

**BARRE TOWN MIDDLE
AND ELEMENTARY SCHOOL
BARRE, VERMONT**

**FINANCIAL STATEMENTS
JUNE 30, 2018
AND
INDEPENDENT AUDITOR'S REPORTS**

BARRE TOWN MIDDLE AND ELEMENTARY SCHOOL

JUNE 30, 2018

TABLE OF CONTENTS

Page(s)

Independent Auditor’s Report	1 - 2
Management’s Discussion and Analysis	3 - 8
Basic Financial Statements:	
Government-wide Financial Statements -	
Government-wide Statement of Net Position	9
Government-wide Statement of Activities.....	10
Fund Financial Statements -	
Balance Sheet - Governmental Funds.....	11 - 12
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.....	13 - 15
Statement of Revenues and Expenditures - Budget and Actual - General Fund.....	16
Statement of Revenues and Expenditures - Budget and Actual - Grants Fund.....	17
Statement of Net Position - Fiduciary Funds	18
Notes to Financial Statements.....	19 - 29
Supplementary Schedules:	
Schedule 1 - Schedule of District’s Proportionate Share of Net Pension Liability - VMERS	30
Schedule 2 - Schedule of District’s Contributions - VMERS.....	30
Compliance:	
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	31 - 32

INDEPENDENT AUDITOR'S REPORT

The Superintendent and Board of Education
Barre Town Middle and Elementary School

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 Barre Town Middle and Elementary School (the District) as of and for the year ended June 30, 2018, 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.

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Barre Town Middle and Elementary School as of June 30, 2018, and the respective changes in financial

position thereof and the respective budgetary comparisons for the General Fund and Grants 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 and schedules 1 and 2 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 2, 2019, on our consideration of the District's internal control over financial reporting; on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements; and on other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

Montpelier, Vermont
January 2, 2019

*Mudgett, Perrett &
Hughes-Wilson, P.C.*

**BARRE TOWN MIDDLE AND ELEMENTARY SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

Our discussion and analysis of Barre Town Middle and Elementary School's (the District) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2018. Please read it in conjunction with the District's financial statements.

Financial Highlights

- The District's net position decreased by \$538,069, or approximately 20%, as a result of this year's operations. Last year the net position decreased by \$30,718.
- The cost of all of the District's programs was \$11,374,661 this year compared to \$12,970,548 last year.
- The General Fund had a decrease in fund balance of \$128,706 this year compared to an increase of \$105,203 last year.
- Fund balance of the General Fund is \$606,222, of which \$2,954 was nonspendable and \$603,268 was unassigned, at June 30, 2018.
- As of June 30, 2018, the Grant Funds had a restricted fund balance of \$8,475, the Capital Reserve Fund had a committed fund balance of \$13,539, and the Tax Stabilization Fund had a committed fund balance of \$39,836. The Food Service Fund had a committed fund balance of \$18,165.

Using This Annual Report

This annual report consists of a series of financial statements. The Government-wide Statement of Net Position and the Government-wide Statement of Activities provide information about the activities of the District as a whole and present a longer-term view of the District's finances. The governmental fund financial statements, the Balance Sheet - Governmental Funds, the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds, and the Statement of Revenues and Expenditures - Budget and Actual - General Fund, provide information about the District's governmental funds. These statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. The remaining statement, the Statement of Net Position - Fiduciary Funds, provides financial information about activities for which the District acts solely as a trustee or agent for the benefit of those outside the District.

Reporting the District as a Whole

The financial statements of the District as a whole are provided in the Government-wide Statement of Net Position and the Government-wide Statement of Activities. One of the most important questions asked about the District's finances is, "Is the District as a whole better off or worse off as a result of the year's activities?" The Government-wide Statement of Net Position and the Government-wide Statement of Activities report information about the District as a whole and about its activities in a way that helps answer this question. These statements include all assets, deferred outflows of resources, liabilities and deferred inflows of resources using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net position and change in net position. You can think of the District's net position, the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources, as one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the District's property tax base and the condition of the District's capital assets, to assess the overall health of the District.

All of the District's basic services are governmental activities. They include regular and special education for Pre-K through 8th grade, support services, administrative services, transportation, food services, interest on long-term debt and other activities. The education spending grant and other state grants finance most of these activities.

Reporting the District's Most Significant Funds

The financial statements of the District's major governmental funds are reflected in the fund financial statements. The fund financial statements provide detailed information about the most significant funds, not the District as a whole. Some funds are required to be established by state law and by bond covenants. However, the School Board establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money [like grants received from the State of Vermont Agency of Education (AOE)].

Governmental Funds

All of the District's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. We describe the relationship (or differences) between governmental activities (as reported in the Government-wide Statement of Net Position and the Government-wide Statement of Activities) and governmental funds (as reported in the Balance Sheet - Governmental Funds and the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds) in reconciliations for each governmental fund financial statement.

The District as Agent

The District is the fiscal agent for funds held for various school related activities. All of the District's fiduciary activities are Agency Funds and are reported in a separate Statement of Net Position - Fiduciary Funds. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

The District as a Whole

The District's combined net position decreased by \$538,069 as a result of this year's operations.

Our analysis on the next page focuses on the components of net position (Table 1) and changes in net position (Table 2) of the District's governmental activities.

Table 1
Net Position

	<u>2018</u>	<u>2017</u>	<u>Net Change</u>
Current and other assets	\$ 1,559,537	\$ 1,857,415	\$ (297,878)
Capital assets	<u>1,903,577</u>	<u>1,888,849</u>	<u>14,728</u>
Total assets	<u>3,463,114</u>	<u>3,746,264</u>	<u>(283,150)</u>
Deferred outflows of resources	<u>218,900</u>	<u>345,873</u>	<u>(126,973)</u>
Other liabilities	<u>1,504,147</u>	<u>1,410,555</u>	<u>93,592</u>
Total liabilities	<u>1,504,147</u>	<u>1,410,555</u>	<u>93,592</u>
Deferred inflows of resources	<u>34,713</u>	<u>359</u>	<u>34,354</u>
Net position:			
Net investment in capital assets	1,903,577	1,888,849	14,728
Restricted	80,015	431,679	(351,664)
Unrestricted	<u>159,562</u>	<u>360,695</u>	<u>(201,133)</u>
Total net position	<u>\$ 2,143,154</u>	<u>\$ 2,681,223</u>	<u>\$ (538,069)</u>

The net position of the District's governmental activities decreased by \$538,069 to \$2,143,154 at June 30, 2018, compared to \$2,681,223 at June 30, 2017. Unrestricted net position, the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements, changed from a surplus of \$360,695 at June 30, 2017, to a surplus of \$159,562 at June 30, 2018.

Table 2
Changes in Net Position

	<u>2018</u>	<u>2017</u>	<u>Net Change</u>
REVENUES			
Program revenues:			
Grants and contributions	\$ 1,267,108	\$ 3,232,342	\$(1,965,234)
Charges for services	12,883	171,364	(158,481)
Other sources	49,627	46,900	2,727
General revenues:			
Education Spending Grant	9,473,766	9,440,210	33,556
Interest earned	36,526	49,014	(12,488)
Loss on sale of assets	<u>(3,318)</u>	<u>-</u>	<u>(3,318)</u>
Total revenues	<u>10,836,592</u>	<u>12,939,830</u>	<u>(2,103,238)</u>
PROGRAM EXPENSES			
Education	11,285,702	12,498,079	(1,212,377)
State, federal and local programs	57,489	99,492	(42,003)
Food service	3,929	341,432	(337,503)
Interest on long-term debt	<u>27,541</u>	<u>31,545</u>	<u>(4,004)</u>
Total program expenses	<u>11,374,661</u>	<u>12,970,548</u>	<u>(1,595,887)</u>
Change in net position	<u>\$ (538,069)</u>	<u>\$ (30,718)</u>	<u>\$ (507,351)</u>

Governmental Activities

Table 3 presents the cost of each of the District's programs as well as each program's net cost (total cost less revenue generated by the activities). The net cost shows the financial burden that was placed on the state's property taxpayers by each of these functions.

Table 3

	<u>2018</u>		<u>2017</u>	
	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
Education	\$11,285,702	\$10,026,011	\$12,498,079	\$ 9,497,343
State, federal and local programs	57,489	(2,438)	99,492	(6,398)
Food service	3,929	(6,071)	341,432	(2,548)
Interest on long-term debt	<u>27,541</u>	<u>27,541</u>	<u>31,545</u>	<u>31,545</u>
Totals	<u>\$11,374,661</u>	<u>\$10,045,043</u>	<u>\$12,970,548</u>	<u>\$ 9,519,942</u>

The District's Funds

As the District completed the year, its governmental funds (as presented in the Balance Sheet - Governmental Funds) reported a combined fund balance of \$686,237, which is less than last year's total of \$1,169,575. The decrease in this year's combined fund balance is due to the following changes in individual fund balances: a decrease of \$128,706 in the General Fund, an increase of \$354 in the Grant Funds, an increase of \$6,071 in the Food Service Fund, a decrease of \$362,469 in the Capital Reserve Fund, and an increase of \$1,412 in the Tax Stabilization Fund.

General Fund Budgetary Highlights

Over the course of the year, the District's administrators monitor actual results compared to budget. Significant budget to actual variances are noted below.

Budget-to-actual variances in shared services wage reimbursements revenue and shared services wages expenditure are directly related to each other and offsetting.

Notable budget-to-actual variances in regular education and special education expenditures were affected by changing enrollments and the costs associated with individual students. In addition paraeducators were budgeted in the Barre Supervisory Union but charged to the District.

The Board approved a contracted service provider and sold their fleet of buses in August 2017. Revenues received \$269,000 will be applied to general fund surplus at year end.

Capital Assets

At June 30, 2018, the District had a net investment of \$1,903,577 in a broad range of capital assets, including elementary school buildings and furniture and equipment (see Table 4 on the following page). This amount represents a net increase (including additions and depreciation) of \$14,728 from last year.

Table 4
Capital Assets at Year-End
(Net of Depreciation)

	<u>2018</u>	<u>2017</u>	<u>Change</u>
Land	\$ 110,000	\$ 110,000	\$ -
Buildings and improvements	1,467,686	1,212,152	255,534
School buses and vehicles	-	277,738	(277,738)
Furniture and equipment	<u>325,891</u>	<u>288,959</u>	<u>36,932</u>
Totals	<u>\$1,903,577</u>	<u>\$1,888,849</u>	<u>\$ 14,728</u>

This year's additions were:

Furniture and equipment	\$ 128,962
Building improvements	<u>400,938</u>
Totals	<u>\$ 529,900</u>

Budget Highlights and Looking Ahead

The Barre Supervisory Union business office transitioned in an entirely new team in FY18 with the exception of the Business Manager. These experienced, ambitious, hardworking staff accountants, senior accountant, and Medicaid clerk settled in quickly.

The State of Vermont legislators, Governor, and Agency of Education continue to stress the need for property tax relief and have directed school boards to consider cost containment solutions. In addition Act 46 requirements and unsuccessful votes in Barre Town have presented challenges and unfavorable division in our school community. Mandates from the legislature and Agency of Education have impacted the current FY18 and FY19 budgets and the FY20 budget development process.

The recapture (H542), an outcome of the new health insurance plans, reduced the amount of education spending funds the school districts received in FY18 and FY19. Also, as a result of the new health insurance plans, the majority of Vermont school districts, including this District, entered into a contract with a Third Party Administrator (TPA) to administer FSAs, HRAs, and HSA plans. This company proved to be incompetent and unable to fulfill their contract, and abruptly terminated their contract with the Barre Supervisory Union, this District, and other member districts in April, 2018. This required the Barre Supervisory Union, this District, and other member districts to enter into a new contract mid-year with more confusion, erroneous claims, and reimbursement issues which have caused undue stress to employees as well as unexpected additional expenses to the districts. On January 1, 2019 the Barre Supervisory Union, this District, and other member districts entered into a contract with a third TPA hopefully beginning the new year with a clean slate.

For many years the Vermont Association of School Business Officials (VASBO) has been working with the Vermont Agency of Education to develop a Uniform Chart of Accounts (UCOA). This ongoing work resulted in the legislature mandating all districts/supervisory unions be fully implementing the new UCOA by July 1, 2019. In addition, the Vermont Agency of Education has contracted with Powerschool, a financial management company, to require the use of eFinance software to be used in all districts/supervisory unions in the State of Vermont no later than July 1, 2020.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Manager at the Barre Supervisory Union, 120 Ayers Street, Barre, VT 05641.

**BARRE TOWN MIDDLE AND ELEMENTARY SCHOOL
GOVERNMENT-WIDE STATEMENT OF NET POSITION
JUNE 30, 2018**

	<u>Governmental Activities</u>
ASSETS:	
Current assets -	
Cash and cash equivalents	\$ 1,546,561
Accounts receivable	10,022
Prepaid expenses	<u>2,954</u>
Total current assets	<u>1,559,537</u>
Noncurrent assets -	
Capital assets	7,894,189
less - accumulated depreciation	<u>(5,990,612)</u>
Total noncurrent assets	<u>1,903,577</u>
Total assets	<u>3,463,114</u>
DEFERRED OUTFLOWS OF RESOURCES:	
Deferred pension expense	<u>218,900</u>
LIABILITIES:	
Current liabilities -	
Accounts payable	6,149
Accrued expenses	487,785
Due to fiduciary funds	31
Due to other districts	<u>379,335</u>
Total current liabilities	<u>873,300</u>
Noncurrent liabilities -	
Accrued compensated absences	40,528
Net pension liability	<u>590,319</u>
Total noncurrent liabilities	<u>630,847</u>
Total liabilities	<u>1,504,147</u>
DEFERRED INFLOWS OF RESOURCES:	
Deferred pension credits	<u>34,713</u>
NET POSITION:	
Net investment in capital assets	1,903,577
Restricted	80,015
Unrestricted	<u>159,562</u>
Total net position	<u>\$ 2,143,154</u>

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

**BARRE TOWN MIDDLE AND ELEMENTARY SCHOOL
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018**

		Program Revenues				
	Expenses	Grants and Contributions	Charges for Services	Other	Net (Expense) Revenue and Change in Net Position	
FUNCTIONS/PROGRAMS:						
Governmental activities -						
Education	\$ 11,285,702	\$ 1,207,181	\$ 12,883	\$ 39,627		\$ (10,026,011)
State, federal and local programs	57,489	59,927	-	-		2,438
Food service	3,929	-	-	10,000		6,071
Interest on long-term debt	27,541	-	-	-		(27,541)
Total governmental activities	\$ 11,374,661	\$ 1,267,108	\$ 12,883	\$ 49,627		(10,045,043)
GENERAL REVENUES						
						9,473,766
						36,526
						(3,318)
						9,506,974
CHANGE IN NET POSITION						(538,069)
NET POSITION, July 1, 2017						2,681,223
NET POSITION, June 30, 2018						\$ 2,143,154

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

**BARRE TOWN MIDDLE AND ELEMENTARY SCHOOL
BALANCE SHEET - GOVERNMENTAL FUNDS**

JUNE 30, 2018

(Page 1 of 2)

	<u>General</u>	<u>Grant</u>	<u>Food</u>	<u>Capital</u>	<u>Tax</u>	<u>Totals</u>
	<u>Fund</u>	<u>Funds</u>	<u>Service</u>	<u>Reserve</u>	<u>Stabilization</u>	<u>Governmental</u>
			<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Funds</u>
ASSETS						
Cash and cash equivalents	\$ 1,546,561	\$ -	\$ -	\$ -	\$ -	\$ 1,546,561
Accounts receivable	21	-	10,001	-	-	10,022
Prepaid expenditures	2,954	-	-	-	-	2,954
Due from other funds	15,617	-	-	13,539	39,836	68,992
Due from other districts	-	48,664	38,761	-	-	87,425
Total assets	\$ <u>1,565,153</u>	\$ <u>48,664</u>	\$ <u>48,762</u>	\$ <u>13,539</u>	\$ <u>39,836</u>	\$ <u>1,715,954</u>
LIABILITIES AND FUND EQUITY						
LIABILITIES:						
Accounts payable	\$ 4,386	\$ 1,763	\$ -	\$ -	\$ -	\$ 6,149
Accrued expenditures	487,785	-	-	-	-	487,785
Due to other funds	-	38,426	30,597	-	-	69,023
Due to other districts	466,760	-	-	-	-	466,760
Total liabilities	<u>958,931</u>	<u>40,189</u>	<u>30,597</u>	<u>-</u>	<u>-</u>	<u>1,029,717</u>
FUND EQUITY:						
Fund balances -						
Nonspendable	2,954	-	-	-	-	2,954
Restricted	-	8,475	-	-	-	8,475
Committed	-	-	18,165	13,539	39,836	71,540
Unassigned	603,268	-	-	-	-	603,268
Total fund balances	<u>606,222</u>	<u>8,475</u>	<u>18,165</u>	<u>13,539</u>	<u>39,836</u>	<u>686,237</u>
Total liabilities and fund equity	\$ <u>1,565,153</u>	\$ <u>48,664</u>	\$ <u>48,762</u>	\$ <u>13,539</u>	\$ <u>39,836</u>	\$ <u>1,715,954</u>

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

BARRE TOWN MIDDLE AND ELEMENTARY SCHOOL
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2018
(Page 2 of 2)

**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION:**

Amount reported on Balance Sheet - Governmental Funds - total fund balances	\$	686,237
Amounts reported for governmental activities in the Government-wide Statement of Net Position are different because -		
Capital assets used in governmental funds are not financial resources and are therefore not reported in the funds.		
Capital assets		7,894,189
Accumulated depreciation		(5,990,612)
Long-term liabilities not due and payable in the current period are not reported in the funds.		
Accrued compensated absences		(40,528)
Balances related to net pension asset or liability and related deferred outflows/inflows of resources are not reported in the governmental funds.		
Deferred pension expense		218,900
Deferred pension credits		(34,713)
Net pension liability		<u>(590,319)</u>
Net position of governmental activities - Government-wide Statement of Net Position	\$	<u>2,143,154</u>

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

**BARRE TOWN MIDDLE AND ELEMENTARY SCHOOL
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018**

(Page 1 of 3)

	<u>General Fund</u>	<u>Grant Funds</u>	<u>Food Service Fund</u>	<u>Capital Reserve Fund</u>	<u>Tax Stabilization Fund</u>	<u>Totals Governmental Funds</u>
REVENUES:						
Education spending grant	\$ 9,473,766	\$ -	\$ -	\$ -	\$ -	\$ 9,473,766
Intergovernmental - State	1,207,181	1,250	-	-	-	1,208,431
- Federal	-	50,723	-	-	-	50,723
Tuition	12,883	-	-	-	-	12,883
Local grants and contributions	-	7,954	-	-	-	7,954
Solar energy rebate	26,726	-	-	-	-	26,726
Interest	32,584	-	-	2,530	1,412	36,526
Miscellaneous	12,901	-	10,000	-	-	22,901
Total revenues	<u>10,766,041</u>	<u>59,927</u>	<u>10,000</u>	<u>2,530</u>	<u>1,412</u>	<u>10,839,910</u>
EXPENDITURES:						
Instruction	6,023,891	-	-	-	-	6,023,891
Special education	1,662,550	-	-	-	-	1,662,550
Co-curricular activities	70,689	-	-	-	-	70,689
Guidance	140,178	-	-	-	-	140,178
Health services	158,275	-	-	-	-	158,275
Psychological services	106,986	-	-	-	-	106,986
Home school coordinator	13,874	-	-	-	-	13,874
Curriculum services	83,974	-	-	-	-	83,974
Library services	146,534	-	-	-	-	146,534
Technology	54,830	-	-	-	-	54,830
Board of Education	84,353	-	-	-	-	84,353
Office of Superintendent	579,886	-	-	-	-	579,886
Office of Principal	585,927	-	-	-	-	585,927
Duplicating services	88,517	-	-	-	-	88,517

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

**BARRE TOWN MIDDLE AND ELEMENTARY SCHOOL
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018**

(Page 2 of 3)

	General Fund	Grant Funds	Food Service Fund	Capital Reserve Fund	Tax Stabilization Fund	Totals Governmental Funds
EXPENDITURES (CONTINUED):						
Operation and maintenance	1,084,712	-	-	-	-	1,084,712
Student transportation	88,213	-	-	-	-	88,213
Consolidated federal programs	-	2,059	-	-	-	2,059
Medicaid	-	48,664	-	-	-	48,664
Other grants	-	6,766	-	-	-	6,766
Child Nutrition	-	-	3,929	-	-	3,929
Capital outlay	137,817	2,084	-	389,999	-	529,900
Debt service - Interest	27,541	-	-	-	-	27,541
Total expenditures	<u>11,138,747</u>	<u>59,573</u>	<u>3,929</u>	<u>389,999</u>	<u>-</u>	<u>11,592,248</u>
EXCESS OF REVENUES OR (EXPENDITURES)	(372,706)	354	6,071	(387,469)	1,412	(752,338)
OTHER FINANCING SOURCES (USES):						
Sale of assets	269,000	-	-	-	-	269,000
Interfund transfers in (out)	(25,000)	-	-	25,000	-	-
Total other financing sources (uses)	<u>244,000</u>	<u>-</u>	<u>-</u>	<u>25,000</u>	<u>-</u>	<u>269,000</u>
NET CHANGE IN FUND BALANCES	(128,706)	354	6,071	(362,469)	1,412	(483,338)
FUND BALANCES, July 1, 2017	<u>734,928</u>	<u>8,121</u>	<u>12,094</u>	<u>376,008</u>	<u>38,424</u>	<u>1,169,575</u>
FUND BALANCES, June 30, 2018	\$ <u>606,222</u>	\$ <u>8,475</u>	\$ <u>18,165</u>	\$ <u>13,539</u>	\$ <u>39,836</u>	\$ <u>686,237</u>

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

**BARRE TOWN MIDDLE AND ELEMENTARY SCHOOL
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018**

(Page 3 of 3)

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES:**

Net change in fund balances - total governmental funds	\$ (483,338)
Amounts reported for governmental activities in the Government-wide Statement of Activities are different because -	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their useful lives as depreciation expense.	
Additions to capital assets, net of dispositions	257,582
Depreciation	(242,854)
Changes in accrued compensated absences accumulated by employees will increase or decrease the liability reported in the government-wide statements, but are only recorded as an expenditure when paid in the governmental funds.	
Decrease in accrued compensated absences	4,935
Changes in net pension asset or liability and related deferred outflows/inflows of resources will increase or decrease the amounts reported in the government-wide statements, but are only recorded as an expenditure when paid in the governmental funds.	
Net (increase) decrease in net pension obligation	<u>(74,394)</u>
Change in net position of governmental activities - Government-wide Statement of Activities	\$ <u>(538,069)</u>

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

**BARRE TOWN MIDDLE AND ELEMENTARY SCHOOL
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018**

	Original and Final <u>Budget</u>	Actual (Budgetary Basis) <u>Basis</u>	Variance Over (Under) <u>(Under)</u>
REVENUES:			
Education spending grant	\$ 9,509,331	\$ 9,473,766	\$ (35,565)
Intergovernmental - State	1,692,386	250,360	(1,442,026)
Tuition	12,712	12,883	171
Solar energy rebate	-	26,726	26,726
Interest	30,000	32,584	2,584
Miscellaneous	<u>-</u>	<u>12,901</u>	<u>12,901</u>
Total revenues	<u>11,244,429</u>	<u>9,809,220</u>	<u>(1,435,209)</u>
EXPENDITURES:			
Instruction	4,988,963	5,067,070	78,107
Special education	2,826,343	1,662,550	(1,163,793)
Co-curricular activities	70,100	70,689	589
Guidance	153,311	140,178	(13,133)
Health services	159,683	158,275	(1,408)
Psychological services	115,548	106,986	(8,562)
Home school coordinator	12,139	13,874	1,735
Curriculum services	75,617	83,974	8,357
Library services	159,454	146,534	(12,920)
Technology	135,500	119,458	(16,042)
Board of Education	97,100	84,353	(12,747)
Office of Superintendent	579,886	579,886	-
Office of Principal	605,102	585,927	(19,175)
Duplicating services	66,551	88,517	21,966
Operation and maintenance	1,109,995	1,157,901	47,906
Student transportation	532,137	88,213	(443,924)
Debt service - Interest	<u>32,000</u>	<u>27,541</u>	<u>(4,459)</u>
Total expenditures	<u>11,719,429</u>	<u>10,181,926</u>	<u>(1,537,503)</u>
EXCESS OF REVENUES OR (EXPENDITURES)	(475,000)	(372,706)	102,294
OTHER FINANCING SOURCES (USES):			
Sale of assets	300,000	269,000	(31,000)
Interfund transfers in (out)	<u>175,000</u>	<u>(25,000)</u>	<u>(200,000)</u>
Total other financing sources (uses)	<u>475,000</u>	<u>244,000</u>	<u>(231,000)</u>
NET CHANGE IN FUND BALANCE	\$ <u>-</u>	\$ <u>(128,706)</u>	\$ <u>128,706</u>

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

**BARRE TOWN MIDDLE AND ELEMENTARY SCHOOL
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - GRANTS FUND
FOR THE YEAR ENDED JUNE 30, 2018**

	Original and Final <u>Budget</u>	Actual (Budgetary Basis) <u> </u>	Variance Over <u>(Under)</u>
REVENUES:			
Intergovernmental - State	\$ -	\$ 1,250	\$ 1,250
- Federal	250,000	50,723	(199,277)
Local grants and contributions	<u>-</u>	<u>7,953</u>	<u>7,953</u>
Total revenues	<u>250,000</u>	<u>59,926</u>	<u>(190,074)</u>
EXPENDITURES:			
Instruction	-	6,766	6,766
Special education	50,000	-	(50,000)
Psychological services	75,000	48,664	(26,336)
Curriculum services	125,000	2,059	(122,941)
Operation and maintenance	<u>-</u>	<u>2,084</u>	<u>2,084</u>
Total expenditures	<u>250,000</u>	<u>59,573</u>	<u>(190,427)</u>
EXCESS OF REVENUES OR (EXPENDITURES)/			
NET CHANGE IN FUND BALANCE	\$ <u>-</u>	\$ <u>353</u>	\$ <u>353</u>

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

**BARRE TOWN MIDDLE AND ELEMENTARY SCHOOL
STATEMENT OF NET POSITION - FIDUCIARY FUNDS
JUNE 30, 2018**

	<u>Agency Funds</u>
ASSETS:	
Cash	\$ 36,746
Due from other funds	<u>31</u>
Total assets	<u>36,777</u>
LIABILITIES:	
Due to student organizations	\$ <u>36,777</u>

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

BARRE TOWN MIDDLE AND ELEMENTARY SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

1. Summary of significant accounting policies:

The Barre Town Middle and Elementary School (the District) is organized according to state law under the governance of the School Board to provide public school education for the Town of Barre, Vermont. Functions of the Office of the Superintendent and central administration are provided through the Barre Supervisory Union (the Supervisory Union). As currently structured, the Supervisory Union is the administrative oversight district for Spaulding Union High School District #41 and Central Vermont Career Center, Barre City Elementary and Middle School, and this District.

- A. Reporting entity - The District is a primary unit of government under reporting criteria established by the Governmental Accounting Standards Board (GASB). Those criteria include a separately elected governing body, separate legal standing, and fiscal independence from other state and local governmental entities. Based on these criteria, there are no other entities which are component units of the District.

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) as applied to governmental units. The GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The GASB periodically updates its codification of the existing *Governmental Accounting and Financial Reporting Standards* which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes U.S. GAAP for governmental units.

- B. Government-wide and fund financial statements - The basic financial statements include both government-wide and fund financial statements. The government-wide financial statements (the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the District. The effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The District has no business-type activities.

In the government-wide Statement of Net Position, the financial position of the District is consolidated and incorporates capital assets as well as all long-term debt and obligations. The government-wide Statement of Activities reflects both the gross and net costs by category. Direct expenses that are clearly identifiable with the category are offset by program revenues of the category. Program revenues include charges for services provided by a particular function or program and grants that are restricted to meeting the operational or capital requirements of the particular segment. Taxes 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. Nonmajor funds, if any, are summarized in a single column.

- C. Basis of presentation - The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, deferred outflows/inflows of resources, fund balances or net position, revenues, and expenditures or expenses, as appropriate.

**BARRE TOWN MIDDLE AND ELEMENTARY SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

1. Summary of significant accounting policies (continued):

C. Basis of presentation (continued) -

The District reports the following major governmental funds:

General Fund - The General Fund is the general operating fund of the District. It is used to account for all financial resources, except those required to be accounted for in another fund.

Grant Funds - The Grant Funds are used to account for the proceeds of specific revenue sources related to federal, state and local grants that are restricted to expenditures for specified services.

Food Service Fund - The Food Service Fund is used to account for the operations of the food service program. Effective July 1, 2017 food service activity is reported in the Barre Supervisory Union. Amounts reported in this fund at June 30, 2018 represent residual amounts committed by the voters for food service.

Capital Reserve Fund - The Capital Reserve Fund is used to account for the acquisition or construction of major capital facilities.

Tax Stabilization Fund - The Tax Stabilization Fund was established through approval by District voters during the March 2013 School District Meeting to commit the FY12 surplus fund balance for use in future years.

The District also reports fiduciary funds which are used to account for assets held in a trustee capacity (trust funds) or as an agent (agency funds) for the benefit of parties outside of the District. The District's fiduciary funds are the Agency Funds.

- D. Measurement focus and basis of accounting - 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. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as they become both measurable and available. "Measurable" means the amount of the transaction that can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures generally are recorded when the fund liability is incurred, if measurable, as under accrual accounting. However, debt service expenditures are recorded only when payment is made.

- E. Budgets and budgetary accounting - The District adopts a budget for the General Fund at an annual meeting of the Town of Barre. The accounting method used for the budget presentation varies from U.S. GAAP as described in note 8. Formal budgetary integration is employed as a management control during the year for the General Fund. The District does not legally adopt budgets for other governmental funds. All budgeted amounts lapse at year end.

BARRE TOWN MIDDLE AND ELEMENTARY SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

1. Summary of significant accounting policies (continued):

- F. Use of estimates - The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and deferred outflows/inflows of resources as well as disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures or expenses during the reporting period. Actual results could differ from those estimates.
- G. Risk management - The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and others; environmental liability; and natural disasters. The District manages these risks through commercial insurance packages and participation in public entity risk pools covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the District. There were no settlements in excess of the insurance coverage in any of the past three fiscal years.
- H. Cash and cash equivalents - The District considers all cash on hand and demand deposits to be cash and cash equivalents.
- I. Prepaid items - Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.
- J. Capital assets - Capital assets, which include land, buildings, equipment, vehicles and infrastructure, 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 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. The District does not retroactively report infrastructure assets. There have been no infrastructure additions since the implementation of GASB Statement No. 34. Donated capital assets are recorded at acquisition value. Major outlays for capital assets and improvements are capitalized as projects are constructed. Net interest costs are capitalized on projects during the construction period. Normal maintenance and repairs that do not add to the value of an asset or materially extend an asset's life are not capitalized. Capital assets are depreciated using the straight-line method over the useful lives shown below:

Buildings and improvements	15 - 50 years
School buses and vehicles	5 - 10 years
Furniture and equipment	3 - 30 years

- K. Deferred outflows/inflows of resources - In addition to assets and liabilities, deferred outflows of resources and deferred inflows of resources are reported in the applicable statement of net position or balance sheet. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources in the current period. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources in the current period.

BARRE TOWN MIDDLE AND ELEMENTARY SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

1. Summary of significant accounting policies (continued):

- L. Accrued compensated absences - The District allows employees to accrue sick leave benefits based on the terms of their employment contract. Teachers are eligible to receive \$15 per day of accrued sick leave up to 100 days at termination. Para-educators employed 15 years or more are eligible to receive \$20 per day for unused accumulated sick leave up to a maximum of 100 days. Accrued compensated absences at June 30, 2018, of \$40,528 have been recorded as a noncurrent liability in the Government-wide Statement of Net Position but not in the fund financial statements.
- M. Long-term obligations - Governmental activities report long-term debt and other long-term obligations as liabilities in the statement of net position. Governmental funds report the amount of debt issued as other financing sources and the repayment of debt as debt service expenditures.
- N. Fund equity - In the fund financial statements, governmental funds may report five categories of fund balances: nonspendable, restricted, committed, assigned and unassigned.

Nonspendable fund balance includes amounts associated with inventory, prepaid expenditures, long-term loans or notes receivable, and trust fund principal to be held in perpetuity.

Restricted fund balance includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

Committed fund balance includes amounts that can be used only for specific purposes determined by the District's highest level of decision making authority, the voters, as a result of articles passed at Annual or Special Meetings.

Assigned fund balance includes amounts that are intended to be used by the District for specific purposes, as authorized by the School Board.

Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in another classification. Deficits are also classified as unassigned.

The District's policy is to apply expenditures to fund balance in the order of assigned, committed, restricted, and unassigned unless the School Board specifies otherwise.

- O. On-behalf payments - The State of Vermont makes payments on behalf of the District's teachers to the Vermont State Teachers' Retirement System (VSTRS). The District recognizes these net pension and other post-employment benefit on-behalf payments as intergovernmental grant revenues and education expenses/expenditures in the government-wide financial statements and in the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds. The amounts are not budgeted and have been excluded from the budget basis statement; see note 8 for reconciling details.

2. Deposits:

Custodial credit risk - deposits - Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the District will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District does not have a policy for custodial credit risk. At June 30, 2018 the District's depository accounts were insured or collateralized.

**BARRE TOWN MIDDLE AND ELEMENTARY SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

3. Capital assets:

Capital asset activity for the year ended June 30, 2018 was as follows:

	<u>Balance</u> <u>July 1, 2017</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2018</u>
Capital assets, not depreciated:				
Land	\$ 110,000	\$ -	\$ -	\$ 110,000
Capital assets, depreciated:				
Buildings and improvements	6,463,786	400,938	-	6,864,724
School buses and vehicles	809,655	-	795,595	14,060
Furniture and equipment	776,443	128,962	-	905,405
Total capital assets, depreciated	<u>8,049,884</u>	<u>529,900</u>	<u>795,595</u>	<u>7,784,189</u>
Less accumulated depreciation for:				
Buildings and improvements	5,251,634	145,404	-	5,397,038
School buses and vehicles	531,917	5,420	523,277	14,060
Furniture and equipment	487,484	92,030	-	579,514
Total accumulated depreciation	<u>6,271,035</u>	<u>242,854</u>	<u>523,277</u>	<u>5,990,612</u>
Capital assets, depreciated, net	<u>1,778,849</u>	<u>287,046</u>	<u>272,318</u>	<u>1,793,577</u>
Capital assets, net	\$ <u>1,888,849</u>	\$ <u>287,046</u>	\$ <u>272,318</u>	\$ <u>1,903,577</u>

Depreciation expense of \$242,854 was fully allocated to the education function.

4. Interfund receivable and payable balances:

Interfund receivable and payable balances, due to the pooling of cash for cash receipts and disbursements, as of June 30, 2018 are as follows:

	<u>Interfund</u> <u>Receivables</u>	<u>Interfund</u> <u>Payables</u>
Governmental funds -		
General Fund	\$ 15,617	\$ -
Grant Funds	-	38,426
Food Service Fund	-	30,597
Capital Reserve Fund	13,539	-
Tax Stabilization Fund	39,836	-
	<u>68,992</u>	<u>69,023</u>
Fiduciary funds -		
Agency Funds	31	-
	<u>\$ 69,023</u>	<u>\$ 69,023</u>

**BARRE TOWN MIDDLE AND ELEMENTARY SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

5. Interfund transfers:

Interfund transfers constitute the transfer of resources from the fund that receives the resources to the fund that utilizes them. Interfund transfers for the year ended June 30, 2018 were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>	
General Fund	\$ -	\$ 25,000	
Capital Reserve Fund	<u>25,000</u>	<u>-</u>	
	<u>\$ 25,000</u>	<u>\$ 25,000</u>	

A transfer of \$25,000 from the General Fund to the Capital Reserve Fund was to fund future roof repairs.

6. Related parties:

The District is billed for its appropriate share of expenditures relating to administrative services provided by the Supervisory Union. The District paid an assessment of \$1,759,315 to the Supervisory Union for the year ended June 30, 2018.

The following are the amounts receivable and payable between districts at June 30, 2018:

	<u>Accounts Receivable</u>	<u>Accounts Payable</u>	
Supervisory Union	\$ 3,069,988	\$ 2,703,872	
Spaulding Union High School District #41 and Central Vermont Career Center	473,256	672,749	
Barre City Elementary and Middle School	453,673	240,961	
Barre Town Middle and Elementary School	<u>2,075,669</u>	<u>2,455,004</u>	
	<u>\$ 6,072,586</u>	<u>\$ 6,072,586</u>	

7. Debt:

Short-term - During the year, the District borrowed and repaid \$1,031,352 on a line of credit in the form of a 2.70% revenue anticipation note which matured on June 30, 2018. Interest expense related to this note was \$27,541.

Subsequent to year end, the District obtained a line of credit in the form of a 2.35% revenue anticipation note in the amount of \$1,031,352 which matures June 28, 2019. As of the date of this report, the District has borrowed this note in full.

8. Budgetary basis of accounting:

These financial statements include totals for General Fund revenues and expenditures on the District's budgetary basis of accounting, which vary from the totals of revenues and expenditures recognized on the basis of accounting prescribed by U.S. GAAP, as shown on the following page.

**BARRE TOWN MIDDLE AND ELEMENTARY SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

8. Budgetary basis of accounting (continued):

	<u>Revenues</u>	<u>Expenditures</u>
U.S. GAAP basis	\$ 10,766,041	\$ 11,138,747
On-behalf payments -		
VSTRS net pension expenditure	(661,555)	(661,555)
VSTRS net OPEB expenditure	<u>(295,266)</u>	<u>(295,266)</u>
Budget basis	\$ <u>9,809,220</u>	\$ <u>10,181,926</u>

9. Pension plans:

Vermont State Teachers' Retirement System -

Plan description: The District participates in the Vermont State Teachers' Retirement System (the System or the Plan), a cost-sharing multiple-employer defined benefit public employee retirement system with a special funding situation in which the State of Vermont contributes to the Plan on behalf of the participating employers. The Plan was created in 1947, and is governed by Title 16, V.S.A. Chapter 55. It covers nearly all teachers and school administrators in schools supported by the state. The general administration and responsibility for the proper operation of the System is vested in a Board of Trustees consisting of eight members. The System issues annual financial information which is available and may be reviewed at the System's office, 109 State Street, Montpelier, Vermont, 05609-6200, by calling (802) 828-2305 or online at <http://www.vermonttreasurer.gov>.

Benefits provided: The Plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefits are based on the number of years of creditable service and are determined as a percentage of average final compensation in the three highest consecutive years of service. Eligibility for benefits requires five years of service.

Contributions: Member teachers are required to contribute 5.5% (Group A); or 5.0% (Group C if member has five or more years of service at July 1, 2014); otherwise 6.0% (Group C) of their annual covered salary and the state contributes the balance of an actuarially determined rate. The state is a non-employer contributor to the Plan and is required by statute to make all actuarially determined employer contributions on behalf of member employers. The District's teachers contributed \$205,029 and \$194,429 to the System in 2018 and 2017, respectively.

Pension liabilities and pension expense: The District does not contribute directly to the Plan; therefore, no net pension liability needs to be recorded by the District. However, the District is required to report the District's portion of the following items as calculated by the System:

District's share of -	
VSTRS net pension liability	\$ 8,256,008
VSTRS net pension expense	\$ 661,555

**BARRE TOWN MIDDLE AND ELEMENTARY SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

9. Pension plans (continued):

Vermont Municipal Employees' Retirement System -

Plan description: The District contributes to the Vermont Municipal Employees' Retirement System (VMERS) a cost-sharing multiple-employer public employee retirement system with defined benefit and defined contribution plans, administered by the State of Vermont. The state statutory provisions, found in Title 24, Chapter 125, of the V.S.A., govern eligibility for benefits, service requirements and benefit provisions. The general administration and responsibility for the proper operation of VMERS is vested in the Board of Trustees consisting of five members. VMERS issues annual financial information which is available and may be reviewed at the VMERS' office, 109 State Street, Montpelier, Vermont, 05609-6200, by calling (802) 828-2305, or online at <http://www.vermonttreasurer.gov>.

Benefits provided: VMERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefits do vary between the groups included in the Plan, but are determined for the members of each group as a percentage of average compensation in a certain number of the highest consecutive years of service. Eligibility for benefits requires five years of service.

Contributions: Defined Benefit Plan members are required to contribute 2.5% (Group A), 4.875% (Group B), 10.0% (Group C) or 11.35% (Group D) of their annual covered salary, and the District is required to contribute 4.0% (Group A), 5.5% (Group B), 7.25% (Group C) or 9.85% (Group D) of the employees' compensation. Defined Contribution Plan members are required to contribute 5% of their annual covered salary and the District is required to contribute an equal dollar amount. The contribution requirements of plan members and the District are established and may be amended by the Board of Trustees. The District's contributions to VMERS for the years ended June 30, 2018, 2017 and 2016, were \$65,976, \$79,571 and \$79,981, respectively. The amounts contributed were equal to the required contributions for each year.

Pension liabilities, deferred outflows of resources, deferred inflows of resources: These financial statements include the District's proportionate share of the VMERS' net pension liability, deferred outflows of resources for pension expense, deferred inflows of resources from investment earnings and contributions, and the related effects on government-wide net position and activities. The State of Vermont has provided the following information to all employers participating in VMERS, which is based on its calculation of the District's 0.48724% proportionate share of VMERS.

District's share of VMERS net pension liability	\$ 590,319
Deferred outflows of resources - Deferred pension expense	\$ 218,900
Deferred inflows of resources - Deferred pension credits	\$ 34,713

Additional information: VMERS obtains an annual actuarial valuation for the pension plan. Detailed information is provided in that report for actuarial assumptions of inflation rates, salary increases, investment rates of return, mortality rates, discount rates, and the calculations used to develop annual contributions and the VMERS net position.

The District adopted GASB Statement No 68 in FY 2015 and is developing the ten years of required supplementary information in schedules 1 and 2. This historical pension information includes the District's Proportionate Share of Net Pension Liability of VMERS and District's Contributions to VMERS.

**BARRE TOWN MIDDLE AND ELEMENTARY SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

9. Pension plans (continued):

403(b) Non-Teaching Employees Retirement Plan -

Plan description: Employees who have been employed for at least seven years, who were not eligible for the Vermont State Teachers' Retirement System, and who elected in 1987 not to be included in the Vermont Municipal Employees' Retirement System, are covered under a 403(b) pension plan administered through MassMutual. The District matches the employee's contribution up to 5.5% of annual compensation. In addition, any employee of the District may voluntarily contribute to this Plan. All contributions are 100% vested to each employee. At June 30, 2018, there are 23 Plan members from the District.

Funding policy: The District pays all costs accrued each year for the Plan. Total contributions for the year ended June 30, 2018 were \$90,216 by employees and \$1,497 by the District.

10. Other postemployment benefits plan (OPEB):

Retired Teachers' Health and Medical Benefit Fund -

Accounting Change: Beginning in fiscal year 2018, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The adoption of GASB Statement No. 75 introduces a new actuarial cost method and discount rate as well as new disclosures and methodologies for reporting plan liabilities and OPEB expenses.

Plan description: The District participates in the Retired Teachers' Health and Medical Benefit Fund of the Vermont State Teachers' Retirement System (VSTRS), which provides postemployment benefits to eligible retired employees through a cost-sharing, multiple-employer postemployment benefit plan (the Plan). The Plan covers nearly all public day school and nonsectarian private high school teachers and administrators as well as teachers in schools and teacher training institutions within and supported by the State that are controlled by the State Board of Education. Membership in the system for those covered classes is a condition of employment.

Vermont Statute Title 16 Chapter 55 assigns the authority to VSTRS to establish and amend the benefits provisions of the Plan and to establish maximum obligations of the Plan members to contribute to the Plan. Management of the Plan is vested in the Vermont State Teachers' Retirement System Board of Trustees, consisting of eight members. The Plan issues annual financial information which is available and may be reviewed at the State Treasurer's office, 109 State Street, Montpelier, Vermont, 05609-6200, by calling (802) 828-2305 or online at <http://www.vermonttreasurer.gov>.

Benefits provided and eligibility: The Plan provides medical and prescription drug benefits for Plan members and their spouses; retirees pay the full cost of dental benefits. Benefits are based on the number of years of service. Eligibility requirements are summarized below:

Group A - Public school teachers employed within the State of Vermont prior to July 1, 1981 and elected to remain in Group A qualify for retirement at the attainment of 30 years of service or age 55.

**BARRE TOWN MIDDLE AND ELEMENTARY SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

10. Other postemployment benefits plan (OPEB) (continued):

Benefits provided and eligibility (continued):

Group C - Public school teachers employed within the State of Vermont on or after July 1, 1990. Teachers hired before July 1, 1990 and were Group B members in service on July 1, 1990 are now Group C members, and qualify for benefits at the of age 65, or age plus creditable service equal to 90, or age 55 with 5 years of creditable service. Grandfathered participants are Group C members who were within five years of normal retirement eligibility as defined prior to July 1, 2010, and qualify for benefits at the attainment of age 62, or 30 years of service, or age 55 with 5 years of service.

Vesting and Disability: 5 years of creditable service. Participants who terminate with 5 years of service under the age of 55 may elect coverage upon receiving pension benefits.

Total OPEB liability: The State of Vermont is a nonemployer contributing entity and is presently the sole entity required to contribute to the Plan. The District does not contribute to the Plan; therefore, no net OPEB liability needs to be recorded by the District. However, the District is required to report the District's share of the Plan's net OPEB liability (\$5,371,466) and OPEB expense (\$295,266) as determined by an actuarial valuation. The liability was measured as of June 30, 2017 for the reporting period of June 30, 2018.

Sensitivity of the total OPEB liability: A change in assumptions can have a large effect of the estimated OPEB obligation. A decrease of 1% in the 3.58% discount rate used to calculate future costs would increase the District share of OPEB liability to \$6,171,344, while an increase of 1% would reduce the District share of OPEB liability to \$4,710,129. A decrease of 1% in the current healthcare cost trend rate would reduce the OPEB liability to \$4,609,393, while an increase of 1% would increase the OPEB liability to \$6,334,967.

Collective OPEB Plan liability and expense: The Plan consists of 266 participating employers. The Plan's collective net OPEB liability is \$932,290,475 and total OPEB expense for the year is \$51,247,326.

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

Salary increase rate	Varies by age
Discount rate	3.58%
Inflation rate	2.75%
Healthcare cost trend rates	Non-Medicare - 7.5% graded to 4.50% over 12 years. Medicare - 7.75% graded to 4.50% over 11 years
Retiree Contributions	Equal to health trend
Mortality tables	Various RP-2014 tables using Scale SSA-2017
Actuarial cost method	Entry-age normal, level percentage of pay
Asset valuation method	Market value

11. Contingencies:

The District is involved in various claims and legal actions arising in the normal course of business. The ultimate disposition of these matters is indeterminable, but in the opinion of management, the amount of any ultimate liability, not covered by insurance, would not have a significant impact on the District's financial condition.

**BARRE TOWN MIDDLE AND ELEMENTARY SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

12. Consolidation:

In a final report and order on Act 46, the Vermont State Board of Education ordered that the Barre City School District, the Barre Town School District, the Spaulding Union High School District, and the Barre Supervisory Union be designated as the Barre Unified Union School District (BUUSD) effective July 1, 2019. A draft BUUSD budget was presented to each district board in December 2018.

A third Act 46 vote in Barre Town failed on November 6, 2018. This prompted a reconsideration petition initiated by a group of Barre Town members. It was determined that this petition, and a subsequent vote scheduled for January 8, 2019, could provide the Barre Town and Barre City community one last chance at incentives if there are at least 1,404 “Yes” votes and less than 1,404 “No” votes. These incentives include the use of Articles of Agreement drafted by the Barre Act 46 Merger Study Committee, election of a 9 member board, 4 year tax reduction for Barre City and Barre Town homestead property tax rates (8 cents year one, 6 cents year two, 4 cents year three, and 2 cents year four) which amounts to an estimated \$5 million in total savings. In addition, a favorable vote would also provide the BUUSD with a \$150,000 transitional grant.

A failed vote would require the BUUSD to use the default articles of agreement drafted by the Vermont State Board of Education, be governed by a 4 member board, and receive no tax incentives or transitional funds. Lastly, additional votes would need to be scheduled to amend BUUSD articles of agreement.

BARRE TOWN MIDDLE AND ELEMENTARY SCHOOL

**SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF
NET PENSION LIABILITY**

Schedule 1

**VMERS
JUNE 30, 2018**

	<u>June 30,</u> <u>2018</u>	<u>June 30,</u> <u>2017</u>	<u>June 30,</u> <u>2016</u>	<u>June 30,</u> <u>2015</u>
District's proportion of the net pension liability	0.4872%	0.5262%	0.5270%	0.5275%
District's proportionate share of the net pension liability	\$ 590,319	\$ 677,252	\$ 406,308	\$ 48,139
District's covered payroll	\$ 1,218,892	\$ 1,407,752	\$ 1,424,312	\$ 1,369,761
District's proportionate share of the net pension liability as a percentage of its covered payroll	48.431%	48.109%	28.527%	3.514%
VMERS net position as a percentage of the total pension liability	83.64%	80.95%	87.42%	98.32%

SCHEDULE OF DISTRICT'S CONTRIBUTIONS

Schedule 2

**VMERS
JUNE 30, 2018**

	<u>June 30,</u> <u>2018</u>	<u>June 30,</u> <u>2017</u>	<u>June 30,</u> <u>2016</u>	<u>June 30,</u> <u>2015</u>
Contractually required contribution	\$ 65,976	\$ 79,571	\$ 79,981	\$ 73,669
Contributions in relation to the contractually required contribution	<u>65,976</u>	<u>79,571</u>	<u>79,981</u>	<u>73,669</u>
Contribution deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
District's covered payroll	\$ 1,218,892	\$ 1,407,752	\$ 1,424,312	\$ 1,369,761
Contributions as a percentage of covered payroll	5.413%	5.652%	5.615%	5.378%

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

The Superintendent and Board of Education
Barre Town Middle and Elementary School

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Barre Town Middle and Elementary School (the District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 2, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

Montpelier, Vermont
January 2, 2019

Mudgett, Barrett &
Knopf-Wiser, P.C.