

**NORWICH SCHOOL DISTRICT**  
**ANNUAL FINANCIAL REPORT**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2020**

**NORWICH SCHOOL DISTRICT**  
**ANNUAL FINANCIAL REPORT**  
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**TABLE OF CONTENTS**

		<u>PAGES</u>
	<b>INDEPENDENT AUDITOR'S REPORT</b> .....	1 - 2
	<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b> .....	3 - 7
 <b>BASIC FINANCIAL STATEMENTS</b> 		
<b>Government-wide Financial Statements</b>		
A	Statement of Net Position .....	8
B	Statement of Activities .....	9
<b>Fund Financial Statements</b>		
<i>Governmental Funds</i>		
C-1	Balance Sheet .....	10
C-2	Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position.....	11
C-3	Statement of Revenues, Expenditures, and Changes in Fund Balances.....	12
C-4	Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to the Statement of Activities .....	13
<i>Budgetary Comparison Information</i>		
D	Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) – General Fund .....	14
	<b>NOTES TO THE BASIC FINANCIAL STATEMENTS</b> .....	15 - 37
 <b>REQUIRED SUPPLEMENTARY INFORMATION</b> 		
E	Schedule of the School District's Proportionate Share of Net Pension Liability - VMERS.....	38
F	Schedule of School District Contributions – Pensions - VMERS .....	39
G	Schedule of the School District's Proportionate Share of Net Pension Liability - VSTRS .....	40
H	Schedule of School District Contributions – Pensions - VSTRS.....	41
	<b>NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION - PENSION LIABILITY</b> .....	42
I	Schedule of the School District's Proportionate Share of Net Other Postemployment Benefits Liability - VSTRS ..	43
J	Schedule of School District Contributions – Other Postemployment Benefits - VSTRS.....	44
K	Schedule of Changes in the School District's Total Other Postemployment Benefits Liability and Related Ratios ..	45
	<b>NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION - OTHER POSTEMPLOYMENT BENEFITS LIABILITY</b> .....	46
 <b>COMBINING AND INDIVIDUAL FUND SCHEDULES</b> 		
<b>Governmental Funds</b>		
<i>Major General Fund</i>		
1	Schedule of Estimated and Actual Revenues (Non-GAAP Budgetary Basis).....	47
2	Schedule of Appropriations, Expenditures, and Encumbrances (Non-GAAP Budgetary Basis) .....	48
3	Schedule of Changes in Unassigned Fund Balance (Non-GAAP Budgetary Basis).....	49
<i>Nonmajor Governmental Funds</i>		
4	Combining Balance Sheet .....	50
5	Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances.....	51



# PLODZIK & SANDERSON

*Professional Association/Accountants & Auditors*

193 North Main Street • Concord • New Hampshire • 03301-5063 • 603-225-6996 • FAX- 603-224-1380

## *INDEPENDENT AUDITOR'S REPORT*

To the Members of the School Board  
Norwich School District  
Norwich, Vermont

We have audited the accompanying financial statements of the governmental activities, each major fund, and aggregate remaining fund information of the Norwich School District (the School District) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the School 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. 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 aggregate remaining fund information of the Norwich School District, as of June 30, 2020, and the respective changes in financial position and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Other Matters*

**Required Supplementary Information** – Accounting principles generally accepted in the United States of America require that the following be presented to supplement the basic financial statements:

- Management's Discussion and Analysis,
- Schedule of the School District's Proportionate Share of Net Pension Liability - VMERS,
- Schedule of School District Contributions – Pensions - VMERS,
- Schedule of the School District's Proportionate Share of Net Pension Liability - VSTRS,

*Norwich School District  
Independent Auditor's Report*

- Schedule of School District Contributions – Pensions - VSTRS,
- Schedule of the School District's Proportionate Share of Net Other Postemployment Benefits Liability – VSTRS,
- Schedule of School District Contributions – Other Postemployment Benefits - VSTRS,
- Schedule of Changes in the School District's Total Other Postemployment Benefits Liability and Related Ratios, and
- Notes to the Required Supplementary Information

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

**Other Information** – Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Norwich School District's basic financial statements. The combining and individual fund schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

*Plodzik & Sanderson  
Professional Association*

April 7, 2021

# NORWICH SCHOOL DISTRICT

Norwich, Vermont

## Management's Discussion and Analysis (MD&A) of the Annual Financial Report for The Year Ended June 30, 2020

The Superintendent of Schools and Business Administrator of School Administrative Unit (SAU) #70, as management of the Norwich School District, Norwich, Vermont (the District), offer readers of the District's annual financial statements this narrative discussion and analysis of the financial activities of the District for the fiscal year which ended June 30, 2020. This discussion and analysis is prepared in accordance with the provisions of the Governmental Accounting Standards Board Statement 34 (GASB 34). We encourage readers to consider the information presented here in conjunction with additional information found within the body of the annual audit.

### FINANCIAL HIGHLIGHTS

The District's total net position for the year ending June 30, 2020, was \$2,791,146. The District's net position decreased by \$272,891, or 8.91% between July 1, 2019 and June 30, 2020. This decrease was due to a planned drawdown in one of its long-term reserve funds and a considerable increase in accumulated appreciation. The District's total net position included \$1,396,383 in capital assets net of depreciation. The District's long-term obligations of \$563,284 consisted of \$135,000 in long-term debt, \$154,846 in post-employment benefits, \$10,519 in compensated absences and \$262,919 in net pension liability. These liabilities are reflected as a reduction in net position. The District authorized a \$450,000 building renovation project during the 2013-14 year, and is paying that off over ten years.

During the year, the District's consolidated expenses of \$13,340,233 were \$272,891 more than revenues of \$13,067,342. Revenues consist of: charges for services; operating grants and contributions; and general revenues (which consist of local and state property tax assessments, state and federal grants, earned interest and contributions not restricted as to purpose).

### OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's annual financial report, which consists of basic financial statements, notes, and related financial and compliance information. The District's annual financial report consists of four elements: (1) government-wide financial statements; (2) fund financial statements; (3) notes to the financial statements; and (4) required supplementary information, including this discussion and analysis. This report also contains other supplementary information in addition to the basic financial statements themselves.

The basic financial statements include two kinds of statements that present different views of the District based upon measurement focus and basis of accounting. The first two statements are government-wide financial statements that provide both long-term and short-term information about the District's overall financial status. The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the government-wide statements. The governmental funds statements tell how the District's services were financed in the short term as well as what remains for future spending.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

#### *Government-Wide Financial Statements*

The Government-wide Financial Statements show functions of the District that are principally supported by property taxes and intergovernmental revenues as Governmental Activities. Intergovernmental revenues include local, state, and federal monies. The governmental activities of the District include

Norwich School District, Norwich Vermont  
Management Discussion and Analysis for Fiscal Year 2020

instruction, support services, operation and maintenance of plant, student transportation and operation of non-instructional services. Taxes and intergovernmental revenues also support fixed assets and related debt.

***Fund Financial Statements***

A fund is a self-balancing group of related accounts that is used to maintain control over resources that the district segregates for specific activities or objectives. Fund definitions are part of a uniform accounting system and chart of accounts mandated by the federal and state governments for all school districts. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. A detailed statement of financial activity is reported annually to the State of Vermont through the "Annual Statistical Report" and other periodic reports.

All of the funds of the District are reported herein as governmental funds. The General Fund, including expendable trust funds, as well as the special revenue funds: Food Service Fund, Grants Fund, Medicaid Fund, and the Special Gifts Fund are all reported as Governmental Funds, and are consolidated in the governmental funds statements.

***Notes To The Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net position may serve, over time, as a useful indicator of a government's financial position. The largest portion of the District's net position is unrestricted. The District uses capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets. Summaries of the capital assets, depreciation and long-term debt obligations can be found in the Notes to Financial Statements. Depreciation is included by accounting convention, thus the depreciated value of a District asset, as reflected in these reports, does not reflect an asset's useful, market, or replacement value. Comparative Net Position for the periods ending June 30, 2019 and June 30, 2020 are shown below. On June 30, 2020, the district had no net position that was restricted. A portion of the net position is invested in capital assets. Unrestricted net position represents those assets that are available without constraint to finance day-to-day operations.

**Norwich School District - Governmental Activities**  
**Summary of Net Position - Two Year Comparison**

	<u>2020</u>	<u>2019</u>	<u>Change</u> <u>2019-2020</u>	<u>% Change</u> <u>2019-2020</u>
<b>Assets</b>				
Current Assets	\$ 2,003,106	\$ 2,163,637	\$ (160,531)	-7.42%
Capital Assets	1,531,383	1,637,041	(105,658)	-6.45%
<b>Total Assets</b>	<b>3,534,489</b>	<b>3,800,678</b>	<b>(266,189)</b>	<b>-7.00%</b>
Deferred Outflows of Resources	117,982	99,998	17,984	17.98%
<b>Liabilities</b>				
Other Liabilities	246,875	277,364	(30,489)	-10.99%
Long Term Liabilities	563,284	514,038	49,246	9.58%
<b>Total Liabilities</b>	<b>810,159</b>	<b>791,402</b>	<b>18,757</b>	<b>2.37%</b>
Deferred Inflows of Resources	51,166	45,237	5,929	13.11%
Net Investment in Capital Assets	1,396,383	1,457,041	(60,658)	-4.16%
Unrestricted Net Position	1,394,763	1,606,996	(212,233)	-13.21%
<b>Total Net Position</b>	<b>\$ 2,791,146</b>	<b>\$ 3,064,037</b>	<b>\$ (272,891)</b>	<b>-8.91%</b>

Norwich School District, Norwich Vermont  
Management Discussion and Analysis for Fiscal Year 2020

*Comparative Statement of Activities*

The Comparative Statement of Changes in Activities provides an important record of overall expenditures and revenues for the fiscal year. The government-wide financial statements provide a summary of governmental activities. The amounts discussed below are all displayed in the 2-year comparative table below. During 2019-20 the District's total revenues were \$13,067,342; total expenses were \$13,340,233 resulting in a decrease of net position of \$272,891.

The largest part of the District's revenues, \$11,202,866 [85.7%] came from the local property tax levy. Here, since it is nominally a state tax "returned" to the District, it is termed "Unrestricted Grants and Contributions". Other revenue sources include federal and various state categorical grant programs. This revenue statement includes all revenues from local, state, and federal sources. Program expenses decreased by \$411,523 or 3.05% from FY19 to FY20 due in large part to the remote learning status caused by the COVID19 pandemic shutdown. Norwich's assessment to Dresden is based on a per-pupil cost pro-ration.

The District's expenditures were largely for instruction \$4,835,196 and support services \$1,713,797, or 50%. An intergovernmental transfer of \$6,486,961 [48.6%] recognizes the cost of educating the District's 7<sup>th</sup> through 12<sup>th</sup> graders at the Dresden School District's Hanover High and Richmond Middle schools. Depreciation accounts for \$129,927 of total expenses with facility updates, interest on long term debt and non-instructional services totaling the balance of \$53,817.

Norwich School District - Governmental Activities  
Statement of Activities - Two Year Comparison

	June 30, 2020	June 30, 2019	Change	Change in %
<b>Revenues</b>				
<b>Program Revenue</b>				
Charges for Services	\$ 36,176	\$ 21,724	\$ 14,452	66.53%
Operating Grants & Contributions	1,774,023	2,078,242	(304,219)	-14.64%
<b>General Revenue</b>				
Unrestricted Grants and Contributions	11,202,866	11,309,105	(106,239)	-0.94%
Unrestricted Investment Income	36,896	46,073	(9,177)	-19.92%
Miscellaneous	17,381	23,721	(6,340)	-26.73%
<b>Total Revenues</b>	<b>13,067,342</b>	<b>13,478,865</b>	<b>(411,523)</b>	<b>-3.05%</b>
<b>Program Expenses</b>				
Instruction	4,835,196	5,128,793	(293,597)	-5.72%
Support Services:				
Student	211,752	200,328	11,424	5.70%
Instructional Staff	159,872	168,013	(8,141)	-4.85%
General Administration	31,229	35,428	(4,199)	-11.85%
Executive Administration	254,402	238,516	15,886	6.66%
School Administration	470,553	416,346	54,207	13.02%
Operation and Maintenance of Plant	443,155	353,845	89,310	25.24%
Student Transportation	263,369	301,321	(37,952)	-12.60%
Noninstructional Services	50,418	41,988	8,430	20.08%
Interest on Long-Term Debt	3,399	4,118	(719)	-17.46%
Facilities Acquisition and Construction	-	52,439	(52,439)	-100.00%
Intergovernmental Transfers	6,486,961	6,644,872	(157,911)	-2.38%
Depreciation - unallocated	129,927	134,423	(4,496)	
<b>Total Expenses</b>	<b>13,340,233</b>	<b>13,720,430</b>	<b>(380,197)</b>	<b>-2.77%</b>
Change in Net Position	(272,891)	(241,565)	(31,326)	12.97%
Net Position, beginning	3,064,037	3,305,602	(241,565)	-7.31%
<b>Net Position, ending</b>	<b>\$ 2,791,146</b>	<b>\$ 3,064,037</b>	<b>\$(272,891)</b>	<b>-8.91%</b>

**Norwich School District, Norwich Vermont**  
**Management Discussion and Analysis for Fiscal Year 2020**

**FUND FINANCIAL STATEMENTS**

***General Fund***

The Norwich School District governmental funds include the General Fund, the Grants Fund, and the Other Governmental Funds. The School District uses separate fund accounting for each of its funds to ensure and demonstrate compliance with finance-related legal requirements. Information from the fund accounting system is essential in managing budgets as the financial year progresses and is useful in assessing financial resource needs for future operation of the school. The General Fund is what most people think of as “the budget” since it is the focal point of the Annual District Meeting and largely supported by locally raised taxes.

Schedules 1, 2, and 3 detail general fund activity for FY2020. Budgeted revenues totaled \$12,354,106 including the use of \$227,993 from fund balance; actual revenues equaled \$12,187,415. Revenue variances arose from the following sources: Transportation reimbursement \$4,506 less than budgeted; Special Education reimbursement \$30,770 more than budgeted; Extraordinary Aid Reimbursement: \$10,269 less than budgeted; State Placed Student reimbursement: \$5,537 more than budgeted; Tuition: \$17,474 more than budgeted and Investment Earnings, rental fees and miscellaneous items: \$22,296 more than budgeted. At \$10,916,042, property taxes (here termed: "Homestead Tax Liability") comprise 89.6% of general fund revenues. Revenues ended with a positive variance of \$61,302.

Exclusive of the assessment to the Dresden School District (a separate legal entity which is responsible for education of Norwich students in grades 7-12), the cost of Marion Cross Schools K-6 instruction makes up 65.3% of all general fund expenditures in the amount of \$3,717,603; while Support Services comprise 31.1% of local expenditures in the amount of \$1,747,683. The remaining 3.6% includes debt service, facilities upgrades and other outlays in the amount of \$219,912. Expenditures ended with a positive variance of \$139,789.

***Other Funds***

Activity for the “Food Service”, “Special Gifts”, and “Medicaid” funds, are shown on Schedules 4 and 5. Ending fund balances for each of these funds were \$0; \$50,836; and \$60,724.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

***Capital Assets***

On June 30, 2020, the District reported capital assets of \$1,531,383 (net of accumulated depreciation), on a range of capital assets, including land and improvements, buildings and improvements, and machinery and equipment. The District annually invests in new furnishings, computers and peripherals, printed media, and musical/athletic equipment.

**Norwich School District Governmental Activities**  
**Capital Assets - Two Year Comparison**

	<u>Governmental Activities</u>		<u>Increase</u>	<u>% Increase</u>
	<u>2020</u>	<u>2019</u>	<u>(Decrease)</u>	<u>(Decrease)</u>
Land	\$ 2,500	\$ 2,500	\$ -	0.00%
Construction In Progress	31,584	-	31,584	100.00%
Land Improvements	120,439	120,439	-	0.00%
Building & Building Improvements	4,413,277	4,402,202	11,075	0.25%
Equipment & Vehicles	70,000	130,730	(60,730)	-86.76%
<b>Total Historical Costs</b>	<b>4,637,800</b>	<b>4,655,871</b>	<b>(18,071)</b>	<b>-0.39%</b>
Total Accumulated Depreciation	(3,106,417)	(3,018,830)	(87,587)	2.82%
<b>Net Capital Assets</b>	<b>\$ 1,531,383</b>	<b>\$ 1,637,041</b>	<b>\$ (105,658)</b>	<b>-6.45%</b>



**Norwich School District, Norwich Vermont  
Management Discussion and Analysis for Fiscal Year 2020**

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**Long-Term Debt**

The District has \$135,000 of long-term debt outstanding. The District’s liability for “Other Post-Employment Benefits” (OPEB) at June 30, 2020 is reported at \$154,846. The District has an additional \$10,519 in compensated absences payable, and \$262,919 in a pension related liability. The following table illustrates the changes and balances for all long-term liabilities.

**Norwich School District Governmental Activities  
Long Term Debt - Two Year Comparison**

	<u>Governmental Activities</u>		<b>Increase</b>	<b>% Increase</b>
	<u>2020</u>	<u>2019</u>	<b>(Decrease)</b>	<b>(Decrease)</b>
Note payable	\$ 135,000	\$ 180,000	\$ (45,000)	-25.00%
Compensated Absences	10,519	3,661	6,858	187.33%
Net Pension Liability	262,919	193,040	69,879	36.20%
Other Postemployment Benefits	154,846	137,337	17,509	12.75%
<b>Total Long Term Debt</b>	<b><u>\$ 563,284</u></b>	<b><u>\$ 514,038</u></b>	<b><u>\$ 49,246</u></b>	<b><u>9.58%</u></b>

**FUTURE BUDGETARY IMPLICATIONS**

Norwich residents have a long history of strong support for the education of their children and for providing sufficient resources for quality education. There is no indication of any change in this support. Nonetheless, funding for education is a matter of concern in view of a changing economy and state legislation. School policymakers constantly struggle with the challenges of operating the District’s programs. With a state financing system that relies heavily on a statewide property tax, changing property values in Norwich when compared with values elsewhere will put upward pressure on tax obligations, regardless of the level of local spending on schools. Further, since the system is based on per pupil, rather than total, costs, flat or declining enrollments will also put upward pressure on tax rates. Further budgetary challenges will undoubtedly include increases in health insurance, necessary infrastructure upgrades including technology, tightening the building envelope and waste disposal. School administrators are constantly mindful of the financial impact of school budgets on taxpayers. The administration and school board are committed to continually looking for ways to contain cost increases and to keep budgets as low as possible, while at the same time not compromising services to students. Residents have shown patience in that they have not let taxation issues detract from their financial support of their schools.

On March 11, 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19), a global pandemic. In response to the pandemic, the State of New Hampshire’s Governor issued an order declaring a state of emergency on March 13, 2020. It anticipated that the impact of the pandemic will continue for some time. As a result, economic uncertainties have arisen which could have a financial impact of the School District though such an impact is unknown at this time. The School District does have a good amount of reserves available to deal with unscheduled emergency issues that might arise with building needs and/or special education pressures.

**Contacting School District’s Financial Management**

Questions regarding this report should be directed to Jay Badams, PhD, Superintendent of Schools or to Jamie Teague, Business Administrator, at (603)-643-6050 or by mail at:

Norwich School District  
c/o School Administrative Unit #70  
41 Lebanon Street, Suite 2  
Hanover, New Hampshire 03755

***BASIC FINANCIAL STATEMENTS***

*EXHIBIT A*  
**NORWICH SCHOOL DISTRICT**  
*Statement of Net Position*  
*June 30, 2020*

	Governmental Activities
<b>ASSETS</b>	
Cash and cash equivalents	\$ 1,858,614
Intergovernmental receivable	144,492
Capital assets, not being depreciated	34,084
Capital assets, net of accumulated depreciation	1,497,299
Total assets	3,534,489
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Amounts related to pensions	104,771
Amounts related to other postemployment benefits	13,211
Total deferred outflows of resources	117,982
<b>LIABILITIES</b>	
Accounts payable	33,869
Accrued salaries and benefits	211,454
Accrued interest payable	1,552
Noncurrent obligations:	
Due within one year	45,000
Due in more than one year	518,284
Total liabilities	810,159
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Unavailable revenue - donations	14,097
Unavailable revenue - student balances	438
Amounts related to pensions	2,273
Amounts related to other postemployment benefits	34,358
Total deferred inflows of resources	51,166
<b>NET POSITION</b>	
Net investment in capital assets	1,396,383
Unrestricted	1,394,763
Total net position	\$ 2,791,146

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

**EXHIBIT B**  
**NORWICH SCHOOL DISTRICT**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2020

	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Change in Net Position
Governmental activities:				
Instruction	\$ 4,835,196	\$ 17,474	\$ 1,642,833	\$ (3,174,889)
Support services:				
Student	211,752	-	-	(211,752)
Instructional staff	159,872	-	-	(159,872)
General administration	31,229	-	-	(31,229)
Executive administration	254,402	-	-	(254,402)
School administration	470,553	-	-	(470,553)
Operation and maintenance of plant	443,155	-	12,140	(431,015)
Student transportation	263,369	-	114,638	(148,731)
Noninstructional services	50,418	18,702	4,412	(27,304)
Interest on long-term debt	3,399	-	-	(3,399)
Intergovernmental transfers	6,486,961	-	-	(6,486,961)
Depreciation unallocated	129,927	-	-	(129,927)
Total governmental activities	<u>\$ 13,340,233</u>	<u>\$ 36,176</u>	<u>\$ 1,774,023</u>	<u>(11,530,034)</u>
General revenues:				
Grants and contributions not restricted to specific programs				11,202,866
Interest				36,896
Miscellaneous				17,381
Total general revenues				<u>11,257,143</u>
Change in net position				(272,891)
Net position, beginning				3,064,037
Net position, ending				<u>\$ 2,791,146</u>

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

**EXHIBIT C-1**  
**NORWICH SCHOOL DISTRICT**  
**Governmental Funds**  
**Balance Sheet**  
**June 30, 2020**

	General	Grants	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,725,985	\$ -	\$ 132,629	\$ 1,858,614
Intergovernmental receivable	94,485	46,959	3,048	144,492
Interfund receivables	23,001	-	-	23,001
Total assets	<u>\$ 1,843,471</u>	<u>\$ 46,959</u>	<u>\$ 135,677</u>	<u>\$ 2,026,107</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 8,690	\$ 1,500	\$ 23,679	\$ 33,869
Accrued salaries and benefits	188,996	22,458	-	211,454
Interfund payable	-	23,001	-	23,001
Total liabilities	<u>197,686</u>	<u>46,959</u>	<u>23,679</u>	<u>268,324</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue - donations	14,097	-	-	14,097
Unavailable revenue - student balances	-	-	438	438
Total deferred inflows of resources	<u>14,097</u>	<u>-</u>	<u>438</u>	<u>14,535</u>
<b>FUND BALANCES</b>				
Restricted	-	-	60,724	60,724
Committed	1,119,918	-	50,836	1,170,754
Assigned	42,158	-	-	42,158
Unassigned	469,612	-	-	469,612
Total fund balances	<u>1,631,688</u>	<u>-</u>	<u>111,560</u>	<u>1,743,248</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,843,471</u>	<u>\$ 46,959</u>	<u>\$ 135,677</u>	<u>\$ 2,026,107</u>

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

**EXHIBIT C-2**  
**NORWICH SCHOOL DISTRICT**  
**Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position**  
**June 30, 2020**

Total fund balances of governmental funds (Exhibit C-1)		\$ 1,743,248
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources, therefore, are not reported in the governmental funds.		
Cost	\$ 4,637,800	
Less accumulated depreciation	<u>(3,106,417)</u>	
		1,531,383
Pension and other postemployment benefits (OPEB) related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year, and therefore, are not reported in the governmental funds as follows:		
Deferred outflows of resources related to pensions	\$ 104,771	
Deferred inflows of resources related to pensions	(2,273)	
Deferred outflows of resources related to OPEB	13,211	
Deferred inflows of resources related to OPEB	<u>(34,358)</u>	
		81,351
Interfund receivables and payables between governmental funds are eliminated on the Statement of Net Position.		
Receivables	\$ (23,001)	
Payables	<u>23,001</u>	
		-
Interest on long-term debt is not accrued in governmental funds.		
Accrued interest payable		(1,552)
Long-term liabilities are not due and payable in the current period, therefore, are not reported in the governmental funds.		
Note	\$ 135,000	
Compensated absences	10,519	
Net pension liability	262,919	
Other postemployment benefits	<u>154,846</u>	
		<u>(563,284)</u>
Net position of governmental activities (Exhibit A)		<u><u>\$ 2,791,146</u></u>

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

**EXHIBIT C-3**  
**NORWICH SCHOOL DISTRICT**  
**Governmental Funds**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**For the Fiscal Year Ended June 30, 2020**

	General	Grants	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Other local	\$ 71,751	\$ -	\$ 38,807	\$ 110,558
State	11,886,843	14,757	-	11,901,600
Federal	-	183,892	37,616	221,508
Total revenues	<u>11,958,594</u>	<u>198,649</u>	<u>76,423</u>	<u>12,233,666</u>
<b>EXPENDITURES</b>				
Current:				
Instruction	3,717,603	186,509	29,010	3,933,122
Support services:				
Student	211,752	-	-	211,752
Instructional staff	159,872	-	-	159,872
General administration	31,229	-	-	31,229
Executive administration	254,402	-	-	254,402
School administration	457,510	-	-	457,510
Operation and maintenance of plant	369,549	-	-	369,549
Student transportation	263,369	-	-	263,369
Noninstructional services	4,324	-	46,094	50,418
Debt service:				
Principal	45,000	-	-	45,000
Interest	3,580	-	-	3,580
Facilities acquisition and construction	94,028	12,140	-	106,168
Total expenditures	<u>5,612,218</u>	<u>198,649</u>	<u>75,104</u>	<u>5,885,971</u>
Excess of revenues over expenditures	<u>6,346,376</u>	<u>-</u>	<u>1,319</u>	<u>6,347,695</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	22,980	22,980
Transfers out	(22,980)	-	-	(22,980)
Intergovernmental transfers out	(6,486,961)	-	-	(6,486,961)
Total other financing sources (uses)	<u>(6,509,941)</u>	<u>-</u>	<u>22,980</u>	<u>(6,486,961)</u>
Net change in fund balances	(163,565)	-	24,299	(139,266)
Fund balances, beginning	1,795,253	-	87,261	1,882,514
Fund balances, ending	<u>\$ 1,631,688</u>	<u>\$ -</u>	<u>\$ 111,560</u>	<u>\$ 1,743,248</u>

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

**EXHIBIT C-4**  
**NORWICH SCHOOL DISTRICT**  
*Reconciliation of the Statement of Revenues, Expenditures, and*  
*Changes in Fund Balances - Governmental Funds to the Statement of Activities*  
*For the Fiscal Year Ended June 30, 2020*

Net change in fund balances of total governmental funds (Exhibit C-3)		\$(139,266)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures, while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Depreciation expense exceeded capital outlay expenditures in the current year, as follows:		
Capitalized capital outlay	\$ 42,659	
Depreciation expense	<u>(148,317)</u>	(105,658)
Transfers in and out between governmental funds are eliminated on the Statement of Activities.		
Transfers in	\$ (22,980)	
Transfers out	<u>22,980</u>	-
Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		
Principal repayment of note		45,000
Some expenses reported in the Statement of Activities do not require the use of current financial resources, therefore, are not reported as expenditures in governmental funds.		
Decrease in accrued interest expense	\$ 181	
Increase in compensated absences payable	(6,858)	
Net change in net pension liability and deferred outflows and inflows of resources related to pensions	(58,893)	
Net change in net other postemployment benefits liability and deferred outflows and inflows of resources related to other postemployment benefits	<u>(7,397)</u>	(72,967)
Change in net position of governmental activities (Exhibit B)		<u><u>\$(272,891)</u></u>

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



**EXHIBIT D**  
**NORWICH SCHOOL DISTRICT**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual (Non-GAAP Budgetary Basis)**  
**General Fund**  
**For the Fiscal Year Ended June 30, 2020**

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Other local	\$ 30,350	\$ 30,350	\$ 70,120	\$ 39,770
State	11,865,311	11,865,311	11,886,843	21,532
Total revenues	<u>11,895,661</u>	<u>11,895,661</u>	<u>11,956,963</u>	<u>61,302</u>
<b>EXPENDITURES</b>				
Current:				
Instruction	3,831,839	3,832,239	3,717,603	114,636
Support services:				
Student	213,464	213,464	211,752	1,712
Instructional staff	191,339	191,339	159,872	31,467
General administration	29,316	29,316	33,649	(4,333)
Executive administration	254,402	254,402	254,402	-
School administration	459,842	461,442	482,733	(21,291)
Operation and maintenance of plant	365,124	365,124	371,288	(6,164)
Student transportation	311,743	311,743	264,125	47,618
Noninstructional	2,000	-	4,324	(4,324)
Debt service:				
Principal	45,000	45,000	45,000	-
Interest	3,626	3,626	3,580	46
Facilities acquisition and construction	90,450	90,450	106,048	(15,598)
Total expenditures	<u>5,798,145</u>	<u>5,798,145</u>	<u>5,654,376</u>	<u>143,769</u>
Excess of revenues over expenditures	<u>6,097,516</u>	<u>6,097,516</u>	<u>6,302,587</u>	<u>205,071</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	230,452	230,452	230,452	-
Transfers out	(69,000)	(69,000)	(72,980)	(3,980)
Intergovernmental transfers out	(6,486,961)	(6,486,961)	(6,486,961)	-
Total other financing sources (uses)	<u>(6,325,509)</u>	<u>(6,325,509)</u>	<u>(6,329,489)</u>	<u>(3,980)</u>
Net change in fund balance	<u>\$ (227,993)</u>	<u>\$ (227,993)</u>	(26,902)	<u>\$ 201,091</u>
Decrease in nonspendable fund balance			5,220	
Unassigned fund balance, beginning			491,294	
Unassigned fund balance, ending			<u>\$ 469,612</u>	

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

**NORWICH SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2020**

	<u>NOTE</u>
<b>Summary of Significant Accounting Policies .....</b>	1
Reporting Entity .....	1-A
Government-wide and Fund Financial Statements .....	1-B
Measurement Focus, Basis of Accounting, and Financial Statement Presentation.....	1-C
Cash and Cash Equivalents.....	1-D
Receivables.....	1-E
Capital Assets .....	1-F
Interfund Activities.....	1-G
Accounts Payable .....	1-H
Deferred Outflows/Inflows of Resources .....	1-I
Long-term Obligations .....	1-J
Compensated Absences .....	1-K
Defined Benefit Pension Plan.....	1-L
Postemployment Benefits Other Than Pensions (OPEB) .....	1-M
Net Position/Fund Balances.....	1-N
Use of Estimates .....	1-O
 <b>Stewardship, Compliance, and Accountability .....</b>	 2
Budgetary Information.....	2-A
Budgetary Reconciliation to GAAP Basis .....	2-B

**DETAILED NOTES ON ALL FUNDS**

<b>Cash and Cash Equivalents .....</b>	3
<b>Receivables .....</b>	4
<b>Capital Assets.....</b>	5
<b>Interfund Balances and Transfers .....</b>	6
<b>Deferred Outflows/Inflows of Resources .....</b>	7
<b>Long-term Liabilities .....</b>	8
<b>Defined Benefit Pension Plan .....</b>	9
Vermont Municipal Employees' Retirement System (VMERS).....	9-A
Vermont State Teachers' Retirement System (VSTRS).....	9-B
<b>Postemployment Benefits Other Than Pensions (OPEB) .....</b>	10
Vermont State Teachers' Retirement System (VSTRS).....	10-A
Retiree Health Benefit Program.....	10-B
<b>Governmental Activities Net Position.....</b>	11
<b>Governmental Fund Balances .....</b>	12
<b>Contingent Liabilities.....</b>	13
<b>Subsequent Events.....</b>	14

**NORWICH SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2020**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Norwich School District, in Hanover, New Hampshire (the School District), have been prepared in conformity with U.S. Generally Accepted Accounting Principles (GAAP) for governmental units as prescribed by the Governmental Accounting Standards Board (GASB) and other authoritative sources.

***1-A Reporting Entity***

The Norwich School District is a municipal corporation governed by an elected 5-member School Board. In evaluating how to define the School District for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity is made by applying the criteria set forth by the GASB. The School District has no component units to include in its reporting entity.

The following is a summary of the more significant accounting policies:

***1-B Government-wide and Fund Financial Statements***

***Government-wide Financial Statements*** – The Statement of Net Position and the Statement of Activities report information on all of the nonfiduciary activities of the primary government. Generally, the effect of interfund activity has been eliminated from these statements. Governmental activities normally are supported through assessments and intergovernmental revenues.

The *Statement of Net Position* presents the financial position of the School District at year-end. This Statement includes all of the School District’s non-fiduciary assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position.

The *Statement of Activities* demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational requirements of a particular function. Assessments and other items not meeting the definition of program revenues are reported instead as general revenues. Resources that are dedicated internally are reported as general revenue rather than program revenue.

***Fund Financial Statements*** – Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds, and are presented in the other governmental column of the fund financial statements.

In the governmental fund financial statements, expenditures are reported by character: current, debt service or facilities acquisition and construction. Current expenditures are subclassified by function and are for items such as salaries, grants, supplies, and services. Debt service includes both interest and principal outlays related to notes. Capital outlay includes expenditures for equipment, real property, or infrastructure.

***Other Financing Sources (Uses)*** – These additions to and reductions from resources in governmental fund financial statements normally result from transfers from/to other funds. Transfers are reported when incurred as “transfers in” by the receiving fund and as “transfers out” by the disbursing fund.

***1-C Measurement Focus, Basis of Accounting, and Financial Statement Presentation***

***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*. Revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources* measurement focus and the *modified accrual basis* of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period.

**NORWICH SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2020**

For this purpose, the School District generally considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, with the exception of reimbursement based grants, which use a period of one year. District assessments, intergovernmental revenue, and other local sources associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. All other revenue items are considered to be measurable and available only when cash is received by the government.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

**Financial Statement Presentation** – A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to report financial position and the results of operations, to demonstrate legal compliance, and to aid financial management by segregating transactions related to certain government functions or activities.

The School District reports the following major governmental funds:

**General Fund** – is the School District’s primary operating fund. The general fund accounts for all financial resources except those required to be accounted for in another fund. The primary revenue sources include district assessments, state and federal grants, and other local sources. The primary expenditures are for instruction, support services, debt service, and facilities acquisition and construction. Under GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, guidance the expendable trust funds are consolidated in the general fund.

**Grants Fund** – accounts for the resources received from various federal and state agencies. The resources are restricted to accomplishing the various objectives of the grantor agencies.

**Nonmajor Funds** – The School District also reports three nonmajor governmental funds.

***1-D Cash and Cash Equivalents***

The School District considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Deposits with financial institutions consist primarily of demand deposits and savings accounts. A cash pool is maintained that is available for use by all funds. Each fund’s portion of this pool is reflected on the combined financial statements under the caption “cash and cash equivalents.”

***1-E Receivables***

Receivables in the government-wide and governmental fund financial statements represent amounts due to the School District at June 30, recorded as revenue, which will be collected in the future and consist of intergovernmental receivables.

***1-F Capital Assets***

Capital assets are reported in the governmental activities’ column in the government-wide financial statements. Purchased or constructed assets are recorded at actual cost or estimated historical cost if actual cost is unavailable. Donated capital assets are recorded at estimated fair value at the date of donation, if received on or before June 15, 2015. Donated capital assets received after June 15, 2015 are recorded at acquisition value. The School District has established a threshold of \$5,000 or more and an estimated useful life in excess of one year for capitalization of depreciable assets.

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

The accounting and reporting treatment applied to capital assets associated with a fund are determined by the fund’s measurement focus. General capital assets are assets of the School District as a whole. When purchased, such assets are recorded as expenditures in a governmental fund and capitalized as assets in the government-wide Statement of Net Position.

In the government-wide financial statements, the cost of property sold or retired, together with the related accumulated depreciation, is removed and any resulting gain or loss is included in income.

**NORWICH SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2020**

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

<b>Capital Asset Class:</b>	<u>Years</u>
Land improvements	20-40
Buildings and building improvements	20-40
Equipment and vehicles	5

***1-G Interfund Activities***

Interfund activities are reported as follows:

***Interfund Receivables and Payables*** – Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds.” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). Interfund receivables and payables between funds are eliminated in the Statement of Net Position.

***Interfund Transfers*** – Interfund transfers represent flows of assets without equivalent flows of assets in return and without a requirement for repayment. In governmental funds, transfers are reported as other financing uses in the funds making the transfers and other financing sources in the funds receiving the transfers. In the government-wide financial statements, all interfund transfers between individual governmental funds have been eliminated.

***1-H Accounts Payable***

Accounts payable represent the gross number of expenditures or expenses incurred as a result of normal operations, but for which no actual payment has yet been issued to vendors/providers as of June 30, 2020.

***1-I Deferred Outflows/Inflows of Resources***

***Deferred outflows of resources***, a separate financial statement element, represents a consumption of net position or fund balance that applies to a future period(s) and thus will not be recognized as an outflow of resources (expenses) until then.

***Deferred inflows of resources***, a separate financial statement element, represents an acquisition of net position or fund balance that applies to a future period(s) which will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year.

***1-J Long-term Obligations***

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities Statement of Net Position. The School District did not issue any debt during fiscal year 2020.

***1-K Compensated Absences***

General leave for the School District includes vacation pay. General leave is based on an employee’s length of employment and is earned ratably during the span of employment. Upon retirement or termination, employees are paid full value for any accrued general leave earned as set forth by the School District’s personnel policy.

Vested or accumulated general leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated general leave that are not expected to be liquidated with expendable financial resources are maintained separately and represent a reconciling item between the fund and government-wide presentations.

**NORWICH SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2020**

***1-L Defined Benefit Pension Plan***

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, and as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* requires participating employers to recognize their proportionate share of collective net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense, and schedules have been prepared to provide employers with their calculated proportionate share of these amounts. The collective amounts have been allocated based on employer contributions during the respective fiscal years. Contributions from employers are recognized when legally due, based on statutory requirements.

The schedules prepared by the Vermont Municipal Employees' Retirement System and Vermont State Teachers' Retirement System, and audited by the plan's independent auditors, require management to make a number of estimates and assumptions related to the reported amounts. Due to the inherent nature and uncertainty of these estimates, actual results could differ, and the differences may be material.

***1-M Postemployment Benefits Other Than Pensions (OPEB)***

The School District maintains two separate other postemployment benefit plans, as follows:

***Vermont State Teachers' Retirement System Plan (VSTRS)*** – The School District is a member of VSTRS, a cost-sharing multiple employer OPEB plan with a special funding situation as defined in GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. The State of Vermont is the sole contributor to the plan, and is considered a nonemployer contributing entity. Employer contributions are required by statute to be made by the State on behalf of member employers. Since the School District does not contribute directly to VSTRS, there is no net OPEB liability, deferred inflows of resources, or deferred outflows of resources to report in the School District's financial statements. The School District does disclose their portion of the State's total proportionate share of the collective net OPEB liability, deferred outflows of resources, and deferred inflows of resources as noted in Note 10-A. The School District recognizes pension expense and revenue equal to the amount of the State's total proportionate share of the collective OPEB expense associated with the School District.

***Single Employer Plan*** – For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information has been determined based on the School District's actuarial report. For this purpose, benefit payments are recognized when due and payable in accordance with benefit terms.

***1-N Net Position/Fund Balances***

Government-wide statements – Equity is classified as net position and displayed in two components:

**Net Investment in Capital Assets** – Consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of notes attributable to the acquisition, construction, or improvement of those assets.

**Unrestricted Net Position** – Consists of net position not meeting the definition of the preceding category. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

***Fund Balance Classifications*** – GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, provides more clearly defined fund balance categories to make sure the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

**Restricted** – Amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

**NORWICH SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2020**

**Committed** – Amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the legislative body (School District Meeting). These amounts cannot be used for any other purpose unless the legislative body removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

**Assigned** – Amounts that are constrained by the School District’s intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the School Board or through the Board delegating this responsibility to the Superintendent and Business Administrator through the budgetary process.

**Unassigned** – The portion of fund balance that has not been restricted, committed, or assigned for a specific purpose.

When multiple net position/fund balance classifications are available for use, it is the School District’s policy to utilize the most restricted balances first, then the next most restricted balance as needed. When components of unrestricted fund balance are used, committed fund balance is depleted first followed by assigned fund balance. Unassigned fund balance is applied last.

The School Board will attempt to maintain an unassigned general fund balance equal to three to five percent of total general fund budget.

***1-O Use of Estimates***

The financial statements and related disclosures are prepared in conformity with accounting principles generally accepted in the United States. Management is required to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses/expenditures during the period reported. These estimates include assessing the collectability of accounts receivable and the useful lives of capital assets, among others. Estimates and assumptions are reviewed periodically and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from estimates.

***NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY***

***2-A Budgetary Information***

General governmental revenues and expenditures accounted for in budgetary funds are controlled by a formal integrated budgetary accounting system in accordance with various legal requirements which govern the School District’s operations. At its annual meeting, the School District adopts a budget for the current year for the general fund. Except as reconciled below, the budget was adopted on a basis consistent with United States generally accepted accounting principles.

Management may transfer appropriations between operating categories as deemed necessary, but expenditures may not legally exceed budgeted appropriations in total. All annual appropriations lapse at year-end unless encumbered.

Encumbrance accounting, under which purchase orders, contracts, and continuing appropriations (certain projects and specific items not fully expended at year-end) are recognized, is employed in the governmental funds. Encumbrances are not the equivalent of expenditures, and are therefore, reported as part of the assigned fund balance at year-end, and are carried forward to supplement appropriations of the subsequent year.

State statutes require balanced budgets, but provide for the use of beginning unassigned fund balance to achieve that end. In the fiscal year 2020, \$227,993 of the beginning general fund unassigned fund balance was applied for this purpose.

**NORWICH SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2020**

**2-B Budgetary Reconciliation to GAAP Basis**

While the School District reports financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual is presented for each major governmental fund which had a budget. Differences between the budgetary basis and GAAP basis of accounting for the general fund are as follows:

Revenues and other financing sources:	
Per Exhibit D (budgetary basis)	\$ 12,187,415
Adjustments:	
Basis difference:	
GASB Statement No. 54:	
Revenue related to the blended expendable trust funds	1,631
To remove transfer from blended expendable trust fund to the general fund	(230,452)
Per Exhibit C-3 (GAAP Basis)	<u>\$ 11,958,594</u>
Expenditures and other financing uses:	
Per Exhibit D (budgetary basis)	\$ 12,214,317
Adjustments:	
Basis difference:	
Encumbrances, beginning	
	-
Encumbrances, ending	
	(42,158)
GASB Statement No. 54:	
To remove transfer from the general fund to the blended expendable trust fund	(50,000)
Per Exhibit C-3 (GAAP basis)	<u>\$ 12,122,159</u>

**DETAILED NOTES ON ALL FUNDS**

**NOTE 3 – CASH AND CASH EQUIVALENTS**

The School District's deposits are entirely covered by federal depository insurance (FDIC) or by collateral held by the School District's agent in the School District's name. The FDIC currently insures the first \$250,000 of the School District's deposits at each financial institution, per case custodian. Deposit balances over \$250,000 are insured by collateral. As of year-end, the carrying amount of the School District's deposits was \$1,858,614 and the bank balances totaled \$1,938,682. Petty cash totaled \$400.

**NOTE 4 – RECEIVABLES**

Receivables at June 30, 2020, consisted of intergovernmental amounts arising from tuition, grants, and school lunch program. Receivables are recorded on the School District's financial statements to the extent that the amounts are determined to be material and substantiated not only by supporting documentation, but also by a reasonable, systematic method of determining their existence, completeness, valuation, and collectability.



**NORWICH SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2020**

**NOTE 5 – CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2020 consisted of the following:

	Balance, beginning	Additions	Retirements	Balance, ending
At cost:				
Not being depreciated:				
Land	\$ 2,500	\$ -	\$ -	\$ 2,500
Construction in progress	-	31,584	-	31,584
Total capital assets not being depreciated	<u>2,500</u>	<u>31,584</u>	<u>-</u>	<u>34,084</u>
Being depreciated:				
Land improvements	120,439	-	-	120,439
Buildings and building improvements	4,402,202	11,075	-	4,413,277
Equipment and vehicles	130,730	-	(60,730)	70,000
Total capital assets being depreciated	<u>4,653,371</u>	<u>11,075</u>	<u>(60,730)</u>	<u>4,603,716</u>
Total capital assets	<u>4,655,871</u>	<u>42,659</u>	<u>(60,730)</u>	<u>4,637,800</u>
Less accumulated depreciation:				
Land improvements	(91,257)	(2,416)	-	(93,673)
Buildings and building improvements	(2,840,189)	(129,854)	-	(2,970,043)
Equipment and vehicles	(87,384)	(16,047)	60,730	(42,701)
Total accumulated depreciation	<u>(3,018,830)</u>	<u>(148,317)</u>	<u>60,730</u>	<u>(3,106,417)</u>
Net book value, capital assets being depreciated	<u>1,634,541</u>	<u>(137,242)</u>	<u>-</u>	<u>1,497,299</u>
Net book value, all capital assets	<u>\$ 1,637,041</u>	<u>\$ (105,658)</u>	<u>\$ -</u>	<u>\$ 1,531,383</u>

Depreciation expense was charged to functions of the School District based on their usage of the related assets. The amounts allocated to each function are as follows:

Instruction	\$ 16,342
Support services:	
Operation and maintenance of plant	2,048
Unallocated	129,927
Total depreciation expense	<u>\$ 148,317</u>

**NOTE 6 – INTERFUND BALANCES AND TRANSFERS**

Interfund receivable and payable balances consisting of overdrafts in pooled cash and budgetary transfers at June 30, 2020 are as follows:

Receivable Fund	Payable Fund	Amount
General	Grants	<u>\$ 23,001</u>

Interfund transfers during the year ended June 30, 2020 are as follows:

	<u>Transfers In:</u>
	Nonmajor
	Fund
Transfers out:	
General fund	<u>\$ 22,980</u>

Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; and (2) use unrestricted revenue collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**NORWICH SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2020**

**NOTE 7 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES**

Deferred outflows of resources at June 30, 2020 are as follows:

	Governmental Activities
Amounts related to pensions, see Note 9	\$ 104,771
Amounts related to OPEB, see Note 10	13,211
Total deferred outflows of resources	\$ 117,982

Deferred inflows of resources at June 30, 2020 are as follows:

	Governmental Activities	General Fund	Nonmajor Governmental Funds
Donations collected in advance of eligible expenditures being made	\$ 14,097	\$14,097	\$ -
Student lunch fees collected in advance	438	-	438
Amounts related to pensions, see Note 9	2,273	-	-
Amounts related to OPEB, see Note 10	34,358	-	-
Total deferred inflows of resources	\$ 51,166	\$14,097	\$ 438

**NOTE 8 – LONG-TERM LIABILITIES**

Changes in the School District’s long-term liabilities consisted of the following for the year ended June 30, 2020:

	Balance July 1, 2019	Additions	Reductions	Balance June 30, 2020	Due Within One Year
Note payable	\$ 180,000	\$ -	\$ (45,000)	\$ 135,000	\$ 45,000
Compensated absences	3,661	6,858	-	10,519	-
Pension related liability	193,040	69,879	-	262,919	-
Net other postemployment benefits	137,337	17,509	-	154,846	-
Total long-term liabilities	\$ 514,038	\$ 94,246	\$ (45,000)	\$ 563,284	\$ 45,000

The long-term note is comprised of the following:

	Original Amount	Issue Date	Maturity Date	Interest Rate	Outstanding at June 30, 2020
Note payable: HVAC Project	\$ 270,000	2017	2023	2.15%	\$ 135,000

The annual requirements to amortize all the note outstanding as of June 30, 2020, including interest payments, are as follows:

Fiscal Year Ending June 30.	Principal	Interest	Total
2021	\$ 45,000	\$ 2,667	\$ 47,667
2022	45,000	1,691	46,691
2023	45,000	724	45,724
Totals	\$ 135,000	\$ 5,082	\$ 140,082

All debt is general obligation debt of the School District, which is backed by its full faith and credit, and will be repaid from general governmental revenues.

**NORWICH SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2020**

**NOTE 9 – DEFINED BENEFIT PENSION PLAN**

**9-A Vermont Municipal Employees’ Retirement System (VMERS)**

**Plan Description** – The Vermont Municipal Employees’ Retirement System (VMERS) is a cost-sharing, multi-employer defined benefit pension plan that is administered by the State Treasurer and its Board of Trustees. It is designed for school districts and other municipal employees that work on a regular basis and also includes employees of museums and libraries if at least half of that institution’s operating expenses are met by municipal funds. An employee of an employer that becomes affiliated with the system may join at that time or at any time thereafter. Any employee hired subsequent to the effective participation date of their employer who meets the minimum hourly requirements is required to join the system. The plan was established effective July 1, 1975, and is governed by Title 24, V.S.A. Chapter 125. The general administration and responsibility for formulating administrative policy and procedures of VMERS for its members and their beneficiaries is vested in the Board of Trustees consisting of five members. They are the State Treasurer, two employee representatives elected by the membership of the system, and two employer representatives—one elected by the governing bodies of participating employers of the system, and one elected by the Governor from a list of four nominees. The list of four nominees is jointly submitted by the Vermont League of Cities and Towns and the Vermont School Board Association. The System issues a publicly available financial report that may be obtained by writing the Vermont State Treasurer’s Office, 133 State Street, Montpelier, VT 05633.

**Benefits Provided** – The Pension Plan is divided into four membership groups:

- Group A – general employees whose legislative bodies have not elected to become a member of Group B or Group C.
- Group B & C – general employees who legislative bodies have elected to become members of Group B or Group C.
- Group D – sworn police officers, firefighters, and emergency medical personnel.

All assets are held in a single trust and are available to pay retirement benefits to all members. Benefits available to each group are based on average final compensation (AFC) and years of creditable service, and are summarized below:

VMERS	Group A	Group B	Group C	Group D
Normal Retirement (no reduction)	Age 65 with 5 years of service, or age 55 with 35 years of service	Age 62 with 5 years of service, or age 55 with 30 years of service	Age 55 with 5 years of service	Age 55 with 5 years of service
Average Final Compensation (AFC)	Highest 5 consecutive years	Highest 3 consecutive years	Highest 3 consecutive years	Highest 2 consecutive years
Benefit Formula	1.4% x creditable service x AFC	1.7% x creditable service x AFC + previous service: 1.4% x Group A service x AFC	2.5% x creditable service x AFC + previous service: 1.4% x Group A service x AFC; 1.7% x Group B x AFC	2.5% x creditable service x AFC + previous service: 1.4% x Group A service x AFC; 1.7% x Group B service x AFC; 2.5% x Group C service x AFC
Maximum Benefit Payable	60% of AFC	60% of AFC	50% of AFC	50% of AFC
Post-Retirement COLA	50% of CPI, up to 2% per year	50% of CPI, up to 3% per year	50% of CPI, up to 3% per year	50% of CPI, up to 3% per year
Early Retirement Eligibility	Age 55 with 5 years of service	Age 55 with 5 years of service	N/A	Age 50 with 20 years of service
Early Retirement Reduction	6% per year from age 62**	6% per year from age 65**	N/A	No reduction

**NORWICH SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2020**

**Contributions:** Contribution requirements for the Vermont Municipal Employees' Retirement System – Group A were 2.5% of gross salaries for employees and 4.0% from the School District (no state contribution). Employer contributions for the plan were \$26,352 for the fiscal year ended June 30, 2020.

**Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions** – At June 30, 2020, the School District reported a liability of \$262,919 for its proportionate share of net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018. The School District's proportion of the net pension liability was based on a projection of the School District's long-term share of contributions to the pension plan relative to the projected contributions of all participating towns and school districts, actuarially determined. At June 30, 2019, the School District's proportion was 0.1515% which was an increase of 0.0143% in its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the School District recognized pension expense of \$86,790. At June 30, 2020, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion and difference between employer contributions and proportionate share of contributions	\$ 17,669	\$ -
Net difference between projected and actual investment earnings on pension plan investments	17,908	-
Changes in assumptions	8,778	-
Differences between expected and actual experience	34,064	2,273
Contributions subsequent to the measurement date	26,352	-
Total	\$ 104,771	\$ 2,273

The \$26,352 reported as deferred outflows of resources related to pensions results from the School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30,	
2021	\$ 28,821
2022	17,911
2023	17,816
2024	11,598
Totals	\$ 76,146

**Actuarial Assumptions:** The total pension liability for the June 30, 2019 measurement date was determined by an actuarial valuation as of June 30, 2018 with update procedures used to roll forward the total pension liability to June 30, 2019.

**Long-term Rates of Return** – The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class.

**NORWICH SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2020**

These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Asset Class	Target Asset Allocation	Long-term expected real rate of return
Global Equity	29.00%	6.90%
US Equity - Large Cap	4.00%	5.94%
US Equity - Small/Mid Cap	3.00%	6.72%
Non-US Equity - Large Cap	5.00%	6.81%
Non-US Equity - Small/Mid Cap	2.00%	7.31%
Emerging Markets Debt	4.00%	4.26%
Core Bond	14.00%	1.79%
Non-Core Bonds	6.00%	3.22%
Short Quality Credit	5.00%	1.81%
Private Credit	5.00%	6.00%
US TIPS	3.00%	1.45%
Core Real Estate	5.00%	4.26%
Non-Core Real Estate	3.00%	5.76%
Private Equity	10.00%	10.81%
Infrastructure/Farmland	2.00%	4.89%
Total	100.00%	

**Discount Rate** – The discount rate used to measure the total pension liability was 7.50% for the Vermont Municipal Employees' Retirement System. The projection of cash flows used to determine the discount rate assumed that contributions will continue to be made in accordance with the current funding policy. Based on these assumptions, the fiduciary net position was projected to be available to make all projected future benefit payments to current System members. The assumed discount rate has been determined in accordance with the method prescribed by GASB Statement No. 68.

**Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** – The following table presents the School District's proportionate share of the net pension liability calculated using the discount rate of 7.50% as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.50%) or 1-percentage point higher (8.50%) than the current rate:

Actuarial Valuation Date	1% Decrease 6.50%	Current Single Rate Assumption 7.50%	1% Increase 8.50%
June 30, 2018	\$ 431,147	\$ 262,919	\$ 123,657

**Pension Plan Fiduciary Net Position** – Detailed information about the pension plan's fiduciary net position is available in the separately issued Vermont Municipal Employees' Retirement System Cost-Sharing Multiple Employer Defined Benefit Pension Plan financial report.

**9-B Vermont State Teachers' Retirement System (VSTRS)**

**Plan Description** – The Vermont State Teachers' Retirement System (VSTRS) is a cost-sharing, multi-employer defined benefit plan with a special funding situation. It 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 in classes is a condition of employment. The plan was created in 1947, and is governed by Title 16, V.S.A. Chapter 55. Management of the plan is vested in the VSTRS Board of Trustees, which consists of the Secretary of Education (ex-officio); the State Treasurer (ex-officio); the Commissioner of Financial Regulation (ex-officio); two trustees and one alternate who are members of the system (each elected by the system under rules adopted by the Board) and one trustee and one alternate who are retired members of the system receiving retirement benefits (who are elected by the Association of Retired Teachers of Vermont).

**NORWICH SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2020**

**Benefits Provided** – The Pension Plan is divided into the following membership groups:

- Group A – for public school teachers employed within the State of Vermont prior to July 1, 1981 and elected to remain in Group A.
- Groups C – for public school teachers employed within the State of Vermont on or after July 1, 1990, or hired before July 1, 1990 and were a member of Group B at that time.

All assets are held in a single trust and are available to pay retirement benefits to all members. Benefits available to each group are based on average final compensation (AFC) and years of creditable service, and are summarized below:

VSTRS	Group A	Group C - Group #1*	Group C - Group #2++
Normal service retirement eligibility (no reduction)	Age 60 or with 30 years of service	Age 62 or with 30 years of service	Age 65 or when the sum of age and service equals 90
VSTRS	Group A	Group C - Group #1*	Group C - Group #2++
Average Final Compensation (AFC)	Highest 3 consecutive years, including unused annual leave, sick leave, and bonus/incentives	Highest 3 consecutive years, excluding all payments for anything other than service actually performed	Highest 3 consecutive years, excluding all payments for anything other than service actually performed
Benefit formula - normal service retirement	1.67% x creditable service x AFC	1.25% x service prior to 6/30/90 x AFC + 1.67% x service after 7/1/90 x AFC	1.25% x service prior to 6/30/90 X AFC + 1.67% x service after 7/1/90 x AFC after attaining 20 years
Maximum Benefit Payable	100% of AFC	53.34% of AFC	60% of AFC
Post-Retirement COLA	Full CPI, up to a maximum of 5% after 12 months of retirement, minimum of 1%	50% CPI, up to a maximum of 5% after 12 months of retirement or with 30 years; minimum of 1%	50% CPI, up to a maximum of 5; minimum of 1% after 12 months of normal retirement age 65
Early Retirement Eligibility	Age 55 with 5 years of service	Age 55 with 5 years of service	Age 55 with 5 years of service
Early Retirement Reduction	Actuarial reduction	6% per year from age 62	Actuarial reduction
Disability Benefit	Unreduced, accrued benefit with minimum of 25% of AFC	Unreduced, accrued benefit with minimum of 25% of AFC	Unreduced, accrued benefit with minimum of 25% of AFC
Death-in-Service Benefit	Disability benefit or early retirement benefit, whichever is greater, with 100% survivorship factor applied plus children's benefits up to maximum of three concurrently	Disability benefit or early retirement benefit, whichever is greater, with 100% survivorship factor applied plus children's benefits up to maximum of three concurrently	Disability benefit or early retirement benefit, whichever is greater, with 100% survivorship factor applied plus children's benefits up to maximum of three concurrently

\*Group #1 are members who were within 5 years of normal retirement (age 62 or 30 years of service) on June 30, 2010.

++ Group #2 are members who were less than 57 years of age or had less than 25 years of service on June 30, 2010.

Members of all groups may qualify for vested deferred allowance, disability allowances, and death benefit allowances subject to meeting various eligibility requirements. Benefits are based on AFC and service.

**NORWICH SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2020**

**Contributions:** Contribution requirements for the Vermont Teachers' Retirement System were 5.0% of gross salary from employees only (no employer contribution; state contributes 100% of employer portion based on actuarial recommendation) with the State contributing \$415,032 for the fiscal year ended June 30, 2019.

**Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions:** The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018. The School District's proportion of the net pension liability was based on a projection of the School District's long-term share of contributions to the pension plan relative to the projected contributions of all participating towns and school districts, actuarially determined. For the year ended June 30, 2020, the School District recorded pension expense of \$702,257, which has also been recognized as both a pension expense and intergovernmental revenue on the Statement of Activities. At June 30, 2019, the School District's proportion was 0.3649% which was a decrease of 0.0138% in its proportion measured as of June 30, 2018.

At June 30, 2020, the School District disclosed a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the School District. The State's portion of the collective net pension liability that was associated with the District was \$5,694,220.

At June 30, 2020, the School District disclosed deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion and difference between employer contributions and proportionate share of contributions	\$ 34,065	\$ 139,539
Net difference between projected and actual investment earnings on pension plan investments	97,634	-
Changes in assumptions	169,526	60,124
Differences between expected and actual experience	199,267	-
Total	\$ 500,492	\$ 199,663

Amounts disclosed as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30,	
2021	\$ 272,004
2022	7,413
2023	2,001
2024	19,411
2025	-
Totals	\$ 300,829

**Actuarial Assumptions:** The total pension liability for the June 30, 2019 measurement date was determined by an actuarial valuation as of June 30, 2018 with update procedures used to roll forward the total pension liability to June 30, 2019.

**Long-term Rates of Return –** The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class.

**NORWICH SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2020**

These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Asset Class	Target Asset Allocation	Long-term expected real rate of return
Global Equity	29.00%	6.90%
US Equity - Large Cap	4.00%	5.94%
US Equity - Small/Mid Cap	3.00%	6.72%
Non-US Equity - Large Cap	5.00%	6.81%
Non-US Equity - Small/Mid Cap	2.00%	7.31%
Emerging Markets Debt	4.00%	4.26%
Core Bond	14.00%	1.79%
Non-Core Bonds	6.00%	3.22%
Short Quality Credit	5.00%	1.81%
Private Credit	5.00%	6.00%
US TIPS	3.00%	1.45%
Core Real Estate	5.00%	4.26%
Non-Core Real Estate	3.00%	5.76%
Private Equity	10.00%	10.81%
Infrastructure/Farmland	2.00%	4.89%
Total	100.00%	

**Discount Rate** – The discount rate used to measure the total pension liability was 7.50% for the Vermont State Teachers' Retirement System. The projection of cash flows used to determine the discount rate assumed that contributions will continue to be made in accordance with the current funding policy. Based on these assumptions, the fiduciary net position was projected to be available to make all projected future benefit payments to current System members. The assumed discount rate has been determined in accordance with the method prescribed by GASB Statement No. 68.

**Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** – The following table presents the School District's proportionate share of the net pension liability calculated using the discount rate of 7.50% as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.50%) or 1-percentage point higher (8.50%) than the current rate:

Actuarial Valuation Date	1% Decrease 6.50%	Current Single Rate Assumption 7.50%	1% Increase 8.50%
June 30, 2018	\$ 7,071,580	\$ 5,694,220	\$ 4,532,112

**Pension Plan Fiduciary Net Position** – Detailed information about the pension plan's fiduciary net position is available in the separately issued Vermont State Teachers' Retirement System Cost-Sharing Multiple Employer Defined Benefit Pension Plan financial report.

At June 30, 2020, the School District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the School District. The amount recognized by the School District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the School District were as follows:

School District's proportionate share of the net pension liability	\$ 262,919
State's proportionate share of the net pension liability associated with the School District	5,694,220
Total	\$ 5,957,139



**NORWICH SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2020**

**NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)**

**10-A Vermont State Teachers’ Retirement System (VSTRS)**

**Plan Description** - The Vermont State Teachers' Retirement System (VSTRS) is a cost-sharing, multiple-employer postemployment benefit (OPEB) plan with a special funding situation (the Plan). The Plan provides postemployment benefits to eligible VSTRS employees who retire from the System.

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. During the year ended June 30, 2019, the plan consisted of 184 participating employers.

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, which consists of the Secretary of Education (es-officio); the State Treasurer (ex-officio); the Commissioner of Financial Regulation (ex-officio); two trustees and one alternate who are members of the system (each elected by the system under rules adopted by the Board) and one trustee and one alternate who are retired members of the system receiving retirement benefits (who are elected by the Association of Retired Teachers of Vermont).

All assets of the Plan are held in a single trust and are available to pay OPEB benefits to all members.

VSTRS does not issue stand-alone financial reports but are instead included as part of the State of Vermont’s Comprehensive Annual Financial Report (CAFR). The CAFR can be viewed at the State’s Department of Finance and Management website at: <http://finance.vermont.gov/reports-and-publications/cafr>.

**Summary of Plan:**

Eligibility	VSTRS retirees and their spouses are eligible for health coverage if the retiree is eligible for pension benefits. Pension eligibility requirements are below:  Group A - Public school teachers employed within the State of Vermont prior to July 1,1981 and elected to remain in Group A  <ul style="list-style-type: none"> <li>• Retirement: Attainment of 30 years of creditable service, or age 55</li> </ul> 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. Grandfathered participants are Group C members who were within five years of normal retirement eligibility as defined prior to July 1,2010.  <ul style="list-style-type: none"> <li>• Retirement Group C Grandfathered: Attainment of age 62, or 30 years creditable service, or age 55 with 5 years of creditable service.</li> <li>• Retirement Group C Non-grandfathered: Attainment of age 65, or age plus creditable service equal to 90, or age 55 with 5 years of creditable service.</li> </ul>
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.
Benefit Types	Medical and prescription drug. Retirees pay the full cost for dental benefits.
Duration of Coverage	Lifetime
Spousal Benefits	Same benefits as for retirees.
Spousal Coverage	Lifetime

**NORWICH SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2020**

**Retiree Contributions:**

**Retired before June 30, 2010** - Retirees with at least 10 years of service pay premium costs in excess of an 80% VSTRS subsidy. Retirees with less than 10 years of service do not receive any premium subsidy. Spouses do not receive any premium subsidy, regardless of the retiree's service.

**Retired after June 30, 2010** - Retirees pay premium costs in excess of the following VSTRS subsidy, based on service:

Retiree Subsidy Level	Subsidy
Years of service at June 30, 2010:	
10 years or more	80.00%
Less than 10 years	
Less than 15 years at retirement	0.00%
15-19.99 years at retirement	60.00%
20-24.99 years at retirement	70.00%
25 or more years at retirement	80.00%

Spouses of retirees can receive an 80% subsidy, if they meet the following requirements:

Spouse Coverage with 80% Subsidy	
Years of service at June 30, 2010:	Required years of service at retirement:
Less than 10 years	25 years of service at retirement
Between 10 and 14.99 years	25 years of service at retirement
Between 15 and 24.99 years	10 additional years from June 30, 2010
Between 25 and 29.99 years	35 years of service at retirement
30 or more years	5 additional years from June 30, 2010

Spouses of retirees who do not meet the above requirements for an 80% subsidy can receive unsubsidized coverage.

**Premium Reduction Option** - Participants retiring on or after January 1, 2007 with a VSTRS premium subsidy have a one-time option to reduce the VSTRS subsidy percentage during the retiree's life so that a surviving spouse may continue to receive the same VSTRS subsidy for the spouse's lifetime. If the retiree elects the joint and survivor pension option but not the Premium Reduction Option, spouses are covered for the spouse's lifetime but pay 100% of the plan premium after the retiree's death.

**Contributions:** The State of Vermont, as a non-employer contributing entity makes 100% of the contributions to the VSTRS, there are no employee or employer contributions. Contributions are actuarially determined, but the State has elected to appropriate State contributions to fund current year retiree health expenses on a pay-as-you-go basis.

**OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB** – At June 30, 2020, the School District disclosed a liability of \$3,132,073 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019. For the year ended June 30, 2020, the School District recorded OPEB expense of \$131,419, which has been recognized as both an OPEB expense and intergovernmental revenue on the Statement of Activities. At June 30, 2020, the School District disclosed deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion and difference between employer contributions and proportionate share of contributions	\$ 18,024	\$ 104,595
Net difference between projected and actual investment earnings on OPEB plan investments	-	8,270
Changes in assumptions	189,741	112,442
Differences between expected and actual experience	126,055	-
Total	\$ 333,820	\$ 225,307

**NORWICH SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2020**

Amounts disclosed as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expenses as follows:

Fiscal Year Ending June 30,	
2021	\$ 20,193
2022	35,384
2023	42,630
2024	10,306
2025	-
Totals	<u>\$108,513</u>

**Actuarial Assumptions** The total OPEB liability for the June 30, 2019 measurement date was determined by an actuarial valuation as of June 30, 2018 with update procedures used to roll forward the total pension liability to June 30, 2019.

The Total OPEB Liability used the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

- Discount Rate                                      3.50% based on the 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher as of June 30, 2019 and a 7.50% long-term rate of return on invested plan assets blended as prescribed in GASB 75.
- Salary Increase Rate                                Varies by age. Representative values of the assumed annual rates of future salary increases are as follows:

Service	Annual Rate of Salary Increase (%)
20	9.09%
25	7.78%
30	6.47%
35	5.60%
40	4.92%
45	4.43%
50	4.09%
55	3.85%
60	3.75%

- Inflation    2.75%
- Healthcare Cost Trend Rates                    Non-Medicare - 7.15% graded to 4.50% over 12 years  
Medicare - 7.15% graded to 4.50% over 11 years
- Retiree Contributions                              Equal to health trend
- Pre-retirement Mortality                        98% of RP-2006 White Collar Employee with generational projection using Scale SSA-2017
- Post-retirement Mortality                       98% of RP-2006 White Collar Annuitant with generational projection using Scale SSA-2017
- Disabled Mortality                                RP-2006 Disabled Mortality Table with generational projection using Scale SSA-2017
- Actuarial Cost Method                            Entry-Age Normal, Level Percentage of Pay
- Asset Valuation Method                           Market Value
- Measurement Date                                June 30, 2019
- Actuarial Valuation Date                         June 30, 2018

**NORWICH SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2020**

**Per Capita Cost Development:**

**Medical and Prescription Drug** - Per capita claims costs were based on claims for the period July 1, 2016 through June 30, 2019. Claims were separated by non-Medicare and Medicare retirees, and by medical and prescription drug. Claims were separated by plan year, then adjusted as follows:

- Total claims were divided by the number of adult members to yield a per capita claim,
- The per capita claim was trended to the midpoint of the valuation year at assumed trend rates, and
- The per capita claim was adjusted for the effect of any plan changes.

Per capita claims for each plan year were then combined by taking a weighted average. The weights used in this average account for a number of factors including each plan year's volatility of claims experience and distance to the valuation year. Actuarial factors were then applied to the weighted average cost to estimate individual retiree and spouse costs by age and by gender.

**Administrative Expenses** - Per capita claims costs were based on claims for the period July 1, 2016 through June 30, 2019. Claims were separated by plan year, then adjusted as described above to yield a combined weighted average per capita claims cost.

**Per Capita Health Costs:** Medical and prescription drug claims for the year beginning July 1, 2019 are shown in the table below for retirees and for spouses at selected ages. These costs are net of deductibles and other benefit plan cost sharing provisions.

Age	Medical				Prescription Drugs			
	Retiree		Spouse		Retiree		Spouse	
	Male	Female	Male	Female	Male	Female	Male	Female
50	\$ 8,609	\$ 9,806	\$ 6,013	\$ 7,873	\$ 1,553	\$ 1,769	\$ 1,085	\$ 1,421
55	10,224	10,555	8,046	9,113	1,845	1,905	1,452	1,644
60	12,142	11,377	10,772	10,570	2,191	2,053	1,944	1,907
64	13,930	12,070	13,598	11,897	2,514	2,178	2,454	2,147
65	1,502	1,277	1,502	1,277	2,053	1,745	2,053	1,745
70	1,741	1,376	1,741	1,376	2,379	1,881	2,379	1,881
75	1,876	1,481	1,876	1,481	2,564	2,024	2,564	2,024

**Administrative Expenses:** An annual administrative expense of \$568 per participant with health and welfare coverage increasing at 3.0% per year was added to projected incurred claim costs in developing the benefit obligations.

**Health Care Cost Trend Rates:** Health care trend measures the anticipated overall rate at which health plan costs are expected to increase in future years. The rates shown below are "net" and are applied to the net per capita costs shown above. The trend shown for a particular plan year is the rate that is applied to that year's cost to yield the next year's projected cost.

Year Ending June 30,	Health Costs
2020	7.150%
2021	6.925%
2022	6.700%
2023	6.475%
2024	6.250%
2025	6.025%
2026	5.800%
2027	5.575%
2028	5.350%
2029	5.125%
2030	4.900%
2031	4.675%
2032+	4.500%

**NORWICH SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2020**

The trend rate assumptions were developed using Segal’s internal guidelines, which are established each year using the data sources such as the 2019 Segal Health Trend Survey, internal client results, trends from other published surveys prepared by the S&P and Dow Jones Indices, consulting firms and brokers, and CPI statistics published by the Bureau of Labor Statistics.

**Retiree Contribution Increase Rate:** Retiree contributions were assumed to increase with health trends. Retiree contribution rates were based on 2018 premiums. Plan premiums were weighted by actual retiree and dependent enrollment, separately for non-Medicare and Medicare.

**Health Care Reform Assumption:** The Plan is assumed to be in compliance with the Patient Protection and Affordable Care Act (PPACA) and the Health Care and Education Reconciliation Act (HCERA) of 2010 as of the valuation date. The valuation includes the projected effect of the Act’s provision which imposes an excise tax on high cost employer-sponsored health coverage beginning in 2022. The excise tax limit is assumed to increase by 2.0% each year after 2019.

**Long-term Rates of Return** – The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Asset Class	Target Asset Allocation	Long-term expected real rate of return
Large cap equity	20.00%	7.50%
International equity	15.00%	7.75%
Emerging international equity	5.00%	9.25%
Core bonds	60.00%	4.37%
Total	100.00%	

**Discount Rate** – The projection of cash flow used to determine the discount rate assumed by the plan’s contributions would be made at rates equal to the projected benefit payments for the upcoming year. Based on these assumptions, the OPEB plan’s fiduciary net position was projected to be exhausted within the first year. Therefore, the long-term bond rate expected rate of return of 3.50% on plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability. The 3.50% is based on the 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher as of June 30, 2019 and a 7.50% long-term rate of return on invested plan assets blended as prescribed in GASB 75. The discount rate used in the prior year was 3.87%.

**Sensitivity of the School District’s OPEB Liability to Changes in the Discount Rate** – The June 30, 2018 actuarial valuation was prepared using a discount rate of 3.50%. If the discount rate were 1% higher than what was used the OPEB liability would decrease to \$2,699,724 or by (13.80%). If the discount rate were 1% lower than what was used the OPEB liability would increase to \$3,662,538 or by 16.94%.

Actuarial Valuation Date	1% Decrease 2.50%	Current Single Rate Assumption 3.50%	1% Increase 4.50%
June 30, 2019	\$ 3,662,538	\$ 3,132,073	\$ 2,699,724

**Sensitivity of the School District’s OPEB Liability to Changes in the Healthcare Cost Trend Rates** – The June 30, 2018 actuarial valuation was prepared using an initial trend rate of 7.15%. If the trend rate were 1% higher than what was used the OPEB liability would increase to \$3,767,460 or by 20.29%. If the trend rate were 1% lower than what was used the OPEB liability would decrease to \$2,640,841 or by (15.68%).

Actuarial Valuation Date	1% Decrease	Health Cost Trend Rate	1% Increase
June 30, 2019	\$ 2,640,841	\$ 3,132,073	\$ 3,767,640

**NORWICH SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2020**

**OPEB Plan Fiduciary Net Position** – Detailed information about the OPEB plan’s fiduciary net position is available in the separately issued Vermont State Teachers’ Retirement System Actuarial Valuation and Review of Other Postemployment Benefits Report.

**10-B Retiree Health Benefit Program**

**Plan Description** – GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, requires governments to account for other postemployment benefits (OPEB) on an accrual basis, rather than on a pay-as-you-go basis. The effect is the recognition of an actuarially determined expense on the Statement of Activities when a future retiree earns their postemployment benefits, rather than when they use their postemployment benefit. The postemployment benefit liability is recognized on the Statement of Net Position over time.

**Benefits Provided** – The School District provides postemployment healthcare benefits for certain eligible retirees. The School District provides medical benefits to its eligible retirees.

**Employees Covered by Benefit Terms** – At June 30, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	5
Active employees	367
Total participants covered by OPEB plan (SAU No. 70 wide)	372

**Total OPEB Liability** – The School District’s total OPEB liability of \$154,846 was measured as of June 30, 2020 and was determined by an actuarial valuation of that date.

**Actuarial Assumptions and Other Inputs** – The total OPEB liability of \$154,846 in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate:	2.66%
Healthcare Cost Trend Rates:	
Current Year Trend	8.00%
Second Year Trend	7.50%
Decrement	0.50%
Ultimate Trend	4.50%
Year Ultimate Trend is Reached	2028
Salary Increases:	2.75%

The discount rate was based on the index provided by *S&P Municipal Bond High Grade Rate* based on the 20-year AA municipal bond rate as of June 30, 2020.

Mortality rates were based on the SOA Pub-2010 Headcount Weighted Mortality table fully generational using Scale MP-2020.

**Changes in the Total OPEB Liability**

	June 30,	
	2019	2020
Total OPEB liability beginning of year	\$ 121,979	\$ 137,337
Changes for the year:		
Service cost	7,733	8,332
Interest	5,685	5,340
Changes in benefit terms	-	(2,136)
Assumption changes and difference between actual and expected experience	5,352	10,539
Benefit payments	(3,412)	(4,566)
Total OPEB liability end of year	\$ 137,337	\$ 154,846

**NORWICH SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2020**

Assumption changes reflect a change in the discount rate from 3.51% in 2019 to 2.66% in 2020.

**Sensitivity of the School District's OPEB Liability to Changes in the Discount Rate** – The June 30, 2020 actuarial valuation was prepared using a discount rate of 2.66%. If the discount rate were 1% higher than what was used the OPEB liability would decrease to \$143,891 or by (7.07%). If the discount rate were 1% lower than what was used the OPEB liability would increase to \$166,387 or by 7.45%.

	Discount Rate		
	1% Decrease	Baseline 2.66%	1% Increase
Total OPEB Liability	\$ 166,387	\$ 154,846	\$ 143,891

**Sensitivity of the School District's OPEB Liability to Changes in the Healthcare Cost Trend Rates** – The June 30, 2020 actuarial valuation was prepared using an initial trend rate of 8.00%. If the trend rate were 1% higher than what was used the OPEB liability would increase to \$169,637 or by 9.55%. If the trend rate were 1% lower than what was used the OPEB liability would decrease to \$141,817 or by (8.41%).

	Healthcare Cost Trend Rates		
	1% Decrease	Baseline 8.00%	1% Increase
Total OPEB Liability	\$ 141,817	\$ 154,846	\$ 169,637

**OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB** – For the year ended June 30, 2020, the School District recognized OPEB expense of \$11,569. At June 30, 2020, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ 13,044	\$ 1,330
Differences between expected and actual experience	167	33,028
Total	\$ 13,211	\$ 34,358

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

Fiscal Year Ending June 30,	
2021	\$ (4,902)
2022	(4,902)
2023	(4,902)
2024	(4,902)
2025	(4,902)
Thereafter	3,363
Totals	\$ (21,147)

**NOTE 11 – GOVERNMENTAL ACTIVITIES NET POSITION**

Governmental activities net position reported on the government-wide Statement of Net Position at June 30, 2020 include the following:

Net investment in capital assets:	
Net book value of all capital assets	\$1,531,383
Less:	
Note payable	(135,000)
Total net investment in capital assets	1,396,383
Unrestricted	1,394,763
Total net position	\$2,791,146

None of the net position is restricted by enabling legislation.

**NORWICH SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2020**

**NOTE 12 – GOVERNMENTAL FUND BALANCES**

Governmental fund balances at June 30, 2020 consist of the following:

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Restricted:</b>			
Medicaid	\$ -	\$ 60,724	\$ 60,724
<b>Committed:</b>			
Expendable trust	1,119,918	-	1,119,918
Special gifts	-	50,836	50,836
Total committed fund balance	<u>1,119,918</u>	<u>50,836</u>	<u>1,170,754</u>
<b>Assigned:</b>			
Encumbrances	42,158	-	42,158
<b>Unassigned</b>	<u>469,612</u>	<u>-</u>	<u>469,612</u>
Total governmental fund balances	<u>\$ 1,631,688</u>	<u>\$ 111,560</u>	<u>\$ 1,743,248</u>

**NOTE 13 – CONTINGENT LIABILITIES**

The School District has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies or their designee. These audits could result in a request for reimbursement from the grantor agency for costs disallowed under terms of the grant. Based on prior experience, the School District believes such disallowances, if any, will be immaterial.

**NOTE 14 – SUBSEQUENT EVENTS**

Subsequent events are events or transactions that occur after the balance sheet date, but before the financial statements are issued. Recognized subsequent events are events or transactions that provided additional evidence about conditions that existed at the balance sheet date, including the estimates inherent in the process of preparing the financial statements. Nonrecognized subsequent events are events that provide evidence about conditions that did not exist at the balance sheet date, but arose after the date. Management has evaluated subsequent events through April 7, 2021, the date the June 30, 2020 financial statements were available to be issued, and noted the following event occurred that requires recognition or disclosure:

On March 11, 2020, the World Health Organization declared, the outbreak of a coronavirus (COVID-19), a global pandemic. In response to the pandemic, the State of New Hampshire’s Governor, issued an order declaring a state of emergency on March 13, 2020. It is anticipated that the impact of the pandemic will continue for some time. As a result, economic uncertainties have arisen which could have a financial impact on the School District, though such impact is unknown at this time.



***REQUIRED SUPPLEMENTARY INFORMATION***

**EXHIBIT E**  
**NORWICH SCHOOL DISTRICT**  
*Schedule of the School District's Proportionate Share of Net Pension Liability*  
*Vermont Municipal Employees' Retirement System Cost Sharing Multiple Employer Defined Benefit Plan*  
*For the Fiscal Year Ended June 30, 2020*

	June 30,						
	2014	2015	2016	2017	2018	2019	2020
School District's:							
Proportion of the net pension liability	0.1481%	0.1481%	0.1242%	0.1181%	0.1310%	0.1372%	0.1515%
Proportionate share of the net pension liability	\$ 53,933	\$ 13,514	\$ 95,766	\$ 151,943	\$ 157,645	\$ 193,040	\$ 262,919
Covered payroll	\$ 444,545	\$ 477,514	\$ 434,100	\$ 448,600	\$ 531,225	\$ 600,900	\$ 727,925
Proportionate share of the net pension liability as a percentage of its covered payroll	12.13%	2.83%	22.06%	33.87%	29.68%	32.13%	36.12%
Plan fiduciary net position as a percentage of the total pension liability	92.71%	98.32%	87.42%	80.95%	83.64%	82.60%	80.35%

The Note to the Required Supplementary Information – Pension Liability is an integral part of this schedule.

**EXHIBIT F**  
**NORWICH SCHOOL DISTRICT**  
*Schedule of School District Contributions - Pensions*  
*Vermont Municipal Employees' Retirement System Cost Sharing Multiple Employer Defined Benefit Plan*  
*For the Fiscal Year Ended June 30, 2020*

	June 30,						
	2014	2015	2016	2017	2018	2019	2020
Contractually required contribution	\$ 17,782	\$ 19,101	\$ 17,364	\$ 17,944	\$ 21,249	\$ 24,036	\$ 29,117
Contributions in relation to the contractually required contributions	17,782	19,101	17,364	17,944	21,249	24,036	29,117
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
School District's covered payroll	\$444,545	\$477,514	\$434,100	\$448,600	\$531,225	\$600,900	\$727,925
Contributions as a percentage of covered payroll	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%

The Note to the Required Supplementary Information – Pension Liability is an integral part of this schedule.

**EXHIBIT G**  
**NORWICH SCHOOL DISTRICT**  
*Schedule of the School District's Proportionate Share of Net Pension Liability*  
*Vermont State Teachers' Retirement System Cost Sharing Multiple Employer Defined Benefit Plan*  
*For the Fiscal Year Ended June 30, 2020*

	June 30,						
	2014	2015	2016	2017	2018	2019	2020
School District's:							
Proportion of the net pension liability	0.3743%	0.3527%	0.3966%	0.3726%	0.3739%	0.3787%	0.3649%
State of Vermont's proportionate share of the net pension liability	\$ 3,784,217	\$ 3,380,090	\$ 4,705,506	\$ 4,878,768	\$ 5,542,108	\$ 5,721,033	\$ 5,694,220
Covered payroll	\$ 2,109,652	\$ 1,999,116	\$ 2,211,790	\$ 2,413,439	\$ 2,470,483	\$ 2,560,140	\$ 2,507,130
State of Vermont's proportionate share of the net pension liability as a percentage of School District covered payroll	179.38%	169.08%	212.75%	202.15%	224.33%	223.47%	227.12%
Plan fiduciary net position as a percentage of the total pension liability	60.59%	64.02%	58.22%	55.31%	53.98%	54.81%	54.96%

**EXHIBIT H**  
**NORWICH SCHOOL DISTRICT**  
*Schedule of School District Contributions - Pensions*  
*Vermont State Teachers' Retirement System Cost Sharing Multiple Employer Defined Benefit Plan*  
*For the Fiscal Year Ended June 30, 2020*

	June 30,						
	2014	2015	2016	2017	2018	2019	2020
Contractually required contribution	\$ 178,477	\$ 181,410	\$ 289,146	\$ 272,808	\$ 294,092	\$ 417,908	\$ 415,032
Contributions in relation to the contractually required contributions	178,477	181,410	289,146	272,808	294,092	417,908	415,032
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
School District's covered payroll	\$2,109,652	\$1,999,116	\$2,211,790	\$2,413,439	\$2,470,483	\$2,560,140	\$2,507,130
Contributions as a percentage of covered payroll	8.46%	9.07%	13.07%	11.30%	11.90%	16.32%	16.55%

The Note to the Required Supplementary Information – Pension Liability is an integral part of this schedule.

**NORWICH SCHOOL DISTRICT**  
**NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION –**  
**PENSION LIABILITY**  
**FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2020**

***Schedule of the School District’s Proportionate Share of Net Pension Liability and  
Schedule of School District Contributions – Pensions***

As required by GASB Statement No. 68, and as amended by GASB Statement No. 71, Exhibits E, F, G, and H represent the actuarial determined costs associated with the School District’s pension plan at June 30, 2020. These schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

There were no changes to benefit terms or assumptions in the current actuarial valuation report.

**VMERS: Methods and Assumptions**

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage-of-Payroll, Closed
Remaining Amortization Period	20 years as of July 1, 2018
Asset Valuation Method	5-year smooth market for funding purposes
Price Inflation	2.50% per year
Wage Inflation	3.25% per year
Salary Increases	5.60% per year
Municipal Bond Rate	3.13% per year
Investment Rate of Return	7.25% per year, net of investment expenses including inflation
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2015.
Mortality	Various RP-2006 generational mortality table for males and females, adjusted for mortality improvements using Scale SSA-2017, based in the last experience study.

**VSTRS: Methods and Assumptions**

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage-of-Payroll, Closed
Remaining Amortization Period	29 years as of July 1, 2019
Asset Valuation Method	5-year smooth market for funding purposes
Price Inflation	2.50% per year
Wage Inflation	2.55% per year
Salary Increases	Varies by age
Municipal Bond Rate	3.62% per year
Investment Rate of Return	7.50% per year
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2015.
Mortality	Various RP-2006 generational mortality table for males and females, adjusted for mortality improvements using Scale SSA-2017, based in the last experience study.

**EXHIBIT I**  
**NORWICH SCHOOL DISTRICT**  
*Schedule of the School District's Proportionate Share of the Net Other Postemployment Benefits Liability*  
*Vermont State Teachers' Retirement System Cost Sharing Multiple Employer Defined Benefit Plan*  
*For the Fiscal Year Ended June 30, 2020*

	June 30,		
	2018	2019	2020
School District's proportion of the net OPEB liability	0.31141%	0.31489%	0.30094%
State of Vermont's proportionate share of the net OPEB liability (asset)	\$2,903,200	\$3,004,951	\$3,132,073
School District's covered payroll	\$1,826,080	\$1,912,499	\$1,844,458
State of Vermont's proportionate share of the net OPEB liability (asset) as a percentage of School District covered payroll	158.99%	157.12%	169.81%
Plan fiduciary net position as a percentage of the total OPEB liability	(2.94)%	(2.85)%	0.03%

The Notes to the Required Supplementary Information – Other Postemployment Benefits Liability is an integral part of this schedule.

**EXHIBIT J**  
**NORWICH SCHOOL DISTRICT**  
*Schedule of School District Contributions - Other Postemployment Benefits*  
*Vermont State Teachers' Retirement System Cost Sharing Multiple Employer Defined Benefit Plan*  
*For the Fiscal Year Ended June 30, 2020*

	June 30,		
	2018	2019	2020
Contractually required contribution	\$ - *	\$ - *	\$ - *
Contributions in relation to the contractually required contribution	- *	- *	- *
Contribution deficiency (excess)	\$ -	\$ -	\$ -
School District's covered payroll	\$1,826,080	\$1,912,499	\$1,844,458
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%

\*State of Vermont has elected to appropriate State contributions to fund current year retiree health expenses on a pay-as-you-go basis, rather than funding existing liability.



**EXHIBIT K**  
**NORWICH SCHOOL DISTRICT**  
*Schedule of Changes in the School District's Total Other Postemployment Benefits Liability and Related Ratios*  
*For the Fiscal Year Ended June 30, 2020*

	June 30,		
	2018	2019	2020
OPEB liability, beginning of year	\$ 128,217	\$ 121,979	\$ 137,337
Changes for the year:			
Service cost	7,231	7,733	8,332
Interest	4,768	5,685	5,340
Changes to benefit terms	-	-	(2,136)
Assumption changes and difference between actual and expected experience	(13,684)	5,352	10,539
Benefit payments	(4,553)	(3,412)	(4,566)
OPEB liability, end of year	<u>\$ 121,979</u>	<u>\$ 137,337</u>	<u>\$ 154,846</u>
Covered payroll	<u>\$ 410,422</u>	<u>\$ 489,338</u>	<u>\$ 529,873</u>
Total OPEB liability as a percentage of covered payroll	29.72%	28.07%	29.22%

The Notes to the Required Supplementary Information – Other Postemployment Benefits Liability is an integral part of this schedule.

**NORWICH SCHOOL DISTRICT**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION –**  
**OTHER POSTEMPLOYMENT BENEFITS LIABILITY**  
**FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2020**

***Schedule of the School District’s Proportionate Share of Net Other Postemployment Benefits Liability and Schedule of School District Contributions – Other Postemployment Benefits***

As required by GASB Statement No. 75, Exhibits I and J represent the actuarial determined costs associated with the School District’s other postemployment benefits at June 30, 2020. These schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

There were no changes to benefit terms or assumptions in the current actuarial valuation report.

**VSTRS: Methods and Assumptions**

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage-of-Payroll, Closed
Remaining Amortization Period	29 years as of July 1, 2019
Asset Valuation Method	Market value
Price Inflation	2.75% per year
Wage Inflation	2.75% per year
Salary Increases	Varies by age
Municipal Bond Rate	3.62% per year
Investment Rate of Return	7.50% per year
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2015.
Mortality	Various RP-2006 generational mortality table for males and females, adjusted for mortality improvements using Scale SSA-2017, based in the last experience study.

***Schedule of Changes in School District’s Total Other Postemployment Benefits Liability and Related Ratios***

As required by GASB Statement No. 75, Exhibit K represents the actuarial determined costs associated with the School District’s other postemployment benefits at June 30, 2020. The schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

***COMBINING AND INDIVIDUAL FUND SCHEDULES***

**SCHEDULE 1**  
**NORWICH SCHOOL DISTRICT**  
**Major General Fund**  
*Schedule of Estimated and Actual Revenues (Non-GAAP Budgetary Basis)*  
*For the Fiscal Year Ended June 30, 2020*

	Estimated	Actual	Variance Positive (Negative)
Local sources:			
Tuition	\$ -	\$ 17,474	\$ 17,474
Investment earnings	16,000	35,258	19,258
Miscellaneous	14,350	17,388	3,038
Total from other local sources	<u>30,350</u>	<u>70,120</u>	<u>39,770</u>
State sources:			
Educational spending fund	10,916,042	10,916,042	-
Transportation	119,144	114,638	(4,506)
Block grant	266,719	266,719	-
Vocational aid	33,049	33,049	-
Essential early education	41,093	41,093	-
Extraordinary reimbursement	23,560	13,291	(10,269)
Special education reimbursement	465,704	496,474	30,770
State placed student - special reimbursement	-	5,537	5,537
Total from state sources	<u>11,865,311</u>	<u>11,886,843</u>	<u>21,532</u>
Other financing sources:			
Transfers in	<u>230,452</u>	<u>230,452</u>	-
Total revenues and other financing sources	12,126,113	<u>\$ 12,187,415</u>	<u>\$ 61,302</u>
Use of fund balance to reduce school district assessment	<u>227,993</u>		
Total revenues, other financing sources, and use of fund balance	<u>\$ 12,354,106</u>		

**SCHEDULE 2**  
**NORWICH SCHOOL DISTRICT**  
**Major General Fund**  
*Schedule of Appropriations, Expenditures, and Encumbrances (Non-GAAP Budgetary Basis)*  
**For the Fiscal Year Ended June 30, 2020**

	<u>Appropriations</u>	<u>Expenditures</u>	<u>Encumbered to Subsequent Year</u>	<u>Variance Positive (Negative)</u>
Current:				
Instruction:				
Regular programs	\$ 2,604,927	\$ 2,552,548	\$ -	\$ 52,379
Special programs	1,227,312	1,165,055	-	62,257
Total instruction	<u>3,832,239</u>	<u>3,717,603</u>	<u>-</u>	<u>114,636</u>
Support services:				
Student	213,464	211,752	-	1,712
Instructional staff	191,339	159,872	-	31,467
General administration	29,316	31,229	2,420	(4,333)
Executive administration	254,402	254,402	-	-
School administration	461,442	457,510	25,223	(21,291)
Operation and maintenance of plant	365,124	369,549	1,739	(6,164)
Student transportation	311,743	263,369	756	47,618
Total support services	<u>1,826,830</u>	<u>1,747,683</u>	<u>30,138</u>	<u>49,009</u>
Debt service:				
Principal of long-term debt	45,000	45,000	-	-
Interest on long-term debt	3,626	3,580	-	46
Total debt service	<u>48,626</u>	<u>48,580</u>	<u>-</u>	<u>46</u>
Facilities acquisition and construction	<u>90,450</u>	<u>94,028</u>	<u>12,020</u>	<u>(15,598)</u>
Noninstructional	<u>-</u>	<u>4,324</u>	<u>-</u>	<u>(4,324)</u>
Other financing uses:				
Transfers out	69,000	72,980	-	(3,980)
Intergovernmental transfers out	6,486,961	6,486,961	-	-
Total other financing uses	<u>6,555,961</u>	<u>6,559,941</u>	<u>-</u>	<u>(3,980)</u>
Total appropriations, expenditures, other financing uses, and encumbrances	<u>\$ 12,354,106</u>	<u>\$ 12,172,159</u>	<u>\$ 42,158</u>	<u>\$ 139,789</u>

**SCHEDULE 3**  
**NORWICH SCHOOL DISTRICT**  
**Major General Fund**  
*Schedule of Changes in Unassigned Fund Balance (Non-GAAP Budgetary Basis)*  
*For the Fiscal Year Ended June 30, 2020*

Unassigned fund balance, beginning		\$ 491,294
Changes:		
Unassigned fund balance used to reduce school district assessment		(227,993)
2019-2020 Budget summary:		
Revenue surplus (Schedule 1)	\$ 61,302	
Unexpended balance of appropriations (Schedule 2)	139,789	
2019-2020 Budget surplus		201,091
Decrease in nonspendable fund balance		5,220
Unassigned fund balance, ending		<u>\$ 469,612</u>

**SCHEDULE 4**  
**NORWICH SCHOOL DISTRICT**  
*Nonmajor Governmental Funds*  
**Combining Balance Sheet**  
**June 30, 2020**

	Special Revenue Funds			Total
	Food Service	Special Gifts	Medicaid	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 438	\$ 73,715	\$ 58,476	\$ 132,629
Intergovernmental receivable	-	-	3,048	3,048
Total assets	<u>\$ 438</u>	<u>\$ 73,715</u>	<u>\$ 61,524</u>	<u>\$ 135,677</u>
<b>LIABILITIES</b>				
Accounts payable	\$ -	\$ 22,879	\$ 800	\$ 23,679
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue - student balances	438	-	-	438
<b>FUND BALANCES</b>				
Restricted	-	-	60,724	60,724
Committed	-	50,836	-	50,836
Total fund balances	<u>-</u>	<u>50,836</u>	<u>60,724</u>	<u>111,560</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 438</u>	<u>\$ 73,715</u>	<u>\$ 61,524</u>	<u>\$ 135,677</u>

**SCHEDULE 5**  
**NORWICH SCHOOL DISTRICT**  
*Nonmajor Governmental Funds*  
**Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances**  
**For the Fiscal Year Ended June 30, 2020**

	Special Revenue Funds			Total
	Food Service	Special Gifts	Medicaid	
<b>REVENUES</b>				
Other local	\$ 18,702	\$ 20,105	\$ -	\$ 38,807
Federal	4,412	-	33,204	37,616
Total revenues	<u>23,114</u>	<u>20,105</u>	<u>33,204</u>	<u>76,423</u>
<b>EXPENDITURES</b>				
Current:				
Instruction	-	28,913	97	29,010
Noninstructional services	46,094	-	-	46,094
Total expenditures	<u>46,094</u>	<u>28,913</u>	<u>97</u>	<u>75,104</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(22,980)</u>	<u>(8,808)</u>	<u>33,107</u>	<u>1,319</u>
<b>OTHER FINANCING SOURCES</b>				
Transfers in	<u>22,980</u>	-	-	<u>22,980</u>
Net change in fund balances	-	(8,808)	33,107	24,299
Fund balances, beginning	-	59,644	27,617	87,261
Fund balances, ending	<u>\$ -</u>	<u>\$ 50,836</u>	<u>\$ 60,724</u>	<u>\$ 111,560</u>