

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

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

**BARRE CITY ELEMENTARY AND MIDDLE SCHOOL**

**JUNE 30, 2018**

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## INDEPENDENT AUDITOR'S REPORT

The Superintendent and Board of Education  
Barre City Elementary and Middle 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 City Elementary and Middle 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 City Elementary and Middle School as of June 30, 2018, and the respective changes in financial

position thereof 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 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 14, 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 14, 2019

*Mudgett, J. J. &  
Shoup-Wilson, P.C.*

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

Our discussion and analysis of Barre City Elementary and Middle 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 \$218,010, or approximately 3.6%, as a result of this year's operations. Last year the net position decreased by \$486,594.
- The cost of all of the District's programs was \$13,550,516 this year compared to \$15,659,746 last year.
- The General Fund had a decrease in fund balance of \$94,693 this year compared to a decrease of \$312,244 last year.
- The General Fund had a deficit fund balance of \$134,192 at June 30, 2018.
- As of June 30, 2018, the Grants Fund had a restricted fund balance of \$66,119, the Capital Projects Fund had a committed fund balance of \$301,614, and the Tax Stabilization Fund had a committed fund balance of \$342,219.

**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 and liabilities 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 and liabilities, 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 8<sup>th</sup> grade, support services, administrative services, transportation, 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 \$218,010 from a year ago, decreasing from \$6,080,834 to \$5,862,824.

Our analysis on the following 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	\$1,237,917	\$1,303,205	\$ (65,288)
Capital assets	<u>5,905,243</u>	<u>6,192,819</u>	<u>(287,576)</u>
Total assets	<u>7,143,160</u>	<u>7,496,024</u>	<u>(352,864)</u>
Long-term debt outstanding	540,000	600,000	(60,000)
Other liabilities	<u>740,336</u>	<u>815,190</u>	<u>(74,854)</u>
Total liabilities	<u>1,280,336</u>	<u>1,415,190</u>	<u>(134,854)</u>
Net position:			
Net investment in capital assets	5,365,243	5,592,819	(227,576)
Restricted	709,952	581,679	128,273
Unrestricted	<u>(212,371)</u>	<u>(93,664)</u>	<u>(118,707)</u>
Total net position	<u>\$5,862,824</u>	<u>\$6,080,834</u>	<u>\$ (218,010)</u>

The net position of the District's governmental activities decreased, by \$218,010, to \$5,862,824 at June 30, 2018 from \$6,080,834 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 deficit of \$93,664 at June 30, 2017, to a deficit of \$212,371 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	\$2,379,476	\$4,713,532	\$(2,334,056)
Other sources	37,383	27,147	10,236
General revenues:			
Education Spending Grant	10,870,210	10,383,168	487,042
Interest earned	<u>45,437</u>	<u>49,305</u>	<u>(3,868)</u>
Total revenues	<u>13,332,506</u>	<u>15,173,152</u>	<u>(1,840,646)</u>
PROGRAM EXPENSES			
Education	12,822,914	14,889,193	(2,066,279)
State, federal and local programs	688,303	732,933	(44,630)
Capital projects	3,000	769	2,231
Interest on long-term debt	<u>36,299</u>	<u>36,851</u>	<u>(552)</u>
Total program expenses	<u>13,550,516</u>	<u>15,659,746</u>	<u>(2,109,230)</u>
Change in net position	<u>\$ (218,010)</u>	<u>\$ (486,594)</u>	<u>\$ 268,584</u>

### Governmental Activities

Table 3 on the following page 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 taxpayers by each of these functions.

Table 3

	2018		2017	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Education	\$ 12,822,914	\$ 11,162,262	\$ 14,889,193	\$ 10,947,637
State, federal and local programs	688,303	(67,904)	732,933	13,810
Capital projects	3,000	3,000	769	(79,231)
Interest on long-term debt	<u>36,299</u>	<u>36,299</u>	<u>36,851</u>	<u>36,851</u>
Totals	<u>\$ 13,550,516</u>	<u>\$ 11,133,657</u>	<u>\$ 15,659,746</u>	<u>\$ 10,919,067</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 \$575,760, which is more than last year's total of \$542,180. The increase in this year's combined fund balance is due to the following changes in individual fund balances: a decrease of \$94,693 in the General Fund, an increase of \$57,904 in the Grant Funds, an increase of \$58,233 in the Capital Projects Fund, and an increase of \$12,136 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.

The District received \$2,477,405 less in intergovernmental - state revenue than was budgeted. This decrease was due to a higher amount of special education expenditures reported in the Barre Supervisory Union than was originally budgeted.

Budget to actual variances in shared services wage reimbursements revenue and shared services wages expenditure are directly related to each other and offsetting. In addition, paraeducators were budgeted in the Barre Supervisory Union but charged to the District. Other variances between budgeted and actual revenues and expenditures have been reviewed by management and are considered acceptable.

### Capital Assets and Debt Administration

#### Capital Assets

At June 30, 2018, the District had \$5,905,243 invested in a broad range of capital assets that includes land, elementary school buildings, equipment, fixtures, vehicles, and fields, net of accumulated depreciation (see Table 4 below). This amount represents a net decrease of \$287,576 compared to last year.

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

	2018	2017	Change
Land	\$ 229,304	\$ 229,304	\$ -
Buildings and improvements	5,412,327	5,731,366	(319,039)
Equipment and fixtures	239,052	224,656	14,396
Vehicles	18,684	-	18,684
Fields	<u>5,876</u>	<u>7,493</u>	<u>(1,617)</u>
Totals	<u>\$ 5,905,243</u>	<u>\$ 6,192,819</u>	<u>\$ (287,576)</u>



Current year additions consisted of buildings and improvements of \$24,529, equipment and fixtures of \$83,205, and vehicles of \$21,998.

*Debt*

At year-end, the District had \$540,000 in governmental activities long-term debt outstanding versus \$600,000 last year, a net decrease of \$60,000, as shown in Table 5.

Table 5  
Outstanding Debt at Year-End

	<u>2018</u>	<u>2017</u>	Increase (Decrease)
Capital Improvement Note	<u>\$ 540,000</u>	<u>\$ 600,000</u>	<u>\$ (60,000)</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, and 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 at 120 Ayers Street, Barre, VT 05641.

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

	<u>Governmental Activities</u>
<b>ASSETS:</b>	
Current assets -	
Cash and cash equivalents	\$ 984,769
Accounts receivable	36,891
Due from other districts	212,712
Prepaid expenses	<u>3,545</u>
Total current assets	<u>1,237,917</u>
Noncurrent assets -	
Capital assets	13,281,367
less - accumulated depreciation	<u>(7,376,124)</u>
Total noncurrent assets	<u>5,905,243</u>
Total assets	<u>7,143,160</u>
<b>LIABILITIES:</b>	
Current liabilities -	
Accounts payable	1,408
Accrued expenses	660,717
Due to fiduciary funds	32
Current portion of long-term debt	60,000
Accrued interest	<u>13,446</u>
Total current liabilities	<u>735,603</u>
Noncurrent liabilities -	
Accrued compensated absences	64,733
Long-term debt	<u>480,000</u>
Total noncurrent liabilities	<u>544,733</u>
Total liabilities	<u>1,280,336</u>
<b>NET POSITION:</b>	
Net investment in capital assets	5,365,243
Restricted	709,952
Unrestricted	<u>(212,371)</u>
Total net position	<u>\$ 5,862,824</u>

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

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

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense)</u>
		<u>Grants and</u>	<u>Other</u>	<u>Revenue and</u>
<b>FUNCTIONS/PROGRAMS:</b>		<u>Contributions</u>		<u>Change in</u>
				<u>Net Position</u>
Governmental activities -				
Education	\$ 12,822,914	\$ 1,623,269	\$ 37,383	\$ (11,162,262)
State, federal and local programs	688,303	756,207	-	67,904
Capital projects	3,000	-	-	(3,000)
Interest on long-term debt	<u>36,299</u>	<u>-</u>	<u>-</u>	<u>(36,299)</u>
Total governmental activities	\$ <u>13,550,516</u>	\$ <u>2,379,476</u>	\$ <u>37,383</u>	<u>(11,133,657)</u>
				GENERAL REVENUES - EDUCATION SPENDING GRANT 10,870,210
				- INTEREST EARNED <u>45,437</u>
				<u>10,915,647</u>
				CHANGE IN NET POSITION (218,010)
				NET POSITION, July 1, 2017 <u>6,080,834</u>
				NET POSITION, June 30, 2018 \$ <u>5,862,824</u>

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

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

**JUNE 30, 2018**

(Page 1 of 2)

	General <u>Fund</u>	Grant <u>Funds</u>	Capital Projects <u>Fund</u>	Tax Stabilization <u>Fund</u>	Totals Governmental <u>Funds</u>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 984,769	\$ -	\$ -	\$ -	\$ 984,769
Accounts receivable	36,891	-	-	-	36,891
Prepaid expenditures	3,545	-	-	-	3,545
Due from other funds	-	-	301,614	342,219	643,833
Due from other districts	<u>82,257</u>	<u>130,455</u>	<u>-</u>	<u>-</u>	<u>212,712</u>
 Total assets	\$ <u>1,107,462</u>	\$ <u>130,455</u>	\$ <u>301,614</u>	\$ <u>342,219</u>	\$ <u>1,881,750</u>
 <b>LIABILITIES AND FUND EQUITY</b>					
<b>LIABILITIES:</b>					
Accounts payable	\$ 1,408	\$ -	\$ -	\$ -	\$ 1,408
Accrued expenditures	660,717	-	-	-	660,717
Due to other funds	<u>579,529</u>	<u>64,336</u>	<u>-</u>	<u>-</u>	<u>643,865</u>
Total liabilities	<u>1,241,654</u>	<u>64,336</u>	<u>-</u>	<u>-</u>	<u>1,305,990</u>
 <b>FUND EQUITY:</b>					
Fund balances -					
Nonspendable	3,545	-	-	-	3,545
Restricted	-	66,119	-	-	66,119
Committed	-	-	301,614	342,219	643,833
Unassigned	<u>(137,737)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(137,737)</u>
Total fund balances (deficit)	<u>(134,192)</u>	<u>66,119</u>	<u>301,614</u>	<u>342,219</u>	<u>575,760</u>
 Total liabilities and fund equity	\$ <u>1,107,462</u>	\$ <u>130,455</u>	\$ <u>301,614</u>	\$ <u>342,219</u>	\$ <u>1,881,750</u>

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

**BARRE CITY ELEMENTARY AND MIDDLE SCHOOL  
BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2018  
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**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	\$	575,760
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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		13,281,367
Accumulated depreciation		(7,376,124)

Long-term liabilities not due and payable in the current period are not reported in the funds.

Accrued compensated absences		(64,733)
Long-term debt		(540,000)
Accrued interest on long-term debt		<u>(13,446)</u>

Net position of governmental activities - Government-wide Statement of Net Position	\$	<u>5,862,824</u>
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The notes to financial statements are an integral part of this statement.

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

(Page 1 of 3)

	General	Grant	Capital	Tax	Totals
	<u>Fund</u>	<u>Funds</u>	<u>Projects</u>	<u>Stabilization</u>	<u>Governmental</u>
			<u>Fund</u>	<u>Fund</u>	<u>Funds</u>
<b>REVENUES:</b>					
Education spending grant	\$ 10,870,210	\$ -	\$ -	\$ -	\$ 10,870,210
Intergovernmental - State	1,623,269	131,814	-	-	1,755,083
- Federal	-	533,656	-	-	533,656
Local grants and contributions	-	90,737	-	-	90,737
reimbursements	38	-	-	-	38
Interest	22,068	-	11,233	12,136	45,437
Miscellaneous	37,345	-	-	-	37,345
Total revenues	<u>12,552,930</u>	<u>756,207</u>	<u>11,233</u>	<u>12,136</u>	<u>13,332,506</u>
<b>EXPENDITURES:</b>					
Instruction	6,654,348	-	-	-	6,654,348
Special education	1,989,537	-	-	-	1,989,537
Co-curricular activities	42,211	-	-	-	42,211
Behavioral support	307,484	-	-	-	307,484
Guidance	290,634	-	-	-	290,634
Health services	118,621	-	-	-	118,621
Psychological services	186,094	-	-	-	186,094
Curriculum services	16,536	-	-	-	16,536
Library services	143,961	-	-	-	143,961
Technology	95,567	-	-	-	95,567
Board of Education	83,205	-	-	-	83,205
Office of Superintendent	634,251	-	-	-	634,251
Office of Principal	469,552	-	-	-	469,552
School police officer	65,566	-	-	-	65,566
Operation and maintenance	928,343	-	3,000	-	931,343
Student transportation	355,644	-	-	-	355,644
Consolidated federal programs	-	481,641	-	-	481,641
IDEA B	-	50,715	-	-	50,715
Medicaid	-	130,564	-	-	130,564
Other grants	-	25,383	-	-	25,383
Shared services wages	38	-	-	-	38

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

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

(Page 2 of 3)

	<u>General Fund</u>	<u>Grant Funds</u>	<u>Capital Projects Fund</u>	<u>Tax Stabilization Fund</u>	<u>Totals Governmental Funds</u>
<b>EXPENDITURES</b>					
<b>(CONTINUED):</b>					
Long-term debt - Principal	60,000	-	-	-	60,000
- Interest	36,299	-	-	-	36,299
Capital outlay	<u>119,732</u>	<u>10,000</u>	<u>-</u>	<u>-</u>	<u>129,732</u>
Total expenditures	<u>12,597,623</u>	<u>698,303</u>	<u>3,000</u>	<u>-</u>	<u>13,298,926</u>
EXCESS OF REVENUES OR (EXPENDITURES)	(44,693)	57,904	8,233	12,136	33,580
<b>OTHER FINANCING SOURCES (USES):</b>					
Interfund transfers in (out)	<u>(50,000)</u>	<u>-</u>	<u>50,000</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(94,693)	57,904	58,233	12,136	33,580
FUND BALANCES (DEFICIT), July 1, 2017	<u>(39,499)</u>	<u>8,215</u>	<u>243,381</u>	<u>330,083</u>	<u>542,180</u>
FUND BALANCES (DEFICIT), June 30, 2018	\$ <u>(134,192)</u>	\$ <u>66,119</u>	\$ <u>301,614</u>	\$ <u>342,219</u>	\$ <u>575,760</u>

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

**BARRE CITY ELEMENTARY AND MIDDLE 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	\$ 33,580
Amounts reported for governmental activities in the Government-wide Statement of Activities are different because -	
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.</p>	
Additions to capital assets, net of dispositions	129,732
Depreciation	(417,308)
<p>The issuance of long-term debt (bonds, leases, etc.) 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 has any effect on net position.</p>	
Debt service - principal paid on long-term debt	60,000
Increase in accrued interest on long-term debt	(2,975)
<p>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.</p>	
Increase in accrued compensated absences	<u>(21,039)</u>
Change in net position of governmental activities - Government-wide Statement of Activities	\$ <u>(218,010)</u>

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



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

(Page 1 of 2)

	Original and Final <u>Budget</u>	Actual (Budgetary Basis) <u>Basis</u>	Variance Over (Under)
<b>REVENUES:</b>			
Education spending grant	\$ 10,864,046	\$ 10,870,210	\$ 6,164
Intergovernmental - State	2,752,138	274,733	(2,477,405)
Shared services wage reimbursements	-	38	38
Interest	30,000	22,068	(7,932)
Miscellaneous	<u>-</u>	<u>37,345</u>	<u>37,345</u>
Total revenues	<u>13,646,184</u>	<u>11,204,394</u>	<u>(2,441,790)</u>
<b>EXPENDITURES:</b>			
Instruction	5,296,575	5,305,812	9,237
Special education	4,367,251	1,989,537	(2,377,714)
Co-curricular activities	39,380	42,211	2,831
Behavioral support	263,005	307,484	44,479
Guidance	301,571	290,634	(10,937)
Health services	130,310	118,621	(11,689)
Psychological services	175,000	186,094	11,094
Curriculum services	30,600	16,536	(14,064)
Library services	144,516	143,961	(555)
Technology	196,026	165,405	(30,621)
Board of Education	88,160	83,205	(4,955)
Office of Superintendent	634,251	634,251	-
Office of Principal	500,079	469,552	(30,527)
School police officer	66,440	65,566	(874)
Operation and maintenance	911,166	978,237	67,071
Student transportation	593,374	355,644	(237,730)
Shared services wages	-	38	38
Debt service - Principal	60,000	60,000	-
Debt service - Interest	<u>48,480</u>	<u>36,299</u>	<u>(12,181)</u>
Total expenditures	<u>13,846,184</u>	<u>11,249,087</u>	<u>(2,597,097)</u>

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

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

(Page 2 of 2)

	Original and Final <u>Budget</u>	Actual (Budgetary <u>Basis</u> )	Variance Over (Under)
EXCESS OF REVENUES OR (EXPENDITURES)	(200,000)	(44,693)	(155,307)
<b>OTHER FINANCING SOURCES (USES):</b>			
Interfund transfers in (out)	<u>200,000</u>	<u>(50,000)</u>	<u>(250,000)</u>
Total other financing sources (uses)	<u>200,000</u>	<u>(50,000)</u>	<u>(250,000)</u>
 NET CHANGE IN FUND BALANCE	 \$ <u>          -</u>	 \$ <u>      (94,693)</u>	 \$ <u>      94,693</u>

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

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

	<u>Agency Funds</u>
<b>ASSETS:</b>	
Cash	\$ 128,611
Due from other funds	<u>32</u>
Total assets	<u>128,643</u>
<b>LIABILITIES:</b>	
Due to student organizations	\$ <u>128,643</u>

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

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

**1. Summary of significant accounting policies:**

The Barre City Elementary and Middle School (the District) is organized according to state law under the governance of the School Board to provide public school education for the students of the City 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 Town Middle and Elementary 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 CITY ELEMENTARY AND MIDDLE 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.

Capital Projects Fund - The Capital Projects 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 2015 School District Meeting to commit the FY14 surplus fund balance for use in future years.

The District also reports the Grant Funds, a nonmajor governmental fund, 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.

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 City meeting of the City 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.

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.

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

**1. Summary of significant accounting policies (continued):**

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 - 40 years
Equipment and fixtures	3 - 5 years
Fields	20 years

K. Deferred outflows/inflows of resources - In addition to assets and liabilities, deferred outflows of resources and deferred inflows of resources are reported as separate sections 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.

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 \$64,733 have been recorded as a noncurrent liability in the Government-wide Statement of Net Position but not in the fund financial statements.

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

**1. Summary of significant accounting policies (continued):**

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 State 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. As of June 30, 2018, the District's depository accounts were fully insured or collateralized.

**BARRE CITY ELEMENTARY AND MIDDLE 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>
Governmental activities -				
Capital assets, not depreciated:				
Land	\$ 229,304	\$ -	\$ -	\$ 229,304
Construction in process	-	-	-	-
Total capital assets, not depreciated	<u>229,304</u>	<u>-</u>	<u>-</u>	<u>229,304</u>
Capital assets, depreciated:				
Buildings and improvements	11,719,922	24,529	-	11,744,451
Equipment and fixtures	1,170,060	83,205	-	1,253,265
Vehicles	-	21,998	-	21,998
Fields	32,349	-	-	32,349
Total capital assets depreciated	<u>12,922,331</u>	<u>129,732</u>	<u>-</u>	<u>13,052,063</u>
Less accumulated depreciation for:				
Buildings and improvements	5,988,556	343,568	-	6,332,124
Equipment and fixtures	945,404	68,809	-	1,014,213
Vehicles	-	3,314	-	3,314
Fields	24,856	1,617	-	26,473
Total accumulated depreciation	<u>6,958,816</u>	<u>417,308</u>	<u>-</u>	<u>7,376,124</u>
Capital assets, depreciated, net	<u>5,963,515</u>	<u>(287,576)</u>	<u>-</u>	<u>5,675,939</u>
Capital assets, net	\$ <u>6,192,819</u>	\$ <u>(287,576)</u>	\$ <u>-</u>	\$ <u>5,905,243</u>

Depreciation expense of \$417,308 in the governmental activities 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	\$ -	\$ 579,529
Grant Funds	-	64,336
Capital Projects Fund	301,614	-
Tax Stabilization Fund	342,219	-
	<u>643,833</u>	<u>643,865</u>
Fiduciary funds -		
Agency funds	<u>32</u>	<u>-</u>
	\$ <u>643,865</u>	\$ <u>643,865</u>



**BARRE CITY ELEMENTARY AND MIDDLE 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. A transfer of \$50,000 from the General Fund to the Capital Projects Fund is to be used in the future for long-term school building 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 \$2,010,213 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 \$1,315,009 on a line of credit in the form of a 2.70% revenue anticipation note which matured June 30, 2018. Interest expense related to this note was \$35,116.

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 \$1,315,009 which matures June 28, 2019. As of the date of this report, the District has borrowed this note in full.

Long-term - During the year, the District repaid \$60,000 on a \$600,000 capital improvement note with annual interest of 2.49%. The note is payable in ten annual installments of \$60,000 plus interest with a final payment due on July 15, 2026. The outstanding balance on this note at June 30, 2018 was \$540,000.

In prior years, the Vermont Municipal Bond Bank (VMBB) has refunded the 1998 Series 2 bond resulting in interest savings to the District of \$9,903, and \$2,576, respectively. These savings allocations, to be received through FY19, have been reflected as a reduction of interest in the debt service requirements table.

Debt service requirements to maturity are detailed on the following page.

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

**7. Debt (continued):**

Long-term (continued) -

Year ending June 30,	<u>Principal</u>	<u>Interest</u>
2019	\$ 60,000	\$ 10,870
2020	60,000	11,952
2021	60,000	10,487
2022	60,000	8,964
2023	60,000	7,470
2024-2027	<u>240,000</u>	<u>14,952</u>
	\$ <u>540,000</u>	\$ <u>64,695</u>

**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 follows:

	<u>Revenues</u>	<u>Expenditures</u>
U.S. GAAP basis	\$ 12,552,930	\$ 12,597,623
On-behalf payments -		
VSTRS net pension expense	(980,575)	(980,575)
VSTRS net OPEB expenditure	<u>(367,961)</u>	<u>(367,961)</u>
Budget basis	\$ <u>11,204,394</u>	\$ <u>11,249,087</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.

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

**9. Pension plans (continued):**

Vermont State Teachers' Retirement System of Vermont -

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 \$238,165 and \$233,470 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	\$	9,705,322
VSTRS net pension expense	\$	980,575

403(b) Non-Teaching Employees Retirement Plan -

Plan description: All employees of the District who are at least twenty-one years old and are not covered under the Vermont State Teachers' Retirement System are eligible to be covered under a 403(b) pension plan administered through MassMutual. The District contributes at various rates for certain classes of employees. In addition, any employee of the District may voluntarily contribute to this Plan; however, the District will not match these contributions.

All contributions are 100% vested to each employee. At June 30, 2018, there are 27 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 \$98,303 by employees and \$29,725 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

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

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

Plan description (continued):

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.

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 (\$6,693,932) and OPEB expense (\$367,961) 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 \$7,690,741, while an increase of 1% would reduce the District share of OPEB liability to \$5,869,772. A decrease of 1% in the current healthcare cost trend rate would reduce the OPEB liability to \$5,744,235, while an increase of 1% would increase the OPEB liability to \$7,894,649.

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:

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

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

Actuarial assumptions and other inputs (continued):

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. Deficit:**

The General Fund has a deficit of \$134,192 at year end. Management intends to recover this deficit by using tax stabilization funds.

**12. 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.

**13. 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 have provided 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 would have included 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 requires 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. An additional vote is scheduled to amend BUUSD articles of agreement on or before February 19, 2019.

**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 City Elementary and Middle 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 City Elementary and Middle 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 14, 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 14, 2019

*Mudgith Jenett*  
*Hoop-Wisner, P.C.*