

**NORWICH SCHOOL DISTRICT**  
**ANNUAL FINANCIAL REPORT**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2021**

**NORWICH SCHOOL DISTRICT**  
**ANNUAL FINANCIAL REPORT**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2021**

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## **PLODZIK & SANDERSON**

*Professional Association/Certified Public Accountants*

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### ***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, 2021, 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, 2021, and the respective changes in financial position and the respective budgetary comparison for the general fund and the grants fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Other Matters***

**Required Supplementary Information** – Accounting principles generally accepted in the United States of America require that the 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.

April 1, 2022

*Plodzik & Sanderson  
Professional Association*

# **NORWICH SCHOOL DISTRICT**

## **Norwich, Vermont**

### **Management's Discussion and Analysis (MD&A) of the Annual Financial Report for The Year Ended June 30, 2021**

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, 2021. 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, 2021, was \$2,935,829. The District's net position increased by \$144,683, or 5.18% between July 1, 2020 and June 30, 2021. This increase was due to a planned drawdown in one of its long-term reserve funds. The District's total net position included \$1,729,386 in capital assets net of depreciation. The District's long-term obligations of \$613,837 consisted of \$90,000 in long-term debt, \$180,104 in post-employment benefits, \$22,086 in compensated absences and \$321,647 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 \$14,483,156 were \$144,683 less than revenues of \$14,627,839. Revenues consist of: charges for services; operating and capital 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 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.

Norwich School District, Norwich Vermont  
Management Discussion and Analysis for Fiscal Year 2021

***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 and capital project funds: Food Service Fund, Grants Fund, Medicaid Fund, the Special Gifts Fund, Cable Drop Project Fund and HVAC Project 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, 2020 and June 30, 2021 are shown below. On June 30, 2021, 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**

|                                  | 2021                | 2020                | Change<br>2020-2021 | %<br>Change<br>2020-2021 |
|----------------------------------|---------------------|---------------------|---------------------|--------------------------|
| <b>Assets</b>                    |                     |                     |                     |                          |
| Current Assets                   | \$ 1,891,942        | \$ 2,003,106        | \$ (111,164)        | -5.55%                   |
| Capital Assets                   | 1,819,386           | 1,531,383           | 288,003             | 18.81%                   |
| <b>Total Assets</b>              | <b>3,711,328</b>    | <b>3,534,489</b>    | <b>176,839</b>      | <b>5.00%</b>             |
| Deferred Outflows of Resources   | 153,151             | 117,982             | 35,169              | 29.81%                   |
| <b>Liabilities</b>               |                     |                     |                     |                          |
| Other Liabilities                | 268,047             | 246,875             | 21,172              | 8.58%                    |
| Long Term Liabilities            | 613,837             | 563,284             | 50,553              | 8.97%                    |
| <b>Total Liabilities</b>         | <b>881,884</b>      | <b>810,159</b>      | <b>71,725</b>       | <b>8.85%</b>             |
| Deferred Inflows of Resources    | 46,766              | 51,166              | (4,400)             | -8.60%                   |
| Net Investment in Capital Assets | 1,729,386           | 1,396,383           | 333,003             | 23.85%                   |
| Unrestricted Net Position        | 1,206,443           | 1,394,763           | (188,320)           | -13.50%                  |
| <b>Total Net Position</b>        | <b>\$ 2,935,829</b> | <b>\$ 2,791,146</b> | <b>\$ 144,683</b>   | <b>5.18%</b>             |

Norwich School District, Norwich Vermont  
Management Discussion and Analysis for Fiscal Year 2021

***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 2020-21 the District's total revenues were \$14,627,839; total expenses were \$14,483,156 resulting in an increase of net position of \$144,683.

The largest part of the District's revenues, \$11,605,186 [79.3%] 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 increased by \$1,142,923 or 8.57% from FY20 to FY21 due in large part to the direct learning instruction increases for both the elementary (\$671,990) and middle-high school (\$270,311). Norwich's assessment to Dresden is based on a per-pupil cost pro-ratio.

The District's expenditures were largely for instruction \$5,507,186 and support services \$2,006,073, or 51.9%. An intergovernmental transfer of \$6,757,272 [46.7%] 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 \$129,768 of total expenses with facility updates, interest on long term debt and non-instructional services totaling the balance of \$82,857.

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

|                                       | June 30,<br>2021    | June 30,<br>2020    | Change            | Change in<br>% |
|---------------------------------------|---------------------|---------------------|-------------------|----------------|
| <b>Revenues</b>                       |                     |                     |                   |                |
| <b>Program Revenue</b>                |                     |                     |                   |                |
| Charges for Services                  | \$ 44,400           | \$ 36,176           | \$ 8,224          | 22.73%         |
| Operating Grants & Contributions      | 2,556,940           | 1,774,023           | 782,917           | 44.13%         |
| Capital Grants & Contributions        | 366,600             | -                   | 366,600           | 100.00%        |
| <b>General Revenue</b>                |                     |                     |                   |                |
| Unrestricted Grants and Contributions | 11,605,186          | 11,202,866          | 402,320           | 3.59%          |
| Unrestricted Investment Income        | 11,606              | 36,896              | (25,290)          | -68.54%        |
| Miscellaneous                         | 43,107              | 17,381              | 25,726            | 148.01%        |
| <b>Total Revenues</b>                 | <b>14,627,839</b>   | <b>13,067,342</b>   | <b>1,560,497</b>  | <b>11.94%</b>  |
| <b>Program Expenses</b>               |                     |                     |                   |                |
| Instruction                           | 5,507,186           | 4,835,196           | 671,990           | 13.90%         |
| Support Services:                     |                     |                     |                   |                |
| Student                               | 224,516             | 211,752             | 12,764            | 6.03%          |
| Instructional Staff                   | 140,957             | 159,872             | (18,915)          | -11.83%        |
| General Administration                | 47,735              | 31,229              | 16,506            | 52.85%         |
| Executive Administration              | 288,729             | 254,402             | 34,327            | 13.49%         |
| School Administration                 | 519,847             | 470,553             | 49,294            | 10.48%         |
| Operation and Maintenance of Plant    | 502,559             | 443,155             | 59,404            | 13.40%         |
| Student Transportation                | 281,730             | 263,369             | 18,361            | 6.97%          |
| Noninstructional Services             | 80,939              | 50,418              | 30,521            | 60.54%         |
| Interest on Long-Term Debt            | 1,918               | 3,399               | (1,481)           | -43.57%        |
| Intergovernmental Transfers           | 6,757,272           | 6,486,961           | 270,311           | 4.17%          |
| Depreciation - unallocated            | 129,768             | 129,927             | (159)             | -0.12%         |
| <b>Total Expenses</b>                 | <b>14,483,156</b>   | <b>13,340,233</b>   | <b>1,142,923</b>  | <b>8.57%</b>   |
| Change in Net Position                | 144,683             | (272,891)           | 417,574           | 153.02%        |
| Net Position, beginning               | 2,791,146           | 3,064,037           | (272,891)         | -8.91%         |
| <b>Net Position, ending</b>           | <b>\$ 2,935,829</b> | <b>\$ 2,791,146</b> | <b>\$ 144,683</b> | <b>5.18%</b>   |

Norwich School District, Norwich Vermont  
Management Discussion and Analysis for Fiscal Year 2021

**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 FY2021. Budgeted revenues totaled \$12,975,580 including the use of \$274,835 from fund balance; actual revenues equaled \$12,793,177. Revenue variances arose from the following sources: Transportation reimbursement \$7,138 less than budgeted; Special Education reimbursement \$75,399 more than budgeted; Extraordinary Aid Reimbursement: \$21,061 less than budgeted; State Placed Student reimbursement: \$1,274 more than budgeted; Tuition: \$20,336 more than budgeted; Miscellaneous \$42,355 more than budgeted and Investment Earnings and Essential Early Education reimbursement: \$18,733 less than budgeted. At \$11,329,125, property taxes (here termed: "Homestead Tax Liability") comprise 88.9% of general fund revenues. Revenues ended with a positive variance of \$92,432.

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 66.6% of all general fund expenditures in the amount of \$3,876,374; while Support Services comprise 31.7% of local expenditures in the amount of \$1,845,860. The remaining 1.7% includes debt service, facilities upgrades and other outlays in the amount of \$98,624. Expenditures and other financing sources ended with a positive variance of \$285,754.

***Other Funds***

Activity for the “Food Service”, “Special Gifts”, “Medicaid”, and Capital Project funds, are shown on Schedules 4 and 5. Ending fund balances for each of these funds were \$0; \$45,296; \$78,177; and (\$19,390).

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

***Capital Assets***

On June 30, 2021, the District reported capital assets of \$1,819,386 (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**

|                                  | Governmental Activities |                     | Increase          | % Increase    |
|----------------------------------|-------------------------|---------------------|-------------------|---------------|
|                                  | 2021                    | 2020                | (Decrease)        | (Decrease)    |
| Land                             | \$ 2,500                | \$ 2,500            | \$ -              | 0.00%         |
| Construction In Progress         | 434,159                 | 31,584              | 402,575           | 92.73%        |
| Land Improvements                | 120,439                 | 120,439             | -                 | 0.00%         |
| Building & Building Improvements | 4,419,599               | 4,413,277           | 6,322             | 0.14%         |
| Equipment & Vehicles             | 75,652                  | 70,000              | 5,652             | 7.47%         |
| <b>Total Historical Costs</b>    | <b>5,052,349</b>        | <b>4,637,800</b>    | <b>414,549</b>    | <b>8.94%</b>  |
| Total Accumulated Depreciation   | (3,232,963)             | (3,106,417)         | (126,546)         | -3.91%        |
| <b>Net Capital Assets</b>        | <b>\$ 1,819,386</b>     | <b>\$ 1,531,383</b> | <b>\$ 288,003</b> | <b>18.81%</b> |



Norwich School District, Norwich Vermont  
Management Discussion and Analysis for Fiscal Year 2021

***Long-Term Debt***

The District has \$90,000 of long-term debt outstanding. The District's liability for "Other Post-Employment Benefits" (OPEB) at June 30, 2021 is reported at \$180,104. The district has an additional \$22,086 in compensated absences payable, and \$321,647 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> |                   | <u>Increase</u>   | <u>% Increase</u> |
|-------------------------------|--------------------------------|-------------------|-------------------|-------------------|
|                               | <u>2021</u>                    | <u>2020</u>       | <u>(Decrease)</u> | <u>(Decrease)</u> |
| Note payable                  | \$ 90,000                      | \$ 135,000        | \$ (45,000)       | -33.33%           |
| Compensated Absences          | 22,086                         | 10,519            | 11,567            | 109.96%           |
| Net Pension Liability         | 321,647                        | 262,919           | 58,728            | 22.34%            |
| Other Postemployment Benefits | 180,104                        | 154,846           | 25,258            | 16.31%            |
| <b>Total Long Term Debt</b>   | <b>\$ 613,837</b>              | <b>\$ 563,284</b> | <b>\$ 50,553</b>  | <b>8.97%</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.

It is important that we remember the following event. 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 Vermont's Governor issued an order declaring a state of emergency on March 13, 2020. The impact of this pandemic is still wreaking havoc on supply chains around the world and as a result inflation is beginning to ramp up. The financial impact of these pressures cannot be fully known, but the administration of the SAU and Norwich School District are ready and able to make necessary changes. At this time the School District has retainage available to offset these potential 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, 2021

|  | Governmental<br>Activities |
|--|----------------------------|
| <b>ASSETS</b>                                    |                            |
| Cash and cash equivalents                        | \$ 1,616,373               |
| Other receivables                                | 420                        |
| Intergovernmental receivable                     | 265,830                    |
| Prepaid items                                    | 9,319                      |
| Capital assets, not being depreciated            | 436,659                    |
| Capital assets, net of accumulated depreciation  | 1,382,727                  |
| Total assets                                     | <u>3,711,328</u>           |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>            |                            |
| Amounts related to pensions                      | 135,627                    |
| Amounts related to other postemployment benefits | 17,524                     |
| Total deferred outflows of resources             | <u>153,151</u>             |
| <b>LIABILITIES</b>                               |                            |
| Accounts payable                                 | 31,593                     |
| Accrued salaries and benefits                    | 235,587                    |
| Accrued interest payable                         | 867                        |
| Noncurrent obligations:                          |                            |
| Due within one year                              | 45,000                     |
| Due in more than one year                        | 568,837                    |
| Total liabilities                                | <u>881,884</u>             |
| <b>DEFERRED INFLOWS OF RESOURCES</b>             |                            |
| Unavailable revenue - donations                  | 500                        |
| Unavailable revenue - student balances           | 424                        |
| Amounts related to pensions                      | 27,285                     |
| Amounts related to other postemployment benefits | 18,557                     |
| Total deferred inflows of resources              | <u>46,766</u>              |
| <b>NET POSITION</b>                              |                            |
| Net investment in capital assets                 | 1,729,386                  |
| Unrestricted                                     | 1,206,443                  |
| Total net position                               | <u>\$ 2,935,829</u>        |

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, 2021

|  |                      | Program Revenues |                     |                | Net (Expense)       |
|--|----------------------|------------------|---------------------|----------------|---------------------|
|  |                      | Charges          | Operating           | Capital        | Revenue and         |
|  | Expenses             | for              | Grants and          | Grants and     | Change in           |
|  |                      | Services         | Contributions       | Contributions  | Net Position        |
| Governmental activities:                                     |                      |                  |                     |                |                     |
| Instruction  | \$ 5,507,186         | \$ 36,132        | \$ 2,269,266        | \$ -           | \$ (3,201,788)      |
| Support services:  |                      |                  |                     |                |                     |
| Student  | 224,516              | -                | -                   | -              | (224,516)           |
| Instructional staff  | 140,957              | -                | -                   | -              | (140,957)           |
| General administration                                       | 47,735               | -                | -                   | -              | (47,735)            |
| Executive administration                                     | 288,729              | -                | -                   | -              | (288,729)           |
| School administration  | 519,847              | -                | -                   | -              | (519,847)           |
| Operation and maintenance of plant                           | 502,559              | -                | 97,842              | -              | (404,717)           |
| Student transportation                                       | 281,730              | -                | 123,153             | -              | (158,577)           |
| Noninstructional services                                    | 80,939               | 8,268            | 66,679              | -              | (5,992)             |
| Interest on long-term debt                                   | 1,918                | -                | -                   | -              | (1,918)             |
| Facilities acquisition and construction                      | -                    | -                | -                   | 366,600        | 366,600             |
| Intergovernmental transfers                                  | 6,757,272            | -                | -                   | -              | (6,757,272)         |
| Depreciation unallocated                                     | 129,768              | -                | -                   | -              | (129,768)           |
| Total governmental activities                                | <u>\$ 14,483,156</u> | <u>\$ 44,400</u> | <u>\$ 2,556,940</u> | <u>366,600</u> | <u>(11,515,216)</u> |
| General revenues:  |                      |                  |                     |                |                     |
| Grants and contributions not restricted to specific programs |                      |                  |                     |                | 11,605,186          |
| Interest   |                      |                  |                     |                | 11,606              |
| Miscellaneous  |                      |                  |                     |                | 43,107              |
| Total general revenues                                       |                      |                  |                     |                | <u>11,659,899</u>   |
| Change in net position                                       |                      |                  |                     |                | 144,683             |
| Net position, beginning                                      |                      |                  |                     |                | 2,791,146           |
| Net position, ending   |                      |                  |                     |                | <u>\$ 2,935,829</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, 2021**

|  | General             | Grants           | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|---------------------|------------------|--------------------------------|--------------------------------|
| <b>ASSETS</b>  |                     |                  |                                |                                |
| Cash and cash equivalents  | \$ 1,474,286        | \$ -             | \$ 142,087                     | \$ 1,616,373                   |
| Accounts receivable  | 420                 | -                | -                              | 420                            |
| Intergovernmental receivable   | 178,881             | 64,413           | 22,536                         | 265,830                        |
| Interfund receivables  | 95,472              | -                | -                              | 95,472                         |
| Prepaid items  | 9,319               | -                | -                              | 9,319                          |
| Total assets   | <u>\$ 1,758,378</u> | <u>\$ 64,413</u> | <u>\$ 164,623</u>              | <u>\$ 1,987,414</u>            |
| <b>LIABILITIES</b>   |                     |                  |                                |                                |
| Accounts payable   | \$ 2,536            | \$ -             | \$ 29,057                      | \$ 31,593                      |
| Accrued salaries and benefits  | 235,587             | -                | -                              | 235,587                        |
| Interfund payable  | -                   | 64,413           | 31,059                         | 95,472                         |
| Total liabilities  | <u>238,123</u>      | <u>64,413</u>    | <u>60,116</u>                  | <u>362,652</u>                 |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                                   |                     |                  |                                |                                |
| Unavailable revenue - donations  | 500                 | -                | -                              | 500                            |
| Unavailable revenue - student balances                                 | -                   | -                | 424                            | 424                            |
| Total deferred inflows of resources                                    | <u>500</u>          | <u>-</u>         | <u>424</u>                     | <u>924</u>                     |
| <b>FUND BALANCES (DEFICIT)</b>   |                     |                  |                                |                                |
| Nonspendable   | 9,319               | -                | -                              | 9,319                          |
| Restricted   | -                   | -                | 78,177                         | 78,177                         |
| Committed  | 792,938             | -                | 45,296                         | 838,234                        |
| Assigned   | 153,854             | -                | -                              | 153,854                        |
| Unassigned (deficit)   | 563,644             | -                | (19,390)                       | 544,254                        |
| Total fund balances  | <u>1,519,755</u>    | <u>-</u>         | <u>104,083</u>                 | <u>1,623,838</u>               |
| Total liabilities, deferred inflows<br>of resources, and fund balances | <u>\$ 1,758,378</u> | <u>\$ 64,413</u> | <u>\$ 164,623</u>              | <u>\$ 1,987,414</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, 2021**

|  |                    |                            |
|--|--------------------|----------------------------|
| Total fund balances of governmental funds (Exhibit C-1)  |                    | \$ 1,623,838               |
| 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   | \$ 5,052,349       |                            |
| Less accumulated depreciation  | <u>(3,232,963)</u> |                            |
|  |                    | 1,819,386                  |
| 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   | \$ 135,627         |                            |
| Deferred inflows of resources related to pensions  | (27,285)           |                            |
| Deferred outflows of resources related to OPEB   | 17,524             |                            |
| Deferred inflows of resources related to OPEB  | <u>(18,557)</u>    |                            |
|  |                    | 107,309                    |
| Interfund receivables and payables between governmental funds are eliminated on the Statement of Net Position.   |                    |                            |
| Receivables  | \$ (95,472)        |                            |
| Payables   | <u>95,472</u>      |                            |
|  |                    | -                          |
| Interest on long-term debt is not accrued in governmental funds.   |                    |                            |
| Accrued interest payable   |                    | (867)                      |
| Long-term liabilities are not due and payable in the current period, therefore, are not reported in the governmental funds.  |                    |                            |
| Note   | \$ 90,000          |                            |
| Compensated absences   | 22,086             |                            |
| Net pension liability  | 321,647            |                            |
| Other postemployment benefits  | <u>180,104</u>     |                            |
|  |                    | (613,837)                  |
| Net position of governmental activities (Exhibit A)  |                    | <u><u>\$ 2,935,829</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, 2021**

|  | General      | Grants  | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|--------------|---------|--------------------------------|--------------------------------|
| <b>REVENUES</b>  |              |         |                                |                                |
| Other local  | \$ 90,845    | \$ -    | \$ 19,608                      | \$ 110,453                     |
| State  | 12,375,352   | -       | -                              | 12,375,352                     |
| Federal  | -            | 304,200 | 450,732                        | 754,932                        |
| Total revenues   | 12,466,197   | 304,200 | 470,340                        | 13,240,737                     |
| <b>EXPENDITURES</b>  |              |         |                                |                                |
| Current:   |              |         |                                |                                |
| Instruction  | 3,876,374    | 197,565 | 16,880                         | 4,090,819                      |
| Support services:  |              |         |                                |                                |
| Student  | 224,516      | -       | -                              | 224,516                        |
| Instructional staff  | 140,957      | -       | -                              | 140,957                        |
| General administration                                       | 47,735       | -       | -                              | 47,735                         |
| Executive administration                                     | 288,729      | -       | -                              | 288,729                        |
| School administration  | 500,724      | -       | -                              | 500,724                        |
| Operation and maintenance of plant                           | 370,262      | 97,842  | -                              | 468,104                        |
| Student transportation                                       | 272,937      | 8,793   | -                              | 281,730                        |
| Noninstructional services                                    | -            | -       | 80,939                         | 80,939                         |
| Debt service:  |              |         |                                |                                |
| Principal  | 45,000       | -       | -                              | 45,000                         |
| Interest   | 2,603        | -       | -                              | 2,603                          |
| Facilities acquisition and construction                      | 45,029       | -       | 385,990                        | 431,019                        |
| Total expenditures   | 5,814,866    | 304,200 | 483,809                        | 6,602,875                      |
| Excess (deficiency) of revenues<br>over (under) expenditures | 6,651,331    | -       | (13,469)                       | 6,637,862                      |
| <b>OTHER FINANCING SOURCES (USES)</b>                        |              |         |                                |                                |
| Transfers in   | -            | -       | 5,992                          | 5,992                          |
| Transfers out  | (5,992)      | -       | -                              | (5,992)                        |
| Intergovernmental transfers out                              | (6,757,272)  | -       | -                              | (6,757,272)                    |
| Total other financing sources (uses)                         | (6,763,264)  | -       | 5,992                          | (6,757,272)                    |
| Net change in fund balances                                  | (111,933)    | -       | (7,477)                        | (119,410)                      |
| Fund balances, beginning                                     | 1,631,688    | -       | 111,560                        | 1,743,248                      |
| Fund balances, ending  | \$ 1,519,755 | \$ -    | \$ 104,083                     | \$ 1,623,838                   |

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, 2021*

|   |                  |                 |                   |
|---|------------------|-----------------|-------------------|
| Net change in fund balances of total governmental funds (Exhibit C-3)   |                  |                 | \$(119,410)       |
| 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. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:   |                  |                 |                   |
| Capitalized capital outlay  | \$432,849        |                 |                   |
| Depreciation expense  | <u>(144,846)</u> |                 |                   |
|   |                  | 288,003         |                   |
| Transfers in and out between governmental funds are eliminated on the Statement of Activities.  |                  |                 |                   |
| Transfers in  | \$ (5,992)       |                 |                   |
| Transfers out   | <u>5,992</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  | \$ 685           |                 |                   |
| Increase in compensated absences payable  | (11,567)         |                 |                   |
| Net change in net pension liability and deferred outflows and inflows of resources related to pensions  | (52,884)         |                 |                   |
| Net change in net other postemployment benefits liability and deferred outflows and inflows of resources related to other postemployment benefits   | <u>(5,144)</u>   |                 |                   |
|   |                  | <u>(68,910)</u> |                   |
| Change in net position of governmental activities (Exhibit B)   |                  |                 | <u>\$ 144,683</u> |

The Notes to the Basic Financial Statements are an integral part of this statement.



**EXHIBIT D-1**  
**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, 2021*

|   | Budgeted Amounts |              | Actual      | Variance<br>Positive<br>(Negative) |
|---|------------------|--------------|-------------|------------------------------------|
|   | Original         | Final        |             |                                    |
| <b>REVENUES</b>                         |                  |              |             |                                    |
| Other local                             | \$ 41,546        | \$ 41,546    | \$ 87,373   | \$ 45,827                          |
| State                                   | 12,328,747       | 12,328,747   | 12,375,352  | 46,605                             |
| Total revenues                          | 12,370,293       | 12,370,293   | 12,462,725  | 92,432                             |
| <b>EXPENDITURES</b>                     |                  |              |             |                                    |
| Current:                                |                  |              |             |                                    |
| Instruction                             | 4,103,447        | 4,105,247    | 3,924,141   | 181,106                            |
| Support services:                       |                  |              |             |                                    |
| Student                                 | 226,074          | 226,074      | 224,516     | 1,558                              |
| Instructional staff                     | 188,985          | 188,985      | 140,957     | 48,028                             |
| General administration                  | 32,082           | 32,082       | 48,303      | (16,221)                           |
| Executive administration                | 288,729          | 288,729      | 288,729     | -                                  |
| School administration                   | 484,146          | 484,546      | 487,596     | (3,050)                            |
| Operation and maintenance of plant      | 409,798          | 409,798      | 384,938     | 24,860                             |
| Student transportation                  | 316,187          | 313,987      | 272,181     | 41,806                             |
| Debt service:                           |                  |              |             |                                    |
| Principal                               | 45,000           | 45,000       | 45,000      | -                                  |
| Interest                                | 2,660            | 2,660        | 2,603       | 57                                 |
| Facilities acquisition and construction | 106,200          | 106,200      | 107,598     | (1,398)                            |
| Total expenditures                      | 6,203,308        | 6,203,308    | 5,926,562   | 276,746                            |
| Excess of revenues over expenditures    | 6,166,985        | 6,166,985    | 6,536,163   | 369,178                            |
| <b>OTHER FINANCING SOURCES (USES)</b>   |                  |              |             |                                    |
| Transfers in                            | 330,452          | 330,452      | 330,452     | -                                  |
| Transfers out                           | (15,000)         | (15,000)     | (5,992)     | 9,008                              |
| Intergovernmental transfers out         | (6,757,272)      | (6,757,272)  | (6,757,272) | -                                  |
| Total other financing sources (uses)    | (6,441,820)      | (6,441,820)  | (6,432,812) | 9,008                              |
| Net change in fund balance              | \$ (274,835)     | \$ (274,835) | 103,351     | \$ 378,186                         |
| Increase in nonspendable fund balance   |                  |              | (9,319)     |                                    |
| Unassigned fund balance, beginning      |                  |              | 469,612     |                                    |
| Unassigned fund balance, ending         |                  |              | \$ 563,644  |                                    |

The Notes to the Basic Financial Statements are an integral part of this statement.

**EXHIBIT D-2**  
**NORWICH SCHOOL DISTRICT**  
*Statement of Revenues, Expenditures, and Changes in Fund Balance*  
*Budget and Actual (GAAP Basis)*  
**Grants Fund**  
*For the Fiscal Year Ended June 30, 2021*

|                                    | Budgeted Amounts |            |            | Variance               |
|------------------------------------|------------------|------------|------------|------------------------|
|                                    | Original         | Final      | Actual     | Positive<br>(Negative) |
| <b>REVENUES</b>                    |                  |            |            |                        |
| Federal                            | \$ -             | \$ 304,200 | \$ 304,200 | \$ -                   |
| <b>EXPENDITURES</b>                |                  |            |            |                        |
| Current:                           |                  |            |            |                        |
| Instruction                        | -                | 197,565    | 197,565    | -                      |
| Support services:                  |                  |            |            |                        |
| Operation and maintenance of plant | -                | 97,842     | 97,842     | -                      |
| Student transportation             | -                | 8,793      | 8,793      | -                      |
| Total expenditures                 | -                | 304,200    | 304,200    | -                      |
| Net change in fund balance         | \$ -             | \$ -       | -          | \$ -                   |
| Fund balance, beginning            |                  |            | -          |                        |
| Fund balance, ending               |                  |            | \$ -       |                        |

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, 2021**

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|---|-------------|
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**DETAILED NOTES ON ALL FUNDS**

|   |           |
|---|-----------|
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**NORWICH SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2021**

**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 or capital 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, support services, debt services, facilities acquisition, and construction or noninstructional. 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 the outstanding note. 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. 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,

**NORWICH SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2021**

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 five 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.”

New Hampshire statutes require that the School District treasurer have custody of all money belonging to the School District and pay out the same only upon orders of the School Board. The treasurer shall deposit all such monies in participation units in the public deposit investment pool established pursuant to NH RSA 383:22 or in solvent banks in the State. Funds may be deposited in banks outside the State if such banks pledge and deliver to a third-party custodial bank or the Federal Reserve Bank, collateral security for such deposits, United States government or government agency obligations or obligations of the State of New Hampshire in value at least equal to the amount of the deposit in each case.

***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 primarily of accounts and intergovernmental receivables.

***1-F Prepaid Items***

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items and expensed as the items are used.

***1-G 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.

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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.

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

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

***1-H 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). All other outstanding balances between funds are reported as “due to/from other funds.” 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-I Accounts Payable***

Accounts payable represent the gross amount 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, 2021.

***1-J 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-K 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 2021.

In accordance with GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, the School District utilizes the following classification to categorize the financial transaction:

**Direct Borrowings** – financial transactions for a note or a loan where the School District negotiates certain terms with a single lender and are not offered for public sale.

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***1-L 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 governmental fund and government-wide presentations.

***1-M 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 the 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-N 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 11-A. The School District recognizes OPEB 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-O 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 categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

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**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:

**Nonspendable** – Amounts that cannot be spent because they are either (a) not in spendable form; or (b) are legally or contractually required to be maintained intact.

**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.

**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 or Business Administrator through the budgetary process.

**Unassigned** – The portion of fund balance that has not been restricted, committed, or assigned for a specific purpose. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by the offsetting assigned fund balance amounts.

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-P 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, net pension liability, other postemployment benefit liability, and deferred outflows and inflows of resources related to both pension and other postemployment benefits 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. However, the School Board has voted and accepted the federal grants awarded to the District through the year, so these amounts are reported as a final budget for the grants fund, which is also reported as a major fund. Except as reconciled below, the budget was adopted on a basis consistent with United States generally accepted accounting principles.



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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 2021, \$274,835 of the beginning general fund unassigned fund balance was applied for this purpose.

**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. There are no differences between the budgetary basis and GAAP basis of accounting for the major grants fund. 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)   | \$ 12,793,177        |
| Adjustments:  |                      |
| Basis difference:   |                      |
| GASB Statement No. 54:  |                      |
| Revenue related to the blended expendable trust funds                     | 3,472                |
| To remove transfer from blended expendable trust fund to the general fund | (330,452)            |
| Per Exhibit C-3 (GAAP Basis)  | <u>\$ 12,466,197</u> |
| Expenditures and other financing uses:                                    |                      |
| Per Exhibit D (budgetary basis)   | \$ 12,689,826        |
| Adjustments:  |                      |
| Basis difference:   |                      |
| Encumbrances, beginning   | 42,158               |
| Encumbrances, ending  | (153,854)            |
| Per Exhibit C-3 (GAAP basis)  | <u>\$ 12,578,130</u> |

**2-C Deficit Fund Balance**

The Cable Drop Project fund had a fund balance deficit of \$19,390 at June 30, 2021. This deficit is a result of the School District starting a technology upgrade project. The School District approved the project to be funded from the School Building Maintenance Reserve and a transfer of funds will occur in 2021-22 to cover this deficit.

**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 \$1,616,373 and the bank balances totaled \$1,784,472. Petty cash totaled \$400.

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**NOTE 4 – RECEIVABLES**

Receivables at June 30, 2021, consisted of amounts and 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.

**NOTE 5 – CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2021 consisted of the following:

|  | Balance,<br>beginning | Additions  | Retirements | Balance,<br>ending |
|--|-----------------------|------------|-------------|--------------------|
| At cost:   |                       |            |             |                    |
| Not being depreciated:                           |                       |            |             |                    |
| Land   | \$ 2,500              | \$ -       | \$ -        | \$ 2,500           |
| Construction in progress                         | 31,584                | 402,575    | -           | 434,159            |
| Total capital assets not being depreciated       | 34,084                | 402,575    | -           | 436,659            |
| Being depreciated:                               |                       |            |             |                    |
| Land improvements                                | 120,439               | -          | -           | 120,439            |
| Buildings and building improvements              | 4,413,277             | 6,322      | -           | 4,419,599          |
| Equipment and vehicles                           | 70,000                | 23,952     | (18,300)    | 75,652             |
| Total capital assets being depreciated           | 4,603,716             | 30,274     | (18,300)    | 4,615,690          |
| Total capital assets                             | 4,637,800             | 432,849    | (18,300)    | 5,052,349          |
| Less accumulated depreciation:                   |                       |            |             |                    |
| Land improvements                                | (93,673)              | (2,415)    | -           | (96,088)           |
| Buildings and building improvements              | (2,970,043)           | (129,695)  | -           | (3,099,738)        |
| Equipment and vehicles                           | (42,701)              | (12,736)   | 18,300      | (37,137)           |
| Total accumulated depreciation                   | (3,106,417)           | (144,846)  | 18,300      | (3,232,963)        |
| Net book value, capital assets being depreciated | 1,497,299             | (114,572)  | -           | 1,382,727          |
| Net book value, all capital assets               | \$ 1,531,383          | \$ 288,003 | \$ -        | \$ 1,819,386       |

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                        | \$ 13,030         |
| Support services:                  |                   |
| Operation and maintenance of plant | 2,048             |
| Unallocated                        | 129,768           |
| Total depreciation expense         | <u>\$ 144,846</u> |

**NOTE 6 – INTERFUND BALANCES AND TRANSFERS**

Interfund receivable and payable balances consisting of overdrafts in pooled cash and budgetary transfers at June 30, 2021 are as follows:

| Receivable Fund | Payable Fund                | Amount           |
|-----------------|-----------------------------|------------------|
| General         | Grants                      | \$ 64,413        |
|                 | Nonmajor Food service       | 11,669           |
|                 | Nonmajor Cable drop project | 19,390           |
|                 |                             | <u>\$ 95,472</u> |

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Interfund transfers during the year ended June 30, 2021 are as follows:

|                |               |
|----------------|---------------|
|                | Transfers In: |
|                | Nonmajor      |
|                | Fund          |
| Transfers out: |               |
| General fund   | \$ 5,992      |

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.

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

Deferred outflows of resources at June 30, 2021 consist of amounts related to pensions totaling \$135,627 and amounts related to OPEB totaling \$17,524. For further discussion on these amounts, see Notes 9 and 11, respectively.

Deferred inflows of resources at June 30, 2021 consist of the following:

|  | Governmental<br>Activities | General<br>Fund | Nonmajor<br>Governmental<br>Funds |
|--|----------------------------|-----------------|-----------------------------------|
| Donations collected in advance of eligible expenditures being made | \$ 500                     | \$ 500          | \$ -                              |
| Student lunch fees collected in advance                            | 424                        | -               | 424                               |
| Amounts related to pensions, see Note 9                            | 27,285                     | -               | -                                 |
| Amounts related to OPEB, see Note 11                               | 18,557                     | -               | -                                 |
| Total deferred inflows of resources                                | <u>\$ 46,766</u>           | <u>\$ 500</u>   | <u>\$ 424</u>                     |

**NOTE 8 – LONG-TERM LIABILITIES**

Changes in the School District's long-term liabilities consisted of the following for the year ended June 30, 2021:

|                                   | Balance<br>July 1, 2020 | Additions        | Reductions         | Balance<br>June 30, 2021 | Due Within<br>One Year | Due In More<br>Than One Year |
|-----------------------------------|-------------------------|------------------|--------------------|--------------------------|------------------------|------------------------------|
| Note payable - direct borrowing   | \$ 135,000              | \$ -             | \$ (45,000)        | \$ 90,000                | \$ 45,000              | \$ 45,000                    |
| Compensated absences              | 10,519                  | 11,567           | -                  | 22,086                   | -                      | 22,086                       |
| Pension related liability         | 262,919                 | 58,728           | -                  | 321,647                  | -                      | 321,647                      |
| Net other postemployment benefits | 154,846                 | 25,258           | -                  | 180,104                  | -                      | 180,104                      |
| Total long-term liabilities       | <u>\$ 563,284</u>       | <u>\$ 95,553</u> | <u>\$ (45,000)</u> | <u>\$ 613,837</u>        | <u>\$ 45,000</u>       | <u>\$ 568,837</u>            |

Long-term note is comprised of the following:

|                                  | Original<br>Amount | Issue Date | Maturity<br>Date | Interest<br>Rate | Outstanding at<br>June 30, 2021 |
|----------------------------------|--------------------|------------|------------------|------------------|---------------------------------|
| Note payable - direct borrowing: |                    |            |                  |                  |                                 |
| HVAC Project                     | \$ 270,000         | 2017       | 2023             | 2.15%            | <u>\$ 90,000</u>                |

The annual requirements to amortize the note outstanding as of June 30, 2021, including interest payments, are as follows:

| Fiscal Year Ending<br>June 30, | Note - Direct Borrowing |                 |                  |
|--------------------------------|-------------------------|-----------------|------------------|
|                                | Principal               | Interest        | Total            |
| 2022                           | \$ 45,000               | \$ 1,691        | \$ 46,691        |
| 2023                           | 45,000                  | 724             | 45,724           |
| Totals                         | <u>\$ 90,000</u>        | <u>\$ 2,415</u> | <u>\$ 92,415</u> |

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.

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**Bonds/Notes Authorized and Unissued** – Bonds and notes authorized and unissued as of June 30, 2021 were as follows:

| Per<br>District Meeting<br>Vote of | Purpose                   | Unissued<br>Amount |
|------------------------------------|---------------------------|--------------------|
| March 2, 2021                      | Technology Infrastructure | <u>\$216,224</u>   |

**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   |

(Continued)

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*Benefits provided continued:*

| VMERS                        | Group A                        | Group B                        | Group C                       | Group D                         |
|------------------------------|--------------------------------|--------------------------------|-------------------------------|---------------------------------|
| 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 65**      | 6% per year from age 62**      | N/A                           | No reduction                    |

**Contributions:** Contribution requirements for the Vermont Municipal Employees' Retirement System – Group A were 2.75% of gross salaries for employees and 4.25% from the School District (no state contribution). Employer contributions for the plan were \$20,561 for the fiscal year ended June 30, 2021.

**Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions** – At June 30, 2021, the School District reported a liability of \$321,647 for its proportionate share of net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019. 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, 2020, the School District's proportion was 0.1271% which was a decrease of 0.0244% in its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the School District recognized pension expense of \$73,446. At June 30, 2021, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|  | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|--|--------------------------------------|-------------------------------------|
| Changes in proportion and difference between employer contributions and proportionate share of contributions | \$ 12,212                            | \$ 26,332                           |
| Net difference between projected and actual investment earnings on pension plan investments                  | 30,763                               | -                                   |
| Changes in assumptions   | 43,123                               | -                                   |
| Differences between expected and actual experience   | 28,968                               | 953                                 |
| Contributions subsequent to the measurement date   | 20,561                               | -                                   |
| Total  | <u>\$ 135,627</u>                    | <u>\$ 27,285</u>                    |

The \$20,561 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, 2022. 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<br>June 30, |                  |
|--------------------------------|------------------|
| 2022                           | \$ 27,433        |
| 2023                           | 27,107           |
| 2024                           | 21,713           |
| 2025                           | 11,528           |
| Thereafter                     | -                |
| Totals                         | <u>\$ 87,781</u> |

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**Actuarial Assumptions:** The total pension liability for the June 30, 2020 measurement date was determined by an actuarial valuation as of June 30, 2019 with update procedures used to roll forward the total pension liability to June 30, 2020.

**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.

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%                  | 7.07%                                  |
| US Equity - Large Cap         | 4.00%                   | 6.19%                                  |
| US Equity - Small/Mid Cap     | 3.00%                   | 6.93%                                  |
| Non-US Equity - Large Cap     | 5.00%                   | 7.01%                                  |
| Non-US Equity - Small/Mid Cap | 2.00%                   | 7.66%                                  |
| Emerging Markets Debt         | 4.00%                   | 3.66%                                  |
| Core Bond                     | 20.00%                  | 0.39%                                  |
| Private & Alternate Credit    | 10.00%                  | 6.03%                                  |
| US TIPS                       | 3.00%                   | -0.20%                                 |
| Core Real Estate              | 5.00%                   | 4.06%                                  |
| Non-Core Real Estate          | 3.00%                   | 6.43%                                  |
| Private Equity                | 10.00%                  | 11.27%                                 |
| Infrastructure/Farmland       | 2.00%                   | 5.44%                                  |
| Total                         | 100.00%                 |  |

**Discount Rate** – The discount rate used to measure the total pension liability was 7.00% 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 7.00% 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 (6.00%) or 1-percentage point higher (8.00%) than the current rate:

| Actuarial Valuation Date | 1% Decrease 6.00% | Current Single Rate Assumption 7.00% | 1% Increase 8.00% |
|--------------------------|-------------------|--------------------------------------|-------------------|
| June 30, 2020            | \$ 491,412        | \$ 321,647                           | \$ 181,967        |

**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

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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).

**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  |
| 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 |

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\*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.

**Contributions** - Contribution requirements for the Vermont Teachers' Retirement System were 5.5% and 5.0% of gross salary from Group A and Group C employees only, respectively (no employer contribution; state contributes 100% of employer portion based on actuarial recommendation) with the State contributing \$442,150 for the fiscal year ended June 30, 2021.

**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, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019. 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, 2021, the School District recorded pension expense of \$1,046,149, which has also been recognized as both a pension expense and intergovernmental revenue on the Statement of Activities. At June 30, 2020, the School District's proportion was 0.3677% which was an increase of 0.001% in its proportion measured as of June 30, 2019.

At June 30, 2021, 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 \$7,174,506.

At June 30, 2021, the School District disclosed deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|  | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|--|--------------------------------------|-------------------------------------|
| Changes in proportion and difference between employer contributions and proportionate share of contributions | \$ 46,070                            | \$ 93,026                           |
| Net difference between projected and actual investment earnings on pension plan investments                  | 201,554                              | -                                   |
| Changes in assumptions   | 857,596                              | 30,296                              |
| Differences between expected and actual experience   | 195,231                              | -                                   |
| Total  | <u>\$ 1,300,451</u>                  | <u>\$ 123,322</u>                   |

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<br>June 30, |                     |
|--------------------------------|---------------------|
| 2022                           | \$ 375,896          |
| 2023                           | 370,559             |
| 2024                           | 387,742             |
| 2025                           | 42,932              |
| Thereafter                     | -                   |
| Totals                         | <u>\$ 1,177,129</u> |

**Actuarial Assumptions** - The total pension liability for the June 30, 2020 measurement date was determined by an actuarial valuation as of June 30, 2019 with update procedures used to roll forward the total pension liability to June 30, 2020.

**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.



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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%                  | 7.07%                                  |
| US Equity - Large Cap         | 4.00%                   | 6.19%                                  |
| US Equity - Small/Mid Cap     | 3.00%                   | 6.93%                                  |
| Non-US Equity - Large Cap     | 5.00%                   | 7.01%                                  |
| Non-US Equity - Small/Mid Cap | 2.00%                   | 7.66%                                  |
| Emerging Markets Debt         | 4.00%                   | 3.66%                                  |
| Core Bond                     | 20.00%                  | 0.39%                                  |
| Private & Alternate Credit    | 10.00%                  | 6.03%                                  |
| US TIPS                       | 3.00%                   | -0.20%                                 |
| Core Real Estate              | 5.00%                   | 4.06%                                  |
| Non-Core Real Estate          | 3.00%                   | 6.43%                                  |
| Private Equity                | 10.00%                  | 11.27%                                 |
| Infrastructure/Farmland       | 2.00%                   | 5.44%                                  |
| Total                         | 100.00%                 |  |

**Discount Rate** – The discount rate used to measure the total pension liability was 7.00% 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 7.00% 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 (6.00%) or 1-percentage point higher (8.00%) than the current rate:

| Actuarial Valuation Date | 1% Decrease 6.00% | Current Single Rate Assumption 7.00% | 1% Increase 8.00% |
|--------------------------|-------------------|--------------------------------------|-------------------|
| June 30, 2020            | \$ 8,936,615      | \$ 7,174,506                         | \$ 5,709,279      |

**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, 2021, 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                           | \$ 321,647          |
| State's proportionate share of the net pension liability associated with the School District | 7,174,506           |
| Total  | <u>\$ 7,496,153</u> |

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**NOTE 10 – SUPPLEMENTAL RETIREMENT PLAN**

All employees employed by the School District participate in a defined contribution pension plan administered by Omni Group, Inc. Participation begins immediately upon employment. The School District has no requirement or obligation under State Statutes to contribute to this plan, however the School District has adopted the Supplemental Retirement Plan 403(b) for its employees. The School Board has the authority to establish and amend the benefit provisions and contribution requirements of the plan. The School District contributes between 2-4% of each employee's salary and all amounts contributed are vested immediately. Also, employees may make voluntary contributions to the plan. Contributions for the year ended June 30, 2021 were \$271,251 which consisted of \$68,898 from the School District and \$202,353 from employees.

**NOTE 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)**

**11-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, 2020, the plan consisted of 136 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 (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).

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            | <p>VSTRS retirees and their spouses are eligible for health coverage if the retiree is eligible for pension benefits. Pension eligibility requirements are below:</p> <p>Group A - Public school teachers employed within the State of Vermont prior to July 1, 1981 and elected to remain in Group A</p> <ul style="list-style-type: none"><li>• Retirement: Attainment of 30 years of creditable service, or age 55</li></ul> <p>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.</p> <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 | <p>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.</p>  |

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|                      |  |
|----------------------|--|
| 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   |

**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 will not receive any premium subsidy.

**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, 2021, the School District disclosed a liability of \$3,734,590 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020. For the year ended June 30, 2021, the School District recorded OPEB expense of \$340,953, which has been recognized as both an OPEB expense and intergovernmental revenue on the Statement of Activities.

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

|  | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|--|--------------------------------------|-------------------------------------|
| Changes in proportion and difference between employer contributions and proportionate share of contributions | \$ 10,322                            | \$ 105,172                          |
| Net difference between projected and actual investment earnings on OPEB plan investments                     | -                                    | 5,216                               |
| Changes in assumptions   | 481,720                              | 53,902                              |
| Differences between expected and actual experience   | 148,122                              | -                                   |
| Total  | <u>\$ 640,164</u>                    | <u>\$ 164,290</u>                   |

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<br>June 30, |                   |
|--------------------------------|-------------------|
| 2022                           | \$ 156,303        |
| 2023                           | 163,369           |
| 2024                           | 131,834           |
| 2025                           | 24,368            |
| Thereafter                     | -                 |
| Totals                         | <u>\$ 475,874</u> |

**Actuarial Assumptions** - The total OPEB liability for the June 30, 2020 measurement date was determined by an actuarial valuation as of June 30, 2019 with update procedures used to roll forward the total pension liability to June 30, 2020.

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

|                      |   |
|----------------------|---|
| Discount Rate        | 2.21% based on the 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher as of June 30, 2020. |
| Salary Increase Rate | Varies by age. Representative values of the assumed annual rates of future salary increases are as follows:                             |

| Service | Annual Rate of<br>Salary Increase (%) |
|---------|---------------------------------------|
| 20      | 10.50%                                |
| 25      | 9.50%                                 |
| 30      | 6.50%                                 |
| 35      | 5.95%                                 |
| 40      | 5.30%                                 |
| 45      | 4.50%                                 |
| 50      | 4.20%                                 |
| 55      | 3.80%                                 |
| 60      | 3.55%                                 |

|                             |  |
|-----------------------------|--|
| Inflation                   | 2.00%  |
| Healthcare Cost Trend Rates | Non-Medicare – 6.925% graded to 4.50% over 11 years<br>Medicare – 6.140% graded to 4.50% over 12 years |
| Retiree Contributions       | Equal to health trend  |

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|                           |   |
|---------------------------|---|
| Pre-retirement Mortality  | PubT-2010 Teacher Employee Headcount Weighted Table with generational projection using scale MP-2019  |
| Post-retirement Mortality | Retirees: PubT-2010 Teacher Healthy Retiree Headcount Weighted Table with generational projection using scale MP-2019;<br><br>Spouses: 109% of the Pub-2010 Contingent Survivor Table with generational projection using scale MP-2019. |
| Disabled Mortality        | PubNS-2010 Non-Safety Disabled Retiree Headcount Weighted Mortality Table with generational projection using scale MP-2019  |
| Actuarial Cost Method     | Projected unit credit   |
| Asset Valuation Method    | Market Value  |
| Measurement Date          | June 30, 2020   |
| Actuarial Valuation Date  | June 30, 2019   |

**Per Capita Cost Development -**

**Medical and Prescription Drug** - Per capita claims costs were based on claims for the period July 1, 2017 through June 30, 2020. Claims were separated by non-Medicare and Medicare retirees, and by claim type (medical vs. 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. The prescription drug claims were then adjusted for assumed rebates and EGWP reimbursements.

**Administrative Expenses** - Per capita claims costs were based on claims for the period July 1, 2017 through June 30, 2020. Expenses were separated by plan year, then adjusted as described above to yield a combined weighted average per capita expense.

**Per Capita Health Costs:** Medical and prescription drug claims for the year beginning July 1, 2020 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 | <u>Medical</u> |               |               |               | <u>Prescription Drugs</u> |               |               |               |
|-----|----------------|---------------|---------------|---------------|---------------------------|---------------|---------------|---------------|
|     | <u>Retiree</u> |               | <u>Spouse</u> |               | <u>Retiree</u>            |               | <u>Spouse</u> |               |
|     | <u>Male</u>    | <u>Female</u> | <u>Male</u>   | <u>Female</u> | <u>Male</u>               | <u>Female</u> | <u>Male</u>   | <u>Female</u> |
| 50  | \$ 8,363       | \$ 9,526      | \$ 5,842      | \$ 7,649      | \$ 1,571                  | \$ 1,789      | \$ 1,097      | \$ 1,437      |
| 55  | 9,932          | 10,255        | 7,817         | 8,854         | 1,865                     | 1,926         | 1,468         | 1,663         |
| 60  | 11,796         | 11,053        | 10,465        | 10,269        | 2,215                     | 2,076         | 1,965         | 1,929         |
| 64  | 13,533         | 11,726        | 13,210        | 11,557        | 2,542                     | 2,202         | 2,481         | 2,171         |
| 65  | 1,517          | 1,289         | 1,517         | 1,289         | 2,239                     | 1,903         | 2,239         | 1,903         |
| 70  | 1,758          | 1,390         | 1,758         | 1,390         | 2,595                     | 2,051         | 2,595         | 2,051         |
| 75  | 1,895          | 1,496         | 1,895         | 1,496         | 2,797                     | 2,208         | 2,797         | 2,208         |

**Administrative Expenses:** An annual administrative expense of \$580 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.

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**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<br>June 30, | Health<br>Costs | Medicare<br>Health Costs |
|-------------------------|-----------------|--------------------------|
| 2021                    | 6.925%          | 6.140%                   |
| 2022                    | 6.700%          | 6.000%                   |
| 2023                    | 6.475%          | 5.860%                   |
| 2024                    | 6.250%          | 5.720%                   |
| 2025                    | 6.025%          | 5.580%                   |
| 2026                    | 5.800%          | 5.440%                   |
| 2027                    | 5.575%          | 5.300%                   |
| 2028                    | 5.350%          | 5.160%                   |
| 2029                    | 5.125%          | 5.020%                   |
| 2030                    | 4.900%          | 4.880%                   |
| 2031                    | 4.675%          | 4.740%                   |
| 2032                    | 4.500%          | 4.600%                   |
| 2033+                   | 4.500%          | 4.500%                   |

The trend rate assumptions were developed using Segal's internal guidelines, which are established each year using the data sources such as the 2021 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 premiums effective July 1, 2020. 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 potential excise tax on plans that exceed certain cost thresholds was repealed on December 20, 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<br>Allocation | Long-term<br>expected real<br>rate of return |
|-------------------------------|----------------------------|--|
| Large cap equity              | 20.00%                     | 7.25%  |
| International equity          | 15.00%                     | 9.00%  |
| Emerging international equity | 5.00%                      | 11.25%                                       |
| Core bonds                    | 60.00%                     | 2.50%  |
| Total                         | 100.00%                    |  |

**Discount Rate** – The sufficiency of projected assets to make projected benefit payments results in a blended discount rate of 2.21%. Therefore, the index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher as of June 30, 2020 with an expected rate of return of 2.21% on plan investments was applied to all periods of projected benefit payments to determine the Total OPEB Liability. The projection of cash flows used to determine the discount rate assumed that contributions from the Vermont State Teachers' Retirement System will continue to be made commensurate with their average contributions over the most recent five-year period (approximately \$32,000,000 per year).

**NORWICH SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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**Sensitivity of the School District's OPEB Liability to Changes in the Discount Rate** – The June 30, 2019 actuarial valuation was prepared using a discount rate of 2.21%. If the discount rate were 1% higher than what was used the OPEB liability would decrease to \$3,185,711 or by (14.70%). If the discount rate were 1% lower than what was used the OPEB liability would increase to \$4,442,961 or by 18.43%.

| Actuarial<br>Valuation<br>Date | 1% Decrease<br>1.21% | Current Single<br>Rate Assumption<br>2.21% | 1% Increase<br>3.21% |
|--------------------------------|----------------------|--|----------------------|
| June 30, 2020                  | <u>\$4,422,961</u>   | <u>\$ 3,734,590</u>                        | <u>\$3,185,711</u>   |

**Sensitivity of the School District's OPEB Liability to Changes in the Healthcare Cost Trend Rates** – The June 30, 2019 actuarial valuation was prepared using an initial trend rate of 6.93%. If the trend rate were 1% higher than what was used the OPEB liability would increase to \$4,575,890 or by 22.53%. If the trend rate were 1% lower than what was used the OPEB liability would decrease to \$3,097,778 or by (17.05%).

| Actuarial<br>Valuation<br>Date | 1% Decrease        | Health Cost<br>Trend Rate | 1% Increase        |
|--------------------------------|--------------------|---------------------------|--------------------|
| June 30, 2020                  | <u>\$3,097,778</u> | <u>\$ 3,734,590</u>       | <u>\$4,575,890</u> |

**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.

**11-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. The School District OPEB plan is not administered through a trust that meets the criteria of paragraph 4 of GASB Statement No. 75.

The total OPEB liability is based on the School District offering retirees postemployment healthcare insurance governed by RSA 100-A:50. The retirees pay 100% of the premium cost to participate and are included in the same pool as the active members. The inclusion of the retirees in the same pool effects the insurance rates of the active employees as the rates for the retirees are assumed to be higher due to the age consideration, thereby creating an implicit rate subsidy.

**Funding Policy** – The School District's funding policy for the implicit rate subsidy is a pay-as-you-go basis.

**Benefits Provided** – The School District provides postemployment healthcare benefits for certain eligible retirees. The School District provides medical benefits to its eligible retirees. The benefits are provided through the Vermont Education Health Initiative.

**Employees Covered by Benefit Terms** – At July 1, 2020 the following employees were covered by the benefit terms:

|  |            |
|--|------------|
| Inactive employees or beneficiaries currently receiving benefit payments | 5          |
| Active employees   | 278        |
| Total participants covered by OPEB plan (SAU No. 70 wide)                | <u>283</u> |

**Total OPEB Liability** – The School District's total OPEB liability of \$180,104 was measured as of June 30, 2021 and was determined by an actuarial valuation as of July 1, 2020. The School District contract with an outside actuary to complete the actuarial valuation and schedule of changes in the total OEPB liability. Detailed information can be found in the separately issued report through request of the School District business office.

**NORWICH SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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**Actuarial Assumptions and Other Inputs** – The total OPEB liability of \$180,104 in the July 1, 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:                 | 2.19% |
| Healthcare Cost Trend Rates:   |       |
| Current Year Trend             | 7.50% |
| Second Year Trend              | 7.00% |
| 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 *Bond Buyer 20-Bond General Obligation Index* based on the 20-year AA municipal bond rate as of June 30, 2021.

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,   |            |
|--|------------|------------|
|  | 2020       | 2021       |
| Total OPEB liability beginning of year                                   | \$ 137,337 | \$ 154,846 |
| Changes for the year:  |            |            |
| Service cost   | 8,332      | 10,117     |
| Interest   | 5,340      | 4,593      |
| Changes in benefit terms   | (2,136)    | -          |
| Assumption changes and difference between actual and expected experience | 10,539     | 13,791     |
| Benefit payments   | (4,566)    | (3,243)    |
| Total OPEB liability end of year   | \$ 154,846 | \$ 180,104 |

**Sensitivity of the School District's OPEB Liability to Changes in the Discount Rate** – The July 1, 2020 actuarial valuation was prepared using a discount rate of 2.19%. If the discount rate were 1% higher than what was used the OPEB liability would decrease to \$168,237 or by (6.59%). If the discount rate were 1% lower than what was used the OPEB liability would increase to \$192,509 or by 6.89%.

|                      | Discount Rate |                |             |
|----------------------|---------------|----------------|-------------|
|                      | 1% Decrease   | Baseline 2.19% | 1% Increase |
| Total OPEB Liability | \$ 192,509    | \$ 180,104     | \$ 168,237  |

**Sensitivity of the School District's OPEB Liability to Changes in the Healthcare Cost Trend Rates** – The July 1, 2020 actuarial valuation was prepared using an initial trend rate of 7.50%. If the trend rate were 1% higher than what was used the OPEB liability would increase to \$197,350 or by 9.58%. If the trend rate were 1% lower than what was used the OPEB liability would decrease to \$164,944 or by (8.42%).

|                      | Healthcare Cost Trend Rates |                |             |
|----------------------|-----------------------------|----------------|-------------|
|                      | 1% Decrease                 | Baseline 7.50% | 1% Increase |
| Total OPEB Liability | \$ 164,944                  | \$ 180,104     | \$ 197,350  |



**NORWICH SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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**JUNE 30, 2021**

**OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB** – For the year ended June 30, 2021, the School District recognized OPEB expense of \$19,224. At June 30, 2021, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

|  | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|--|--------------------------------------|-------------------------------------|
| Changes in assumptions                             | \$ 17,369                            | \$ 653                              |
| Differences between expected and actual experience | 155                                  | 17,904                              |
| Total  | <u>\$ 17,524</u>                     | <u>\$ 18,557</u>                    |

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<br>June 30, |                          |
|--------------------------------|--------------------------|
| 2022                           | \$ (918)                 |
| 2023                           | (918)                    |
| 2024                           | (918)                    |
| 2025                           | (918)                    |
| 2026                           | 1,307                    |
| Thereafter                     | 1,332                    |
| Totals                         | <u><u>\$ (1,033)</u></u> |

**NOTE 12 - ENCUMBRANCES**

Encumbrances outstanding in the general fund at June 30, 2021 are as follows:

Current:

Instruction:

|                   |               |
|-------------------|---------------|
| Regular programs  | \$ 1,867      |
| Special programs  | 45,900        |
| Total instruction | <u>47,767</u> |

Support services:

|                                    |               |
|------------------------------------|---------------|
| General administration             | 2,988         |
| School administration              | 12,095        |
| Operation and maintenance of plant | 16,415        |
| Total support services             | <u>31,498</u> |

|   |                          |
|---|--------------------------|
| Facilities acquisition and construction | <u>74,589</u>            |
| Total encumbrances                      | <u><u>\$ 153,854</u></u> |

**NOTE 13 – GOVERNMENTAL ACTIVITIES NET POSITION**

Net position reported on the government-wide Statement of Net Position at June 30, 2021 include the following:

Net investment in capital assets:

|                                      |             |
|--------------------------------------|-------------|
| Net book value of all capital assets | \$1,819,386 |
|--------------------------------------|-------------|

Less:

|              |          |
|--------------|----------|
| Note payable | (90,000) |
|--------------|----------|

|  |           |
|--|-----------|
| Total net investment in capital assets | 1,729,386 |
|--|-----------|

|              |           |
|--------------|-----------|
| Unrestricted | 1,206,443 |
|--------------|-----------|

|                    |                           |
|--------------------|---------------------------|
| Total net position | <u><u>\$2,935,829</u></u> |
|--------------------|---------------------------|

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**  
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**NOTE 14 – GOVERNMENTAL FUND BALANCES**

Governmental fund balances at June 30, 2021 consist of the following:

|                                  | General<br>Fund | Nonmajor<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|----------------------------------|-----------------|-----------------------------------|--------------------------------|
| <b>Nonspendable:</b>             |                 |                                   |                                |
| Prepays                          | \$ 9,319        | \$ -                              | \$ 9,319                       |
| <b>Restricted:</b>               |                 |                                   |                                |
| Medicaid                         | -               | 78,177                            | 78,177                         |
| <b>Committed:</b>                |                 |                                   |                                |
| Expendable trust                 | 792,938         | -                                 | 792,938                        |
| Special gifts                    | -               | 45,296                            | 45,296                         |
| Total committed fund balance     | 792,938         | 45,296                            | 838,234                        |
| <b>Assigned:</b>                 |                 |                                   |                                |
| Encumbrances                     | 153,854         | -                                 | 153,854                        |
| <b>Unassigned (deficit)</b>      | 563,644         | (19,390)                          | 544,254                        |
| Total governmental fund balances | \$ 1,519,755    | \$ 104,083                        | \$ 1,623,838                   |

**NOTE 15 – CAFETERIA BENEFIT PLAN**

Effective July 2011, the School District implemented a cafeteria benefit plan pursuant to Section 125 of the IRS code. Under this plan, eligible employees may direct a contribution, made by the School District, into any combination of the following benefit categories:

1. Medical Insurance Premium Account;
2. Out of Pocket Medical Spending Account; or
3. Dependent Care Spending Account.

In addition to directing the School District's contribution to the above categories, eligible employees may elect to contribute pre-tax dollars to these categories. Under no circumstances may an employee direct more than \$5,000 annually into the Dependent Care Spending Account, and \$2,750 into the Medical Spending Account. This cap applies to both School District contributions and employee pre-tax contributions.

All regular full-time and part-time employees employed on a regular and continuous basis, including certain contractual employees, are eligible to participate in this plan. Temporary and casual employees are not eligible. The plan year adopted by the School District begins on July 1 and ends on June 30. To obtain reimbursement of expenses incurred within a plan year within the spending accounts (items 2 and 3 above), employees must submit claims within ninety days of the end of the plan year or separation of service from the School District, whichever occurs first. Funds unclaimed after ninety days of the close of the plan year are then remitted to the School District.

**NOTE 16 – 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 17 – COVID-19**

As a result of the spread of COVID-19, Coronavirus, economic uncertainties continue. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

**NORWICH SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2021**

On March 27, 2020, the United States Federal Government established the Coronavirus Aid, Relief and Economic Security (CARES Act) in response to the economic downfall caused by the COVID-19 pandemic. This Act provided funding through the Coronavirus Relief Fund (CRF) as well as the Education Stabilization Fund (ESF). On December 27, 2020, the Coronavirus Response and Relief Supplemental Appropriations Act, 2021 (CRRSAA) was signed into law, which provided additional funding for the ESF programs.

The CRF requires that the payment from these funds be used to cover expenses that: are necessary expenditures incurred due to the public health emergency with respect to COVID-19; were not accounted for in the most recently approved budget as of March 27, 2020; and were incurred during the period that begins March 1, 2020 and ends on December 31, 2021. The School District was awarded a portion of this Federal funding in the fall of 2020, through the Coronavirus Relief Fund LEA grant and the Indoor Air Quality Grant, totaling \$110,104 and \$366,600, respectively.

The ESSR provided funds to the School District through the Elementary and Secondary School Emergency Relief Fund (ESSER). The objective of ESSER is to provide local education agencies with emergency relief funds to address the impact that COVID-19 has had, and continues to have, on elementary and secondary schools across the nation. This funding was awarded to the School District under the ESSER I and II grants, with the School District expending \$13,425 of this funding in the fiscal year 2021 and must be used for activities to prevent, prepare, and respond to the coronavirus.

The full extent of the financial impact cannot be determined as of the date of the financial statements.

**NOTE 18 – 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 1, 2022, the date the June 30, 2021 financial statements were available to be issued, and noted no events occurred that require recognition or disclosure.

***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, 2021*  
*Unaudited*

| Fiscal year-end  | June 30, 2014 | June 30, 2015 | June 30, 2016 | June 30, 2017 | June 30, 2018 | June 30, 2019 | June 30, 2020 | June 30, 2021 |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Measurement date   | June 30, 2013 | June 30, 2014 | June 30, 2015 | June 30, 2016 | June 30, 2017 | June 30, 2018 | June 30, 2019 | June 30, 2020 |
| School District's:   |               |               |               |               |               |               |               |               |
| Proportion of the net pension liability  | 0.1481%       | 0.1481%       | 0.1242%       | 0.1181%       | 0.1310%       | 0.1372%       | 0.1515%       | 0.1271%       |
| Proportionate share of the net pension liability   | \$ 53,933     | \$ 13,514     | \$ 95,766     | \$ 151,943    | \$ 157,645    | \$ 193,040    | \$ 262,919    | \$ 321,647    |
| Covered payroll (as of the measurement date)   | \$ 444,545    | \$ 477,514    | \$ 434,100    | \$ 448,600    | \$ 531,225    | \$ 600,900    | \$ 727,925    | \$ 658,800    |
| Proportionate share of the net pension liability<br>as a percentage of its covered payroll | 12.13%        | 2.83%         | 22.06%        | 33.87%        | 29.68%        | 32.13%        | 36.12%        | 48.82%        |
| Plan fiduciary net position as a percentage of the<br>total pension liability              | 92.71%        | 98.32%        | 87.42%        | 80.95%        | 83.64%        | 82.60%        | 80.35%        | 74.52%        |

**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, 2021**  
**Unaudited**

|   |               |               |               |               |               |               |               |               |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Fiscal year-end   | June 30, 2014 | June 30, 2015 | June 30, 2016 | June 30, 2017 | June 30, 2018 | June 30, 2019 | June 30, 2020 | June 30, 2021 |
| Measurement date  | June 30, 2013 | June 30, 2014 | June 30, 2015 | June 30, 2016 | June 30, 2017 | June 30, 2018 | June 30, 2019 | June 30, 2020 |
| Contractually required contribution                                   | \$ 17,782     | \$ 19,101     | \$ 17,364     | \$ 17,944     | \$ 21,249     | \$ 24,036     | \$ 29,117     | \$ 26,352     |
| Contributions in relation to the contractually required contributions | 17,782        | 19,101        | 17,364        | 17,944        | 21,249        | 24,036        | 29,117        | 26,352        |
| Contribution deficiency (excess)                                      | \$ -          | \$ -          | \$ -          | \$ -          | \$ -          | \$ -          | \$ -          | \$ -          |
| School District's covered payroll (as of the fiscal year)             | \$ 444,545    | \$ 477,514    | \$ 434,100    | \$ 448,600    | \$ 531,225    | \$ 600,900    | \$ 727,925    | \$ 658,800    |
| Contributions as a percentage of covered payroll                      | 4.00%         | 4.00%         | 4.00%         | 4.00%         | 4.00%         | 4.00%         | 4.00%         | 4.00%         |

**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, 2021*  
**Unaudited**

| Fiscal year-end  | June 30, 2014 | June 30, 2015 | June 30, 2016 | June 30, 2017 | June 30, 2018 | June 30, 2019 | June 30, 2020 | June 30, 2021 |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Measurement date   | June 30, 2013 | June 30, 2014 | June 30, 2015 | June 30, 2016 | June 30, 2017 | June 30, 2018 | June 30, 2019 | June 30, 2020 |
| School District's:   |               |               |               |               |               |               |               |               |
| Proportion of the net pension liability  | 0.3743%       | 0.3527%       | 0.3966%       | 0.3726%       | 0.3739%       | 0.3787%       | 0.3649%       | 0.3677%       |
| 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  | \$ 7,174,506  |
| Covered payroll (as of the measurement date)   | \$ 2,109,652  | \$ 1,999,116  | \$ 2,211,790  | \$ 2,413,439  | \$ 2,470,483  | \$ 2,560,140  | \$ 2,507,130  | \$ 2,624,665  |
| 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%       | 273.35%       |
| 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%        | 50.00%        |

**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, 2021*

| Fiscal year-end   | June 30, 2014 | June 30, 2015 | June 30, 2016 | June 30, 2017 | June 30, 2018 | June 30, 2019 | June 30, 2020 | June 30, 2021 |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Measurement date  | June 30, 2013 | June 30, 2014 | June 30, 2015 | June 30, 2016 | June 30, 2017 | June 30, 2018 | June 30, 2019 | June 30, 2020 |
| Contractually required contribution                                   | \$ 178,477    | \$ 181,410    | \$ 289,146    | \$ 272,808    | \$ 294,092    | \$ 417,908    | \$ 415,032    | \$ 442,150    |
| Contributions in relation to the contractually required contributions | 178,477       | 181,410       | 289,146       | 272,808       | 294,092       | 417,908       | 415,032       | 442,150       |
| 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  | \$ 2,624,665  |
| Contributions as a percentage of covered payroll                      | 8.46%         | 9.07%         | 13.07%        | 11.30%        | 11.90%        | 16.32%        | 16.55%        | 16.85%        |



**NORWICH SCHOOL DISTRICT**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION –**  
**PENSION LIABILITY**  
**FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2021**

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

As required by GASB Statement No. 68, and as amended by GASB Statement No. 71, Exhibits E and F represent the actuarial determined costs associated with the School District's pension plan at June 30, 2021. 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 changes to the assumptions in the current actuarial valuation report for VMERS. Below are some of the key changes:

- The investment return was lowered from 7.50% to 7.00%
- The inflation rate was lowered from 2.50% to 2.30%
- Mortality tables were updated with generational projection using scale MP-2019

A full listing of assumption changes can be found at <http://www.vermonttreasurer.gov/content/retirement/vmers/financial-reports>.

**VMERS: Methods and Assumptions**

|                               |  |
|-------------------------------|--|
| Actuarial Cost Method         | Projected benefit cost   |
| Amortization Method           | Level Percentage-of-Payroll, Closed  |
| Remaining Amortization Period | 19 years as of July 1, 2019  |
| Asset Valuation Method        | 5-year smooth market for funding purposes  |
| Price Inflation               | 2.30% per year   |
| Salary Increases              | Varying service-based rates from 0-10 years of service, then a single rate of 4.50% for all subsequent years   |
| Municipal Bond Rate           | 2.21% per year   |
| Investment Rate of Return     | 7.00% 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 2020 valuation pursuant to an experience study of the period 2014-2019. |
| Mortality                     | PubT-2010 and PubNS-2010 generational mortality table for males and females, adjusted for mortality improvements using Scale MP-2019, based in the last experience study.            |

**NORWICH SCHOOL DISTRICT**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION –**  
**PENSION LIABILITY**  
**FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2021**

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

As required by GASB Statement No. 68, and as amended by GASB Statement No. 71, Exhibits G and H represent the actuarial determined costs associated with the School District's pension plan at June 30, 2021. 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 changes to the assumptions in the current actuarial valuation report for VSTRS. Below are some of the key changes:

- The discount rate was decreased from 3.50% to 2.21%
- The assumed health trend rates were modified
- The assumed salary scale, mortality rates, disability rates, withdrawal rates, and retirement rates were modified.

A full listing of assumption changes can be found at <http://www.vermonttreasurer.gov/content/retirement/teacher/financial-reports>.

**VSTRS: Methods and Assumptions**

|                               |  |
|-------------------------------|--|
| Actuarial Cost Method         | Projected Unit Credit  |
| Amortization Method           | 30 years, closed, level percent of payroll   |
| Remaining Amortization Period | 28 years as of July 1, 2020  |
| Asset Valuation Method        | The market value of assets as of the measurement date  |
| Price Inflation               | 2.00% per year   |
| Wage Inflation                | 3.00% per year   |
| Salary Increases              | Varies by age  |
| Municipal Bond Rate           | 2.21% 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 2020 valuation pursuant to an experience study of the period 2014-2019. |
| Mortality                     | PubT-2010 and PubNS-2010 generational mortality table for males and females, adjusted for mortality improvements using Scale MP-2019, based on 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, 2021*  
**Unaudited**

|   | June 30,    |             |             |              |
|---|-------------|-------------|-------------|--------------|
|   | 2018        | 2019        | 2020        | 2021         |
| School District's proportion of the net OPEB liability  | 0.311411%   | 0.31489%    | 0.30094%    | 0.29654%     |
| State of Vermont's proportionate share of the net OPEB liability (asset)  | \$2,903,200 | \$3,004,951 | \$3,132,073 | \$ 3,734,590 |
| School District's covered payroll   | \$1,826,080 | \$1,912,499 | \$1,844,458 | \$ 1,853,103 |
| 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%     | 201.53%      |
| Plan fiduciary net position as a percentage of the total OPEB liability   | (2.94)%     | (2.85)%     | 0.03%       | 0.69%        |

**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, 2021*  
*Unaudited*

|  | June 30,    |             |             |             |
|--|-------------|-------------|-------------|-------------|
|  | 2018        | 2019        | 2020        | 2021        |
| 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 | \$1,853,103 |
| Contributions as a percentage of covered payroll                     | 0.00%       | 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, 2021*  
**Unaudited**

|  | June 30,          |                   |                   |                   |
|--|-------------------|-------------------|-------------------|-------------------|
|  | 2018              | 2019              | 2020              | 2021              |
| OPEB liability, beginning of year  | \$ 128,217        | \$ 121,979        | \$ 137,337        | \$ 154,846        |
| Changes for the year:  |                   |                   |                   |                   |
| Service cost   | 7,231             | 7,733             | 8,332             | 10,117            |
| Interest   | 4,768             | 5,685             | 5,340             | 4,593             |
| Changes to benefit terms   | -                 | -                 | (2,136)           | -                 |
| Assumption changes and difference between actual and expected experience | (13,684)          | 5,352             | 10,539            | 13,791            |
| Benefit payments   | (4,553)           | (3,412)           | (4,566)           | (3,243)           |
| OPEB liability, end of year  | <u>\$ 121,979</u> | <u>\$ 137,337</u> | <u>\$ 154,846</u> | <u>\$ 180,104</u> |
| Covered payroll  | <u>\$ 410,422</u> | <u>\$ 489,338</u> | <u>\$ 529,873</u> | <u>\$ 576,681</u> |
| Total OPEB liability as a percentage of covered payroll                  | 29.72%            | 28.07%            | 29.22%            | 31.23%            |

**NORWICH SCHOOL DISTRICT**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION –**  
**OTHER POSTEMPLOYMENT BENEFITS LIABILITY**  
**FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2021**

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

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, 2021. 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 changes to the assumptions in the current actuarial valuation report for VSTRS. Below are some of the key changes:

- The discount rate was decreased from 3.50% to 2.21%
- The assumed health trend rates were modified
- The assumed salary scale, mortality rates, disability rates, withdrawal rates, and retirement rates were modified.

A full listing of assumption changes can be found at <http://www.vermonttreasurer.gov/content/retirement/teacher/financial-reports>.

**VSTRS: Methods and Assumptions**

|                               |  |
|-------------------------------|--|
| Actuarial Cost Method         | Projected Unit Credit  |
| Amortization Method           | 30 years, closed, level percent of payroll   |
| Remaining Amortization Period | 28 years as of July 1, 2020  |
| Asset Valuation Method        | The market value of assets as of the measurement date  |
| Price Inflation               | 2.00% per year   |
| Wage Inflation                | 3.00% per year   |
| Salary Increases              | Varies by age  |
| Municipal Bond Rate           | 2.21% 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 2020 valuation pursuant to an experience study of the period 2014-2019. |
| Mortality                     | PubT-2010 and PubNS-2010 generational mortality table for males and females, adjusted for mortality improvements using Scale MP-2019, based on 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, 2021. 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, 2021*

|  | Estimated     | Actual        | Variance<br>Positive<br>(Negative) |
|--|---------------|---------------|------------------------------------|
| Local sources:   |               |               |                                    |
| Tuition  | \$ 15,796     | \$ 36,132     | \$ 20,336                          |
| Investment earnings  | 25,000        | 8,136         | (16,864)                           |
| Miscellaneous  | 750           | 43,105        | 42,355                             |
| Total from other local sources                                   | 41,546        | 87,373        | 45,827                             |
| State sources:   |               |               |                                    |
| Educational spending fund  | 11,329,125    | 11,329,125    | -                                  |
| Transportation   | 121,498       | 114,360       | (7,138)                            |
| Block grant  | 264,721       | 264,721       | -                                  |
| Vocational aid   | 33,049        | 33,049        | -                                  |
| Essential early education  | 47,265        | 45,396        | (1,869)                            |
| Extraordinary reimbursement                                      | 29,029        | 7,968         | (21,061)                           |
| Special education reimbursement                                  | 472,471       | 547,870       | 75,399                             |
| State placed student - special reimbursement                     | 31,589        | 32,863        | 1,274                              |
| Total from state sources   | 12,328,747    | 12,375,352    | 46,605                             |
| Other financing sources:   |               |               |                                    |
| Transfers in   | 330,452       | 330,452       | -                                  |
| Total revenues and other financing sources                       | 12,700,745    | \$ 12,793,177 | \$ 92,432                          |
| Use of fund balance to reduce school district assessment         | 274,835       |               |                                    |
| Total revenues, other financing sources, and use of fund balance | \$ 12,975,580 |               |                                    |



**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, 2021*

|   | Encumbered<br>from Prior<br>Year | Appropriations | Expenditures  | Encumbered<br>to Subsequent<br>Year | Variance<br>Positive<br>(Negative) |
|---|----------------------------------|----------------|---------------|-------------------------------------|------------------------------------|
| Current:  |                                  |                |               |                                     |                                    |
| Instruction:  |                                  |                |               |                                     |                                    |
| Regular programs  | \$ -                             | \$ 2,846,298   | \$ 2,859,170  | \$ 1,867                            | \$ (14,739)                        |
| Special programs  | -                                | 1,258,949      | 1,017,204     | 45,900                              | 195,845                            |
| Total instruction   | -                                | 4,105,247      | 3,876,374     | 47,767                              | 181,106                            |
| Support services:   |                                  |                |               |                                     |                                    |
| Student   | -                                | 226,074        | 224,516       | -                                   | 1,558                              |
| Instructional staff   | -                                | 188,985        | 140,957       | -                                   | 48,028                             |
| General administration  | 2,420                            | 32,082         | 47,735        | 2,988                               | (16,221)                           |
| Executive administration  | -                                | 288,729        | 288,729       | -                                   | -                                  |
| School administration   | 25,223                           | 484,546        | 500,724       | 12,095                              | (3,050)                            |
| Operation and maintenance of plant  | 1,739                            | 409,798        | 370,262       | 16,415                              | 24,860                             |
| Student transportation  | 756                              | 313,987        | 272,937       | -                                   | 41,806                             |
| Total support services  | 30,138                           | 1,944,201      | 1,845,860     | 31,498                              | 96,981                             |
| Debt service:   |                                  |                |               |                                     |                                    |
| Principal of long-term debt   | -                                | 45,000         | 45,000        | -                                   | -                                  |
| Interest on long-term debt  | -                                | 2,660          | 2,603         | -                                   | 57                                 |
| Total debt service  | -                                | 47,660         | 47,603        | -                                   | 57                                 |
| Facilities acquisition and construction                                       | 12,020                           | 106,200        | 45,029        | 74,589                              | (1,398)                            |
| Other financing uses:   |                                  |                |               |                                     |                                    |
| Transfers out   | -                                | 15,000         | 5,992         | -                                   | 9,008                              |
| Intergovernmental transfers out   | -                                | 6,757,272      | 6,757,272     | -                                   | -                                  |
| Total other financing uses  | -                                | 6,772,272      | 6,763,264     | -                                   | 9,008                              |
| Total appropriations, expenditures,<br>other financing uses, and encumbrances | \$ 42,158                        | \$ 12,975,580  | \$ 12,578,130 | \$ 153,854                          | \$ 285,754                         |

**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, 2021***

|   |                |                          |
|---|----------------|--------------------------|
| Unassigned fund balance, beginning                                |                | \$ 469,612               |
| Changes:  |                |                          |
| Unassigned fund balance used to reduce school district assessment |                | (274,835)                |
| 2020-2021 Budget summary:   |                |                          |
| Revenue surplus (Schedule 1)                                      | \$ 92,432      |                          |
| Unexpended balance of appropriations (Schedule 2)                 | <u>285,754</u> |                          |
| 2020-2021 Budget surplus  |                | 378,186                  |
| Increase in nonspendable fund balance                             |                | <u>(9,319)</u>           |
| Unassigned fund balance, ending                                   |                | <u><u>\$ 563,644</u></u> |

**SCHEDULE 4**  
**NORWICH SCHOOL DISTRICT**  
**Nonmajor Governmental Funds**  
**Combining Balance Sheet**  
**June 30, 2021**

|  | Special Revenue Funds |                  |                  | Capital Project Funds |                 |                   |
|--|-----------------------|------------------|------------------|-----------------------|-----------------|-------------------|
|  | Food<br>Service       | Special<br>Gifts | Medicaid         | Cable Drop<br>Project | HVAC<br>Project | Total             |
| <b>ASSETS</b>  |                       |                  |                  |                       |                 |                   |
| Cash and cash equivalents  | \$ -                  | \$ 66,369        | \$ 75,718        | \$ -                  | \$ -            | \$ 142,087        |
| Intergovernmental receivable   | 20,077                | -                | 2,459            | -                     | -               | 22,536            |
| Total assets   | <u>\$ 20,077</u>      | <u>\$ 66,369</u> | <u>\$ 78,177</u> | <u>\$ -</u>           | <u>\$ -</u>     | <u>\$ 164,623</u> |
| <b>LIABILITIES</b>   |                       |                  |                  |                       |                 |                   |
| Accounts payable   | \$ 7,984              | \$ 21,073        | \$ -             | \$ -                  | \$ -            | 29,057            |
| Interfund payable  | 11,669                | -                | -                | 19,390                | -               | 31,059            |
| Total liabilities  | <u>19,653</u>         | <u>21,073</u>    | <u>-</u>         | <u>19,390</u>         | <u>-</u>        | <u>60,116</u>     |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                                   |                       |                  |                  |                       |                 |                   |
| Unavailable revenue - student balances                                 | 424                   | -                | -                | -                     | -               | 424               |
| <b>FUND BALANCES (DEFICIT)</b>   |                       |                  |                  |                       |                 |                   |
| Restricted   | -                     | -                | 78,177           | -                     | -               | 78,177            |
| Committed  | -                     | 45,296           | -                | -                     | -               | 45,296            |
| Unassigned (deficit)   | -                     | -                | -                | (19,390)              | -               | (19,390)          |
| Total fund balances (deficit)  | <u>-</u>              | <u>45,296</u>    | <u>78,177</u>    | <u>(19,390)</u>       | <u>-</u>        | <u>104,083</u>    |
| Total liabilities, deferred inflows<br>of resources, and fund balances | <u>\$ 20,077</u>      | <u>\$ 66,369</u> | <u>\$ 78,177</u> | <u>\$ -</u>           | <u>\$ -</u>     | <u>\$ 164,623</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, 2021**

|   | Special Revenue Funds |               |           | Capital Project Funds |              | Total      |
|---|-----------------------|---------------|-----------|-----------------------|--------------|------------|
|   | Food Service          | Special Gifts | Medicaid  | Cable Drop Project    | HVAC Project |            |
| <b>REVENUES</b>   |                       |               |           |                       |              |            |
| Other local   | \$ 8,268              | \$ 11,340     | \$ -      | \$ -                  | \$ -         | \$ 19,608  |
| Federal   | 66,679                | -             | 17,453    | -                     | 366,600      | 450,732    |
| Total revenues  | 74,947                | 11,340        | 17,453    | -                     | 366,600      | 470,340    |
| <b>EXPENDITURES</b>                                       |                       |               |           |                       |              |            |
| Current:  |                       |               |           |                       |              |            |
| Instruction   | -                     | 16,880        | -         | -                     | -            | 16,880     |
| Noninstructional services                                 | 80,939                | -             | -         | -                     | -            | 80,939     |
| Facilities acquisition and construction                   | -                     | -             | -         | 19,390                | 366,600      | 385,990    |
| Total expenditures  | 80,939                | 16,880        | -         | 19,390                | 366,600      | 483,809    |
| Excess (deficiency) of revenues over (under) expenditures | (5,992)               | (5,540)       | 17,453    | (19,390)              | -            | (13,469)   |
| <b>OTHER FINANCING SOURCES</b>                            |                       |               |           |                       |              |            |
| Transfers in  | 5,992                 | -             | -         | -                     | -            | 5,992      |
| Net change in fund balances                               | -                     | (5,540)       | 17,453    | (19,390)              | -            | (7,477)    |
| Fund balances, beginning                                  | -                     | 50,836        | 60,724    | -                     | -            | 111,560    |
| Fund balances (deficit), ending                           | \$ -                  | \$ 45,296     | \$ 78,177 | \$ (19,390)           | \$ -         | \$ 104,083 |