy that would limit its investment choices due to credit risk other than State Statutes governing investments in obligations of any State or political subdivision. The District’s investments in pooled fixed income funds and bond mutual funds were rated AAA by Standard & Poor’s.

Custodial credit risk – The District has no formal policy regarding custodial credit risk. Custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. At June 30, 2021, the District had no investments subject to custodial credit risk.

Lyme-Old Lyme Regional School District No. 18
Notes to Financial Statements
June 30, 2021 (continued)

Note 4 – Unearned Revenue

Governmental funds report unearned revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of unearned revenue reported in the governmental funds were as follows:

Unearned revenue:	
Other	<u>\$ 211</u>

Note 5 – Capital Assets

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

	<u>Balance</u> <u>July 1, 2020</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2021</u>
Capital assets, not being depreciated:				
Land	\$ 480,977	\$ -	\$ -	\$ 480,977
Construction in process	<u>374,653</u>	<u>-</u>	<u>(374,653)</u>	<u>-</u>
Total capital assets, not being depreciated	<u>855,630</u>	<u>-</u>	<u>(374,653)</u>	<u>480,977</u>
Capital assets, being depreciated:				
Land improvements	2,463,973	449,272	(181,210)	2,732,035
Building and improvements	84,716,521	526,661	-	85,243,182
Machinery and equipment	<u>3,716,236</u>	<u>166,500</u>	<u>-</u>	<u>3,882,736</u>
Total capital assets, being depreciated	<u>90,896,730</u>	<u>1,142,433</u>	<u>(181,210)</u>	<u>91,857,953</u>
Less accumulated depreciation for:				
Land improvements	1,634,929	148,617	(181,210)	1,602,336
Building and improvements	27,843,492	1,780,477	-	29,623,969
Machinery and equipment	<u>3,333,089</u>	<u>144,163</u>	<u>-</u>	<u>3,477,252</u>
Total accumulated depreciation	<u>32,811,510</u>	<u>2,073,257</u>	<u>(181,210)</u>	<u>34,703,557</u>
Total capital assets, being depreciated, net	<u>58,085,220</u>	<u>(930,824)</u>	<u>-</u>	<u>57,154,396</u>
Capital assets, net	<u>\$ 58,940,850</u>	<u>\$ (930,824)</u>	<u>\$ (374,653)</u>	<u>\$ 57,635,373</u>

Lyme-Old Lyme Regional School District No. 18
Notes to Financial Statements
June 30, 2021 (continued)

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

Instruction	\$ 2,050,448
Operation of noninstructional service	<u>22,809</u>
Total depreciation expense	<u>\$ 2,073,257</u>

Note 6 – Interfund Accounts

A summary of interfund balances as of June 30, 2021, is as follows:

	General Fund	Prepaid Grant Fund	Due From		Total
			High School Capital Project	Nonmajor Funds	
Due To:					
General Fund	\$ -	\$ 20,566	\$ 1,106,696	\$ 199,731	\$ 1,326,993
Prepaid Grant	22,093	-	-	-	22,093
Capital Reserve	2,745,896	-	-	-	2,745,896
Nonmajor Funds	<u>281,904</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>281,904</u>
	<u>\$ 3,049,893</u>	<u>\$ 20,566</u>	<u>\$ 1,106,696</u>	<u>\$ 199,731</u>	<u>\$ 4,376,886</u>

Transfers are used to account for unrestricted revenues collected mainly in the General Fund to finance capital projects and other programs accounted for in other funds in accordance with budget and project authorizations.

Note 7 – Long-Term Obligations

Changes in Long-Term Obligations

Long-term obligations activity for the year ended June 30, 2021, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds					
School:					
Refunding bonds	\$ 7,215,000	\$ -	\$ (1,930,000)	\$ 5,285,000	\$ 1,185,000
Refunding bonds	840,000	-	(215,000)	625,000	210,000
Refunding bonds	9,325,000	-	-	9,325,000	755,000
Improvement bonds	<u>3,675,000</u>	<u>-</u>	<u>(265,000)</u>	<u>3,410,000</u>	<u>265,000</u>
Total bonds	21,055,000	-	(2,410,000)	18,645,000	2,415,000
Capital lease obligations	182,847	-	(135,492)	213,855	102,762
Premiums	<u>1,250,828</u>	<u>166,500</u>	<u>(142,814)</u>	<u>1,108,014</u>	<u>142,814</u>
Total bonds and related liabilities	22,488,675	166,500	(2,688,306)	19,966,869	2,660,576
Self insurance benefit liability	117,005	4,976	-	121,981	-
Total OPEB liability	<u>2,702,813</u>	<u>122,969</u>	<u>-</u>	<u>2,825,782</u>	<u>-</u>
Total long-term obligations	<u>\$ 25,308,493</u>	<u>\$ 294,445</u>	<u>\$ (2,688,306)</u>	<u>\$ 22,914,632</u>	<u>\$ 2,660,576</u>

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Notes to Financial Statements
June 30, 2021 (continued)

General Obligation Bonds

The District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. At June 30, 2021, the District was indebted under the following general obligation bonds:

Description	Year of Issue	Maturity Date	Interest Rate (%)	Original Issue	Balance June 30, 2021
Refunding bonds	01/20	08/30	3.00-5.00%	\$ 7,215,000	\$ 5,285,000
Refunding bonds	10/12	11/23	1.25-4.00%	2,440,000	625,000
Improvement bonds	01/15	02/34	2.00-4.00%	5,000,000	3,410,000
Refunding bonds	09/17	08/29	1.50-4.00%	9,325,000	9,325,000
					<u>\$ 18,645,000</u>

The annual debt service requirements of the District's bonded indebtedness, including the effects of the refunding, are as follows:

Ending June 30,	Principal	Interest	Total
2022	\$ 2,415,000	\$ 630,763	\$ 3,045,763
2023	2,425,000	538,163	2,963,163
2024	1,885,000	459,313	2,344,313
2025	1,710,000	398,363	2,108,363
2026	1,685,000	338,700	2,023,700
2027	1,685,000	273,950	1,958,950
2028	1,685,000	209,100	1,894,100
2029	1,700,000	147,625	1,847,625
2030	1,695,000	89,575	1,784,575
2031	980,000	45,900	1,025,900
2032	260,000	26,650	286,650
2033	260,000	18,200	278,200
2034	260,000	9,100	269,100
	<u>\$ 18,645,000</u>	<u>\$ 3,185,402</u>	<u>\$ 21,830,402</u>

All long-term liabilities are generally liquidated by the General Fund.

Capital Lease Obligations

In December 2019, the District entered into an equipment capital lease agreement. The agreement requires annual payments of principal and interest of \$13,095 for three years beginning December 2019.

In September 2019, the District entered into a computer equipment capital lease agreement. The agreement requires annual payments of principal and interest of \$47,201 for four years beginning September 2019.

In July 2020, the District entered into an equipment capital lease agreement. The agreement requires annual payments of principal and interest of \$44,948 for four years beginning July 2020.

Lyme-Old Lyme Regional School District No. 18
Notes to Financial Statements
June 30, 2021 (continued)

Self Insurance Cooperative

The District participates in the Eastern CT Healthcare Cooperative (the Cooperative) to provide medical, prescription and dental health coverage to employees. The Cooperative was established in June 2013 by several eastern Connecticut entities under the provisions of Connecticut Public Act 10 - 174 for the purpose of providing one or more health care benefits as allowed by such act for their employees. The Cooperative is a public entity risk pool operating as a common risk management and insurance program for its members. The Cooperative is designed to be self-sustaining through actuarially determined premiums established annually to cover expected claims, administration, and a margin for unexpected losses or expenses. The Cooperative reinsures for medical, dental, and prescription drug claims in excess of \$1,000,000 maximum aggregate benefit. The members are subject to supplemental assessments in the event of deficiencies. The District's estimated portion of claims incurred but not reported as of June 30, 2021 was \$121,981.

Advance Refundings

In the current and prior years, the District has defeased a bond issue by creating a separate irrevocable trust fund. New debt has been issued and the proceeds have been used to purchase U.S. Government securities that were placed in the trust fund. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and, therefore, removed as a liability from the District's financial statements.

Note 8 – Net Position Classification

The amount of restricted net position which was restricted by enabling legislation totaled \$2,933,884 at June 30, 2021.

Note 9 – Governmental Fund Balance Classifications

As of June 30, 2021, governmental fund balances are composed of the following:

<u>Component</u>	<u>General Fund</u>	<u>Prepaid Grant Fund</u>	<u>Capital Reserve</u>	<u>High School Capital Project</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Nonspendable:						
Inventory	\$ -	\$ -	\$ -	\$ -	\$ 20,971	\$ 20,971
Restricted:						
Subsequent year's budget	2,933,884	-	-	-	-	2,933,884
Instruction	-	3,032	-	-	-	3,032
Total restricted	<u>2,933,884</u>	<u>3,032</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,936,916</u>
Committed:						
Capital outlay	-	-	2,742,124	-	121,918	2,864,042
Assigned:						
Instruction	42,156	-	-	-	36,149	78,305
General administration	11,843	-	-	-	-	11,843
Operation of noninstructional service	24,203	-	-	-	184,064	208,267
Business	184,612	-	-	-	-	184,612
Total assigned	<u>262,814</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>220,213</u>	<u>483,027</u>
Unassigned	-	(35,858)	-	(1,106,696)	(123,280)	(1,265,834)
Total	<u>\$ 3,196,698</u>	<u>\$ (32,826)</u>	<u>\$ 2,742,124</u>	<u>\$ (1,106,696)</u>	<u>\$ 239,822</u>	<u>\$ 5,039,122</u>

Lyme-Old Lyme Regional School District No. 18
Notes to Financial Statements
June 30, 2021 (continued)

Note 10 – Deficit Fund Balances

The Prepaid Grant Fund, High School Capital Project Fund, Tuition Account Fund, and School Lunch Fund have deficit fund balances of \$35,858, \$1,106,696, \$3,872, and \$119,408, respectively, and are expected to be funded by the General Fund, issuance of debt, and intergovernmental grants.

Note 11 – Risks and Uncertainties

The District is exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets; errors or omissions; or acts of God.

The District currently is a member in Connecticut Interlocal Risk Management Agency (CIRMA), a public entity risk pool established for the purpose of administering an interlocal risk management program pursuant to the provisions of Section 7-479a et. Seq. of Connecticut General Statutes, for workers' compensation and employer liability coverage. The District pays an annual premium for its coverage. CIRMA is to be self-sustaining through members' premiums but reinsures in excess of \$1,000,000 for each insured occurrence. Members may be subject to supplemental assessment in the event of deficiencies; however, potential assessments are limited pursuant to the by-laws.

The District purchases commercial insurance for all other risks of loss, including blanket and umbrella policies.

During the year, deductibles paid by the District were insignificant. Settled claims, for all types of commercial coverage, have not exceeded coverage in any of the past three years. There were no significant reductions in insurance coverage from amounts held the prior year.

Note 12 – Commitments and Contingencies

Operating Leases

The District has entered into operating leases for equipment that expire at various dates through August 2023. At June 30, 2021, the minimum annual rental commitments under operating leases are as follows:

2022	\$ 47,857
2023	<u>35,259</u>
	<u>\$ 83,116</u>

Litigation

The District has been named as defendant in several claims and legal actions. The District's attorney estimates that the potential claims against the District not covered by insurance resulting from such claims and legal actions would not materially affect the financial condition of the District.

Grants

The District has received Federal and State grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursement to the grantor agency for any expenditures disallowed under terms of the grant. Based upon prior experience, District management believes such disallowances, if any, will not be material.

Note 13 – Pension Plans

Defined Contribution Plan

The District participates in a multiple employer defined contribution plan administered by the Town of Old Lyme to provide pension benefits for all of the Town's full time employees and the District's nonprofessional administrative employees. The plan is considered to be part of the Town of Old Lyme's reporting entity and is included in the Town of Old Lyme's basic financial statements as a pension trust fund. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate at twenty-one (21) years of age and after one year of service. Participants are not required to contribute to the plan. The District's contributions for each employee and interest allocated to the employee's account are fully vested after five years of continuous service.

The District's contribution is allocated to participants' accounts on the basis of compensation. Contribution requirements of the plan members and the District are established, and may be amended, by the Board of Selectmen. Plan members may contribute and are limited to 17% of earnings. The District is required to contribute 8% of employee covered payroll.

The District's payroll of eligible individuals covered by the plan was \$4,016,762. The District contributed \$321,341 or 8% of covered payroll, while the employees contributed \$54,282 or 1.0% of covered payroll.

Connecticut State Teachers' Retirement System

Description of the Connecticut State Teachers' Retirement System

Teachers, principals, superintendents, and supervisors engaged in service within the District's school system participate in a retirement system administered by the Connecticut State Teachers' Retirement Board. This Connecticut State Teachers' Retirement System (the "System") is a cost sharing multiple employer defined benefit pension system with a special funding situation. As such, the District does not have a liability related to participants in the System.

The System is considered a part of the State of Connecticut financial reporting entity and is included in the State's financial reports as a pension trust fund. Those reports may be obtained at www.ct.gov.

The System is administered under the provisions of Chapter 167a of the Connecticut General Statutes (CGS). Participation in the System 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 System 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. Members of the professional staff of the State Department of Education or the Board of Governors of Higher Education and their constituent units may elect to participate in this system, the State Employees' Retirement System, or the Alternate Retirement System (TIAA-CREF).

Benefits Provided

The benefits provided to participants by the System are as follows:

Normal Retirement: The System 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.

Lyme-Old Lyme Regional School District No. 18
Notes to Financial Statements
June 30, 2021 (continued)

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

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

Early Retirement: Employees are eligible after 25 years of credited service with a minimum of 20 years of Connecticut service, or age 55 with 20 years of credited service with a minimum of 15 years of Connecticut service.

Benefit amounts are reduced by 6% per year for the first 5 years preceding normal retirement age and 4% per year for the next 5 years preceding normal retirement age. Effective July 1, 1999, the reduction for individuals with 30 or more years of service is 3% per year by which retirement precedes normal retirement date.

Disability Retirement: Employees are eligible for service-related disability benefits regardless of length of service. Five years of credited service is required to be eligible for non-service related disability.

Disability benefits are calculated as 2% per year of service times the average of the highest three years of pensionable salary, as defined per the System, but not less than 15%, nor more than 50%. In addition, disability benefits under this System (without regard to cost-of-living adjustments) plus any initial award of Social Security benefits and workers' compensation cannot exceed average annual salary.

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

Contribution Requirements

The pension contributions made by the State to the System are determined on an actuarial reserve basis as described in CGS Sections 10-183l and 10-183z.

Participants are required to contribute 7.00% of their annual salary rate to the System as required by CGS Section 10-183b (7). For the 2020/2021 school year, \$931,227 mandatory contributions were deducted from the salaries of teachers who were participants of the System during that school year. The covered payroll for the District is \$15,137,948. The District had 151 active participants in the System at June 30, 2021.

Employers are not required to contribute to the System. The District does not contribute to the System.

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2020, with a reporting date of June 30, 2021, using the following key actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 Percent
Salary increases, including inflation	3.00-6.50 Percent
Long-term investment rate of return, net of pension investment expense, including inflation	6.90 Percent

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Notes to Financial Statements
June 30, 2021 (continued)

Mortality rates were based on the PubT-2010 Healthy Retiree Table (adjusted 105% for males and 103% for females as ages 82 and above), projected generationally with MP-2019 for the period after service retirement. The PubT-2010 Disabled Retiree Table projected generationally with MP-2019 was used for the period after disability retirement. The PubT-2010 Contingent Survivor Table projected generationally with MP-2019 and set forward 1 year for both males and females was used for survivors and beneficiaries. The PubT-2010 Employee Table projected generationally with MP-2019 was used for active members.

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

Since the prior valuation, the Board adopted new assumptions as the result of an experience study for the five-year period ending June 30, 2019. The changes in assumptions are summarized below:

- Decrease the annual rate of real wage increase assumption from 0.75% to 0.50%.
- Decrease payroll growth assumption from 3.25% to 3.00%.
- Rates of withdrawal, disability, retirement, mortality, and assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.

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

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

Discount Rate

The discount rate used to measure the total pension liability was 6.90 percent. 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.

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Notes to Financial Statements
June 30, 2021 (continued)

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District’s proportionate share of the net pension liability of the System, calculated using the discount rate of 6.90 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.90 percent) or 1-percentage-point higher (7.90 percent) than the current rate.

	<u>1% Decrease</u> <u>(5.90%)</u>	<u>Current</u> <u>Discount Rate</u> <u>(6.90%)</u>	<u>1% Increase</u> <u>(7.90%)</u>
Sensitivity of the System’s proportionate share of the net pension liability related to the District	\$ 69,922,956	\$ 55,906,549	\$ 44,270,054

Pension Liabilities, Pension Expense, and Deferred Inflows/Outflows of Resources

The State makes all contributions to the System on behalf of employees of the participating districts. Therefore, participating employers are considered to be in a special funding situation as defined by Governmental Accounting Standards Board No. 68 and the State is treated as a non-employer contributing entity in the System. Since the districts do not contribute directly to the System, there is no net pension liability or deferred inflows or outflows to report in the financial statements of the District. The portion of the net pension liability that was associated with the District was \$55,906,549 and 100% of the collective net pension liability is allocated to the State.

June 30, 2020 is the actuarial valuation date upon which the total pension liability is based. In order to provide the experience gain or loss, an expected total pension liability is determined as of June 30, 2021 using standard roll forward techniques from last year’s total pension liability. The roll forward calculation adds the annual normal cost (also called the service cost), subtracts the actual benefit payments and refunds for the plan year and then applies the expected investment rate of return for the year. The change in assumptions due to the most recent experience study is similarly measured.

The District recognized the total pension expense associated with the District as well as revenue in an amount equal to the non-employer contributing entities’ total proportionate share of the collective pension expense associated with the District. For the fiscal year ended June 30, 2021, the District recognized \$8,008,348 as the amount expended by the State on behalf of the District to meet the State’s funding requirements.

Note 14 – District Other Post-Employment Benefits

Plan Description

The District administers a single-employer, post retirement healthcare plan for the District's Other Post Employment Benefits (OPEB). The plan provides medical benefits to eligible retirees and their spouses.

Eligibility

Teachers and Administrators (Certified) – A Teacher or Administrator retiring under the Connecticut State Teachers Retirement System shall be eligible to receive health benefits for self and spouse.

Normal Retirement for Teachers and Administrators is the earliest of age 60 with 20 years of service, or completion of 35 years of service regardless of age. Early Retirement is the earliest of age 60 with 10 years of service, any age with 25 years of service, or age 55 with 20 years of service.

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Notes to Financial Statements
June 30, 2021 (continued)

Not Certified – A retired employee shall be eligible to receive health benefits for self and spouse.

Benefit Provisions

Teachers and Administrators (Certified) – A Teacher or Administrator retiring under the Connecticut State Teachers Retirement System shall pay 100% of the health premium for self and spouse, reduced by the Connecticut State Teachers’ OPEB subsidy.

The District’s plan also provides for medical insurance benefits for all other eligible District retirees. Benefits and contributions are established by contract and may be amended by union negotiations. Administration costs are financed from current operations.

Employee Contributions

Employee contributions to the plan are dependent on the covered group.

At July 1, 2019, the following employees were covered by the benefit terms:

Retired members/beneficiaries receiving benefits	16
Active members	<u>194</u>
	<u>210</u>

Total OPEB Liability

The District’s total OPEB liability of \$2,825,782 was measured as of June 30, 2021, and was determined by an actuarial valuation as of July 1, 2019 projected forward to the measurement date.

Actuarial Assumptions and Other Inputs

The total OPEB liability was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Valuation Date	July 1, 2019
Measurement Date	June 30, 2021
Actuarial Cost Method	Entry Age Normal, level percent of salary
Salary increases	Graded by service for teachers and administrators and 3.5% for all others, including inflation
Inflation rate	2.60%
Discount rate	2.16% as of June 30, 2021 and 2.21% as of June 30, 2020, which is based on the 20-bond Municipal Index as of the measurement date
Healthcare cost trend rates	Post 65 Medical – 6.40%-4.10%
Mortality rates	Based on the RP-2000 Combined Healthy Mortality Table for males and females projected generationally with Scale AA

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Notes to Financial Statements
June 30, 2021 (continued)

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Balance at 6/30/2020	\$ 2,702,813
Changes for the year:	
Service cost	168,484
Interest	62,132
Changes in assumptions or other inputs	12,854
Benefit payments	<u>(120,501)</u>
Net changes	<u>122,969</u>
Balance at 6/30/2021	<u>\$ 2,825,782</u>

The following changes of assumptions were effective July 1, 2019:

- The discount rate was decreased from 3.50% to 2.16%.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.16%) or 1-percentage-point higher (3.16%) than the current discount rate:

	<u>1% Decrease (1.16%)</u>	<u>Discount rate (2.16%)</u>	<u>1% Increase (3.16%)</u>
Total OPEB liability	\$ 3,102,921	\$ 2,825,782	\$ 2,584,423

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the District, as well as what the District's total 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 the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Healthcare Cost Trend Rates</u>	<u>1% Increase</u>
Total OPEB liability	\$ 2,447,490	\$ 2,825,782	\$ 3,289,592

Lyme-Old Lyme Regional School District No. 18
Notes to Financial Statements
June 30, 2021 (continued)

Deferred Outflows/Inflows of Resources Related to OPEB

At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ (100,827)
Changes of assumptions	<u>290,797</u>	<u>(34,443)</u>
	<u>\$ 290,797</u>	<u>\$ (135,270)</u>

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

Year ended June 30,	
2022	\$ 23,500
2023	23,500
2024	23,500
2025	23,500
2026	22,388
Thereafter	39,139

Note 15 – Connecticut State Teachers’ Other Post Employment Benefits (OPEB)

Description of the Connecticut State Teachers’ Other Post-Employment Benefits (OPEB)

Teachers, principals, superintendents or supervisors engaged in service of public schools plus professional employees at State Schools of higher education are eligible to participate in the Connecticut State Teachers’ Retirement System Retiree Health Insurance Plan (Connecticut State Teachers’ OPEB), a cost sharing multiple-employer defined benefit other post-employment benefit plan administered by the Teachers’ Retirement Board (TRB), if they choose to be covered. The Connecticut State Teachers’ OPEB is administered under the provisions of Chapter 167a Section 10-183 (t) of the Connecticut General Statutes. The Connecticut State Teachers’ OPEB is considered a part of the State of Connecticut financial reporting entity and is included in the State’s financial reports. Those reports may be obtained at www.ct.gov.

Eligibility

Teachers and Administrators (Certified) – A Teacher or Administrator retiring under the Connecticut State Teachers Retirement System shall be eligible to receive health benefits for self and spouse.

Normal Retirement for Teachers and Administrators is the earliest of age 60 with 20 years of service, or completion of 35 years of service regardless of age. Early Retirement is the earliest of age 60 with 10 years of service, any age with 25 years of service, or age 55 with 20 years of service.

Not Certified – A retired employee shall be eligible to receive health benefits for self and spouse.

Benefit Provisions

Any member that is currently receiving a retirement or disability benefit is eligible to participate in the Connecticut State Teachers’ OPEB. There are two types of the health care benefits offered. Subsidized Local School District Coverage provides a subsidy paid to members still receiving coverage through their former employer and the CTRB Sponsored Medicare Supplemental Plans provide coverage for those participating in Medicare, but not receiving Subsidized Local School District Coverage.

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Notes to Financial Statements
June 30, 2021 (continued)

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

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

Contributions

The Connecticut State Teachers' OPEB contributions made by the State are determined on an actuarial reserve basis.

Participants are required to contribute 1.25% of their annual salary rate to the Connecticut State Teachers' OPEB as required by CGS Section 10-183b (7). For the 2020/2021 school year, \$166,274 mandatory contributions were deducted from the salaries of teachers who were participants of the Connecticut State Teachers' OPEB during that school year. The covered payroll for the District is \$15,137,948. The District had 151 active participants in the Connecticut State Teachers' OPEB at June 30, 2021.

Employers are not required to contribute to the Connecticut State Teachers' OPEB. The District does not contribute to the Connecticut State Teachers' OPEB.

Actuarial Assumptions and Other Inputs

The total OPEB liability was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Valuation Date	June 30, 2020
Measurement Date	June 30, 2020
Reporting Date	June 30, 2021
Actuarial Cost Method	Entry Age Normal, level percent of salary
Salary increases	3.00% to 6.50%
Inflation rate	2.75%
Discount rate	3.00% as of June 30, 2020, which is based on the 20-bond Municipal Index rate
Healthcare cost trend rates	5.125% for 2020, decreasing to an ultimate rate of 4.50% by 2023

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Notes to Financial Statements
June 30, 2021 (continued)

Health care cost trend rates are set on an annual basis based on published annual health care inflation surveys in conjunction with actual plan experience (if credible), building block models and heuristics developed by health plan actuaries and administrators, and the views of experts who are familiar with the Connecticut State Teachers’ OPEB and/or similar plan offerings. Effective June 30, 2020, the health care cost trend rates for the Medicare Supplement and Medicare Advantage medical and prescription drug options were revised to reflect current expectations of future increases in health care claim costs for those options.

Mortality rates were based on the PubT-2010 Healthy Retiree Table (adjusted 105% for males and 103% for females as ages 82 and above), projected generationally with MP-2019 for the period after service retirement. The PubT-2010 Disabled Retiree Table projected generationally with MP-2019 was used for the period after disability retirement. The PubT-2010 Contingent Survivor Table projected generationally with MP-2019 and set forward 1 year for both males and females was used for survivors and beneficiaries. The PubT-2010 Employee Table projected generationally with MP-2019 was used for active members.

The long-term expected rate of return on 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 investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. treasuries (cash equivalents)	<u>100.0%</u>	3.00%
Total	<u>100.0%</u>	

Discount Rate

The discount rate used to measure the total OPEB liability was 3.00 percent. The projection of cash flows used to determine the discount rate assumed that 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 fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return on Connecticut State Teachers’ OPEB investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

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

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

The State makes all contributions to the Connecticut State Teachers’ OPEB on behalf of employees of the participating districts. Therefore, participating employers are considered to be in a special funding situation as defined by Governmental Accounting Standards Board No. 75 and the State is treated as a non-employer contributing entity in the Connecticut State Teachers’ OPEB. Since the districts do not contribute directly to the Connecticut State Teachers’ OPEB, there is no net OPEB liability or deferred inflows or outflows to report in the financial statements of the District. The portion of the State’s net OPEB liability that was associated with the District was \$8,338,464 and 100 percent of the collective net OPEB liability is allocated to the State. The District’s proportionate share of the OPEB liability is zero.

Lyme-Old Lyme Regional School District No. 18
Notes to Financial Statements
June 30, 2021 (continued)

The District recognized the OPEB expense associated with the District as well as revenue in an amount equal to the non-employer contributing entities' total proportionate share of the collective OPEB expense associated with the District. For the fiscal year ended June 30, 2021, the District recognized \$385,174 as the amount expended by the State on behalf of the District to meet the State's funding requirements.

Note 16 - New Accounting Pronouncement Adopted

In January 2017, the GASB issued Statement No. 84, Fiduciary Activities (GASB 84). The objective of this statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this statement are effective for the District's reporting period beginning July 1, 2020.

The District has implemented the provisions of GASB 84 in the accompanying financial statements under a retrospective basis. Accordingly, an adjustment has been recorded to increase the fund balance of the nonmajor governmental funds at June 30, 2020 in the amount of \$162,379 with a corresponding decrease in the net position of the custodial funds.

Note 17 – Recently Issued Accounting Standards Not Yet Adopted

The Governmental Accounting Standards Board (GASB) has issued several pronouncements that have effective dates that may impact future financial presentations. The impact of the following accounting pronouncements are currently being assessed by the District as to the impact to the financial statements.

GASB Statement No. 87, Leases. This Statement establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset, which should result in the recognition and reporting of leased assets and the liability associated with subsequent lease payments, which have historically been classified as operating leases of the current reporting period only. The new Statement requires a Lessee to recognize a lease liability and an intangible right-to-use lease asset, with the lessor required to recognize a lease receivable and a deferred inflow of resources. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021. The District is aware of this Statement and will assess its impact to ensure timely implementation.

GASB Statement No. 92, Omnibus 2020. Statement 92 includes guidance addressing various accounting and financial reporting issues identified during the implementation and application of certain GASB pronouncements. The issues covered by GASB Statement No. 92, Omnibus 2020, include:

- Modification of the effective date of Statement No. 87, Leases, as well as associated implementation guidance, to fiscal years beginning after December 15, 2019, to address concerns regarding interim financial reports;
- Reporting intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan;
- The applicability of Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68, as amended, and Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended, to reporting assets accumulated for pensions and OPEB;

Lyme-Old Lyme Regional School District No. 18
Notes to Financial Statements
June 30, 2021 (continued)

- The applicability of certain requirements of Statement No. 84, Fiduciary Activities, to pension and OPEB arrangements; and
- Measurement of liabilities and assets, if any, related to asset retirement obligations in a government acquisition.

GASB Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance. This Statement postpones the effective dates of the following GASB Statements and Implementation Guides for one year from their original effective dates to provide relief to governments and other stakeholders in light of the COVID-19 pandemic. The GASB encourages and permits earlier application of these standards to the extent specified in each pronouncement as originally issued.

GASB Statement No. 96, Subscription-Based Information Technology Arrangements. GASB Statement No. 96 provides accounting and financial reporting guidance for subscription-based information technology arrangements (SBITAs). It is based on the standards established in Statement 87, Leases. It:

- Defines a SBITA as a contract that conveys control of the right to use a SBITA vendor's IT software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction;
- Requires governments with SBITAs to recognize a right-to-use subscription asset — an intangible asset — and a corresponding subscription liability (with an exception for short-term SBITAs — those with a maximum possible term of 12 months); and
- Provides guidance related to outlays other than subscription payments, including implementation costs, and requirements for note disclosures related to a SBITA.
- The requirements of this Statement are effective for reporting periods beginning after June 15, 2022.

Note 18 – Subsequent Events

Management has evaluated subsequent events from the financial statement date of June 30, 2021 through September 28, 2021, which is the date these financial statements were available to be issued. All subsequent events requiring recognition or disclosure have been incorporated into these financial statements.

**REQUIRED SUPPLEMENTARY
INFORMATION
(UNAUDITED)**

LYME-OLD LYME REGIONAL SCHOOL DISTRICT NO. 18

**CONNECTICUT STATE TEACHERS' RETIREMENT SYSTEM
SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
District's proportionate share of the net pension liability	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability associated with the Town	<u>9,671,248</u>	<u>51,629,271</u>	<u>39,809,168</u>	<u>41,080,674</u>	<u>43,340,432</u>	<u>34,460,371</u>	<u>31,851,707</u>
Total	<u>\$ 9,671,248</u>	<u>\$ 51,629,271</u>	<u>\$ 39,809,168</u>	<u>\$ 41,080,674</u>	<u>\$ 43,340,432</u>	<u>\$ 34,460,371</u>	<u>\$ 31,851,707</u>
District's covered-employee payroll	<u>\$ 15,137,948</u>	<u>\$ 14,996,178</u>	<u>\$ 14,533,930</u>	<u>\$ 12,687,654</u>	<u>\$ 12,462,714</u>	<u>\$ 12,564,398</u>	<u>\$ 12,008,579</u>
District's proportionate share of the net pension liability as a percentage of its covered payroll	<u>0.00%</u>						
System fiduciary net position as a percentage of the total pension liability	<u>49.24%</u>	<u>52.00%</u>	<u>57.69%</u>	<u>55.93%</u>	<u>52.26%</u>	<u>59.50%</u>	<u>61.51%</u>

Notes to Connecticut State Teachers' Retirement System

Method and Assumptions used in Calculations of Actuarially Determined Contributions

The actuarially determined contributions in the schedule of employer contributions are calculated as of June 30 each biennium for the fiscal years ending two

Actuarial cost method	Entry age
Amortization method	Level percent of pay, closed
Single equivalent amortization period	30 years
Asset valuation method	4-year smoothed market
Inflation	2.50 percent
Salary increase	3.25-6.50 percent, including inflation
Investment rate of return	6.90 percent, net of investment related expense

See accompanying Independent Auditors' Report.

LYME-OLD LYME REGIONAL SCHOOL DISTRICT NO. 18

**DISTRICT OTHER POST EMPLOYMENT BENEFITS (OPEB)
SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
SCHEDULE OF CHANGES IN NET OPEB LIABILITY
AND RELATED RATIOS**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability				
Service costs	\$ 168,484	\$ 128,898	\$ 125,001	\$ 127,657
Interest	62,132	87,720	89,095	79,995
Change in benefit terms	-	-	-	-
Effect of economic/demographic gains or losses	-	(130,051)	-	-
Change in assumptions	12,854	293,340	85,110	(63,759)
Benefit payments, including refunds of contributions	(120,501)	(108,057)	(90,022)	(57,395)
Net change in total OPEB liability	122,969	271,850	209,184	86,498
Total OPEB liability, beginning	<u>2,702,813</u>	<u>2,430,963</u>	<u>2,221,779</u>	<u>2,135,281</u>
Total OPEB liability, ending (a)	<u><u>\$ 2,825,782</u></u>	<u><u>\$ 2,702,813</u></u>	<u><u>\$ 2,430,963</u></u>	<u><u>\$ 2,221,779</u></u>
Plan Fiduciary Net Position				
Contributions - employer	\$ -	\$ -	\$ -	\$ -
Contributions - members	-	-	-	-
Net investment income	-	-	-	-
Benefit payments (based on expected)	-	-	-	-
Administrative expenses	-	-	-	-
Net change in plan fiduciary net position	-	-	-	-
Total fiduciary net position, beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fiduciary net position, ending (b)	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Net OPEB liability ending (a) - (b)	<u><u>\$ 2,825,782</u></u>	<u><u>\$ 2,702,813</u></u>	<u><u>\$ 2,430,963</u></u>	<u><u>\$ 2,221,779</u></u>
Plan fiduciary net position as a percentage of the total OP	0.00%	0.00%	0.00%	0.00%
Covered-employee payroll	\$ 14,732,200	\$ 14,732,200	N/A	N/A
Total OPEB liability as a percentage of covered payroll	19.18%	18.35%	N/A	N/A

See accompanying Independent Auditors' Report.

LYME-OLD LYME REGIONAL SCHOOL DISTRICT NO. 18

**CONNECTICUT STATE TEACHERS' OTHER POST EMPLOYMENT BENEFITS (OPEB)
SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
District's proportion of the net OPEB liability	0.00%	0.00%	0.00%	0.00%
District's proportionate share of the net OPEB liability	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net OPEB liability associated with the District	<u>8,338,464</u>	<u>8,051,863</u>	<u>7,958,105</u>	<u>10,573,699</u>
Total	<u>\$ 8,338,464</u>	<u>\$ 8,051,863</u>	<u>\$ 7,958,105</u>	<u>\$ 10,573,699</u>
District's covered-employee payroll	<u>\$ 15,137,948</u>	<u>\$ 14,996,178</u>	<u>\$ 14,533,930</u>	<u>\$ 12,687,654</u>
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
OPEB fiduciary net position as a percentage of the total OPEB liability	<u>2.50%</u>	<u>2.08%</u>	<u>1.49%</u>	<u>1.79%</u>

See accompanying Independent Auditors' Report.

**SUPPLEMENTAL
STATEMENTS AND SCHEDULES**

LYME-OLD LYME REGIONAL SCHOOL DISTRICT NO. 18

GENERAL FUND
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2021

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Member towns:				
Town of Lyme	\$ 6,376,133	\$ 6,376,133	\$ 6,376,133	\$ -
Town of Old Lyme	27,556,679	27,556,679	27,556,679	-
Total member towns	<u>33,932,812</u>	<u>33,932,812</u>	<u>33,932,812</u>	<u>-</u>
Charges for services:				
Classroom rental	-	-	-	-
Tuition	125,000	125,000	109,500	(15,500)
Total charges for services	<u>125,000</u>	<u>125,000</u>	<u>109,500</u>	<u>(15,500)</u>
Intergovernmental:				
Excess cost grant	-	-	43,008	43,008
Total intergovernmental	<u>-</u>	<u>-</u>	<u>43,008</u>	<u>43,008</u>
Investment income	<u>-</u>	<u>-</u>	<u>2,596</u>	<u>2,596</u>
Other revenue:				
Miscellaneous	6,664	6,664	134,504	127,840
Total other revenue	<u>6,664</u>	<u>6,664</u>	<u>134,504</u>	<u>127,840</u>
Total revenues	<u>34,064,476</u>	<u>34,064,476</u>	<u>34,222,420</u>	<u>157,944</u>
Other financing sources:				
Appropriation of fund balance	647,155	647,155	-	(647,155)
Cancellation of prior year encumbrances	-	-	32,771	32,771
Total other financing sources	<u>647,155</u>	<u>647,155</u>	<u>32,771</u>	<u>(614,384)</u>
Total revenues and other financing sources	<u>\$ 34,711,631</u>	<u>\$ 34,711,631</u>	<u>\$ 34,255,191</u>	<u>\$ (456,440)</u>

See accompanying Independent Auditors' Report.

LYME-OLD LYME REGIONAL SCHOOL DISTRICT NO. 18

**GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2021**

	Budgeted Amounts			Actual	Variance With Final Budget Positive (Negative)
	Original	Transfers	Final		
Program:					
Professional development	\$ 253,109	\$ -	\$ 253,109	\$ 236,952	\$ 16,157
Benefits	4,737,682	-	4,737,682	4,546,621	191,061
Total program	<u>4,990,791</u>	<u>-</u>	<u>4,990,791</u>	<u>4,783,573</u>	<u>207,218</u>
Instruction (1)	<u>12,602,224</u>	<u>-</u>	<u>12,602,224</u>	<u>12,530,718</u>	<u>71,506</u>
Support services - pupil (1)	<u>1,926,460</u>	<u>-</u>	<u>1,926,460</u>	<u>1,934,970</u>	<u>(8,510)</u>
Educational media:					
Library	449,952	-	449,952	432,501	17,451
Instruction technology	885,287	-	885,287	898,882	(13,595)
Total educational media	<u>1,335,239</u>	<u>-</u>	<u>1,335,239</u>	<u>1,331,383</u>	<u>3,856</u>
General administration:					
Board of Education	425,019	-	425,019	480,164	(55,145)
Superintendent office	338,657	-	338,657	369,174	(30,517)
Total general administration	<u>763,676</u>	<u>-</u>	<u>763,676</u>	<u>849,338</u>	<u>(85,662)</u>
School administration:					
Principal's office	1,796,637	-	1,796,637	1,751,717	44,920
Office of pupil personnel	995,299	-	995,299	373,163	622,136
Total school administration	<u>2,791,936</u>	<u>-</u>	<u>2,791,936</u>	<u>2,124,880</u>	<u>667,056</u>
Business:					
Plant operation and maintenance	3,991,600	-	3,991,600	3,923,658	67,942
Information technology	334,036	-	334,036	334,863	(827)
Transportation	1,748,190	-	1,748,190	997,605	750,585
Business office	352,261	-	352,261	383,712	(31,451)
Total business	<u>6,426,087</u>	<u>-</u>	<u>6,426,087</u>	<u>5,639,838</u>	<u>786,249</u>
Operation of noninstructional service:					
Food service	9,500	-	9,500	24,461	(14,961)
Student activity	712,997	-	712,997	625,476	87,521
Total operation of noninstructional service	<u>722,497</u>	<u>-</u>	<u>722,497</u>	<u>649,937</u>	<u>72,560</u>
Debt service	<u>3,152,721</u>	<u>-</u>	<u>3,152,721</u>	<u>3,152,220</u>	<u>501</u>
Total expenditures	<u>34,711,631</u>	<u>-</u>	<u>34,711,631</u>	<u>32,996,857</u>	<u>1,714,774</u>
Other financing uses:					
Transfers out - capital reserve	-	697,491	697,491	697,491	-
Total other financing uses	<u>-</u>	<u>697,491</u>	<u>697,491</u>	<u>697,491</u>	<u>-</u>
Total expenditures and other financing uses	<u>\$ 34,711,631</u>	<u>\$ 697,491</u>	<u>\$ 35,409,122</u>	<u>\$ 33,694,348</u>	<u>\$ 1,714,774</u>

(1) See expenditure detail for Instruction and Support Services - Pupil on page 46.

See accompanying Independent Auditors' Report.

LYME-OLD LYME REGIONAL SCHOOL DISTRICT NO. 18

GENERAL FUND
SCHEDULE OF INSTRUCTION AND SUPPORT SERVICES - PUPIL EXPENDITURES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2021

	Budgeted Amounts			Actual	Variance With Final Budget Positive (Negative)
	Original	Transfers	Final		
Instruction:					
Art	\$ 394,083	\$ -	\$ 394,083	\$ 392,032	\$ 2,051
Business education	106,283	-	106,283	106,102	181
Language arts	1,944,473	-	1,944,473	1,932,362	12,111
Foreign language	850,287	-	850,287	777,130	73,157
Health instruction	152,849	-	152,849	133,549	19,300
Life management	103,440	-	103,440	101,976	1,464
Technology education	315,105	-	315,105	314,929	176
Math	1,425,011	-	1,425,011	1,368,083	56,928
Music	602,362	-	602,362	597,754	4,608
Science	1,054,790	-	1,054,790	928,718	126,072
Social studies	1,027,194	-	1,027,194	1,024,417	2,777
Career education	3,439	-	3,439	2,076	1,363
Reading	222,057	-	222,057	267,376	(45,319)
Physical education	475,295	-	475,295	493,294	(17,999)
Home bound instruction	27,000	-	27,000	19,493	7,507
Substitute teachers	180,000	-	180,000	286,764	(106,764)
Talented and gifted	199,120	-	199,120	196,209	2,911
Adult education	46,200	-	46,200	43,380	2,820
Summer school	11,000	-	11,000	1,419	9,581
Special education	2,411,375	-	2,411,375	2,464,935	(53,560)
Tutorial	366,526	-	366,526	305,882	60,644
Pre-school	684,335	-	684,335	772,838	(88,503)
Total instruction	\$ 12,602,224	\$ -	\$ 12,602,224	\$ 12,530,718	\$ 71,506
Support services - pupil:					
Special education therapy/evaluation	\$ 120,690	\$ -	\$ 120,690	\$ 120,748	\$ (58)
Occupational therapy	156,091	-	156,091	148,420	7,671
Guidance	490,021	-	490,021	513,116	(23,095)
Health office	277,571	-	277,571	296,293	(18,722)
Psychological	389,724	-	389,724	377,086	12,638
Speech	370,363	-	370,363	370,285	78
Improvement of instruction	122,000	-	122,000	109,022	12,978
Total support services - pupil	\$ 1,926,460	\$ -	\$ 1,926,460	\$ 1,934,970	\$ (8,510)

See accompanying Independent Auditors' Report.

LYME-OLD LYME REGIONAL SCHOOL DISTRICT NO. 18

**NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2021**

	Special Revenue Funds				Capital Project Funds			Total
	Tuition Account Fund	School Lunch Fund	Special Activities Fund	Total	School Renovation Fund	School Project Fund	Total	
Assets								
Cash and cash equivalents	\$ 104	\$ 18,101	\$ 61,978	\$ 80,183	\$ -	\$ -	\$ -	\$ 80,183
Receivables								
Intergovernmental	-	87,668	-	87,668	-	-	-	87,668
Other	-	-	-	-	-	-	-	-
Inventory	-	20,971	-	20,971	-	-	-	20,971
Due from other funds	36,149	-	123,837	159,986	10,966	110,952	121,918	281,904
Total assets	\$ 36,253	\$ 126,740	\$ 185,815	\$ 348,808	\$ 10,966	\$ 110,952	\$ 121,918	\$ 470,726
Liabilities and Fund Balances (Deficits)								
Liabilities:								
Accounts payable	\$ -	\$ 29,422	\$ 1,751	\$ 31,173	\$ -	\$ -	\$ -	\$ 31,173
Due to other funds	3,976	195,755	-	199,731	-	-	-	199,731
Total liabilities	3,976	225,177	1,751	230,904	-	-	-	230,904
Fund Balances (Deficits):								
Nonspendable	-	20,971	-	20,971	-	-	-	20,971
Committed	-	-	-	-	10,966	110,952	121,918	121,918
Assigned	36,149	-	184,064	220,213	-	-	-	220,213
Unassigned	(3,872)	(119,408)	-	(123,280)	-	-	-	(123,280)
Total fund balances (deficits)	32,277	(98,437)	184,064	117,904	10,966	110,952	121,918	239,822
Total liabilities and fund balances (deficits)	\$ 36,253	\$ 126,740	\$ 185,815	\$ 348,808	\$ 10,966	\$ 110,952	\$ 121,918	\$ 470,726

See accompanying Independent Auditors' Report.

LYME-OLD LYME REGIONAL SCHOOL DISTRICT NO. 18

**NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (DEFICITS)
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Special Revenue Funds</u>				<u>Capital Project Funds</u>			Total
	Tuition	School	Special	Total	School	School	Total	
	Account Fund	Lunch Fund	Activities Fund		Renovation Fund	Project Fund		
Revenues:								
Charges for services	\$ 11,213	\$ 117,518	\$ -	\$ 128,731	\$ -	\$ -	\$ -	\$ 128,731
Intergovernmental	2,782	398,131	-	400,913	-	-	-	400,913
Investment income	-	5	-	5	-	22	22	27
Local revenue	-	-	51,818	51,818	-	-	-	51,818
Total revenues	<u>13,995</u>	<u>515,654</u>	<u>51,818</u>	<u>581,467</u>	<u>-</u>	<u>22</u>	<u>22</u>	<u>581,489</u>
Expenditures:								
Current expenditures:								
Instruction	11,034	471,464	30,133	512,631	-	-	-	512,631
Total expenditures	<u>11,034</u>	<u>471,464</u>	<u>30,133</u>	<u>512,631</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>512,631</u>
Excess of revenues over (under) expenditures	2,961	44,190	21,685	68,836	-	22	22	68,858
Other Financing Sources (Uses):								
Transfers in (out)	-	-	-	-	-	-	-	-
Net change in fund balances (deficits)	2,961	44,190	21,685	68,836	-	22	22	68,858
Fund balances (deficits), beginning of year	<u>29,316</u>	<u>(142,627)</u>	<u>162,379</u>	<u>49,068</u>	<u>10,966</u>	<u>110,930</u>	<u>121,896</u>	<u>170,964</u>
Fund balances (deficits), end of year	<u>\$ 32,277</u>	<u>\$ (98,437)</u>	<u>\$ 184,064</u>	<u>\$ 117,904</u>	<u>\$ 10,966</u>	<u>\$ 110,952</u>	<u>\$ 121,918</u>	<u>\$ 239,822</u>

See accompanying Independent Auditors' Report.

LYME-OLD LYME REGIONAL SCHOOL DISTRICT NO. 18

**NET POSITION BY COMPONENT
LAST EIGHT YEARS
(UNAUDITED)**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Governmental activities:								
Net investment in capital assets	\$ 37,668,504	\$ 36,452,175	\$ 34,624,027	\$ 33,044,877	\$ 31,915,416	\$ 30,778,778	\$ 28,052,078	\$ 25,107,937
Restricted for:								
Instruction	2,936,916	2,395,242	1,615,316	1,626,588	1,388,439	1,928,901	2,055,019	1,711,172
Unrestricted	(934,813)	(1,493,394)	(1,871,507)	(1,652,370)	(745,826)	(1,864,872)	584,982	2,853,212
Total net position	<u>\$ 39,670,607</u>	<u>\$ 37,354,023</u>	<u>\$ 34,367,836</u>	<u>\$ 33,019,095</u>	<u>\$ 32,558,029</u>	<u>\$ 30,842,807</u>	<u>\$ 30,692,079</u>	<u>\$ 29,672,321</u>

See accompanying Independent Auditors' Report.

LYME-OLD LYME REGIONAL SCHOOL DISTRICT NO. 18

**CHANGES IN NET POSITION BY COMPONENT
LAST EIGHT YEARS
(UNAUDITED)**

	2021	2020	2019	2018	2017	2016	2015	2014
Expenses:								
Program	\$ 372,453	\$ 354,444	\$ 466,864	\$ 140,678	\$ 81,542	\$ 106,252	\$ 104,745	\$ 94,581
Instruction	26,532,655	24,016,396	20,430,773	23,552,278	22,596,273	21,207,375	19,682,221	20,634,978
Support services - pupil	2,326,409	2,093,442	2,240,489	2,368,782	2,293,045	2,197,810	2,319,818	2,335,204
Educational media	1,161,393	939,694	1,015,666	922,732	859,879	941,100	972,325	762,311
General administration	975,369	825,683	961,716	925,802	707,205	671,563	624,801	548,008
School administration	3,140,349	2,290,573	1,885,387	1,750,118	1,688,259	1,791,544	1,654,845	1,651,737
Business	6,201,256	6,660,520	6,919,953	6,826,709	6,777,582	6,814,489	6,626,090	6,826,799
Operation of noninstructional service	664,667	597,573	733,691	696,633	683,351	567,707	586,208	651,276
Interest expense	550,909	426,112	710,635	682,964	974,060	1,084,170	1,102,838	1,081,792
Total expenses	41,925,460	38,204,437	35,365,174	37,866,696	36,661,196	35,382,010	33,673,891	34,586,686
Program revenues:								
Charges for services:								
Instruction	120,713	190,856	195,260	176,464	160,469	269,193	112,092	21,365
Operation of noninstructional service	169,336	266,994	354,410	333,358	291,285	250,799	213,534	296,461
Operating grants and contributions	9,685,862	6,499,047	2,561,812	5,923,909	5,539,313	3,405,550	2,986,656	3,701,518
Capital grants and contributions	-	-	-	-	-	-	170,816	671,452
Total program revenues	9,975,911	6,956,897	3,111,482	6,433,731	5,991,067	3,925,542	3,483,098	4,690,796
Net expenses	(31,949,549)	(31,247,540)	(32,253,692)	(31,432,965)	(30,670,129)	(31,456,468)	(30,190,793)	(29,895,890)
General revenues:								
Member towns	33,932,812	34,136,100	33,091,779	33,435,435	32,293,011	31,573,777	31,182,563	30,797,490
Investment income	3,667	29,200	33,471	12,325	6,287	2,017	2,576	2,907
Other	167,275	68,427	158,696	84,676	86,053	31,402	25,412	131,513
Total general revenues	34,103,754	34,233,727	33,283,946	33,532,436	32,385,351	31,607,196	31,210,551	30,931,910
Change in net position	\$ 2,154,205	\$ 2,986,187	\$ 1,030,254	\$ 2,099,471	\$ 1,715,222	\$ 150,728	\$ 1,019,758	\$ 1,036,020

-50- See accompanying Independent Auditors' Report.